

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.30 P.M. ON THURSDAY, 24 MARCH 2022

**COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present in Person:

Councillor Val Whitehead (Chair)
Councillor David Edgar
Councillor Ayas Miah
Councillor Leema Qureshi

Members In Attendance Virtually:

Councillor Eve McQuillan
Charlotte Webster Independent Person

Non-Committee Councillors In Attendance Virtually:

Councillor Andrew Wood

Apologies:

Councillor James King
Councillor Kyrsten Perry

Officers Present in Person:

Agnes Adrien (Head of Litigation, Legal Services)
Paul Rock (Head of Internal Audit, Anti-Fraud and Risk)
Farhana Zia (Democratic Services Officer, Committees,
Governance)

Officers In Attendance Virtually:

Kevin Bartle (Corporate Director, Resources & Section 151
Officer)
Raj Chand (Director, Customer Services)
Adrian Gorst (Divisional Director, IT)
Dan Jones (Director, Public Realm)
Bharat Mehta (Audit Manager)
Will Tuckley (Chief Executive)
Nisar Visram (Director of Finance, Procurement & Audit)
Musrat Zaman (Director of HR, OD & Business Support Services)

1. DECLARATIONS OF INTEREST

There were no pecuniary declarations of interest declared at the meeting by the members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the meeting of the 27th January 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

Matters arising

The Chair, Councillor Whitehead referred to the action point on page 10 of the agenda and asked Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer to provide an update in relation to the working papers and the accounts.

Mr Bartle informed the Committee that the two sets of account, 2018-19 and 2019-20 had not been signed off under delegated authority due to one or two matters still requiring clarification. He said the points raised were minor but until they were resolved the accounts could not be completed.

Regarding the working papers, Mr Bartle said they had met with KPMG, who still needed to complete their work, on the previous years' accounts. He said KPMG could have sight of Deloitte's working papers but there were a few technicalities such as the signing of the 'hold harmless' letter for the information to be shared. Mr Bartle said KPMG would need to go through the working papers and make adjustments as required. Thereafter Deloitte's would need to do another internal review until it is finalised with KPMG.

Mr Bartle continued stating the timeline was difficult to estimate but Deloitte hoped that somewhere between the end of April or beginning of May the 2018-19 and 2019-20 accounts would be concluded. Deloitte would then pass on the papers to KPMG and KPMG needed to be assured that there was absolutely nothing else outstanding, before they can complete their work and issue their certificates. Mr Bartle said it was hoped that all four sets of accounts would be complete by June 2022 at the earliest. Once this was complete, Deloitte hoped to commence their audit of the 2021 - 22 accounts, which they hoped to commence work in May.

Regarding the 2021-22 accounts, Mr Bartle said these were on the Council's website and work was underway to produce the group accounts, for the main accounts, Tower Hamlets Homes and King George Field Trust accounts. Mr Bartle said he hoped work on these set of accounts would be complete by the statutory deadline in November 2022.

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

- Councillor Edgar asked for clarification as to why KMPG were asking for access to the Deloitte working papers? Mr Bartle explained they

were pleased this was happening and said that this would assist KPMG undertake reliance work by using the Deloitte working papers. He said this meant the Finance team would not have to prepare papers again for KPMG. He said this would have taken months to do. He said it had taken some time to negotiate this but both accounting firms are content with this and satisfied it is within the regulations and can be done.

- Regarding the 2019-20 accounts, Mr Bartle explained these could not be signed off as there were a number of prior year adjustments to be made, which KPMG needed to review and consider.
- Mr Bartle confirmed there would be no financial penalty incurred due to the lateness of the accounts, however warned members that there would be additional fees for the work that KPMG were undertaking.

The Chair thanked Mr Bartle for the update.

3. DELOITTE ITEMS FOR CONSIDERATION

There were no Deloitte items for consideration.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Risk Management Report 2021/22 (Q4) - Corporate and Directorate Risk Registers

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Corporate Risk Register and said this was a regular report to the Committee. He said the report provided an update against the Risk plan and how the Council was performing against key targets. Mr Rock said Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer was present for any questions relating to the Resources Directorate's risk register.

Mr Rock said the Corporate Risk Register had been reviewed and agreed earlier this month by the Corporate Leadership Team and likewise the Directorate Risk Register had been reviewed and agreed by Directorate Leadership Team. Mr Rock stated the Covid Risk Register which was a stand-alone register had been retired and the long-term risks from that register had been transferred onto the Council's JCAD risk management system. He said the risks would be managed as business as usual and if they still presented a risk in the future, then the risks would be reviewed and brought to the attention of the Committee.

Regarding Risk resources, Mr Rock said they were experiencing challenges in recruiting staff. He said they had closed another recruitment process recently however they were not getting the right quality and experience of applicant. Mr Rock said that they would need to seek an interim arrangement in order to keep the risk management agenda moving forward.

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

- Councillor Edgar referred to page 21 of the agenda and risk CSD0016. He said the Committee had previously discussed this risk. He asked why the current risk, which was at 25 had not been reduced to the target risk of 16. He said he was aware the target date was 31st March 2023 but wanted to know what progress had been made over the course of the year? Mr Rock responded stating that he was mindful the risk related to children and said as the risk belonged to the Children's Directorate the Corporate Director would be best placed to answer this.
- **ACTION:** The Audit Committee in municipal year 2022/23 to decide if the Corporate Director for Children should attend a future meeting of the Committee and explain why it will take another year for the target date of 31st March 2023 to achieve a reduction in the risk.
- In reference to page 28 and risk PLC0013, Councillor Edgar asked why no information had been provided in the 'required control measure' column. Mr Rock responded stating extensive detail had been provided in the 'existing control measures' column and said this may be due to a technical issue with JCAD. He said he would provide the risk manager with an update and ask the column is updated.
- Councillor Edgar said he was impressed by the reduction of the risk from 25 to 4, in relation to risk ICT0080. Mr Adrian Gorst, Director of IT responded stating that goods were flowing much better since the pandemic. They had been planning for the move to the new Town Hall and had ensured the chain supply for the purchase of laptops, monitors etc was kept under review on a fortnightly basis. He said he hoped to have supplies by the end of May.
- Lastly, referring to risk CS0008, Raj Chand, Director for Customer Services reassured members that they would not be excluding people who were not digitally literate. She said they would continue to help those who were more vulnerable, with staff assisting face to face. Ms Chand said there would be a digital hub at the new Town Hall.
- In reference to risk ICT0080, and a risk of a cyber-attack, Mr Adrian Gorst, Director of IT said this was initially monitored on a quarterly basis, however with the risk increasing over the last nine months, such as the risk of a cyber-attack because of external conflict, the scans done have been stepped up from monthly, weekly and daily scans.
- In relation to risk RSB0023, Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer, reassured the Committee that a close eye was being kept on the accounts of 2020-21. He said they hoped to achieve an unqualified opinion but may need to review the risk, depending on the progress made.

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 directorate's objectives at the next Committee meeting (or separately the meeting if urgent).

4.2 Annual Plan Internal Audit 2022/23

Mr Paul Rock, Head of Internal Audit, Fraud and Risk introduced the report stating the report presented the annual Internal Audit and Anti-Fraud Plan for 2022/23, which was for review and agreement by the Audit Committee.

Mr Rock stated extensive consultation had been undertaken with officers and senior managers. The plan was based on the best use of resources at the current moment. Mr Rock said finding experienced auditors within the sector was proving to be difficult and many peers across London were moving towards apprenticeships, to attract staff into the profession. He said they had recruited an apprentice auditor however on the other hand were losing an experienced auditor due to retirement. Mr Rock said they were increasingly relying on their delivery partner BDO, whose three-year contract was up for tender in the summer. Mr Rock said he hoped they could ensure stability and deliver the plan going forward.

Mr Rock continued stating the plan itself was a living document and there would always be progress, additions and deferrals which would be reported to the Committee on a quarterly basis. Mr Rock said the plan had been presented to the Corporate Leadership and therefore was seeking formal agreement from the Committee.

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

- Councillor Edgar stated this was a useful report. He said the process described at paragraph 3.2 gave him reassurance that the plan had sensible items identified for auditing. Councillor Edgar said he appreciated recruitment of experienced auditors was difficult and said he was encouraged by the use of apprenticeships. He said he recalled when joining the profession many had progressed via this route rather than having a university degree.
- Councillor Edgar asked if there was a good range of auditing firms, when the contact would be tendered? Mr Rock responded stating there were a lot of firms within the audit market looking to deliver internal audit frameworks and said they should attract a good range of bidders. Mr Rock said they would approach the whole market; He said the in-house service struggles to recruit.
- Ms Charlotte Webster, Independent Person, echoed Councillor Edgar's sentiments in relation to the use of apprentices. She said she had had

good experiences with people who had entered the profession after finishing school and encouraged this as a means to recruit young auditors.

- Ms Webster asked how low the resources can go before it becomes difficult to deliver the plan. Mr Kevin Bartle, Interim Corporate Director of Resources and Section 151 Officer said they would do the best they could. He said they had secured on an interim basis a manager from BDO, to oversee the Council's internal audit function considering Mr Rock's imminent departure. Mr Bartle said they were confident in his ability to deliver the plan. With regards to the permanent filling of the post, recruitment was ongoing.
- Ms Webster asked if there would be a 'conflict of interest' in using a BDO employee to oversee the Council's audit function. Mr Bartle said there would be challenges but they had secured an agreement with BDO, with a complete separation of roles.
- In terms of recruitment, Ms Webster said her concern related to the open vacancies within the team. She said it was evident there was experience and skill within the team but worried about the stability of the team. Mr Nisar Visram, Director of Finance, Procurement and Audit reassured the Committee, the team had not lost staff and are taking steps to recruit staff into vacant posts. He said they had a strong base to build from.

The Audit Committee is **RESOLVED** to:

1. Agree the Internal Audit and Anti-Fraud plan for 2022/23.
2. Note the current level of internal audit resource and the plans to increase resources and subsequently the internal audit plan.

4.3 Internal Audit and Anti-Fraud Progress Report

Mr Paul Rock, Head of Internal Audit, Anti-Fraud and Risk stated the report provided members with an update on the progress made against the delivery of the 2021/22 Annual Audit Plan and highlighted any significant issues since the last report to the Audit Committee in December 2021. An update on anti-Fraud activity was also included in the report.

Mr Rock said they were on track to deliver 30 audits for 2021/22 and there was sufficient information for his successor to inform their internal audit opinion for 2021/22. In relation to fraud, Mr Rock said they continued to increase the number of social housing properties they were recovering and returning to the common use housing register. He said he was pleased with the progress made especially as this was a difficult area to tackle. He said a good range of prevention activity had been undertaken by the Fraud Prevention officer.

Mr Rock referred members to appendix B, which provided an update on previously unimplemented agreed management actions. He said management had provided a statement in relation to this. Mr Rock said the

Committee may wish to receive regular updates going forward on partially implemented recommendations. Mr Rock said the report also included an update on the learning from a recent prosecution case. He said this was detailed at page 78 of the agenda. Mr Rock said officers were present to answer questions regarding reports which had achieved limited assurances.

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

- Mr Rock confirmed details of fraud action and prosecutions were publicised in the local newspapers. He said personal details were not published, as this would not be appropriate. Mr Rock said it was a continual battle to raise awareness and keep the public informed, that fraud costs everybody.
- Councillor Edgar commented that other agencies such as the Police were getting better at publicising their results and as such it was vital to keep up the pressure and to keep the public aware of fraud.
- In reference to the table on page 76, Councillor Edgar commented that it was good to see the direction of travel for fully implemented management actions. He said this was encouraging.

Management and Control of Freedom of Information Requests Consultancy Review

Ms Raj Chand, Director of Customer Services addressed the Committee and stated that she had requested the Internal Audit team to conduct a review of the Freedom of Information Service, to better understand the position in respect to key priorities and statutory duties. She said she needed to understand the weaknesses in control and introduce measures to remedy them. Ms Chand said the response rate for FOI's had improved from 74% to 84% and the ICO – Information Commissioner Office, were pleased with the progress they were making.

Ms Chand said along-side the internal audit review, a root and branch review of the service was being undertaken, to ensure the service was fit for purpose. She said the staffing structure and the IT system were being upgraded and she was looking to recruit to the Head of Service post, owing to the former head retiring.

In response to comments and questions the following was noted:

- **ACTION:** Ms Chand said she would update the Committee via email the exact number of FOI's the service receives.
- Ms Chand confirmed the timescale to implement the review and restructure was June 2022.

Management of Incidents and Security Breaches

Mr Adrian Gorst, Director of IT was present for the meeting however members had no questions for him, regarding this limited assurance report. Mr Gorst had provided the Committee with a summary under item 4.2.

Management and Control of Agency workers

Ms Musrat Zaman, Director of HR and Workplace Development stated whilst every attempt was made to recruit permanent staff, the use of agency workers was necessary, when roles could not be filled. She said the Matrix contract had been in place for a year and the limited assurance report had helped to identify areas of weakness that required improvement. Ms Zaman said they had already started to address the issues and had implemented the recommendations made by Internal Audit. Ms Zaman said she had regular meetings with Matrix to discuss the actions and review their performance.

- Members of the Committee had no questions for Ms Zaman.

Management and Control of Commercial Waste

This report to be discussed as part 2 of the agenda.

The Chair thanked Mr Rock for his report and the Officers present for their updates.

The Audit Committee **RESOLVED** to:

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

5. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** and it was

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.”

5.1 Appendix. 3 for Internal Audit and Anti-Fraud Progress Report, 24/03/2022 Audit Committee

The minute for this item is restricted.

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no urgent business to be discussed.

Record of Thanks

The Chair, Councillor Val Whitehead thanked Members and Officers for their hard work, over the last four years. She said tough decisions had to be made in relation to the work of the Committee and thanked everyone for their support and hard work. She said members had worked well together and she was thankful for this.

The Chair on behalf the Audit Committee thanked Mr Rock for his contributions, steer and support to the Committee and wished him well in his new job. Mr Rock reciprocated his thanks to the Committee and also his team and said he had enjoyed his time at Tower Hamlets.

The meeting ended at 8.04 p.m.

Chair, Councillor Val Whitehead
Audit Committee