

LONDON BOROUGH OF TOWER HAMLETS**MINUTES OF THE AUDIT COMMITTEE****HELD AT 6.38 P.M. ON TUESDAY, 30 MAY 2023****COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL ROAD, LONDON E1 1BJ****Members Present in Person:**

Councillor Harun Miah	
Councillor Kabir Ahmed	(Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)
Councillor Ahmodur Khan	
Councillor Maisha Begum	
Councillor Rachel Blake	
Councillor Mufeedah Bustin	
Councillor Asma Islam	
Charlotte Webster	Independent Person

Officers Present in Person:

David Dobbs	(Head of Internal Audit)
Tim Harlock	Interim Chief Accountant
Ahsan Khan	(Chief Accountant)
Matthew Mannion	(Head of Democratic Services)

Officers In Attendance Virtually:

Janet Fasan	(Director of Legal & Monitoring Officer)
John Harrison	Interim Director of Finance, Procurement and Audit
Caroline Holland	(Interim Corporate Director, Resources)
Katie O'Driscoll	(Director of Adult Social Care)

1. DECLARATIONS OF INTEREST

There were no Declarations of Disclosable Pecuniary Interest.

2. APPOINTMENT OF VICE-CHAIR

Councillor Kabir Ahmed Proposed, and Councillor Saied Ahmed Seconded, that Councillor Ahmodur Khan be appointed as the Vice-Chair of the Audit Committee for the 2023-24 municipal year. This was put to the vote and was agreed:

RESOLVED

1. That Councillor Ahmodur Khan be appointed Vice-Chair of the Audit Committee for the 2023-24 municipal year.

3. MINUTES OF THE PREVIOUS MEETING(S)

RESOLVED

1. That the unrestricted minutes of the Audit Committee held on 26 January 2023 be approved and signed by the Chair as a correct record of proceedings.

4. DELOITTE ITEMS FOR CONSIDERATION

4.1 Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019

Agenda Items 4.1 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019) and 4.2 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2020) were taken together and the combined minute is presented here:

Jonathan Gooding and Angus Fish from Deloitte presented their update report in relation to the audits for the years to 31 March 2019 and 31 March 2020. They explained that more comprehensive reports had been provided to the Committee at its last meeting on 26 January 2023 and that these reports provided an update to the position. In particular they highlighted:

- They continue to recommend that the Committee receive a future paper on dealing with the recommendations for action that are set out in relation to the audits.
- The significant audit risks are set out along with the related work undertaken.
- The audits were now substantially complete but one matter remained to be completed in relation to Pensions (along with a few minor matters).
- In relation to pensions, the actuary had significantly reduced the Council's pension liability which meant this was no longer qualified in the accounts but the fact of making a large reduction was a concern and was being investigated.
- A few other more minor matters were also set out in the report.

Finally, the Committee were asked to consider the recommendation from August 2019 that a public meeting be held to consider the review of PFI Contracts to ensure they were operating satisfactorily.

It was noted that the matters set out in the report for the year to 31 March 2020 were generally the same or very similar.

The Committee then discussed the report and in response to questions, it was noted that:

- With the exception of the matter around pension liability the auditors were now generally satisfied with the information received.

- It was expected the pensions investigation work would take roughly a month to complete. The data itself was quite complex and was expected in a week with the remainder of the time to review that information.
- The previous auditors had expected that the Council would undertake a public meeting to consider PFI contracts; given the actions that the Council had actually taken, the question for the Committee now was to consider whether a public meeting was still required.

The Committee thanked the auditors for their work.

RESOLVED

1. That the report be noted.

4.2 Update to Final Report to the Audit Committee on the audits for the year ended 31 March 2020

Agenda Items 4.1 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019) and 4.2 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2020) were taken together and the combined minute is presented under the previous item.

RESOLVED

1. That the report be noted.

5. TOWER HAMLETS ITEMS FOR CONSIDERATION

5.1 Management letters of representation to the external auditor

Tim Harlock, Interim Chief Accountant, introduced the report asking the Committee to agree to a process to complete the signing-off of the Management Letters of Representation to the Auditors.

This would normally be a business as usual process but on this occasion, as it had taken so long, the Committee were being asked to note the situation and it was also being asked to agree that the Chair be a co-signatory to the letter.

However, the accounts were not quite ready to sign off and so the Committee were asked to agree to delegate to the Section 151 Chief Finance Officer to conclude the process and that the Chair sign at that point.

The committee discussed the report and considered a number of issues as set out in a presentation to the Committee. Some of the main points of discussion included:

- Whether there was sufficient detail in the report.
- How land values were being calculated on the schools' estate and whether these were appropriate and the valuations had been correctly conducted.

- It was noted that external support was used in supporting the valuations and that the process would be monitored for future audits.
- Importance to be confident of the valuations of assets in the proposed housing joint venture.
- Working was ongoing in relation to net pension liabilities.
- Related party and group accounts was an important area of work. It was noted that the King George's Field Trust Board had become a bigger entity once its assets were fully accounted.
- Group accounts take time, the plan is to get the single entity accounts signed off first for the older years and then move to producing group accounts for 2020/21 onwards.
- There was still an issue in receiving related party declarations from retired councillors and officers are alert to the risks, better processes were being implemented for the future.
- There was no apparent significant longer-term impact from the reduction in collection rates during the Covid-19 pandemic.
- The biggest provision in the accounts was in relation to Business Rate Appeals. There is a nationwide backlog of appeals and this does have an impact.
- Lots of work has been undertaken reviewing where cases of fraud may have had an impact on the financial accounts. The internal auditors investigate potential instances of fraud and report back in summary form on an ongoing basis to the Committee.
- It was recommended that a report is presented to the committee in response to fraud control recommendations.
- The Committee would like to see the recommendations coming out of the review of the pension liability valuations, either as a report or a briefing depending on the level of issues shown.

Finally in response to questions, it was reported that mistakes had been corrected where they were material to the accounts and new processes embedded where possible. It was likely that there would still be some issues for the 2020-21 accounts but beyond that the newer procedures should result in fewer issues. It was noted that Deloitte were expecting the Committee to confirm they were content that issues had been addressed and that the processes were in place to capture any future issues. They also reconfirmed their strong recommendation that the Committee receive a report addressing the control observations that they had presented in their January 2023 reports to the Committee. The Committee asked that such a report be prepared at the appropriate time.

Officers reported that the report for the 22-23 accounts should show the improvements that have been made and that a new register of recommendations from any statutory inspections was being created and monitored.

The Committee thanked officers for the presentation and discussion. It was noted that the work on the pension liability was likely to conclude shortly before the next scheduled meeting of the Committee. Members therefore

concluded that instead of delegating authority to sign off the letters of management, a report should be presented to the next meeting when it was hoped all matters would have been concluded. The recommendations were changed on that basis.

RESOLVED

1. That the report be noted.
2. That a further report be brought to the Committee at its next meeting to confirm sign off of the letters of management representation.

5.2 Statement of Accounts for 2018/19 & 2019/20

John Harrison, Interim Director of Finance, Procurement and Audit introduced the report on the Statements of Account for 2018/19 and 2019/20. He explained that, subject to the net pensions liability, matters had now been concluded and that the accounts should be ready to be signed shortly. He also noted that a lack of historical knowledge was a potential problem but that officers had concluded matters to their best of their knowledge.

The original recommendation in the report was that the Committee delegate the power to sign off the accounts. The Committee discussed this and determined that, because the conclusion of all final matters was expected shortly before the next scheduled Audit Committee meeting, the report should return to that meeting where final sign-off could be agreed.

RESOLVED

1. That the report be represented to the Committee at its next meeting following completion of the above matters.

5.3 Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2023-2024

Matthew Mannion, Head of Democratic Services, introduced the standard Terms of Reference report. He explained that each Committee is presented with its Terms of Reference and related information for noting.

In discussion of the report concerns were expressed that having Cabinet Members on the Committee could be a risk in relation to a conflict with their role in the Executive. Other Members considered that there was no automatic conflict (and that different memberships hadn't stopped problems with the accounts previously), that Members could declare an interest where this was required and that it hadn't been a problem for the last year.

RESOLVED

1. That the report be noted.

5.4 Internal Audit and Anti-Fraud - Quarterly Progress Report on 2022/23 Audit Plan

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the quarterly progress report on the 2022/23 Audit Plan. The report set out progress and results from audits that were being undertaken through 2022-23 and the latter part of 2021-22.

This meeting would usually be when the Annual Audit Report and Head of Audit's Audit Opinion would be presented to the Committee. However, it had been delayed in large part due to issues over staffing and sourcing external partners. The report should be available for the next meeting.

David Dobbs also drew the Committee's attention to:

- Four audits with limited assurance that were listed in the report.
- Follow up work reviewing agreed actions from previous audits.

In response to questions raised by the Committee, officers reported:

- There is an escalation process where managers don't implement agreed actions.
- The Committee has an important role in monitoring the audit plan and whether resources were sufficient.
- Audit reviews won't necessarily change ratings on the Council's Risk Register.

The Committee request the full reports on homelessness assessments and management and the control of cost of living payments at the next meeting.

RESOLVED

1. That the report be noted.

5.5 Internal Audit & Anti-Fraud Annual Plan 2023/24

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the report on the audit plan for 2023/24. In relation to this report it was highlighted that the staffing resource available had a significant impact on the number of audits that could be undertaken. Officers would be looking at whether the resources available to the internal audit service was sufficient to enable it to undertake a good level of auditing. The Committee were likely to receive a specific report on this at a future date. It was also important to ensure that the audit service chose some audits to undertake themselves rather than just looking at areas suggested by service managers.

RESOLVED

1. That the report be noted.

5.6 Risk Management - Corporate and Directorate Risk Registers

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the Risk Management report. At this meeting its specific focus was on the Resources Directorate. The Risk Team support management across the Council to manage their risks but it was important to recognise that the organisation as a whole needed to own its risks.

The Committee discussed the report and looked at a number of issues including:

- The high risk areas around children safeguarding needed to be carefully monitored especially around budget overspend. The Committee asked for an update on this at a future meeting.
- It was agreed that in future the report should include trend lines/analysis so it was easier to see which risks were become more of an issue.
- General risks around budget overspends and the need to make sure that control measures were being updated properly in the system.
- How risks around the recessions were managed.
- It was noted that last year's budget outturn and medium term financial management reports would be presented to Cabinet in due course. These would contain information around budget risks/management.

The Committee thanked officers for their update.

RESOLVED

1. That the report be noted.

6. AUDIT COMMITTEE WORK PLAN

The Committee examined the workplan and a couple of points were noted:

- There was a request to ensure that any training offered would be available in hybrid to help attendance.
- That officers confirm how they will be reporting back to the Committee on how they will report on actions being required by the auditors.

7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Nil items.

The meeting ended at 8.44 p.m.

Chair, Councillor Harun Miah
Audit Committee