

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT 5.30 P.M. ON WEDNESDAY, 7 APRIL 2021**

**ONLINE 'VIRTUAL' MEETING - [HTTPS://TOWERHAMLETS.PUBLIC-I.TV/CORE/PORTAL/HOME](https://towerhamlets.public-i.tv/core/portal/home)**

**Members Present:**

Councillor Val Whitehead (Chair)  
Councillor David Edgar (Vice-Chair)  
Councillor Marc Francis  
Councillor Ayas Miah  
Councillor Puru Miah  
Councillor Kyrsten Perry  
Councillor Dan Tomlinson  
Councillor Andrew Wood  
Charlotte Webster

**Other Councillors Present:**

Mayor John Biggs  
Councillor Candida Ronald

**Apologies:**

**Others Present:**

Angus Fish – Deloitte  
Jonathan Gooding – Deloitte

**Officers Present:**

Agnes Adrien – (Head of Litigation, Legal Services)  
Ahsan Khan – (Chief Accountant)  
Kevin Bartle – (Interim Corporate Director, Resources and Section 151 Officer)  
Amanda Harcus – (Director of HR, Workforce Development & Business Support Services)  
Tim Harlock – Interim Chief Accountant  
Rafiqul Hoque – Head of Housing Options  
Hitesh Jolapara – (Interim Divisional Director, Finance, Procurement & Audit)  
Marion Kelly – (Finance Improvement Team - Programme Director)  
Rachel Mckoy – (Head of Commercial & Contracts, Legal Services Governance)  
Bharat Mehta – (Audit Manager)  
Mark Norman – (Legal Adviser & Deputy Monitoring Officer)  
Denise Radley – (Corporate Director, Health, Adults & Community)

Paul Rock	– (Head of Internal Audit, Anti-Fraud and Risk)
Ann Sutcliffe	– (Corporate Director, Place)
Craig Tucker	– Interim Chief Accountant
Will Tuckley	– (Chief Executive)
Farhana Zia	– (Democratic Services Officer, Committees, Governance)
Matthew Mannion	– (Head of Democratic Services, Governance)

## **APOLOGIES FOR ABSENCE**

Councillor Ayas Miah and Councillor Puru Miah joined the meeting late and gave apologies for their lateness.

Ms Janet Fasan, Director of Legal and Monitoring Officer also gave her apologies.

## **1. DECLARATIONS OF INTEREST**

No declarations of disclosable pecuniary interest were made by the members.

For the record, Councillor Marc Francis stated his wife Councillor Blake was a member of the Cabinet. Councillor Kyrsten Perry stated she is the Chair of the Pensions Committee.

## **2. MINUTES OF THE PREVIOUS MEETING(S)**

The minutes from the previous meeting of 28<sup>th</sup> January 2021 were agreed as an accurate record of the meeting and were signed off by the Audit Committee.

## **3. DELOITTE ITEMS FOR CONSIDERATION**

### **3.1 Update report to the Audit Committee on the audits for the years ended 31 March 2019 and 31 March 2020**

Mr Jonathan Gooding, external auditor from Deloitte presented their external audit report. Mr Gooding said the report provided an update on the audit years 2018/19 and 2019/20. The information within the report commented on various aspects of the audit, some of which was required under the standards. He said the report provided an update on the issues reported to the Committee in July 2019. It identified other issues that had arisen since and the significant risk areas that had been identified as part of the audit plan. Mr Gooding said the report also reported on the progress made, despite the pandemic, on the control recommendations and findings to date in terms of the status of the work in progress.

He said since the last meeting the more complex and challenging areas had been focused on and a great deal of work had been done by the authority in those areas, with the number of resolved issues and adjustments being made to the accounts. Mr Gooding said that through a 'sprint' approach, in the next few months it was hoped other outstanding areas would also be addressed and said the timetable for this was being developed with the authority. Mr Gooding added the report provided an update on the value for money conclusion and said he was expecting this to be a qualified value for money conclusion which specifically reported on the challenges and issues faced with financial reporting and weaknesses identified. Mr Gooding stated icons had been used in his report to identify any misstatements that had been corrected, uncorrected material items and areas of uncertainty.

In response to questions and comments from the Members the following was noted:

- Mr Jonathan Gooding stated the prospect of achieving the July deadline for the accounts was still possible however the timetable had slipped from when the Committee last met. He said the complex and challenging areas had been addressed however more issues had been identified. He said it was difficult to predict if the new issues were not going to impact on the final accounts, so there remained a risk to meeting the deadline.
- Regarding the adjustments made to prior year accounts and the figures involved, Mr Gooding referred members to page 39 of the agenda and said some big numbers were involved, the largest being in relation to property valuations. He said some adjustments would not impact the General Fund however some would have an impact on the balance sheet.
- Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer commented that the finance team had done its best to assist members in understanding the difference between matters that won't impact the bottom line and those that will. He referred members to pages seven and eight of the supplementary agenda and stated the team had set out the impact on the bottom line in the report. He said some numbers were significant, but information was provided in the supplement agenda.
- In response to the value for money work, which was on-going, Councillor Wood asked if the work also included property acquisitions that were made during those years. Mr Gooding said this work was progressing and that they'd be focussing more on the accounts audit by performing procedures and checking the arrangements particularly financial sustainability and governance. Councillor Wood stated he'd be interested in the value for money conclusion in the final report.
- Councillor Edgar thanked Deloitte for a thorough report and stated that he found the report useful in understanding the impact on the general fund and reserves and whilst some large numbers were involved, it was important to ensure the accounts were correct as they impact on decisions made about services provided.

- Ms Webster, Independent Person asked if there had been a change in the council's approach in preparing the accounts and what might be required in future years. Mr Gooding responded stating there had been a great deal of change over the past two years, with the expansion of the team, the focus on particular years of accounts and the learning that had come from the process as well as the leadership.
- Mr Bartle thanked Mr Gooding for his comments and added there was a separate report on the Finance Improvement Plan later in the meeting.

The Chair thanked Mr Gooding for his presentation.

The Audit Committee **RESOLVED** to:

1. Note the observations made within the report from Deloitte; and
2. Note the comments made by Committee Members

#### **4. TOWER HAMLETS ITEMS FOR CONSIDERATION**

##### **4.1 Audit of the Council's Accounts 2018/19 & 2019/20**

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer presented the update on the progress made with the 2018/19 and 2019/20 accounts and the audit of the accounts. Mr Bartle said the report should be read in conjunction with the update report from Deloitte, the appointed external auditor.

Mr Bartle said he was pleased to bring forth the latest version of the accounts which should be considered as the 'provisional' final version but not the final version per se, as there was still work on-going before the accounts could be finalised and signed off. Mr Bartle said the Committee would hear from the Interim Chief Accountants on the changes made to the accounts and said this was an opportunity for the members to examine the accounts over the next few months before they are presented at the July 2021 meeting. He said the timetable to deliver the changes had slipped however it was the intention of Officers to continue to stick to the plan and prepare the final accounts for 2018/19 and 2019/20.

The Committee then heard from Mr Tim Harlock, Interim Chief Accountant for the account year 2019/20. Mr Harlock highlighted the changes made to this set of accounts and said one of the biggest changes was to the Property, Plant and Equipment (PPE) valuations. He said this did not impact on the bottom line however a lot of work had been undertaken to rectify the errors. He said this related to schools' floor space measurements which had not been undertaken over the last ten years but had come to light over the past eighteen months. He said the school buildings had been revalued and as such this was a significant adjustment.

Another area that required reclassification were long-term investments which related to pooled funds of about £50m. Mr Harlock said these had to be

reclassified and had been adjusted through profit and loss so would stay in the same place on the balance sheet. The presentation of cash on the balance sheet had also been adjusted, with an increase in cash assets of £20M and an increase in the cash liability of £20M. Mr Harlock said, this being the same amount, results in a net zero impact however it was important to get the presentation correct as it impacted on resources. In addition to this, a considerable amount of work had been done to the Community Infrastructure Levy (CIL) plus errors in accounting for VAT, with a reclaim of £3M from HMRC.

Mr Craig Tucker, Interim Chief Accountant for the account year 2018/19 said the issues highlighted above also effected the 2018/19 accounts and therefore these had been worked through. He added another technical accounting adjustment which related to the 2018/19 accounts was the adjustment to the pensions reserve relating to early repayment. Mr Tucker said this related to spreading the repayment over the different years and as such had a zero impact on the General Fund.

Mr Bartle concluded the presentation and asked members to peruse the accounts and let him know of any questions they had. He said the finance team would continue to aim to meet the July deadline for the accounts and to assist Deloitte with their work.

In response to questions and comments from members the following was noted:

- The Chair, on behalf of the Audit Committee expressed her thanks to the officers involved in the production of the accounts and said the Committee appreciated the huge amount of work that had been undertaken to rectify the accounts and the focus brought to them, under Mr Bartle's leadership.
- Councillor Wood queried how the accounts were to be presented to residents and the public. He suggested a summary be provided which explained the changes, as the table on pages 7-8, at first glance looked too many but on closer inspection were amendments to the gains and losses relating to timing issues which net off. Mr Bartle concurred a readable summary could be presented to the residents and said he'd be happy to work with members on how this can be achieved.
- Councillor Edgar expressed his thanks for the extraordinary work undertaken by officers and said the report from Deloitte identified things which still needed completing. However, what was clear was the focus to get the accounts over the finish line and the adjustments made were necessary. He said he believed it was good to get to as clear a point as was possible and hoped this could be achieved by the July deadline. Councillor Edgar also stated he would think about how information could be best presented to members of the public and would let Mr Bartle know his thoughts on this.

The Audit Committee **RESOLVED** to:

1. Note the revised Statements of Accounts for 2018/19 and 2019/20 as presented in the appendices;
2. Note the continuing progress on, and plans for completion of, the audits for both the 2018/19 and the 2019/20 financial years.

## 4.2 Finance and Governance Improvement Plans

Mr Will Tuckley, Chief Executive introduced the report stating plans had been drawn up in response to the Independent Review of the 2018/19 year-end closure of accounts. Mr Tuckley said it was heartening to hear from Deloitte's the progress which had been made and thanked Mr Bartle and his team for their continued efforts in producing the 2018/19 and 2019/20 set of accounts, which were appended to the supplement agenda.

Mr Tuckley said clearly there had been huge difficulties experienced in relation to the accounts which were unacceptable and disappointing. He said the 2020/21 accounts were progressing well and significant improvements had been made to processes and procedures plus the recruitment of additional staff.

Mr Tuckley said the report by Mr Worth had led to a detailed improvement plan being developed which was phased into immediate improvements and those which would take a longer time to achieve. He said the Grant Thornton report from June 2018 and the CIPFA report from 2017 were also attached for information. Mr Tuckley said it was clear the issues highlighted in the previous reports were still issues that the Council needed to address. Mr Tuckley commented that several internal audit reports had stated that not enough progress had been made regarding key governance issues including the Grant Thornton review which was commissioned by a former Corporate Director of Resources. He said this report had neither been to the Corporate Leadership Team (CLT) board or to the Executive i.e. Council or Cabinet or indeed the Audit Committee. Mr Tuckley said clearly this ought to have been the case. He said the recommendations within these reports plus the recent report looking at the year-end accounts had been worked into an improvement plan with the assistance of Internal Audit. He said the improvement plan was designed to ensure there was a sustainable and focussed attention to the key governance issues that had been highlighted in the reports. He said issues such as the declarations of officer interests, issues relating to hospitality registers and policy reviews that go towards the core set of ethics and culture of the council plus the implementation of internal audit recommendations and application of risk management had been discussed by the CLT board in recent weeks.

Mr Tuckley said work relating to the financial recovery had been prioritised as well as the governance issues that had been highlighted in the reports. Mr Tuckley said there was a strong commitment across the council to address this and said he believed progress had been made, especially regarding the 2020/21 accounts. In relation to the previous reports Mr Tuckley said he was at a loss as to why the reports had not been made available to the CLT Board

or Executive and said he had investigated the passage of the reports. He said the reports had not been to the Resources Directorate's DLT (Directorate Leadership Team) board either and other than stating the facts, he could not add anything further to this.

Lastly, Mr Tuckley said the Council had made a journey of improvement and this ought to be contextualised. He said the Council had come out of intervention and overall had made good progress on the trajectory of improvement. He said this had been recognised by third parties such as the MHCLG, by peer reviews and the Investors in People accreditation scheme. Mr Tuckley said the progress had not been linear with some services areas digressing and others improving; for example, the finance reorganisation had not gone as well as was intended, in terms of performance and as such there was a refocussed attention to get this right. Mr Tuckley said the improvement plan was part of a wider set of improvement initiatives that the Council was taking forward, and he hoped there would be a continued trajectory of improvement, overtime.

In response to questions and comments from Members the following was noted:

- The Chief Executive, Mr Tuckley clarified the CIPFA report was also commissioned by the former Corporate Director for Resources. He said the report looked in detail at the financial functions of the council, with a heatmap showing areas for significant improvement and areas of good performance. He said it was clear the report was produced but did not follow the normal governance arrangements both for officer and member scrutiny of the report. He said the weaknesses identified in the report need to be fed into the improvement plan if the Council was to progress and strengthen its finance processes and procedures. Mr Tuckley added that he believed some of the areas identified were being addressed by the former Resources Director however the report ought to have been shared widely and exposed at the time. Mr Tuckley said this applied to the Grant Thornton report too.
- In relation to Officer DPI's, the Chair Councillor Whitehead said this had been raised several times at previous Audit Committee meetings and asked why managers were failing to ensure DPI's were up to date and correct. Mr Tuckley said this was particularly disappointing especially as substantial progress had been made previously, with a 95% return rate. He said initially the council didn't have an electronic system in place and as such this involved a considerable amount of manual work to collate the information. He said the infrastructure to enable DPI inputs had been resolved but work was required to embed the completion and review of DPI's within the culture of the organisation. He said one of the issues had been the system's failure to preserve the previous year's declaration and for staff to simply confirm it was correct. He said this was a technicality, but staff needed to be conscious of knowing and keeping up to date their DPI declarations.

- Councillor Wood stated that it was clear improvements had been made but the starting point, for some of the issues unearthed in the reports, was perhaps far worse than originally thought. He recommended that the Council invite external organisations and/or auditors to review the actual progress made when appropriate. Mr Tuckley thanked Councillor Wood for his suggestion and said the Council needed to become a self-aware organisation, where it could spot things and be conscious of that. He said he believed this was happening and said a peer review in the autumn was scheduled to take place.
- Mr Tuckley said it was vital that the Council learnt from the weaknesses that have been identified, within the finance and accounting structures. He drew parallel to the work done in Children Services and said the Council needed to be careful not to rest on its laurels and get to a place where it was continuing to strive for improvement in services, by being more self-aware.
- Councillor Edgar commented that he welcomed the publication of the two reports and the improvement plan. He said it was vital to justify the cost relating to the recruitment of staff and resources allocated to solving the problems faced within the accounting and finance function especially given the pressures on budgets elsewhere in the Council.
- Mr Tuckley stated that he did not wish to give the impression that upgrading to a new accounting system, with the replacement of Agresso, would solve the issues identified within the reports. He said the Council had to prioritise other areas such as the Mosaic and Customer Relationship systems and as a result this had had an impact on other systems which required replacement. He said the Finance Improvement Team plan was to implement changes to Agresso, with a reset but phase two of the improvement plan would look at the other options available.
- Councillor Francis asked if the Grant Thornton and CIPFA reports would be reported to the Overview and Scrutiny Committee. He asked when the reports had come to the attention of senior officers. Mr Tuckley said the reports had recently come to the attention of senior officers and the CLT board. He explained the Grant Thornton report had been commissioned in 2017 and reported in 2018 and went through a different route of reporting. He said some of the preliminary findings had been discussed briefly however the report did not follow the governance process of being reported to the CLT Board, the Executive and the Audit Committee. Mr Tuckley said he believed the Grant Thornton report's remit was slightly different to the CIPFA report in that it drew together whole streams of activity that was and should have been occurring in relation to finance. He said the report had been reviewed and a wide breadth of activity had been addressed. In relation to the report being presented to the Overview and Scrutiny Committee, Mr Tuckley stated he would attend a future meeting of the Committee.

Mr Kevin Bartle, Interim Corporate Director of Resources and Section 151 Officer addressed the Committee and highlighted the ongoing improvements

that had been made, since the development of the improvement plan. He said some of the recommendations from the reports discussed had been delivered, whilst others would take time to implement. He said his focus had been on the completion of the 2018/19 and 2019/20 accounts, which was a corporate priority and as such he was pleased these had been presented to the Committee, in draft format at the meeting. He said the improvement plan had been phased into phases one and two, to ensure the quick wins could happen before March 2021 and for the long-term changes to occur in phase two.

Ms Marion Kelly, the Improvement Plan Programme Director, then presented the key changes that had been made. She referred Members to sections A and B of the report, on pages 70-71 of the agenda and said changes had been made in terms of the leadership, resourcing and planning as well as to systems and processes in place. She gave an example of this and said CLT had agreed for finance officers to place an 'out of office' message for a two-week period in early April, so that they could solely concentrate on delivering the accounts. She said communication between everyone was clear and the progress made had been reported to the CLT Board and Chief Executive. She said specific training had been provided to finance officers and the timetable for closedown had been fully reviewed, with a council wide communication plan that directly channels Agresso users highlighting the accounts and the actions that are needed, so that budget holders and finance administrators can effectively monitor activity. She said one of the successes had been the rollover process, which should take place at the end of each financial year, had been completed for the first time, since the Agresso system had been implemented back in 2013. Ms Kelly said it was now possible to interrogate the trial balance sheet for each year independently, which is a significant improvement. She continued to say there were still many challenges to overcome, however the leadership, governance and communication was clear and with a phased approach improvement was being achieved.

In response to questions and comments from Members the following was noted:

- Councillor Wood thanked the Finance Improvement Team for its work and said it was clear the improvements being made were in a transition phase. He gave an example of the Fixed Asset register being in Excel and asked how the completion of the transition would be reported. Mr Bartle responded saying it was crucial for the Finance Improvement team to keep members abreast of the changes being made and said the Finance Improvement Board, which he chaired, would continue to meet regularly and report improvements to the CLT Board and the Audit Committee. Mr Bartle said they would also attend Executive meetings to do the same.
- Councillor Francis expressed his concern in relation to the Grant Thornton report and said he wanted to understand why this report had not been in the public domain prior to the meeting. He said he felt Members ought to have sight of this beforehand and to enable them to comment and input into the Improvement Plan. He reiterated that the

Overview and Scrutiny Committee should be notified of this and that the Committee ought to examine this further.

The Chair thanked officers for their presentation.

The Audit Committee **RESOVLED** to:

1. Review the actions set out in the detailed improvement plan for Phase 1 of the improvement plan;
2. Note the resource plan for Phase 1;
3. Note the proposed content of Phase 2; and
4. Note the recommendations, current position and improvement plans related to the Grant Thornton and CIPFA reports.

#### **4.3 2020-21 Accounting Policies**

Mr Ahsan Khan, Chief Accountant presented the accounting policies in relation to 2020-21. He said the Committee was required to review and note the accounting policies in readiness of the review of the 2020-21 Statement of Accounts.

Mr Khan said this was a technical document looking at accounting standards to be applied across the board. He said no major changes had been made to the accounting policies appended at Appendix A, expect to add clarity and updates.

- Members had no questions for Mr Khan.

The Audit Committee **RESOLVED** to:

1. Review and note the draft accounting policies for 2020-2021 as appended at Appendix A.

#### **4.4 Internal Audit and Anti-Fraud Progress Report**

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Internal Audit and Anti-Fraud progress report. Mr Rock said the report provided an update on the progress made against the delivery of the 2020/21 Annual Internal Audit Plan and highlighted any significant issues since the last report to the Audit Committee in January 2021. He said an update on anti-fraud activity was also included.

Mr Rock referred Members to the tables at paragraph 3.1 and said several reports had moved to the draft stage and were being discussed with management. He said (1) the Place Directorate Governance (2) the Contract Monitoring of Children's Commissioned Services (3) Private Sector Compliance with Fire Risk assessments and (4) the Drugs and Alcohol Service – contract monitoring, audits had all been completed. Mr Rock said of the two reports where management responses were awaited, management responses had been received and reports were being finalised. He said he

was pleased the Treasury Management audit had achieved a substantial rating and said significant improvement and strong controls were now in place.

Mr Rock said presently he'd be inclined to give an overall 'limited assurance' opinion for this year however there were a total of fifteen reports in the pipeline which could sway his opinion, when he presented his final opinion report to the Audit Committee in July 2021.

In reference to Anti-Fraud activity, Mr Rock said this had been hindered by the pandemic however a further property had been recovered bringing the total to twenty. In relation to the Governance report, Mr Rock said Internal Audit had supported management with advice and guidance pertaining to the improvement plan and the reviewing of financial procedures. Mr Rock said he had attended the Finance Improvement Board and had observed the Board, providing challenge and advice to them.

The Chair thanked Mr Rock for his report before inviting the Officers to address their individual reports which had received 'limited' assurance following Internal Audit's assessments.

### **Staff Declaration of Interests**

Ms Amanda Harcus, Divisional Director for Human Resources and OD said the Chief Executive had touched on the issues experienced with automation of systems. She said the switch to providing an online platform had significantly made a difference in the service's ability to report and monitor declaration of interest returns from officers in the organisation.

In response to questions and comments from Members the following was noted:

- Councillor Wood asked if the system evidenced an employee's secondary employment, as direct level authorisation was required from managers. He asked if employees were not declaring secondary employment and how many employees had outside interests that maybe of concern to the Council? Ms Harcus responded stating when using the paper-based system a 95% completion rate had been achieved, however this required a lot of manual resource. She said with automation, the declaration was part of the annual review process and therefore prompted employees to complete it. She said thorough checks were undertaken when new employees joined the organisation with responsibility to complete the declaration being with the employee. Ms Harcus said reminders had been sent over the last six months and HR were beginning to see the number of declarations go up.
- In relation to reporting on how many employees have secondary jobs, she said HR system could be manipulated to produce a report if desired. She said it was common for junior staff to hold secondary

employment elsewhere, especially in London. Ms Harcus continued saying that more senior staff knew and understood their responsibilities and accountabilities in completing the declaration.

- Mr Paul Rock added that through the National Fraud Initiative, Internal Audit were able to run reports of payroll against Company House records to see if there was a match; whereby someone who was on the payroll but also had a company. Mr Rock said checks could be done to see if the declaration of interest had been made and if the Council had traded with that company. Mr Rock also added that it would be helpful if HMRC shared their data for secondary employment matches, however HMRC were hesitant in doing so and therefore they were working with the Cabinet Office to increase awareness.
- Councillor Edgar asked if the system showed the number of rejections and the reasons for this. He said the mandatory training on declarations was a positive step and should be encouraged. Ms Harcus responded saying qualitative and quantitative measuring was essential to achieve a balanced view. She said she was working with Internal Audit so dip sampling could take place, to test the whole system and to see how robust it is.
- In response to if there were consequences for not completing the declaration of interest, Ms Harcus said HR's role was not to police the organisation but to support and enable employees to complete and submit their form. Ms Harcus said CLT had discussed consequences for not declaring and said remedial action such as warnings would only be considered on a case by case basis.
- Ms Harcus said she would be reporting to CLT, on a quarterly basis as part of her dashboard, the performance on the completion of the declarations and would work with Strategy, Policy and Performance team to see how many declarations have been made, the status of them and how many have been rejected.

### **Pensions Administration**

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 officer provided an update on the Pension Administration assessment of 'limited assurance'. He said whilst this rating had been given, he was pleased with the progress that had been made in pensions administration. He said processes had been improved and weaknesses referred to regarding contributions and payroll had been fixed but required further testing before it could be fully asserted to be the case. He said the issues identified had been picked up by internal and external auditors and considerable work had been undertaken to resolve them. Pensions administration had its own improvement plan, with regular updates provided to the Pensions Committee and Pensions Board on the progress being made.

- Members had no questions for Mr Bartle.

The Chair on behalf of the Committee, acknowledged the positive outcome of the Treasury Management audit, which had achieved substantial assurance and thanked Mr Bartle and his team for their work and achievement.

### **Housing Allocations and Lettings**

Ms Ann Sutcliffe, Corporate Director for Place thanked internal audit for undertaking the review and said although the report made a total of six recommendations there were areas of good practice which had been acknowledged in the main report. She said work had started on the recommendations and asked Mr Rafiqul Hoque, Head of Housing Options to explain the action being taken.

Mr Hoque provided an analysis of the recommendations made within the internal audit report and said some of the issues identified stemmed from various software systems being used for data storage. He said the Registered Providers managed their own applications, which meant not all the data was on one system. Mr Hoque said they were looking to introduce a checklist so applications made could be verified, with managers undertaking random checks to ensure the application had been correctly processed. Mr Hoque said they were working with Internal Audit on income, evictions and owner occupation checks and would be updating their website to warn applicants their applications would be credit checked and further verified against the death list, to ensure they had been notified of anyone who had passed away.

Mr Hoque said IT solutions were being explored to automate reviews once the back-office integration had occurred on housing applications. He said they were looking to automate the review process so to avoid duplications and manual input.

In response to questions and comments from members the following was noted:

- Councillor Wood stated he was surprised to find there were 19,000 people on the housing waiting list. He said the report implied that this may not be a true figure and asked if the actual number of applicants was known. He asked why homeowners could be on the waiting list when they were owned their own home? Mr Hoque explained that in exceptional circumstances, the housing policy allowed for people to be added. He said of the two cases referred to, one related to an elderly gentleman who needed sheltered accommodation however had died before this could be actioned and the other related to an elderly couple, where one spouse had died. Mr Hoque said they'd be looking to provide an exceptions report in the future, to explain additions and anomalies.
- In respect to the number of applicants on the waiting list, Mr Hoque said work was underway to cross-reference data from the NFI with a high number of cases being closed off.
- Councillor Edgar commented that systems and processes had to be strong especially as housing was a scarce resource which everyone

was interested in. He said a well working system was required with clear steps outlining the process.

- In reference to page 265, Councillor Edgar asked if the mandatory checklist had been reinstated. Mr Hoque confirmed the checklist would be reinstated. Mr Hoque explained why and how various software systems meant the checklist had been overlooked but said this would be rectified.
- Ms Ann Sutcliffe said the Housing Options team had been in the queue for IT improvements for some time but was now at the front of that queue. She said Karen Swift, Divisional Director for Housing and Regeneration would be leading the project team on the IT changes required and improving the customer journey by working with stakeholders and residents. She said the service was moving in the right direction with performance data being provided to the lead Cabinet Member.

The Chair thanked Officers for their contributions and said she hoped individual services would strive to improve their areas of responsibility.

The Audit Committee **RESOVLED** to:

1. Note the content of the report and the overall progress and assurance provided, as well as the findings/assurance of individual reports.

#### 4.5 Risk Management

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Corporate and Resources Directorate Risk Registers. He said the Corporate Risk Register had been updated to include a reference to the Building Safety Bill which was referenced as PLC0023. Mr Rock said this was an important piece of legislation, with significant consequences for everyone at the Council as well as occupiers, particularly if appropriate action isn't taken. He said there was a lot of preparation to do and as such this had been included onto the corporate register.

In response to questions and comments from members the following was noted:

- Councillor Edgar asked for an explanation regarding risk CSD0016, on page 283 of the agenda and asked why the current risk score of 25 and the target risk score 16 were red rated and how the control measure could remain so high. In response Mr Rock stated the target date in the required control measures column referred to the date the control measure should be delivered by. The colouring in the target risk column was simply the colouring of the 1 to 25 rating. Mr Rock said it did not present how likely the risk would be achieved.
- Ms Charlotte Webster raised the same query regarding this control and said this had been asked about at a previous meeting of the Audit

Committee. She said it was important understand how the impact could be reduced, if possible.

- **ACTION:** Following further discussion, it was agreed the Corporate Director for Children and Culture Directorate, Mr James Thomas be invited to a future meeting of the Committee to discuss this risk.
- In reference to page 297 and 298, and risk RS0061 and RSB0007, Councillor Wood commented that these were big risks, considering the future loss of income from offices, shops and restaurants. He said this would have a significant impact on Tower Hamlets and said Councillors needed to play an active part in the changes as other East London boroughs had. He said it was important to attract new businesses to the area as well retain existing ones.

The Audit Committee **RESOLVED** to:

1. Note the corporate risks, and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at the next Committee meeting (or separately before the meeting if urgent).
2. Note the Resources Directorate risks and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the directorates objectives at the next Committee meeting (or separately before the meeting if urgent).
3. Note the progress made against the Annual Action Plan for Risk Management.

#### 4.6 Internal Audit Charter

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Internal Audit Charter report and said the Public Sector Internal Audit Standards required him to set out the purpose, authority and responsibility of the internal audit activity that had been undertaken. Mr Rock said this was a key document which had been reviewed and which remained fit for purpose, other than a few typo's that had been pointed out to him. He asked the Committee to review and approve the updated internal audit charter.

In response to questions and comments from members the following was noted:

- Councillor Wood commented that further to a letter written to the former Corporate Director for Resources, in 2017 it was positive to see senior officers from the Corporate Leadership Team, the Mayor and the Chief Executive attend Audit Committee meetings.
- Mr Tuckley said he would continue to attend future meetings of the Committee, when invited to do so.

The Audit Committee **RESOVLED** to:

1. Review and approve the Internal Audit Charter.

#### **4.7 Code of Corporate Governance - annual review**

Mr Matthew Mannion, Head of Democratic Services presented the Code of Corporate Governance Annual Review. He said the code set out the Council's commitment to uphold the highest standards of good governance and was annually reviewed as part of a suite of documents which sit under the Annual Governance Statement. He said the code was split into various themes and had been updated in consultation with officers from across the council. He asked members to review and comment on the code presented to them.

In response to questions and comments made by members the following was noted:

- Councillor Francis stated that he did not agree with the contents of the report particularly paragraph 3.1 and questioned the 'effectiveness' of the Council's corporate governance arrangements. He said he did not believe it was effective and felt the council needed to strive harder to achieve this, with evidence showing how the seven core principles appended to the report were being met.
- He questioned if Principle B of 'ensuring openness and comprehensive stakeholder engagement' had been demonstrated adequately. He said he did not believe this to be the case and cited member enquiries as an example. He said his request for information were often delayed by the need to demonstrate why it was needed. Councillor Francis said whilst steps had been taken to improve stakeholder engagement, he did not feel the Council had achieved this principle.
- Regarding the other principles, Councillor Francis said the list of documents cited in the report did not say how the Council had achieved them. For example, referring to Principle D and performance management at senior and political level, he questioned if challenge was robust i.e. were chairs of committees challenged sufficiently. He said he believed more work was required on performance.
- Councillor Francis added that praise of Overview and Scrutiny did not reflect his experience and said there was a distinct separation between the Executive and Overview and Scrutiny. He said there should be more recognition of the work of Overview and Scrutiny as well as backbenchers and the value that others can bring to the political structure of the council.
- Councillor Francis said he'd encourage senior managers and CLT to re-examine the code and reflect on if the council was achieving the principles as well as look at ways to improve the governance of the Council.
- Ms Charlotte Webster, Independent Person referred to the Foreword and said the sentence saying the council continued to 'uphold the highest possible standards of good governance' was incorrect,

especially following the discussions that had taken place at this meeting and at previous meetings. She said it was important to move forward and be candid about the challenges facing the Council.

- Councillor Wood referred to the Croydon and Liverpool reports and asked if something similar happened at Tower Hamlets would the Council's governance structures, be able to recognise and stop it? He said in his opinion he did not think this to be the case. Councillor Wood cited an example of £140m spent in 2017 in relation to affordable housing and said he did not know what had happened to this.
- In response to comments made by Members, Mr Will Tuckley, Chief Executive said that he needed to reflect on the contributions made by members of the committee and said he agreed with what had been said. A more considered view was needed which reflected the ups and downs of the current governance arrangement.
- With respect to the Foreword, Mr Tuckley said it ought to say, 'that we aspire to continue to uphold the highest possible standards of good governance' and agreed with Ms Webster that this was not always achieved.
- Mr Tuckley acknowledged the points made by Councillor Francis and said these had been debated in the past. He said it was fair to say that systems did not always work. However, he disagreed with the points made about the power of Overview and Scrutiny. He said he respected members views that they did not feel they were influential in respect to the Executive however Overview and Scrutiny did exert influence in respect to policies and practices of the Council. He said he was respectful that this may not be as extensive as some members wanted it to be.
- Regarding the Croydon and Liverpool reports, Mr Tuckley said this was a key concern, not just because of the failings the reports had identified at those local authorities but also because of the history at Tower Hamlets. He said it was imperative that the mechanisms of governance are strengthened and that the Council continuously questions itself, as to if the correct procedures are being followed both by officers and members so to ensure that the organisation isn't at risk and what the consequences would be. Mr Tuckley said this would be the test that requires constant answering.
- Lastly, Mr Tuckley said he would be happy to bring back the Code of Corporate Governance and come back to the committee with an amended version.

The Audit Committee **RESOLVED** to:

1. Note the comments made by Members; and
2. To receive a revised and updated Code for Corporate Governance report at a future meeting of the Audit Committee.

#### **4.8 Annual Review of the London Borough of Tower Hamlets Anti-Money Laundering Policy and Guidance**

The Chair Councillor Val Whitehead deferred this report. She said she had previewed the report with Mr Paul Rock, Head of Internal Audit, Fraud and Risk and had agreed the report was over-long and contained inaccuracies which required further attention. Councillor Whitehead said Mr Rock would confer with Legal for their input and would bring the report back to the Committee once it had been amended.

The Audit Committee **RESOLVED** to:

1. Defer the Anti-money Laundering policy report to a future meeting of the Audit Committee, once it had been redrafted.

#### **4.9 RIPA Policy 2021 & Report of Investigations under the Regulation of Investigatory Powers Act (RIPA)**

Ms Agnes Adrien, Head of Litigation, Legal Services said there were two reports attached to the agenda. The RIPA Policy 2021 and the RIPA authorisations reports. Ms Adrien explained the RIPA policy allowed for surveillance to be conducted using covert human intelligence and as such the policy set out what those powers were. She said it was proposed that a RIPA social media policy be introduced and said this was appended to the report.

Ms Adrien referred to the authorisation report and informed members no RIPA authorisations had been applied or approved since 2017. No authorisations had been granted under CHIS – Covert Human Intelligence sources. However there had been one authorisation under the interception of communication, since 2017 and this was granted in 2019 in relation to a Trading Standards matter.

Ms Adrien continued saying Members maybe wondering why the powers have not been used and said RIPA was a policy and process which could only be used as a last resort. It could only be used for crimes where the sentencing would be more than six months and could not be used for minor offences. She said the policy had had the desired effect.

She informed Members the policy recommended the reporting of authorisations be on a quarterly basis and if none were granted then to report to the Committee on a half-yearly basis, as well as the annually review of the policy.

In response to questions and comments from Members the following was noted:

- The RIPA policy is inspected every three years and the last inspection was in 2020. At the time, Tower Hamlets use of RIPA powers was comparable with other local authorities. With respect to social housing fraud cases, investigation and enforcement is often undertaken without the need to use RIPA.
- **ACTION:** Ms Adrien to provide clarification with respect to what the term 'spiritual counselling' refers to in the policy.

- Councillor Francis commented that the report was clearly presented and said he'd be uneasy if the powers were being overused. He said it was reassuring they were infrequently used as they are intrusive. He said it was sensible to have a social media policy as part of the RIPA policy.

The Audit Committee **RESOLVED** to:

1. Consider and comment on the proposed amendments to the RIPA policy and the introduction of the Social Media policies as appended at appendix 3; and
2. Note the authorisations and information provided in the authorisations report.

#### 4.10 Whistleblowing Annual Report

Mr Mark Norman, Legal Adviser and Deputy Monitoring Officer presented the Whistleblowing annual report. He said the report provided Members with an update on the Council's whistleblowing arrangements in accordance with paragraph 6.1 of the Council's Whistleblowing Policy.

He said the appended report ought to show the track changes of where the policy had been amended however it appeared the report attached to the agenda did not show these changes. Mr Norman proposed to circulate the track changed document via email and said he would welcome any comments in relation to this.

Regarding the report, Mr Norman said the report provided an update on the number of Whistleblowing cases received and investigated since the last report to the Audit Committee.

In response to questions from members the following was noted:

- Councillor Whitehead asked why issues were raised by residents when the policy was aimed at staff? Mr Norman responded stating all complaints are logged via the Council's Website and then filtered according to if the complaint required a direct response from the service area or if the complaint was a whistleblow. Mr Norman said under the whistleblowing policy, access to lodging a complaint had to be available to all – residents, staff, contractors etc and as such whistleblow cases were filtered out. He said the number identified as whistleblow cases had reduced substantially since changes made in July 2020.
- In reference to paragraph 3.5, Mr Norman said the investigation was undertaken by the directorate however he had oversight of the whistleblow.
- **ACTION:** The Whistleblowing Policy showing the track changes to be circulated to members for comment.

The Audit Committee **RESOVLED** to

1. Consider and note the content of the report; and
2. That the Whistleblowing Policy be approved and that the Corporate Director for Legal be delegated authority to make minor changes to the policy, following consultation with the Chair of the Audit Committee, should there be any final comment by Audit Committee Members before publication.

#### **4.11 Annual Self-Assessment and report of the Audit Committee**

The Chair, Councillor Whitehead presented the Audit Committee Annual Report for 2020/21. She said the report reflected on the achievement of the Committee and would be reported to Council. She said the report related to the activity of the Committee in 2020/21.

Councillor Whitehead said the report assumed the draft accounts of 2018/19 and 2019/20, considered at this meeting, would be presented and approved in July. However, should the accounts not be approved the Chair's report would be amended accordingly.

There were no questions from Members.

The Audit Committee **RESOLVED** to:

1. Note and approve the Chair's Annual Report, before this is presented to Council.

#### **5. AUDIT COMMITTEE WORK PLAN**

The Chair asked if there were any suggestions for the 2021/22 work plan for the Audit Committee. She said the Committee's work plan would be drafted and circulated to members for comment.

Mr Kevin Bartle, Interim Corporate Director for Resources asked for the Annual Financial Accounts for 2018/19 and 2019/20 be added to the July 2021 meeting along with the Deloitte report.

Councillor Wood suggested that the Committee receive a briefing on the Croydon and Liverpool reports plus some feedback on the £140m spent in 2017 in relation to social housing, from a value for money perspective.

#### **6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT**

There were no urgent business to be discussed.

The meeting ended at 8.30 p.m.

Chair, Councillor Val Whitehead  
Audit Committee