

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.31 P.M. ON THURSDAY, 10 OCTOBER 2024

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 Asma Begum
Councillor Mufeedah Bustin
Councillor Marc Francis

Apologies:

Councillor Ohid Ahmed
Charlotte Webster Independent Person

Others Present in Person:

Hayley Clark Partner – EY
Jonathan Gooding Deloitte
Dan Spiller Senior Manager - EY

Others In Attendance Virtually:

Jesper Glasius Risk Consultant, Zurich Resilience Solutions

Officers Present in Person:

Paul Audu (Interim Head of Pensions & Treasury)
David Dobbs (Head of Internal Audit, Anti-Fraud and Risk)
Abdulrazak Kassim (Director Finance, Procurement and Audit)
Ahsan Khan (Chief Accountant)
Thomas French Democratic Services Officer (Committees)

Officers In Attendance Virtually:

Julie Lorraine (Corporate Director Resources)

1. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interest declared by members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Audit Committee **RESOLVED**:

1. That the unrestricted minutes of 8th July 2024 be **AGREED** and **APPROVED** as an accurate record of the meeting.

Matters arising

Councillor Francis requested the restricted part of the meeting be recorded for reference. Mr French confirmed it would be.

3. AUDITORS ITEMS FOR CONSIDERATION

3.1 Planning report to the Audit Committee on the 2020/21, 2021/22, 2022/23 audits

Mr Jonathan Gooding, from Deloitte presented his update in relation to the outstanding accounts of 2020/21, 2021/22 and 2022/23.

Mr Gooding said that the Ministry for Housing, Communities and Local Government and the National Audit Office were enacting backstop provisions that were relevant to the open audits. He said under the backstop provision, local authorities were required to publish their accounts and audit reports by the 13th December. He said auditors would be required to include a disclaimer opinion in audit reports and that was expected to be the case for these audits.

Mr Gooding said they'd be including qualifications in relation to previously identified issues such as group accounts and pensions data.

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

- Mr Gooding explained some work had been done in relation to the 2020/21 accounts, but full audits for all three years had not been completed. As such, following the guidance issued by Government, disclaimer audit opinions would be issued, by the deadline of 13th December 2024.
- In response to what impact the disclaimer opinions would have on the Council, Ms Lorraine Corporate Director for Resources and Section 151 Officer said it would have minimal impact as the majority of local authorities across London and nationwide were in a similar situation. She said this would not adversely affect Tower Hamlets.

The Chair, Councillor Harun Miah thanked Mr Gooding for this presentation and update.

3.2 London Borough of Tower Hamlets Audit planning report Year ended 31 March 2024

Ms Hayley Clark, Partner at EY and Mr Dan Spiller, Senior Manager at EY presented their audit planning report for 2023/24.

Ms Clark took members through their report and highlighted the main areas for consideration. She referred to audit strategy and the risk factors listed on page 55 of the agenda pack and explained why a high-risk rating had been given, which meant they would be closely monitoring the audit processes. Referring to page 59 she explained why the materiality had been set at £7M and the timeline set out on page 61 of the agenda pack. Mr Spiller provided further explanation in relation to the risks set out on page 56 of the agenda pack.

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

- Members were reassured the finance team was working closely with EY to adhere to the timeline and meet the January deadline. Additional resources had been allocated to carry out the sample testing and reviews, that were required by the auditors.
- Ms Lorraine, Corporate Director for Resources and Section 151 Officer said the Audit plan was a joint plan, with assessment and prioritising of workstreams being done collectively.
- She commented the materiality threshold was high but said the auditors were privileged to set the materiality at what they believed was correct.
- EY confirmed they had not seen the BVI report mentioned as a risk on page 55 of the agenda.
- Mr Abdulrazak Kassim, Director of Finance, Procurement and Audit added additional staff had been recruited to assist with the workload. He said they had established a good working relationship with EY, with clear lines of communication. He said having a stable management team helped in focussing on the areas of priority.
- Members asked how the materiality level had been set. Ms Hayley Clark said they have their own methodology which they follow, taking various factors into account.
- Mr Gooding and Ms Clark confirmed the revised meeting dates for the Committee of 4th December 2024 and 31st January 2025 were at their request and they hoped to report back to the Committee the progress that had been made.

The Chair, Councillor Harun Miah thanked Ms Clark and Mr Spiller for their presentation and update.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Internal Audit and Anti-Fraud - Progress Update Report

Mr David Dobbs, Head of Internal Audit, Head of Internal Audit, Anti-Fraud and Risk stated the report provided an update on Internal Audit activity 2024-25, including delivery against the Internal Audit Plan, details of the completed External Quality Assessment of the Internal Audit service and the results of the recent Fraud Awareness Survey. He said the report highlighted any significant issues and concerns since the last update to the Audit Committee in April 2024.

In response to comments and questions the following was noted:

- Members queried if the Internal Audit workplan for 2024-25 was deliverable, especially given the resource issues and the number of audits yet to commence. Mr Dobbs said the plan was a living document, subject to change and further assessment would be made in relation to how many audits his team could complete. He said this conversation would be had with senior management.
- In respect to limited assurance reports, Mr Dobbs said the Audit Committee is provided with a summary of the findings however should members want the 'full' reports, he would be happy to provide these to members.
- Ms Julie Lorraine, Corporate Director for Resources and Section 151 Officer congratulated Mr Dobbs for using a professional company to assess the work of Internal Audit and said it was heartening to see the team achieve a high grade for its methodology and processes. Members also congratulated Mr Dobbs in this regard.
- Referring to the limited assurance report relating to SEN Passenger Services, Members noted the lack of DBS checks was a reoccurring theme in many limited assurance reports. Members asked what had been done to improve this. Mr Dobbs said the audit team had been working with HR to address this. Ms Lorraine added that they were looking at an improved self-service IT solution to overcome this issue.
- Members asked how the Target Operating Model would impact audit processes. Ms Lorraine responded saying under the new model, Mr Dobbs would have more control and would be able to coordinate audit activity better.
- **ACTION:** Mr Dobbs to alert members of final audit reports and create a repository accessible to members.

The Audit Committee **RESOLVED** to:

1. Note the Internal Audit progress report, including details of the assurance opinions for audits carried out as part of the 2024-25 Audit Plan (**Appendix A**).
2. Note the report by consultancy Validera, detailing the results of the recent External Quality Assessment of Internal Audit (**Appendix B**); and

3. The results of the recent Council-wide Fraud Awareness Survey (**Appendix C**).

4.2 Risk Management - Corporate and Directorate Risk Registers

Mr David Dobbs, Head of Internal Audit, Anti-Fraud & Risk presented the risk management report which included the Corporate Risk Register and the Communities Risk Register. He said the management of risk was a key Council function, with Internal Audit coordinating the risk registers on behalf of the Council and Directorates.

Mr Dobbs informed the Committee there was also a report from Zurich Municipal, the Council's liability insurer, detailing the summary results of a Health-Check on the Council's Enterprise Risk Management arrangements. He said Mr Jesper Glasius Risk Consultant, Zurich Resilience Solutions was at the meeting to provide a summary of their findings.

Mr Glasius referred to his report at appendix 3 and said whilst there was a low level of risk maturity within the organisation, it was clear the Council had the right framework and strategy to make further progress. He referred members to the recommendations within the report and said the Council was on an upward trajectory in improving its risk management function.

Mr Dobbs referred members to paragraph 3.8 and said the Risk Management Team had been shortlisted in the Public Sector category at the annual Continuity, Insurance & Risk Management awards. He said the awards ceremony will be held in London on 27th November 2024.

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

- Referring to risk CSD0016 on page 157 of the agenda pack and risk ASD0015, page 162 members asked why there was a disparity between the scores for Children and Adults. Mr Dobbs said he did not know the answer to this but would get a written response from the respective Corporate Directors.
- **ACTION:** Corporate Directors for Children and Adults to provide an explanation regarding the risk and the scoring.
- Members said they were pleased to see 'community cohesion' LPG0036 page 173 added to the risk register. Mr Dobbs confirmed a fuller narrative would be provided for the December 2024 meeting.
- Regarding COM0002 'Civil Contingencies', page 168 members asked if the risks of the Best Value Inspection were also included in the risk. Mr Dobbs said this had been discussion about inspections in general but no specific risk relating to the BVI had been included. He said he would take forward the discussion with senior management.
- Mr Dobbs said when forming his Internal Audit Opinion he takes into account external auditor opinions, inspection outcomes, as well as information from the Internal Audit's undertaken during the year.

The Audit Committee **RESOLVED** to note:

1. The Corporate Risks (refer **Appendix A**), and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of those risks including impact on the corporate objectives.
2. The Communities Directorate Risks (refer **Appendix B**) and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risks including impact on the directorate's objectives.
3. The summary Health-Check report from Zurich Municipal (refer **Appendix C**) and corresponding action plan.

4.3 Treasury Management Outturn Report for 2023-24

Mr Paul Audu, Interim Head of Pensions and Treasury provided an update regarding the Treasury Management Outturn report. He said the report covered the period 1st April 2023 to 31 March 2024.

He said the Investment returns fluctuate with the Bank of England base rate. Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate to 5.25% in August 2023 and it had remained at this level.

He said the Council had substantial sums of money invested and therefore was exposed to financial risks including the loss of invested funds and the impact of changing interest rates and inflation. He said the successful identification, monitoring and control of risks was therefore key to the Council's treasury management strategy.

The average credit worthiness of investments is A+ in line with the local authority benchmark average of A+ while average credit score was 4.79 against a local authority average score of 4.82.

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

- Mr Audu confirmed the Investment Strategy Statement would need to be updated, should interest rates change. He said if they fell, borrowing would become cheaper.

The Audit Committee **RESOLVED** to:

1. Note the contents of the treasury management activities and performance against targets for the year ending 31 March 2024.
2. Note the Council's investments as set out in **Appendix 1**. The balance as at 31 March 2024 was £219.701m.

5. AUDIT COMMITTEE WORK PLAN

The Chair Councillor Harun Miah referred members to the workplan and asked members if they had any comments or suggestions to make regarding the Committee work plan.

- Members had no comments or suggestions to make.

The Audit Committee **RESOLVED** to:

1. Note the Committee workplan for 2024-25.

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no urgent business to be discussed by the Committee.

7. EXCLUSION OF PRESS & 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.”

7.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING

The restricted minutes for the 8th July 2024 were **AGREED** and **APPROVED** to be an accurate record of the meeting.

7.2 ADULT SOCIAL CARE PROCUREMENT: VERBAL UPDATE

The minute to this item is restricted.

The meeting ended at 9.22 p.m.

Chair, Councillor Harun Miah
Audit Committee