

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON WEDNESDAY, 12 MARCH 2008

**MEETING ROOM M72, SEVENTH FLOOR, TOWN HALL, MULBERRY PLACE, 5
CLOVE CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Joshua Peck	(Lead Member, Resources and Performance)
Councillor Rupert Eckhardt	
Councillor Carli Harper-Penman	
Councillor Abjol Miah	(Leader of the Respect Group)
Councillor Ahmed Adam Omer	
Councillor Stephanie Eaton	(Leader Liberal Democrat Group and Scrutiny Lead Member: Health)

Other Councillors Present:

Officers Present:

Chris Naylor	– Corporate Director, Resources
Tony Qayum	– Head of Audit Services
Minesh Jani	– Service Head Risk Management
Isabella Freeman	– Assistant Chief Executive [Legal Services] and Monitoring Officer)
Martin Smith	– Chief Executive
Mike Clarkson	– General Manager, Deloitte and Touche
Steve Lucas	– Audit Manager, Audit Commission
Steve Vinall	– Service Manager, Deloittee
Kash Pandya	– District Auditor, Audit Commission
Angus Dixon	– (Interim Senior Committee Officer, Democratic Services, Chief Executive's)
Zoe Folley	– Committee Officer, Democratic Services, Chief Executive's
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1. APPOINTMENT OF CHAIR

The Committee were asked to appoint a Chair.

RESOLVED:

That Councillor Joshua Peck be appointed Chair of the Committee for the remainder of the 2007/08 municipal year.

2. APPOINTMENT OF VICE-CHAIR

The Committee were asked to appoint a Vice-Chair.

RESOLVED:

That Councillor Ahmed Omer be appointed Vice-Chair of the Committee for the remainder of the 2007/08 municipal year.

3. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Waiseul Islam.

Noted

4. DECLARATIONS OF INTEREST

No Declarations of Interest were made pursuant to the Member Code of Conduct.

5. AUDIT COMMITTEE - TERMS OF REFERENCE AND MEMBERSHIP

It was noted that this was the first meeting of the newly established Audit Committee. The Chairman welcomed everyone to the meeting and asked them to introduce themselves.

The Committee considered the terms of reference for the Committee and the composition of its membership as agreed by full Council at its meeting on 11 February 2008.

RESOLVED:

That the Terms of Reference and the membership of the Committee be agreed.

6. ANNUAL AUDIT AND INSPECTION LETTER

Mr Kash Pandya, Audit Commission District Auditor, introduced the draft Annual Audit and Inspection Letter and informed the Committee that the report provided an overall summary of the Commission's Assessment of the Council.

Mr Pandya stated that the report drew on the most recent Comprehensive Performance Assessment (CPA), the findings of the Audit of the Council for 2006/07 and the use of resource work undertaken since the last Inspection letter. The letter contained many positive messages and reported on the key areas of improvements. The CPA had rated some of the Council services as 'excellent' and found that it had improved in other areas as well.

Mr Pandya stated that the report was available on the website at www.audit-commission.gov.uk and that it was intended that the finalised letter would be circulated to all Members of the Council.

The report recommended that the Council should take action to address a number of issues including the improvement of its recycling and environmental services. The Committee welcomed these aims. Another issue concerned the need to strengthen the arrangements for managing the Fixed Asset Register.

Mr Steve Lucas, Audit Commission Audit Manager, stated that in relation to the register errors had been identified in the information on disposals which had resulted in problems with 'double counting'. The problem had been discovered during the revaluation process for properties.

In response to a query from the Committee on who was responsible for these issues Mr Chris Naylor, Corporate Director Resources reported that Property collated the information but his team was responsible for ensuring the figures were correct.

Mr Naylor stated that efforts were now in place to address the problem and ensure accurate figures were produced in the future. This included the data being cross referenced with the NNDR data base and the purchase of a new Fixed Assets Register 'kit'.

In terms of future issues, it was noted that the issue of Housing was a key challenge for the Borough. Meeting the decent homes target for 2010 was a key challenge for all London Boroughs. Reference was also made to emerging plans to introduce new international standards for the reporting of performance information and audit work which would also result in additional work.

RESOLVED:

That the Draft Audit and Inspection Letter for 2007/08 be noted.

7. EXTERNAL AUDIT 2007/08 - PROGRESS REPORT

Steve Lucas, Audit Manager, presented the External Audit Progress Report for 2007/08. Mr Lucas stated that the report briefed the Panel on work completed by the Audit Commission since the last meeting of the Audit Panel in September 2007 and to report on current work.

Attention was drawn to page 27 (paragraph 11) which reported that a key element of the Audit and Inspection Plan had been the Corporate Assessment. It advised that the Council had completed its self assessment for this exercise.

It was also reported that discussions were taking place between officers regarding the content of the 2008/09 Plan. The Committee were invited to forward ideas for consideration as part of this process.

The Committee questioned whether the Members themselves could influence at the business of the Committee. For example, could they ask the Committee to look at their own personal concerns regarding risk management. It was reported that Members should report any concerns to either Chris Naylor or Martin Smith the Chief Executive in the first instance.

Mr Pandya also referred to the Common Area Assessment (CAA) and offered to deliver a presentation to the Committee on this aspect of work. The Committee agreed that this should be added to their work plan.

Mr Pandya explained that this would be the last meeting he would be attending as the Council's External Auditor. The post would be taken over by Mr John Hayes, also the Audit Commission's Lead for the CAA. He thanked officers and the Members for all their support and input into audit work over the last year. The Committee also expressed their thanks for the work Mr Pandya had carried out on their behalf.

RESOLVED:

That the External Audit Progress Report for 2007/08 be noted.

8. AUDIT COMMISSION INFORMATION ITEMS:

8.1 Code of Audit Practice

Mr Lucas, Audit Commission Audit Manager, introduced the item stating that the Code of Audit Practice had been attached to the agenda as an information item for Members to advise them of the nature of local audit work.

The aim of the Code was to facilitate a more stream lined and targeted audit, improve performance management, secure value for money, partnership work and allow clearer reporting of Audit work. It explained the role and responsibilities of the local auditor and the way in which they should carry out their functions, the process for auditing the financial statements and reporting the results of work.

The Committee noted the guidance.

RESOLVED:

That the Code of Audit Practice for 2005 be noted.

8.2 Statement of responsibilities of auditors and of audited bodies

Mr Lucas, Audit Commission Audit Manager, introduced the item stating that the Statement of responsibilities of auditors and of audited bodies had been attached to the agenda as an information item for Members.

The Committee noted the statement of responsibilities. The purpose of the statement was to assist auditors and audited bodies by summarising the different responsibilities of the auditor and the audited body.

RESOLVED:

That the Statement of responsibilities of auditors and of audited bodies be noted.

9. UPDATED ANNUAL INTERNAL AUDIT PLAN 2007-08

Mr Minesh Jani, Service Head Risk Management and Audit, introduced the updated plan. The report drew attention to the audit activity planned for this year and reflected changes made to the internal Audit Plan for 2007/08 as a result of changing priorities. The Committee were asked to note the contents of the report and endorse the changes.

Mr Jani highlighted that page 90 of the report detailed the main changes to the Internal Audit Plan for consideration and specified the days allocated to the new priorities.

It was noted the Annual Internal Audit report for 2007/08 would be submitted to the next meeting of the Committee.

The Committee queried the process for programming new days to the plan during the course of the year. Mr Jani explained that the plan was a risk based strategy and contained provision for the audit programme to be reprioritised during the course of the year to take into account urgent items which might arise.

It was noted that the Committee would receive an updated copy of the progress report around November/December 2008.

RESOLVED:

That the report 'Updated Annual Internal Audit Plan 2007/08' be noted and the updated Annual Internal Audit Plan for 2007-08 be endorsed.

10. QUARTERLY INTERNAL AUDIT ASSURANCE REPORT

Mr Minesh Jani, Service Head of Risk Management, introduced the report informing the Committee that it summarised the work of the Internal Auditor for the period September to December 2007. Mr Jani stated that the purpose of the report was to summarise the findings arising from the audit of the Council systems and provided an assurance to management from the work of internal audit.

The Committee was asked to note the report and consider the audit opinion assigned to the systems reviewed during the period. It was noted that from April 2005, each of the systems had been assigned an assurance rating: Full, Substantial, Limited or Nil. Mr Jani reported that two areas had been identified as 'Limited Assurance': Sickness Management and the Management and Control of Compensation Claims.

In relation to sickness management, it was noted that in September 2005 the Council put in place revised arrangements for managing sickness absence, however that there was a need to ensure that these were complied with by service managers. It was also noted that Deb Clarke, Joint Director Human Resources, was in the process of proposing additional measures for improving performance.

In relation to Compensation Claims, Mr Jani reported that new arrangements had been established for enabling claims for compensation to be dealt with by a Forum of London Boroughs. Claims over £5,000 were dealt with by Zurich Municipal. However the procedures for handling claims now needed to be formalised and disseminated to staff. It was also recommended that a system of performance targets should be established to enhance the service.

The Committee discussed that no reviews had been allocated a full assurance rating, and whether this was a concern. Mr Jani informed that the standards for this rating were very high, and few reviews would receive full assurance ratings. It was further highlighted that Audit tended to focus on those areas where improvement may be required, and that consequently were less likely to attract a full assurance rating.

RESOLVED:

That the Quarterly Internal Audit Assurance Report be noted, taking account of the overall assurance and audit opinion assigned to the systems reviewed during the period.

11. NATIONAL FRAUD INITIATIVE 2006/07 AND ANTI-FRAUD UPDATE REPORT

Mr Tony Qayum, Head of Audit Services presented the report. The report advised the Committee of the current progress of the National Fraud Initiative 2006/07 and associated initiatives developed in the area of Anti Fraud work during 2007/08.

He advised that a detailed report on the work and outcomes of the Anti Fraud Forum would be submitted to the next meeting.

RESOLVED:

That the National Fraud Initiative 2006/07 and Anti-Fraud Update Report be noted.

12. ANNUAL INTERNAL AUDIT PLAN FOR 2008/09

Mr Minesh Jani, the Service Head of Risk Management, presented the Annual Internal Audit Panel for 2008/09. It was noted that the paper detailed the methodology for developing the annual audit plan and set out the role of internal audit and the process for directing their work.

Mr Jani, advised that a number of days were available for new work. Members were invited to submit ideas on how this might be spent. The Chair requested that some time be spent examining the approach for managing large contracts at a Corporate and Directorate level – the ‘client side arrangements’. It was reported that Mr Steve Lucas, Audit Manager, was developing some work in this regard and that this should be dovetailed with any audit work to be undertaken on the area.

The Committee also queried whether the recording of reoccurring complaints from residents could be investigated. Mr Jani responded that the Statement of Internal Control would detect any patterns in complaints and therefore any potential risks associated with them.

RESOLVED:

That the Annual Internal Audit Plan for 2008/09 be noted.

The meeting ended at 7.55 p.m.

Chair,
Audit Committee