

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT 7.45 P.M. ON TUESDAY, 6 JANUARY 2009**

**MEETING ROOM M71, SEVENTH FLOOR, TOWN HALL, MULBERRY PLACE, 5  
CLOVE CRESCENT, LONDON, E14 2BG**

**Members Present:**

Councillor Joshua Peck (Chair) (Lead Member, Resources and Performance)  
Councillor Helal Abbas  
Councillor Rupert Eckhardt

**Other Councillors Present:**

**Officers Present:**

Chris Naylor – (Corporate Director, Resources)  
Alan Finch – (Service Head Corporate Finance, Resources)  
Chris Stephenson – Interim Joint Assistant of Human Resources  
Aman Dalvi – (Corporate Director, Development and Renewal  
Bryan Jones – (Service Head, Environmental Control, Communities, Localities and Culture)  
Mike Clarkson – General Manager, Deloitte  
Minesh Jani – (Service Head Risk Management, Resources)  
Paul Evans – (Interim Corporate Director, Development & Renewal)  
Paul McDermott – (Service Head Revenue Services, Resources)  
Steve Vinall – Sector Manager, Deloitte  
Tony Qayum – (Head of Audit Services)  
Steve Lucas – (Audit Manager, Audit Commission)  
R Parsons – Service Head Procurement, Resources  
Sharon Martin – Audit Commission  
Kelly Rickard – Communications Officer, Chief Executive  
Zoe Folley – (Committee Officer, Democratic Services, Chief Executive's)

**9. APOLOGIES FOR ABSENCE**

**RESOLVED** that apologies for absence be received on behalf of Councillors Stephanie Eaton and Denise Jones.

**10. DECLARATIONS OF INTEREST**

- Please see minute 15.1 (Revised Audit Plan)
- 11. UNRESTRICTED MINUTES**

**RESOLVED** that the unrestricted minutes of the meeting held on 18<sup>th</sup> September 2008 be approved.

- 12. DEPUTATION AND PETITIONS**

None were received.

- 13. ITEMS REQUESTED AT PREVIOUS MEETINGS**

The Committee received a presentation from C Stephenson (Interim Joint Assistant Director – Human Resources) which detailed the actions that had been taken to tackle the recommendations made in the last Annual Audit Plan regarding the issue of Officers' Travel and Subsistence Allowances.

It was noted that the outstanding recommendations related to the development of a clear policy on all staff travel arrangements. In relation to this, it was reported that a draft document had been prepared and was about to go out to consultation. An aspect of which covered changes to the licensing policy for vehicle inspections. The consultation would run from February to March 2009.

The document had been considered by relevant officers in Environmental Services to ensure it complied with the Authority's emerging Green Travel Plan.

It was expected that the outstanding work would be completed by the end of February/March 2009 following the outcome of the consultation.

Mr Stephenson also reported on the level of assurance attributed to the monitoring of CRB Checks.

It was reported that the outstanding action concerned developing a clear CRB policy in respect of the retention periods for disclosure information. It was noted that a report reviewing the merits of the current policy in respect of retention periods would be submitted to a future meeting of CMT. C Stephenson **Agreed** to check which CMT meeting the report would be submitted to.

**ACTION BY:** Interim Joint Assistant Director – Human Resources (C Stephenson)

A Member asked about the verification policies in place at other Authorities in relation to CRB checks and whether the third sector were involved in the inspections. A Member also asked about the frequency of rechecks.

The Committee also received a brief presentation from Paul Evans, (Interim Corporate Director, Development and Renewal) outlining the action that had

been taken to address the nil/limited assurances given in the last Audit Report to the Section 106 Planning Obligations.

During this, Mr Evans reported the following points:

- Apologised for D&R's non attendance at the last meeting of the Committee in September 2008;
- Briefly outlined the application process and decision making process for S. 106 Agreements, which was part of the planning system. Referred to the types of schemes they may be used for and potential sources of funding;
- Reported on the pre application process and stated that pre application guidance was available to Members and Officers;
- Referred to the role of the S. 106 Officer and also the Financial Control Officer based in D&R who administered the financial aspects of the agreements;
- Commented that all of the outstanding recommendations regarding S. 106 Agreements, detailed in the last Audit Report had now been implemented save the recommendation requiring an new invoicing process for requiring funding;
- Envisaged that this process would enable better monitoring of trigger dates, however there were difficulties with the model envisage in the report;
- Therefore, consideration was being given to developing a alternative system for monitoring payments/progress with S. 106 contributions, but this would not be an automatic system.
- Considered that this process would require a strengthening of the data collection process and strong project management skills.
- Confirmed that reports detailing broad details of agreements were submitted to Cabinet on a quarterly basis.

In view of the above discussion, Mr Evans **Agreed** to prepare a paper on S. 106 Planning Obligations for submission to the Committee.

The report would detail the number submitted to the Authority over the last 5 years; application categories; the sums generated/expected to be generated by both past, and current S.106 financial obligations covering the last five years.

**ACTION BY: Interim Corporate Director, Development and Renewal  
(P. Evans)**

### **13.1 School's Internal Audit - Note to the Committee**

The Committee noted the paper.

In considered the paper, Councillor Peck asked for an update at the next meeting on the training arrangements to ensure key staff were fully aware of the relevant procedures.

### 13.2 Quarterly Assurance Report - September to November 2008

Minesh Jani (Service Head Risk Management) introduced the report highlighting the key points. He reported that overall, based on work performed in the year to date, he was able to give a substantial level of assurance over the systems and controls in place within the Authority.

In considering the report:

- The Committee queried why some of the recommendations had yet to be implemented? Concern was expressed at this as some related to follow up Audits;
- Reported that some of this issues stemmed from changes in personnel where key officers had moved services;
- Considered that steps be taken to ensure the services subject to Audit were made fully aware of the recommendations, especially prior to follow up checks, to facilitate preparations.

The Committee also noted that the percentage of recommendations implemented at the follow up stage had remained at around 74% over the last three quarters. The Committee stressed the need for improvements in this area. It was therefore **Agreed that the Committee would receive an update** for improving this percentage .

#### **Action by: Service Head Risk Management (M. Jani)**

In relation the Appendices, the Committee considered updates from services as set out below:

Bryan Jones, (Service Head, Environmental Control, Communities, Localities and Culture) reported on the Penalty Charge Notice (PCN) Audit. He reported that there were currently 6 ongoing parking reviews all nearing completion. The one outstanding action related to the problem of persistent offenders/evaders. However there was a national campaign aimed at tackling this problem which should improve local performance.

He also anticipated that the new ICT system highlighted in the report would facilitate joint working across parking services and allow for a more coordinated approach.

It was also considered whether the issue of PCN performance should be referred to the Performance Review Group who may wish to undertake a further review of performance. The issue was also considered on a regularly basis by the Directorate's Management Board where it was a standard item on the agenda.

Mr Jones also reported the current position for the Highways Inspections Audit which was the subject of a supplemental report. He advised that the outstanding recommendations concerned the development of an Asset

Management System which had yet to be implemented. The Committee stressed the need for improved management oversight of highway projects.

Alan Finch (Service Head Corporate Finance, Resources) commented on the Follow up Audit on the systems and controls for Bank Account Reconciliation (page 20 of the Appendix). He reported that five of the recommendations had yet to be implemented. The Committee expressed disappointment at this, but were reassured that all of the recommendations should be fully implemented by January 2009 at the latest.

The Committee asked about the number of Bank accounts held by the Authority. Mr Finch **Agreed** to obtain this information and report back to the Committee with the details.

**ACTION: Service Head Corporate Finance, Resources (A. Finch)**

In considering the Procurement Systems Audit (pg 19 of the Appendix), it was noted that the new strategy and policy had been completed and was now to be submitted to the Competitions Board. In terms of contract selection, it was noted that a new tollgate approach was now being used. The introduction of E-tendering would also improve performance.

Chris Naylor (Corporate Director, Resources) referred to the Limited assurance ratings assigned to the Resources directorate. He drew attention to the review of the Procurement Process and the new Requisition to Pay system referring to how they would improve service delivery.

Having considered the presentations, it was **RESOLVED:** That the contents of the report and the assurance opinion assigned to systems reviewed during this period be noted.

**ACTION BY: Minesh Jani (Service Head Risk Management)**

## **14. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION**

### **14.1 Audit Progress Report**

Steve Lucas (Audit Manager, Audit Commission) presented the progress report.

In noting the questions raised by a local resident (page 43 of the report), it was clarified that the contents related to the East London Advertiser and the process surrounding internal recharges. Detailed responses had been given to both queries. The Chair requested to see a copy of the response.

Mr Lucas welcomed ideas for inclusion in the 2009/2010 audit and inspection programme. He advised Members that any ideas could be feed back to the Audit Commission or officers.

**RESOLVED** That the report be received and noted.

**ACTION BY:**           **Audit Manager, Audit Commission (S. Lucas)**

#### **14.2 Use of Resources - 2008/09 Assessment**

Steve Lucas (Audit Manager, Audit Commission) presented the finding of the 2008/09 Use of Resources Assessment.

Mr Lucas reported on each theme score highlighting the key findings.

The Committee discussed ways of improving the scores. Attention was drawn to the challenges presented by the new national guidance for Audit and the challenges for the year ahead – 2009/10. It was also considered that some of the targets were very challenging, but not unrealistic.

**RESOLVED** That the report be received and noted.

**ACTION BY:**           **Audit Manager, Audit Commission (S. Lucas)**

#### **14.3 Audit 2007/08 - Opinion Memorandum**

Steve Lucas (Audit Manager, Audit Commission) presented the opinion memorandum.

Members noted that the Council's Housing Arms Length Management Organisation (ALMO) commenced during 2008/09. It was noted that the ALMO had its own separate structure. A key aim was to manage this with the Authority's structure which was now being pursued.

**RESOLVED** That the report be received and noted.

**ACTION BY:**           **Audit Manager, Audit Commission (S. Lucas)**

### **15. UNRESTRICTED TOWER HAMLETS ITEMS FOR CONSIDERATION**

#### **15.1 Revised Audit Plan for 2008-09**

(Councillor Peck declared a personal interest in this agenda item ((8.1) Revised Audit Plan for 2008-09)). The declaration was made on the basis that the Bow Bengali Forum, (page 88 of the plan) operated in his ward.

Councillor Abbas declared a personal interest in this agenda item ((8.1) Revised Audit Plan for 2008-09)). The declaration was made on the basis that the Bow Bengali Forum operated in his ward. In addition his employer provided funding for the organisation.

Minesh Jani (Service Head Risk Management) introduced the report highlighting the key points.

Councillor Peck requested that some of the days in the new plan be devoted to the Community Language Process. **Agreed** that this issue be taken forward and added to the plan.

The Committee noted a summary of proposed changes to the Audit Plan 2008/09. In which it was proposed that the Bow Bengali Forum Financial Audit be allocated a total of 15 Audit days. A Member questioned the rationale behind the decision and considered that a proportionality test should be applied to this proposal to see whether the Audit required so many days.

**Resolved:** That the contents of the report be noted and the changes to the 2008/09 internal audit plan be endorsed subject to:

- (i) the inclusion of a review of the Community Language Process;
- (ii) a review of the Bow Bengali Forum Financial Audit

**ACTION BY: Service Head Risk Management (M. Jani)**

## 15.2 National Fraud Initiative And Anti Fraud Update

Tony Qayum, (Head of Audit Services) presented the report which highlighted the work of the National Fraud Initiative.

He reported some additional information not included in the report regarding recent work undertaken, highlighting the following points:

- That Audit Services had been asked by the Audit Commission to update the website from a National Fraud Prevention standpoint;
- That they had developed an e-learning package to cover a number of Anti Fraud Measures which would be launched this week;
- Were also carrying out a number of integrity checks to ensure trading partners stood up to scrutiny;
- That, in partnership with Trading Standards, Environmental Health and Registered Social Landlords (RSLs) were investigating the problem of unauthorised DVD selling to see whether properties were being developed for these purposes.

Reference was made to a national fraud line initiative aimed at reducing false insurance claims. It was reported that work was being undertaken to ensure this initiative was publicised widely. A Member also considered that the Authority should establish its own local fraud hot line.

A Member stressed the need for press coverage highlighting the Authority's efforts in tackling fraud to demonstrate that it was taking a proactive approach.

**RESOLVED:** That the contents of the report be noted.

**ACTION BY: Head of Audit Services (T. Qayum)**

**15.3 Annual Governance Statement For 2007/08 - Update**

Minesh Jani (Service Head Risk Management) presented the report.

The Committee noted the plans to further enhance the Authority's Business Continuity plans. Further work was being undertaken to ensure essential services could be carried out in emergencies. For example in the event of a pandemic flu epidemic.

**RESOLVED** That the report and the actions in dealing with the issues raised on the annual governance contents of the report be noted.

**ACTION BY:** (Service Head Risk Management) M. Jani

**15.4 Risk Management Arrangements**

Following a brief introduction by Minesh Jani (Service Head Risk Management) it was **RESOLVED:** that the contents of the report be noted.

**ACTION BY:** Service Head Risk Management (M.Jani)

**16. ANY URGENT UNRESTRICTED BUSINESS**

None was raised.

The meeting ended at 9.50 p.m.

Chair, Councillor Joshua Peck  
Audit Committee