

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.04 P.M. ON TUESDAY, 23 JANUARY 2018

**MP702, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON E14 2BG.**

Members Present:

Councillor Candida Ronald (Chair)
Councillor Danny Hassell
Councillor Ohid Ahmed
Councillor Andrew Wood
Councillor Shafi Ahmed – Deputising for Cllr Khan

Apologies:

Councillor Ayas Miah
Councillor Rabina Khan

Officers Present:

Zena Cooke	Corporate Director, Resources
Paul Greeno	Senior Corporate and Governance Lawyer, Legal Services
Minesh Jani	Head of Audit and Risk Management, Resources
Neville Murton	Divisional Director, Finance, Procurement & Audit
Robin Payne	Interim Divisional Director, Public Realm
Judith St John	Divisional Director, Sports, Leisure and Culture
Heather Daley	Divisional Director, HR & Transformation
Janet Fasan	Divisional Director, Legal
Vicky Clark	Divisional Director for Economic Growth and Development
Tony Qayum	Anti-Fraud Manager, Risk Management , Resources
Anthony Sotande-Peters	Interim Strategic Risk Advisor, Risk Management and Audit
Matthew Twohig	Green Team Coordinator
Hillary Kelly	Head of Repairs, Tower Hamlets Homes
Farhana Zia	Committee Services Officer

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of discloseable pecuniary interest were disclosed by the Members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the 16th November 2017 were agreed to be an accurate record of the meeting and were signed off by the Committee.

The Chair, in reference to page 12 stated the Members will report back on their views in relation to the Kent County Council presentation on risk at the March meeting of the Committee.

3. KPMG ITEMS FOR CONSIDERATION

Neville Murton, Divisional Director for Finance, Procurement and Audit presented this report on behalf of KPMG.

He stated the Annual Report on “Grants and Returns 2016/17” summarised the work KPMG had done on the Council’s grant claims and returns.

This included work they had completed under the Public Sector Audit Appointment certificate arrangements as well as work completed on other grants/returns under separate engagement terms. The work completed in 2016/17 was in relation to:

- The Council’s 2016/17 Housing Benefit Subsidy claim which had a value of £268 million
- The Teachers’ Pensions Return (total contributions of £28.3 million) and
- The Pooling of Housing Capital Receipts return (a value of £41.9 million)

Neville Murton referred Members to page 22 of the agenda and stated the Teacher’s Pension fund return was in regard to the rounding of figures and there was a minor discrepancy of £11,000 - Small in the grand scheme of things. The Teachers’ Pension Fund had been written to and the Auditors have agreed no further action is required.

Members of the Committee asked the following questions:

- Could you confirm that the Teachers’ Pension fund was only to do with the rounding up of figures?

Members of the Audit Committee **NOTED** the report.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Risk Presentation on Children's Services

The Chair, Councillor Ronald informed Members that due to a scheduling issue, the Children’s Directorate would be presenting their presentation on risk at the next meeting of the Committee.

Cllr Ohid Ahmed expressed concern and said it was important to receive a report from the Directorate.

The Chair, clarified the presentation would be in relation to 'risk' and would be a deep dive looking at this area and was not specifically in relation to the OfSted report.

4.2 Quarterly Internal Audit Assurance report

Minesh Jani, Service Head for Risk Management presented the Quarterly Internal Management report covering the period of September 2017 to December 2017.

The report set out the assurance rating for each audit finalised in the period and gave an overall assurance rating. He made reference to page 28 and the table which showed the total number of audits conducted and the assurance level they had achieved. He also referred Members to the table on page 29, 6.1 which showed how the internal audit service was performing against KPI indicators and the targets achieved.

88% of Priority 1 Audit recommendations had been implemented and 87% of Priority 2 recommendations had also been implemented.

Members of the Committee heard further from the Officer in the following services:

Management and Control of Corporate Purchase Cards

Neville Murton, Divisional Director for Finance, Procurement and Audit informed Committee Members a considerable amount of work had been done to decrease the use of Purchase Cards.

The complete process of how Purchase Cards are issued and to whom plus guidance on their usage had all been reviewed and processes had been tightened and cross matched with the Council's accounting system Agresso.

This had made the whole process more robust and all existing and new Purchase Card Holders were required to sign new conditions for use. Whilst the Council was moving away from using Purchase Cards, there are areas of the Council where usage of the Purchase Cards allows them extra flexibility to purchase goods and services.

Members made the following comments:

- Is there a limit on the number of card holders in each team and in the organisation as a whole?
- Have staff been made aware of reclaiming VAT on purchases.
- Members were pleased to see a reduction in the usage of Purchase Cards and the amount expended and **NOTED** there would be a follow up Audit in six months.

Monitoring and Delivery of Economic Benefits

Vicky Clark, Divisional Director for Growth and Economic Development stated she welcomed the internal audit report and the recommendations made therein. She said in relation to recommendation 1 and 5, the policy, procedures and processes had been reviewed and the Council was looking to ensure Social Value principles were embedded into contracts.

With regard to recommendation 2, this was an ongoing exercise. High value contracts had been scrutinised however the challenge now was to examine the low end contracts. Recommendation 3 and 4 required further work and engagement with Contract Managers.

Members made the following comments:

- Are you confident you can move forward from the current position once the social value toolkit has been embedded into processes and procedures?
- With regard to Economic Growth and Benefit, who has ownership of this area? Which Directorate is responsible?
- It would be useful for future Committee meetings if information on how much each programme is delivering in terms of social value can be provided.
- How is the work of the Economic Growth and Development team communicated to others?

Establishment Control – Follow up Audit

Heather Daley, Divisional Director for Human Resources provided an update on the progress made in relation to the risks identified by Internal Audit. She said one of the key issues the service faced was that there was not a single point of access to data held by Human Resources. They worked with several systems and it was a struggle to keep them all up to date.

With regard to the recommendation 1, HR had reminded managers to update the establishment lists. A reminder is sent to managers, and HR checks if they are compliant.

Second, the data received needs to be reconciled with Agresso but more work is required. The IT directory also needs to be reconciled with HR data if the organisation wants to move forward. The systems used are imperfect however it is essential that any new system procured does not replicate the problems that the service is currently facing.

Members made the following comments:

- How long do you think you will need to get to a position where data held and systems are working in tandem?
- You have said ResourceLink is an imperfect system. Is there a timeframe as to when data will be migrated from this system to a new one?

Community Language Service – Follow up

Judith St John, Divisional Director for Sports, Leisure and Culture stated the Community Language Service had embarked on a long road of improvements and the key issues identified in the Internal Audit report had been addressed.

Registers had been introduced at each setting and tutors had been advised to keep accurate records of attendance. Curriculum planning and a new teacher's handbook had been produced. The recruitment of tutors and payment of salaries is reconciled with the register of attendance and timesheets.

Performance monitoring had been enhanced with the introduction of regular unannounced visits and where concerns had been identified, the system is marked with a red flag. Where possible, classes had been moved from inappropriate community settings to the IDEA stores and this had received positive feedback.

Members made the following comments:

- When was the early GCSE programme stopped?
- The recommendations were made in June 2016 and this was a follow up visit by Audit. Why has it taken so long to implement the recommendations?
- Minesh Jani stated 2 recommendations have not been implemented. What progress are you making with the 2 outstanding recommendations?
- Great to hear of the noticeable improvement in this service and the positive feedback received. It would be helpful to receive qualitative feedback in terms of Quality Assurance.

Control and Monitoring of Members' Gifts and Hospitalitys

Janet Fasan, Divisional Director for Legal stated guidance had been issued to Members in October 2017 on the receipt of Gifts and Hospitalitys. It defined the reporting requirements, timeframe and included examples of frequently asked questions. She informed Members the Standards Committee had approved the revised guidance and training on governance had also taken place.

Members made the following comments:

- If Members have nothing to declare, they should provide a nil return every three months.

Discussion took place as to if members should be completing more paperwork. It was **AGREED** it could be part of the DPI declaration completed by Members annually and this would be conveyed back to the Corporate Director of Governance.

Management of Housing Disrepairs

Hillary Kelly, Head of Repairs at Tower Hamlets Homes said she welcomed the internal Audit inspection and shared their concerns. She said the organisation had undergone a restructure and the lines of duties, role and responsibilities had been made clearer. Ms Kelly said the project team was putting together the business case for a new case management system and

the new process was being mapped out with the Council's legal team to ensure governance processes and procedures were to the required standards. She hoped to have the initial scoping policy by March 2018 and implementation by June 2018. Ms Kelly also indicated that a follow-up audit would be welcomed after implementation.

- Members had no questions for Ms Kelly other than the management comments on page 50 could have been more detailed.

Inspections of Playgrounds

Robin Payne, Interim Divisional Director for Public Realm stated that of the 5 recommendations made by internal audit, the service has worked hard to implement the changes expected. The procedure relating to weekly, quarterly and annual inspection of parks and playgrounds had been captured into a single document which makes clear the processes and procedures for the inspectors to follow. In addition the recording of inspection has been improved with better software devices and as resulted in the quicker repairs of broken equipment.

Members made the following comments:

- How is the service performing in relation to the delivery and fixing of equipment? Equipment in Millwall Park and Ropemakers Fields having missing equipment that has not been replaced.
- It is reassuring that you have an understanding of the risks and have tightened up processes in relation to the inspection of playground equipment.

Programme and Project Management

Neville Murton, Divisional Director of Finance, Procurement and Audit stated that the review of the Programme and Project Managements systems was initiated to identify any weaknesses in the system, in relation to the delivery of the Medium Term Financial Strategy (MTFS) projects. He said the recommendations made had assisted in completing a full diagnostic review of processes and as such they were moving forward with the Project Management and the delivery of projects.

- Members of the Committee had no questions in relation to this update.

Members of the Committee **NOTED** the contents of the report and took into account the assurance opinion assigned to the systems reviewed during this period.

4.3 Whistleblowing Update

Paul Greeno, Senior Corporate and Governance Lawyer introduced his report by stating that this was the first quarterly update to the Committee since it was agreed that Whistleblowing would be reported to the Audit Committee.

He referred Members to point 3.1 which detailed the number of cases dealt with since April 2016. 41 Whistleblowing concerns had been raised of which

30 had been investigated and closed. With regard to the 30 cases, 4 were upheld, 3 were closed as further information was required and 2 were referred to other agencies. 21 cases were not upheld.

Mr Greeno also referred Members to point 3.2 and the lessons learnt from cases investigated. In particular he drew attention to the use of card purchases and the review spoken about earlier in the meeting.

Members of the Committee asked the following questions:

- It is positive to see the level of whistleblowing reported. How do you keep individuals who have reported an incident updated with the progress of the investigation?
- What level of interaction takes place between Whistleblowing and the Corporate Anti-Fraud team?
- How is the success of whistleblowing outcomes reported back to staff?

The Audit Committee **NOTED** the whistleblowing update and the investigation monitoring information contained in Appendix 1 of the report.

4.4 Anti-Fraud Update

Tony Qayum, Corporate Anti-Fraud Manager presented his report outlining the work of his team and the investigations they had undertaken. In particular he referred Members to the table at 4.1 and stated the 'Fraud Proven' target of Social Housing would increase to 50 and the team who easily achieve this target. He referred to 5.1.4 of the report and said the team had met with Departmental Leadership Teams and had undertaken Anti-fraud roadshows to raise awareness and improve engagement with Directorates.

Members of the Committee had no questions for Mr Qayum.

The Audit Committee **NOTED** the contents of the report.

4.5 Quarterly Risk Management Update Q3 2017/18

Minesh Jani, Head of Risk Management presented his report on the Corporate Risk Register. He referred Members on the table on page 95 of the agenda which showed the number of corporate risks by Directorate for quarter 3, 2017/18.

In addition he referred Members to the table on page 96 which showed the associated risks in relation to corporate priorities.

He stated the Corporate Risk Register required a refresh and work was underway to consult with Directorate Leadership Teams to identify risks as well as raise awareness through Risk workshops with staff.

Members of the Committee asked the following questions:

- The Risks identified in appendix 1, page 99 are 6 months old. When will the Register be updated to show current risks?
- What is the timeframe to introduce the concept of Officers/Managers owning the Risk and updating the corporate register?

Zena Cooke, Corporate Director for Resources suggested that the committee may wish to keep Risk Management as a standing item on the agenda, as a discursive item while the Risk Register was updated.

Members of the Committee **AGREED** with this suggestion.

Members of the Committee **NOTED**

1. The corporate risks and recommended changes and updates as necessary;
2. Requested risk owner(s) requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its next meeting; and
3. Determined if risks on the corporate risk register are a significant threat to the achievement of corporate objectives or the performance of activities to satisfy core statutory objectives.

4.6 Treasury Management Strategy Statement For 2018-19

Neville Murton, Divisional Director for Finance, Procurement and Audit introduced the report stating the report detailed the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

He made reference to the Capital programme and said this would be updated before it goes to Full Council in February. Mr Murton stated the Council had not borrowed externally and was working with its Treasury Management Consultants – Arlingclose to ensure the Council's capital expenditure is realistic and achievable.

Mr Murton continued stating there would be a further report coming back to the Committee which outlined in detail the proposals for investment and the products it would invest in.

Members of the Committee made the following observation:

- That the heading on the table on page 129 did not correspond with the headings on the table page 144, and requested this be corrected.

The Audit Committee **NOTED** the recommendations listed on page 124 of the agenda to recommend Full Council to:

- i. Adopt the following policy and strategies:
 - a) The Minimum Revenue Provision Policy Statement set out in section 2 at Annex A attached to this report;

- b) The Treasury Management Strategy Statement set out in sections 5 & 6 at annex A attached to this report;
 - c) The Annual Investment Strategy set out in section 7 at annex A attached to the report, which officers involved in treasury management, must then follow;
- ii. Approve the prudential and treasury management indicators as set out in appendix 1 of annex A attached to this report.
 - iii. Delegate authority to Corporate Director, Resources
 - To amend prudential and treasury indicators, once capital expenditure forecast is firmed up.
 - Use alternative forms of investment, such as pooled funds should the appropriate opportunity arise to use them, and should it be prudent and of advantage to the Council to do so.

4.7 Draft Accounting Policies 2017-18 and 2018-19

Neville Murton, Divisional Director for Finance, Procurement and Audit presented this report which detailed the accounting policies which would be implemented during the financial year 2017-18 and reflected in the published Statement of Accounts for that period.

Mr Murton referred Members to Appendix A which included the draft accounting policies for 2017-18 and which summarised the main content of the policies and recent changes made to it. Mr Murton said the draft accounting policies had remained largely unchanged and the report was for Members to note.

The Audit Committee **NOTED** the recommendation to

1. Approve the accounting policies and comment upon the draft.

4.8 Updated Annual Internal Audit Plan 2017-18

Minesh Jani Head of Risk Management informed Members the Annual Internal Audit Plan for 2017-18 had been updated and asked members to note the changes.

The Audit Committee **NOTED** the changes to the Internal Audit Plan 2017-18.

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

No other urgent business was discussed.

The Chair reminded members that the next meeting of the Audit Committee was scheduled for Thursday, 29th March 2018 at 7:00 p.m.

The meeting ended at 8.56 p.m.

Chair, Councillor Candida Ronald
Audit Committee