

LONDON BOROUGH OF TOWER HAMLETS**MINUTES OF THE AUDIT COMMITTEE****HELD AT 6.30 P.M. ON THURSDAY, 8 NOVEMBER 2018****COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE****Members Present:**

Councillor Val Whitehead (Chair)
 Councillor Muhammad Harun
 Councillor Andrew Wood
 Councillor Tarik Khan
 Councillor James King
 Councillor Puru Miah
 Councillor Victoria Obaze
 Councillor Bex White

Officers Present:

Keith Burns	– (Programme Director Special Projects, Commissioning & Health)
Amanda Harcus	– Divisional Director of HR
David Jones	– (Interim Divisional Director, Adult Social Care)
Neville Murton	– (Acting Corporate Director, Resources)
Mark Norman	– (Legal Adviser & Deputy Monitoring Officer)
Robin Payne	– (Interim Divisional Director, Public Realm)
Tony Qayum	– (Anti-Fraud Manager, Risk Management , Resources)
Anthony Sotande-Peters	– (Interim Strategic Risk Advisor, Risk Management and Audit)
Steven Tinkler	– (Interim Service Head, Risk Management Service)
Farhana Zia	– Senior Committee Services Officer

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

Councillor Val Whitehead declared she is a trustee and treasurer of Toyhouse Libraries which receives some grant funding from the council. However she does not have any pecuniary benefit from it.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the 25th July 2018 were agreed and approved to be an accurate record of the meeting, save for the following amendments:

Page 9 – Declarations of interest, it should say Toyhouse Libraries rather than library.

Page 10 – Appointment of Vice- Chair, first and third paragraph should state Cllr **Muhammed** Harun rather than Cllr Mohammed Harun.

Following these amendments the minutes were approved by the Committee.

3. DELOITTE INTRODUCTIONS & ITEMS FOR CONSIDERATION

The Committee was expecting Mr Jonathan Gooding and Mr Angus Fish from Deloitte's to attend the meeting, however there was some confusion as to if the said persons had been invited to the meeting.

The Committee agreed to defer this item until the next meeting.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Whistleblowing Policy and Processes - Update and Monitoring Information

Mr Mark Norman, Legal Adviser and Deputy Monitoring Officer presented his report on Whistleblowing policy and processes. Mr Norman stated that since the adoption of the policy, the Council's Intranet page on whistleblowing had been updated and staff workshops on whistleblowing had taken place in September and October 2018. He said e-learning modules had been devised to enable staff to learn more about whistleblowing and featured a video introduction from the Divisional Directors on the importance to flag up malpractice.

Mr Norman referred Members to points 3.5 and 3.6 of the report and stated that since 1st June to 12 October 2018, 79 whistleblowing concerns had been raised however the majority of concerns raised were via the online form but mostly related to service complaints or were corporate complaints.

In response to questions asked by Committee Members the following was noted:

- Members enquired if the concerns raised by Unison in relation to Day nurseries, was via this process. Amanda Harcus, Divisional Director for Human Resources responded to say that this would have been dealt with through the appropriate channels that the unions would need to observe and follow.
- Members enquired if anonymised Case Studies could be provided on the types and nature of whistleblowing concerns. Following discussion, Officers agreed to include this information in future reports to the Committee.

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

4.2 Risk Management Update 2018/19 Quarter 2

Mr Steven Tinkler, Interim Head of Audit and Risk Management introduced this report stating that the purpose of the report was to inform members of the ways in which risks are identified and managed. The report provided a summary of the risk activities over the second quarter 2018/19 and appended at Appendix 1 was the Corporate Risk Register.

In response to questions raised by the Committee the following was noted:

- Members asked for an explanation in relation to the Risk Appetite Matrix on page 25 of the report. Mr Anthony Sotande-Peters, Interim Strategic Risk Advisor explained the matrix was an illustration of the types of risks involved and had been devised following a risk appetite exercise with the Senior Leadership Team. Dependant of the risk score, the description below the matrix, indicated if it was a low or high risk.
- In relation to PLC0013, cladding on high rise blocks, Members enquired how the borough compared with others and what resources had be allocated to avert this risk. In particular Members enquired if the Council had any powers to get private landlords to comply. Mr Robin Payne, Interim Divisional Director for Public Realm stated that the borough compared favourably with others however he would get a further update for Members. Mr Payne said the legal framework following the Grenfell tragedy still needed to catch up and at present it would be difficult to get private landlords to comply.
- Cllr Wood suggested to Members they should list the risks they thought should be on the register and then compare this with the actual risk register. Members should be asking if they agree with the list presented to them.
- In relation to CSDR0011 – page 33 Members enquired why this was still on the register. Had a challenge against the Council ever been to Court? Officers were asked to review this.
- RCPCD0022 – page 31 Members enquired why the risk of a temporary lease had not been resolved. Mr Anthony Sotande-Peters said the risk remained until the negotiations had been concluded. He said the risk score would change once it was clear what would happen with the lease. Mr Sotande-Peters stated he would have a better idea by December 2018.
- PLC0013 –page 29 Members enquired if water ingress into electrical wiring posed a fire risk and if this had been look at. Mr Robin Payne explained inspections of this nature would be conducted by Tower

Hamlets Homes and other registered social landlords however the enquiry would be passed on to the Interim Divisional Director for Strategy, Regeneration and Sustainability, Mr Mark Baigent in order to get a fuller response.

- RSB0019 Page 33 Members enquired if there was a separation of powers in regard to the Full Budget policy which comes to Council and the MTFs. Mr Neville Murton, Acting Corporate Director for Resources stated the MTFs provided Members with the longer term view of the financial position of the Council. The budget setting was a statutory requirement which is set every year.
- CSDR0011 – Page 33 It was stated that the challenge was heard in Court on the 25th October with the judgment to be delivered in December 2018. Mr Steven Tinkler stated he would get an updated position and will circulate this to the Members.

The Committee **AGREED** to **NOTE**:

1. The corporate risks and recommended changes and updates as necessary;
2. Requested risk owner(s) with risks 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. Ensure that an effective risk management framework is in place within the Council and leading the council to be a risk mature, dynamic risk organisation.

4.3 Internal Audit and Anti-Fraud Progress Report

Mr Steven Tinkler, Interim Head of Audit and Risk Management introduced this report stating the report provided an update on the progress against the delivery of the 2018-19 Annual Audit Plan, as well as the current counter fraud performance and audits which have received limited assurance ratings.

In response to questions from Members about the report, the following was noted:

- Members made several suggestions as to the areas of fraud it would like the counter-fraud team to examine. Mr Tinkler said he would take on board the suggestions of proceeds from crime and planning enforcements.
- In respect to Blue Badge fraud, Members enquired if the counter-fraud team were expecting to hit their targets. Mr Tony Qayum, Corporate Anti-Fraud Manager confirmed his team would be exceeding the target. He said the council was benchmarked against other London Boroughs

and Tower Hamlets was a high performing borough. They had concentrated efforts around the Royal London Hospital and had increased the number of prosecutions undertaken.

- Members enquired if 'Right to buy' fraud, such as money laundering was pursued by the team. Mr Qayum stated this was part of Tower Hamlets Homes 'right to buy' processes – they are required to check each applicant's application and to safeguard the interest of the public purse, by knowing where the deposit/ money is coming from.

Members of the Committee also heard from each Service Area Director where a limited assurance had been given:

Attendance Management including Annual Leave

Amanda Harcus, Divisional Director for Human Resources stated steady progress had been made in short and long term absence. Ms Harcus said investment had been made into a new system called "1st Call" where staff will be able to speak to a nurse, when they call in sick. The traction period in the number of days taken sick will not be immediate as the new system will need time to bed in. Ms Harcus said the sickness policy is under review and long and short term sickness needs to be treated differently.

Staff Declaration of Interests – Follow up audit

Amanda Harcus, Divisional Director for Human Resources said the HR system to capture staff declarations had been automated and the response rate was 83%. She said staff should complete a declaration annually however as there were two different systems in place, the HR team were in the process of procuring a new system. It will take 9 months for the systems to align so at present the capture of data is a mixed bag.

Members asked if the sample testing was a paper exercise, Page 53, bullet point 4. Ms Harcus stated that the Addeco system would flag up incomplete Declarations and it was for line managers to chase their staff members.

Disclosure and Barring Service (DBS) – 2nd follow up Audit

Ms Amanda Harcus, informed members the code of conduct policy was under review and clear guidance will be provided to managers about which posts require DBS checks and those that do not. This would help to streamline the process. Ms Harcus assured members that a risk assessment of a new member of staff was in place and that no new member of staff would start work, without a DBS check in place.

Management of Care Plans for Vulnerable Adults

Mr David Jones, Interim Divisional Director for Adult Social Care stated that the processes and forms as per the Care Act had been reviewed. He had introduced a more person-centred approach to Care Plans which was introduced approximately one month ago. Mr Jones stated that under the

legislation care plan assessments are not required for everyone. It was more risk based. The database systems Frameworki and Mosaic had been merged and although there were a few backlogs, the number of cases outstanding had reduced.

In response to questions from Members, Mr Jones assured Members that whilst radical changes had been made to the service, the service would now focus on the customer journey and provide support to vulnerable adults in a more holistic way.

Contract Monitoring of Domiciliary Care Contracts

Mr Keith Burns, Programme Director Special Projects stated that over the last three months the documentation for Domiciliary Care Contracts had been reviewed and the correct documentation was now in place.

He assured Members the contract with Homecare Ltd had been terminated and that his team was working alongside the contract management and legal teams to ensure the documentation was correct.

Members asked who would be monitoring the documentation. Mr Burns replied they had a risk-based approach and visit every provider quarterly. He said about 2000 visits to service users homes were undertaken and that this was unique to Tower Hamlets.

In response to questions about Allied Care, Mr Burns said Tower Hamlets itself did not have a contract with this organisation, although it did provide a market oversight and a contingency plan was in place, as the organisation had its offices within the borough.

Monitoring of Waste Collection and Street Cleansing Contract

Mr Robin Payne, Interim Divisional Director for Public Realm said following the audit in May 2018, the Waste Management Strategy had been reviewed in August 2018. He said consultation had taken place and the Waste strategy would be implemented at the beginning of 2019. Mr Payne said adequate monitoring and reviewing of the contract were in place.

Back records of the contract with Veolia, was being audited in order to establish the details of the initial contract and the council's expectations of them. Mr Payne said front line staff lacked knowledge however the Council was working with Veolia to prioritise this. A growth bid had been made following the concern of the lack of resources. The service would move back in-house in 2020.

Mr Payne said that the number of complaints in relation to waste collection had risen from 60 per month to 130 per month over the last three months. There is an extensive list of risks, to be considered when the service is bought back in-house, however he is confident his team is sufficiently prepared for this.

Members expressed concern about the Waste Collection and Street Cleansing contract and it was observed that when senior managers leave, or are appointed on an interim basis, the knowledge also leaves. Members stated that it was vital documentation is up to date.

Creditors Systems Audit

Neville Murton, Acting Corporate Director for Resources updated Members with regard to the Creditors System. He said this was a highly devolved area and whilst the majority of invoices are paid on time there are some that are paid late. Mr Murton said the consolidation of the function into the Business support hub would help to improve the processing of invoices. Mr Murton stated it was important to ensure staff operated to the standards set out in the procedures and protocols. A new system was being tested to avoid duplicate invoices and to allow for earlier payment of invoices.

Members enquired what it meant that 9 out of 10 staff leavers were not removed promptly. Mr Murton explained that ex-members of staff should not have access to systems once they leave the council and this needed to be achieved a lot more quickly on the Agresso system.

Members also enquired why 6 out of 20 invoices were not paid by the due date. Mr Murton said these could be for a number of reasons such as there being an issue or query and left as pending. Mr Murton said this was poor practice rather than anything else.

Members of the Committee **NOTED**

1. The contents of the report and took into account the assurance opinion assigned to the systems reviewed during the period.

4.4 Annual Audit Letter 2017-18

Mr Neville Murton, Acting Corporate Director for Resources presented this report stating the Annual Audit Letter was the final hurdle, for the completion of the 2017-18 Audit. The council's external auditors KPMG presented their findings at the last Audit Committee meeting and this letter gave their final assessment. Mr Murton stated that there had been no material changes to the accounts.

Members of the Committee had no questions in regard to this item and therefore **AGREED** to

1. Approve the Annual Audit letter 2017-18.

4.5 Treasury Management Mid-Year Report for 2018/19

Mr Neville Murton, Acting Corporate Director for Resources presented this report stating that the performance of investments was good. He referred Members to the investment benchmarking table on pages 83-84 and said a pooled sum of £65m had been invested. He said the council's portfolio credit risk was lower than others and as a consequence the investment portfolio credit worthiness also improved from a A+ to AA-.

Mr Murton continued, that the Local Authority's exposure to LOBO's was £60m if it were to remain with RBS however negotiations were underway to rebuy the investments

In response to questions from Members the following was noted:

- Members welcomed the buy back of investments from RBS
- In response to if the Council was considering court action against banks for LOBO's, Mr Murton stated that at present the local authority was not considering taking such action. However the Council was watching very closely the progress and outcome of court action taken by other authorities. Mr Murton said the mis-selling of LOBO's may be hard to prove, than the case of LIBOR's where interest rates were fixed.
- Mr Murton confirmed the Council was looking to make 'greener' investments in the future.
- Members asked if a breakdown could be provided in relation to equity investments – page 89. Mr Murton confirmed this information would be provided.

Members of the Committee **AGREED** to

1. Note the contents of the treasury management activities and performance against targets for half year ending 30th September 2018; and
2. Note the Council's investments as set out in Appendix 1. The balance outstanding as at 30th September 2018 was £447.62m which includes £10m, pension fund cash awaiting investment.

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Members of the Committee were advised to review the letter that the former Chair of the Audit Committee had written to the Head of Audit, has a starting point for identifying items for review.

The Chair, Councillor Val Whitehead stated she had a copy of the letter and would circulate this to the rest of the membership. She also requested Members to make suggestions on topics that could be reviewed as part of an Audit Committee deep dive exercise.

Councillor Tarik Khan asked if a breakdown could be provided in relation to the number of consultants the Council employs. Mr Steven Tinkler informed Members he would be liaising with the Head of HR and would report back to the Committee at its next meeting.

The meeting ended at 8.15 p.m.

Chair, Councillor Val Whitehead
Audit Committee