

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT 7 P.M. ON TUESDAY, 20 MARCH 2012**

**MEETING ROOM M71, 7TH FLOOR TOWN HALL, MULBERRY PLACE, 5 CLOVE  
CRESCENT, LONDON, E14 2BG**

**Members Present:**

Councillor Carlo Gibbs (Chair)  
Councillor Alibor Choudhury (Cabinet Member for Resources)  
Councillor Stephanie Eaton  
Councillor David Edgar (Vice-Chair)  
Councillor Denise Jones

**Other Councillors Present:**

Nil

**Officers Present:**

Steve Vinall	– Service Manager, Deloitte & Touche
Sally Ann Eldridge	– Service Manager, Audit Commission
Jon Hayes	– District Auditor, Audit Commission
Peter Hayday	– Interim Service Head, Financial Services Risk & Accountability, Corporate Finance
Tony Qayum	– Corporate Fraud Manager, Internal Audit Resources
Kate Bingham	– Acting Service Head [Resources] – CSFD
Minesh Jani	– Head of Risk Management
Simone Scott-Sawyer	– Democratic Services

**1. APOLOGIES FOR ABSENCE**

Apologies were submitted on behalf of Councillors Khales Uddin Ahmed and Craig Aston.

**2. DECLARATIONS OF INTEREST**

There were none.

**3. UNRESTRICTED MINUTES**

**RESOLVED**

That the minutes of the meeting of the Audit Committee held on 12<sup>th</sup> December 2011 be agreed as a correct record of the meeting and the Chair be authorised to sign them accordingly.

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

##### **4.1 Audit Plan 2011/12 - Council Accounts**

Mr Jon Hayes, District Auditor, Audit Commission introduced the report. He updated Committee Members about the externalisation process and informed the Committee that the Town Hall would be audited by KPMG from November.

Ms Sally Ann Eldridge, Senior Audit Manager, Audit Commission referred Members to the Audit risks on page 14 and outlined specific risks and noted that the Town Hall would adopt the requirements of the Financial Reporting Service [FRS].

On the subject of value for money, it was anticipated that the Town Hall's 're-used' governance arrangements under the revised Mayoral arrangements will be examined. It was also expected that the planned fees would be 10% lower than the previous year's fees.

One Member asked the following questions about heritage assets:

- How does the Council insure assets?
- How much value is placed on assets unlikely to sell?
- Could we look at ways of using regalia assets?

She also requested more detail on governance issues.

Ms Eldridge stated that with regards to value for money, the Council was at an early stage and officers were currently identifying assets and looking at assets held outside the borough. Items that were never to be sold, would be accounted for in the figures.

With reference to Governance arrangements, she stated that the Internal Audit works carried out last year had been looked at, but she would revisit these to ensure that they had been properly embedded.

Another Member enquired about any changes to the 'value for money' conclusions. He referred to the first bullet point on page 23, about strengthening the quality review of the financial statements and wondered how confident officers were about achieving those objectives.

Another Member commented that an audit was carried by the Mayor in 2000 and the maintenance of artworks and sale of assets by auction could be looked at. She also referred to the proposed section 106 agreement and the proposal for changes.

Mr Hayes stated that auction sales had been looked at, but there were no concerns at this stage. However, his intention was to look at all proposals.

**RESOLVED:**

That the Council Accounts be noted.

**4.2 Audit Plan 2011/12 - Pensions Fund Accounts**

Ms Sally Ann Eldridge, Senior Audit Manager, Audit Commission introduced the report. She reported that there were no new accounting issues for this year.

In response to a Member's query about getting assurances about the accuracy of funds, Ms Eldridge explained that actuaries gave an assessment about funds and the Commission in turn examined the assessment made by the actuaries.

Mr Jon Hayes also added that the Audit Commission ensured that the Town Hall was following the correct procedure by ensuring that accurate information was given to the actuaries in the first place.

**RESOLVED:**

That the Pension Fund Accounts be noted.

**4.3 Certification of claims and returns Annual Report - LBTH Audit 2010/11**

Ms Sally Ann Eldridge, Senior Audit Manager, Audit Commission introduced the report.

With regards to Sure Start weaknesses, Ms Eldridge pointed out that the expenditure figures for 2010/11, had also been included erroneously in 2011/12. Officers were aware of the error and would ensure that it does not happen again, so that the income and expenditure was accounted for in the correct accounting period.

In response to a query by the Chair about further improvements to be made, Ms Eldridge stated that the current arrangements were very good, citing the Housing Benefits department as a good example.

**RESOLVED:**

That the Certification of claims and returns Annual report be noted.

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

### **5.1 Quarterly Internal Audit Assurance Report**

Mr Minesh Jani, Head of Risk Management and Audit, introduced the report.

He made the following points:

- There appeared to be no clear scheme of delegation by schools;
- The Finance Sub-Committee was lacking a current set of Terms of Reference;
- There was a need to look at proper controls with regards to procurement matters and goods and services;
- The annual report due out in September will capture a larger sample of schools.

In response to a query by the Chair about having an officer update as opposed to a member of staff from the school attending committee, Ms Kate Bingham, Acting Service Head [Resources] - CSFD updated the Committee as follows:

- Officers have looked at emerging themes to establish whether protocols and/or relevant documents were up-to-date;
- Training sessions had been carried out;
- School Governance issues were causing some concern, so these will be closely examined;
- The Assets Register – officers will be consulting the guidance notes to determine whether they needed enhancing. They will try to identify which assets were available and which were the higher-spending schools, the intention being to achieve efficiencies across the borough;
- The scheme of delegation in schools was also of some concern and would be looked at.

In response to questions by Members, Ms Bingham and Mr Jani made the following points:

- Support was provided to schools and academies, however, there was now a need to appoint a responsible officer i.e. an internal officer dedicated to the role of giving support;
- Officers were assessing levels of exposure and would look at the findings in totality. They would also benchmark with other schools to ascertain what the level of expectation should be.

Mr Jani further observed that although the assurances assigned can be subjective, he had endeavoured to make it as objective as possible.

However, in forming the opinion, the number and priority of recommendations would be taken into account in assigning assurances.

In response to a Member's question whether Deloitte & Touche were satisfied with the assurances, Mr Steve Vinall, Service Manager, Deloitte & Touche, confirmed that despite the degree of subjectivity, assurances were accurate.

Mr Jani added that he was satisfied with the assurances assigned by Deloitte & Touche and rarely needed to challenge their opinion. Generally, they looked at schools over a five year period, unless something untoward was to surface.

**RESOLVED:**

That the Quarterly Internal Audit be noted.

**5.2 Annual Internal Audit Plan for 2012/13 Financial Year**

Mr Minesh Jani, Head of Risk Management and Audit, introduced the report.

He indicated that four criterion were used in the Plan and officers engaged with Corporate Directors and Service Heads to contribute to it accordingly. He also referred to the table on page 96 as contained in the report. In response to a Member's question about risk, Mr Jani explained that a balance of risk and reward was favoured. The approach adopted in the Risk Management policy was for 'positive risk taking'; the emphasis was placed on the benefits of the risk taking. He described the Council's approach as 'risk aware' or 'risk savvy'.

One Member said she welcomed the section 106 agreement in the Plan, but queried how the funds would be generated and governed.

Mr Jani stated that a section 106 audit was conducted approximately five years ago which captured the aforementioned points.

With regards to tele-care, the Chair observed that it would be appropriate for the Audit to include any investment in the service.

**RESOLVED:**

That the Annual Audit Plan for 2012/13 financial year be endorsed.

**5.3 Anti Fraud and Corruption Strategy and Proactive Anti Fraud Plan 2012-13**

Mr Tony Qayum, Corporate Fraud Manager, Internal Audit, Resources, introduced the report.

He remarked that this was the fifth year of reporting the Audit arrangements for Tower Hamlets Council and made the following points:

- Several services came under the Corporate Fraud umbrella;
- Appendix 1 contained in the report focused on the Anti Fraud and Corruption Strategy. Housing or Council Tax Benefit fraud details were referred to on page 165 contained in the report;
- They had separate telephone numbers for various types of fraud;

- There was now a robust *Money Laundering* policy in place, for e.g. loopholes in revenue refunds were now being tightened up;
- Bribery – officers were benchmarking with other organisations to ensure best practice.

In response to a question by one Member about ways of closing the loopholes in the 'Right to Buy' scheme, Mr Qayum stated that the Anti Corruption and Fraud Strategy served as a 'Whistle blowing' policy as well to possibly cover situations like this.

In response to the Chair's query about the best way of disseminating such information to Members, Mr Jani proposed that a session could be set up prior to a Committee meeting, with the sole purpose of training and raising awareness.

Mr Peter Hayday, Corporate Finance, also endeavoured to raise the matter with Isabella Freeman, Assistant Chief Executive [Legal Services].

**RESOLVED:**

That the Anti Fraud and Corruption Strategy and Proactive Anti Fraud Plan be noted.

#### **5.4 Consultation on Social Housing Fraud**

Mr Jani, Head of Risk Management and Audit, introduced the report.

He informed Members that the Government was seeking to criminalise Social Housing Fraud and this was their opportunity to respond to the consultation document by April 2012.

Members outlined the following points in relation to the consultation:

- How would the Council deal with long term absences from the home by residents, for e.g. in the case of ill health?
- Where for e.g. a property was vacant for a period of 3 years, could there be an option to let the property?

Mr Qayum observed that it was always a fine balancing act where there was a case of genuine illness, as the Council needed to be fair, but at the same time cut down on fraud to ensure the best use of its assets. The real issue was often being able to garner sufficient evidence to support a criminal conviction.

Mr Hayes pointed out that unfortunately, seeing enforcement through to the end was often compromised and therefore not as straightforward.

**RESOLVED:**

That the Consultation on Social Housing Fraud be noted.

**5.5 Treasury Management Investment Activity to 31st January 2012**

Mr Peter Hayday, Interim Service Head, Financial Services Risk & Accountability, introduced the report.

He pointed out and corrected some typographical errors on page 313.

One Member queried what other local authorities were doing with regards to the Fitch ratings. Mr Hayday explained that in theory, there was potential to half investment income when coming out of institutions. For e.g., the maximum figure of £45 million could be invested in investment schemes and this would be virtually risk-free as it would be underwritten by the British Government. However, given the current economic climate, Mr Hayday urged caution about this approach.

Another Member asked how and when does the Council's risk profile change. Mr Hayday explained that the process would involve full Council, whereby information would be distributed beforehand in order that all Members were fully apprised of the risks.

In response to the Chair's question about profiling the market to ascertain the best investment vehicle, Mr Hayday confirmed that this was done whenever the opportunity presented itself.

**RESOLVED:**

That the Treasury Management Investment Activity to 31<sup>st</sup> January 2012 be noted.

The meeting ended at 9.05 pm.

Chair, Councillor Carlo Gibbs  
Audit Committee