

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 5.45 P.M. ON MONDAY, 30 JUNE 2014

TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG

Members Present:

Councillor Amina Ali (Chair)
Councillor Ohid Ahmed (Cabinet Member for Community Safety)
Councillor Ayas Miah
Councillor Gulam Robbani (Cabinet Member for Education and Children's Services)

Apologies:

Councillor Craig Aston, Councillor Rachel Blake and Councillor Alibor Choudhury

Officers Present:

Robin Beattie – (Service Head, Strategy & Resources, Communities Localities & Culture)
Chris Holme – (Acting Corporate Director - Resources)
Minesh Jani – (Head of Audit and Risk Management , Resources)
Simon Kilbey – (Service Head, Human Resources and Workforce Development)
Bharat Mehta – (Audit Manager)
Kevin Miles – (Chief Accountant, Resources)
Sarah Williams – (Team Leader Social Care, Legal Services, Chief Executive's)
Nishaat Ismail – (Committee Officer, Democratic Services, Directorate Law Probity and Governance)
Antonella Burgio – (Democratic Services)

Others In Attendance:

Daniel Hellary – Mazars
Kevin Jones – Interim Director of Neighbourhood Services, Tower Hamlets Homes

1. ELECTION OF VICE-CHAIR

Councillor Ayas Miah self-nominated that he be appointed Vice Chair of Audit Committee for the duration of the Municipal year and the nomination was seconded by Councillor Amina Ali. There being no other nominations, it was

RESOLVED

That Councillor Ayas Miah be appointed Vice-Chair of Audit Committee for the duration of the municipal year.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interest were made.

3. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of the Audit Committee held on 18 March 2014 were presented for approval.

RESOLVED

That the minutes of the Audit Committee held on 18 March 2014 be approved as a correct record of proceedings.

4. AUDIT COMMITTEE TERMS OF REFERENCE, QUORUM, MEMBERSHIP AND DATES OF MEETINGS

The clerk presented the annual report which asked Members to note its Terms of Reference, Membership, Quorum and Dates of future meetings and then invited the service Head of Risk Management and Audit to provide a summary of the role of the committee

Members were informed that the Charter for Internal Audit set out the Council's responsibility for internal audit which focussed on: Internal control, Risk management and Governance.

These functions were performed by the Internal Audit Team, and were supplemented, where necessary, by specialised internal audits undertaken by Mazars. The team also delivered a range of regular reports including the audit of key financial systems to provide assurance over the Statement of Accounts, reports of the outcomes of audit work undertaken on behalf of the work of Mazars internal audit work and internal audits of grants.

The Chair enquired and Members agreed that the preferred time of the future of Audit Committees be 7.00PM.

RESOLVED

1. That, Terms of Reference, Membership, Quorum and Dates of future meetings of Audit Committee for the municipal year 2014-15 as set out in Appendices 1, 2 and 3 to the report be noted.
2. That the verbal summary given by the Service Head of Risk Management and Audit be noted.
3. That the preferred time of future audit committee meetings be 7.00PM.

5. TOWER HAMLETS ITEMS FOR CONSIDERATION**5.1 Annual Financial Report 2013/14**

The Acting Corporate Director - Resources presented the Annual Financial Report for 2013/14.

He apologised that, owing to statutory deadlines and the time required to prepare the accounts for external audit, it had been necessary to circulate the Annual Financial Report as a supplementary agenda. He noted there had been change in financial systems whilst preparing the accounts and thanked all officers who had worked to produce the required documents to short deadlines.

He confirmed he had signed off accounts on the 30th June 2014 and these had been passed on to external auditors for external audit review. The accounts were now also available for public inspection and there would be a three month review period where the contents of the accounts could be challenged.

He informed the Committee that Accounts received show Tower Hamlets is in good financial health and had added to reserves of the Housing Revenue Account and the General Fund. This would put the Council in good stead to address the financial challenges anticipated in the next three to four years.

He then offered to provide detailed answers to Members' questions and the following information was provided:

- Councillor Ohid Ahmed noted the increase in reserve funds and supported the prudent approach taken to maximise the use of the council's funds.
- General reserves were presently £64 million and would reduce to £20 million over the medium-term financial strategy which had been agreed at Council.
- Concerning benchmarking of the Council's accounts against other local authorities, members were informed that no comparative local authority data of this kind were kept. However in relation to the comparative financial standing of the Council, Members were advised that Tower Hamlets was an authority that in the past had relied on grant funding and, in the current environment of grant reductions, had good reserve levels relative to other local authorities.

RESOLVED:

That the Annual Financial Report for the financial year ending 31st March 2014 team comprising the explanatory forward and the draft statement of accounts which is subject to audit be noted.

5.2 Internal Audit Annual Report for 2013/14

The Head of Risk Management and Audit presented the report at agenda item 5.2 which summarised the work carried out by Council's auditors during 2013/14.

The report provided:

- A summary of the audit work performed in the year 2013/14
- Together with the Annual Internal Audit Opinion

He also informed the Committee:

- that the internal audit team set out report with recommendations-
- where recommendations had not been implemented these would be raised with the appropriate director and where officers had not implemented recommendations they would be asked to explain why, to the Committee.

The Head of Risk Management and Audit then summarised the recent audit work undertaken informing the committee that a number of limited assurances had been returned. Officers were present to answer questions on the limited assurances returned in four of the audits that had been undertaken.

Procurement below EU threshold: Follow up audit

It was noted that at the time of audit, management had already identified the need to review processes and procedures, a work group set up to ensure standardisation of all documentation and a new procurement system had been implemented.

The Service Head for Strategy and Resources CLC was present to answer the committee's questions. He noted the following:

- Some inconsistency in terminology had made it unclear if the recommendations related to contracts above £50k or to all orders regardless of value.
- Some criticism in the report specific to practice (Level 2 quotations) was not supported by the procedures at the time and, in his view, may have been the result of confusion by the auditor with tender procedures.
- The findings had been based on a sample size of five and was too small to draw reliable strategic conclusions regarding compliance across a large organisation.

He confirmed that the recommendations had been substantially complied with from the follow-up audit and was open to questions from the Committee. The Head of Risk Management and Audit pointed out that CLC had been given the opportunity to raise any concerns before the report was concluded and offered that a fresh review be undertaken to address the sample size issue. The Service Head for Strategy and Resources suggested that before moving to undertake the suggested review audit, the Head of Risk Management and Audit should meet with him to review the current position regarding follow up and collectively agree if any further action is needed.

Controlling and monitoring of disclosure and barring service checks audit

The Head of Risk Management and Audit advised that the audit concerned risks arising to the authority from the transfer of applicants' central records checking systems from Criminal Records Bureau to Disclosure and Barring Service.

A limited assurance had been assigned because although the transition had been good, the process lacked evidence.

The Service Head for HR and Workforce Development was present to answer questions and informed Members of the long and extensive process of going through current posts, to ensure employees do not exceed the three year period.

Looked after children audit

The Service Head of Risk Management and Audit reported that a limited assurance had been assigned as there was insufficient audit evidence of some activities. He noted that no evidence of activity did not imply that the required activity had not been undertaken but solely that it had not been documented.

The Interim Service Head for Children's Social Care was present to answer questions and informed the Committee that there had been work to encourage staff to balance their active work with children, with required administration tasks to ensure that both areas of work were appropriately balanced.

A Member enquired and was informed that, all recommended actions will be in place by September 2014.

Management and control of planned maintenance work

The Head of Risk Management and Audit informed the Committee that a limited assurance had been assigned because of the slippage in the first six month of the programme, which led to concerns that programme management had not been completed.

Additionally:

- More clarity was required concerning value for money (VFM) of the contract
- There was a payment not in the contract

The Interim Director of Neighbourhood Services Tower Hamlets Homes attended to answer questions and informed Members that a revised programme management arrangements had been put in place which would provide more robust measures around contract management.

Right to buy systems audit

The Head of Risk Management and Audit advised that a limited assurance had been returned because of delays in completing sales in this category.

Additionally some right to buy identity checks had not been carried out and control of the valuation of assets was not up to date.

The Interim Director of Neighbourhood Services Tower Hamlets Homes informed Members that:

Internal right to buy procedures had been strengthened to ensure future compliance

There had been some disruption due to changes in right to buy regulations but these were now up to date.

Since the audit, Tower Hamlets Homes RTB Team better shared evaluation data with the Council's asset management team.

RESOLVED

1. That the annual audit report be noted including summary of audits undertaken which have not previously been reported.
2. That the Head of audit opinion be noted and that the internal audit charter be endorsed.

5.3 Annual Governance Statement 2013/14

The Head of Risk Management and Audit presented the Annual Governance Statement, which sets out the framework for reviewing and reporting the Council's system on internal control and governance arrangements.

He reported that no gaps were identified in respect of:

- Establishing principle statutory obligations and organisational objectives
- Principle risks to achieving objectives
- Identifying key controls to manage principle risks.

Having considered process and findings set out in the report members were then invited to approve the draft annual government statement for the financial year.

RESOLVED

That the draft annual government statement for the financial year 2013/14 be approved.

5.4 Risk Management annual Report 2013/4

Noting that there had been error in the order of document publication, the Head of Risk Management and Audit introduced the report printed at page 131 of the agenda advising members that day-to-day management risk lay with officers and managers. However the Council had an overall obligation to identify and mitigate risks which could affect the overall achievement of service objectives.

He stated the Risk Management Team's aims;

- Providing training sessions (last year, all senior managers were required to attend Risk Management training.
- Preparing publications
- E-learning modules are already available

The report states what has been planned for this financial year.

RESOLVED

That the annual risk management report 2013/14, highlighting the effectiveness of the processes deployed to identify and assess priorities and mitigate the risks which could affect the overall achievement of service objectives be noted.

5.5 Treasury Management Activity Update Report For Period Ending 30 April 2014

The Chief Accountant presented the report circulated at agenda item 5.5. He noted the investment levels, interim returns and projected annual returns that had been reported and also informed members of the Council's proposed intention to change the counterparty list. This proposal was to mitigate the effects of the Government's intention to reduce its holdings in government backed banks such as Lloyd's and Royal Bank of Scotland. It was intended therefore to reduce the levels invested with any particular bank.

RESOLVED

1. That the contents of the treasury management activity report for the period ending 30th April 2014 be noted.
2. That the gradual planned changes to Lloyd's Banking Group in order for the Council to be timely in reflecting its appropriate monetary and time limits, once its non part-nationalised status was established and confirmed, be noted.
3. That the revised monetary limits to the Council's counterparty list which is to increase each counterparty and money market funds limit but £5 million be approved.

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Nil items.

The meeting ended at 6.50 p.m.

Chair, Councillor Amina Ali
Audit Committee