

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT 6.32 P.M. ON THURSDAY, 24 NOVEMBER 2022**

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

**Members Present in Person:**

Councillor Ahmodur Khan	Vice-Chair in the Chair
Councillor Saied Ahmed	
Councillor Ohid Ahmed	
Councillor Rachel Blake	
Councillor Asma Islam	
Councillor James King	
Charlotte Webster	Independent Person

**Apologies:**

Councillor Jahed Choudhury  
Councillor Mufeedah Bustin

**Officers Present in Person:**

Agnes Adrien	(Head of Litigation, Legal Services)
Dr Somen Banerjee	(Director of Public Health)
Ann Corbett	(Director, Community Safety)
Janet Fasan	(Director of Legal & Monitoring Officer)
Katie O'Driscoll	(Director of Adult Social Care)
Denise Radley	(Corporate Director, Health, Adults & Community)
Warwick Tomsett	Joint Director, Integrated Commissioning
Aaron Winter	(Interim Head of Internal Audit, Anti-Fraud and Risk)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

**Officers In Attendance Virtually:**

Kevin Bartle	(Interim Corporate Director, Resources & Section 151 Officer)
Nisar Visram	(Director of Finance, Procurement & Audit)

**APOLOGIES FOR ABSENCE**

Apologies for absence were received from the Chair, Councillor Jahed Choudhury and Councillor Mufeedah Bustin.

**VARIATION IN THE ORDER OF BUSINESS**

The Vice-Chair stated item 4.7 'Code of Corporate Governance' would be taken after item 4.1.

**1. DECLARATIONS OF INTEREST**

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

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

The minutes from the meeting of 28<sup>th</sup> June 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

**3. DELOITTE ITEMS FOR CONSIDERATION**

There were no Deloitte items for consideration.

**4. TOWER HAMLETS ITEMS FOR CONSIDERATION****4.1 Follow up work to the independent review on the Finance Improvement Plan**

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 officer provided the Committee with a verbal update relating to the improvements made to accounting systems. He said the report in front of the Committee was the follow up report from the independent review conducted by Mr Peter Worth. He said the report provided a narrative of the progress made since the last review which was conducted in September 2020. He said there were two significant areas the Council needed to consider; (1) a restructure of the finance team and (2) whether the Council ought to move to an ERP – enterprise, resource planning system. He said a move to an ERP system would cause significant upheaval but may be the solution that the Council requires. He said an independent organisation had been appointed to advise if an ERP solution was best for the Council.

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

- Mr Bartle reassured members that the errors talked about at page 30 of the agenda were not physical losses of cash. He said it referred to revisions and re-classifications of entries on the balance sheet for that year. He said these had been corrected and restated. He said the 2018/19 accounts were almost complete and he hoped they could be presented at the January 2023 meeting of the Committee.
- Councillor Saied Ahmed commented the report by Mr Worth was valuable in understanding the current position. He said he was concerned the auditing of the 2021/22 accounts had not commenced owing to the backlog of accounts awaiting approval.
- Referring to point 2, financial systems, Councillor Saied Ahmed asked what had been done to address the two outstanding issues relating to

reconciling items. He also asked about the TechForge system and if this was being used.

- Mr Bartle responded stated the two issues identified on page 29 had been resolved however the progress on the TechForge system for asset management had stalled. Mr Bartle said senior managers had met to reinvigorate this piece of work. He said this would not impact the opinion of the external auditors.
- Mr Bartle said the late approval of the accounts had had a significant impact internally such as officer time, resources, cost, plus the headache of solving the issues etc but externally the impact was reputational risk. He said whilst local authorities had to produce their accounts to a deadline, there was no formal commitment for external auditors on how long they took to complete their reviews.
- In relation to the 2 outstanding issues, Mr Bartle explained one was a national issue relating to 'infrastructure assets.' He said this related to council's accounting for roads, highways etc and practically these assets were difficult to define. Mr Bartle said the Government acknowledged this and were expected to announce and publish a statutory instrument (expected in December 2022) whereby these assets do not need to be accounted for. Mr Bartle said this would go some way to reduce the burden on Council's to quantify these types of assets.
- Regarding the second issue, Mr Bartle said this specifically related to Tower Hamlets called 'experienced item'. Mr Bartle explained that every 3 years the actuary provided a figure for the value of the pension fund. However, Deloitte's wanted enhanced paperwork to validate the figure provided. Mr Bartle said this would take time to produce.
- Referring to the KPMG accounts of 17/18, 19/20 and the final certificates, Mr Bartle said the accounts were complete, but much depended on Deloitte's who may raise further queries. If they do not, then the certificates can be issued.
- Mr Nisar Visram, Director for Finance, Procurement and Audit added that once the accounts are produced, they are audited by external auditors, who will refer their audits to a senior partner within their organisation for independent verification. He said its questions from this process that are generating further queries and delays in the accounts being finalised.
- Mr Bartle stated he was hopeful the 2018/19 and 2019/20 accounts would be signed off by January 2023, but he said he's been in this position before and therefore was unable to commit that this would be the outcome. He said his confidence had been shaken by the past missed deadlines.

The Vice-Chair thanked Mr Bartle for the update.

The Audit Committee **RESOLVED** to:

1. Note the contents of the follow-up report on the external independent review of the Council's closure of accounts processes.

#### **4.2 Internal Audit and Anti-Fraud Progress Quarterly Reports (22-23) Q2**

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk stated the report provided an update on the progress made against the delivery of the 2022/23 Annual Internal Audit Plan as well as provide an update on anti-fraud work undertaken by the team. He said the report highlighted any significant issues since the last report to the Audit Committee in June 2022.

Mr Winter referred members to paragraph 3.1 of the report and said he was pleased that two out of three vacancies had now been filled. Referring to paragraph 3.2 he said BDO had been awarded the contract to assist with undertaking some of the internal audit work.

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

- Councillor Blake asked why 'land searches' was on the list of Audits given that the audit on 'Homelessness assessments' would be more appropriate to investigate and make recommendations on. Mr Winter responded stating the 'land searches' was a short-scoped item which would enable internal audit to provide assurance to that service. However, the Audit Plan was flexible and the 'homelessness assessment' audit was at the report drafting stage which would provide a more in-depth review.
- Referring to regeneration schemes and the tendering process, Mr Winter said that internal audit needed to be assured that the processes in place were robust even if one tender had been received. He said the recommendations made would be discussed with management.
- In response to how items are added to the Internal Audit Plan, Mr Winter said that feedback from members as well as Directorates was useful. He said the housing programme audit that had achieved a limited assurance would be reviewed and revisited. He said Internal Audit made time for project and contract management audit reviews, as this had significant consequences for the Council.
- Referring to the LCF audit that had been deferred, Mr winter confirmed this would be undertaken in the next quarter - Q1.
- Referring to the table at paragraph 3.6, Ms Webster asked how high and medium priority actions are followed up. Mr Winter said this remained a real focus for Internal Audit. They needed to be satisfied that all recommendations had been implemented and as such they worked closely with the Corporate Directors and CLT to ensure this was a key area of focus.
- Referring to limited assurance for 'looked after children' Ms Webster asked if the recommendations arising from the audit could be shared, especially in relation to the placement monitoring mentioned on page 43. Mr Winter said this was related to a review control to ensure the

check and balances have been done. He said Looked after children are discussed by the Local Safeguarding Partnership.

- **ACTION:** Mr Winter to provide the Committee with more information relating to the limited assurance report on “Commissioning and Monitoring of Looked After Children Leaving Care Placements.”

The Audit Committee **RESOLVED** to:

1. Note the contents of this report and the overall progress and assurance that will be provided for 2022/23.

#### **4.3 Risk Management - Corporate and Health, Adults and Community Directorate Risk Registers**

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk presented the Corporate Risk Register and stated that Ms Denise Radley, Corporate Director for Health, Adults and Community along with her Divisional Directors were present to answer question relating to her Directorate.

Mr Winter reminded the committee that Internal Audit provided oversight of the corporate risk register but responsibility for individual risks laid with the risk owner. He said the corporate risk register was regularly reviewed by the Corporate Leadership Team, with Directorate registers reviewed and updated with the assistance of Corporate Directors and the JCAD risk software.

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

- Mr Winter said the upgrade to the JCAD software was imminent and would allow for data to show how much a risk had moved. He said his team were testing the functionality of this and would be rolled out soon. He said he hoped future reports to the Committee would show the movement in the risk.
- In reference to budget management for Adult Social Care Services, Ms Radley said a significant amount of training had been provided to budget managers, to manage the demand and cost of providing care. She said there were on going budget pressures with an overspend of £3 million. She said the announcements made by Government as part of the Autumn statement would also impact on social care budgets. Ms Katie O’Driscoll explained how manager met on a weekly basis to review, discuss and manage the budget spending in their areas of specialism.

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 Audit Committee meeting (or separately before the meeting if urgent).

2. Note the Health, Adults and Community 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 Audit Committee meeting (or separately before the meeting if urgent).

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

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk said the report recommended the Committee to note and approve the Council's Anti-Money Laundering Policy and Guidance ('The AML Policy') that all council employees are expected to comply with.

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

- Members had no questions for Mr Winter.

The Audit Committee **RESOLVED** to:

1. Note and approve the Council's AML Policy;
2. Note the equalities impact assessment / specific equalities considerations as set out in paragraph 4 of the report.

#### **4.5 Annual Risk Report 2021/22**

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk said the report summarised the risk management activity during the course of 2021/22 and provided an update on the progress made against the previously agreed actions as well as a proposed action plan for 2022/23.

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

- Members had no questions for Mr Winter.

The Audit Committee **RESOLVED** to:

1. Note the annual risk management report and agree the proposed risk management plan for 2022/23.

#### **4.6 Annual Insurance Report 2021/22**

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk stated the report was presented annually to the Audit Committee and provided the Committee with an overview of the work of the internal insurance service and their performance.

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

- Members had no questions for Mr Winter.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

#### **4.7 Code of Corporate Governance**

Ms Janet Fasan, Director of Legal and Monitoring Officer presented the Code of Corporate Governance report. She said the code of corporate governance set out the Council's commitment to uphold the highest standards of good governance. She said the code was first created in 2018 and has been reviewed every year since. She said the report being presented was the 2022/23 review version for the Committee's comments and endorsement.

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

- Ms Fasan confirmed protocols such as the member and officer code of conduct, member-officer relations protocol could be found on the intranet, as part of the council's constitution.
- Ms Fasan said that as part of the consultation process, each directorate was consulted and responsibility for the code lie with the Corporate Leadership Team. She said the code is reviewed each year to ensure it is up to date.
- Mr Winter added that Members had an opportunity to comment on the code as part of the Annual Governance Statement.

The Audit Committee **RESOLVED** to:

1. Review and comment on the revised Code of Corporate Governance
2. Endorse the Code and agree that it be published on the Council's website.
3. To delegate to the Head of Democratic Services, following consultation with the Chair of the Audit Committee and the Head of Internal Audit, Fraud and Risk, the authority to make minor changes to the Code as required before final publication on the Council's website.

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

Councillor James King suggested Deloitte and KPMG should be invited to the next meeting of the Audit Committee, to explain what the outstanding issues in relation to the accounts are. Councillor King said it was vital to understand how the deadlock could be broken, to get the outstanding accounts signed-off.

Mr Kevin Bartle confirmed they would be invited to the next meeting.

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

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer, Mr Nisar Visram, Director of Finance, Procurement and Audit, as well as Committee Members thanked Mr Aaron Winter, Interim Head of Internal Audit for his contributions to the Audit Committee, stating that they were thankful to Mr Winter for overseeing the responsibilities for Internal Audit over the last eight months. They wished Mr Winter the best for the future. Mr Bartle said they had recruited to the permanent position of Head of Internal Audit and were awaiting HR clearances before announcing the appointment.

Committee Members also thanked Mr Bartle for his contribution and enquired if he would be still in post for the January 2023 meeting. Mr Bartle said he hoped to attend this meeting.

The meeting ended at 8.26 p.m.

Vice-Chair in the Chair, Councillor Ahmodur Khan  
Audit Committee