AUDIT BOARD
PUBLIC MINUTES

Meeting held on 27th September 2018 Committee Room 2, Newham Town Hall, East Ham E6 2RP

Present: Councillor Zulfiqar Ali (Chair)

Councillors: Daniel Blaney, Canon Ann Easter, John Gray, and Sarah Ruiz; and Ruth Glazzard and Fiona Marsh (Advisory, Non-Voting Members)

Officers Present: Radwan Ahmed (Financial Control & Corporate Business Systems, oneSource), Stuart Moore (Deputy Head of Assurance, oneSource), and Cameron MacLean (Clerk to the Board).

The meeting commenced at 7.00 p.m. and closed at 8.30 p.m.

1. Apologies for Absence

Apologies for absence were received from Cllrs Anthony McAlmont and Terence Paul.

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In response to comments by the Chair about the number of officers in attendance at the meeting, and a suggestion by Cllr Ruiz regarding the inclusion of officer titles, it was agreed that –

(i) The subheading “Officers Usually in Attendance” be amended to read – “Officers Required to Attend”; and
(ii) The titles of officers required or invited to attend be included on the agenda front page.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Previous Meeting

The Board considered the public minutes of its previous meeting of 25 July 2018.

Accuracy

Under the list of those Members present at the last meeting, Councillor Cannon Ann Easter stated that she was not present at the last meeting.¹

Resolved: that the minutes, as amended, be approved and the Chair authorised to sign them as a correct record.

¹ Cllr Easter had, in fact, given her apologies for absence for that meeting.
Matters Arising²

The following matters arose out of consideration of the minutes.

(i) Item 6: External Audit Plan 2017/18

[The matters arising did not relate to any items on the agenda for this meeting]

Page 6³, Paragraph (iii) - Bullet Point 2: regarding issuing certificates of completion in relation to outstanding objections to audits in previous years, it was reported that the certificates had yet to be issued and that discussions were ongoing with Public Sector Audit Appointments (PSAA) about how to reconcile the issues relating to one firm of accountants having completed the audit and another firm of accountants having dealt with the objections.

In the subsequent discussion, the following points were made.

(a) It was proposed that a deadline had to be set by which time the certificates would be issued;

(b) If issuing the certificates remained unresolved, there should be a report back to the Board identifying the issues that were preventing the certificates from being issued.

(c) There was no additional cost to the Council as a result of the delay in issuing the certificates and the delay was not preventing the Council from carrying out any work.

(d) The auditors had commenced work on the objections to the 2017/18 accounts and, therefore, the cost of this work had yet to be determined. The cost of the audit work in relation to objections to previous years' accounts was in the region of £120,000.

(e) In carrying out the additional audit work in relation to the objections to the 2017/18 accounts, the auditors (EY: formerly Ernst & Young) were complying with their statutory obligations and it was incumbent upon them to exercise their discretion and use their best judgement in deciding what information was required from the Council to allow them to carry out their investigations.

(f) It was noted that, in previous years, in relation to additional audit work carried out by the auditors, it had been possible for them to provide an estimate of the cost of this work. However, because this work had only just begun, it was not yet possible for EY to provide

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² The Board had been advised at its last meeting that it was not good practice to consider "Matters Arising" as to do so was contrary to the requirements of the Local Government (Access to Information) Act 1985.

The advice in "Knowles on Local Authority Meetings: a manual of law and practice" was that consideration of matters arising was –

"not good practice and, unless the subject to be raised is related to a matter specifically referred to in the agenda, is likely to be unlawful as it infringes the statutory restriction that only business specified in the notice can be dealt with (LGA 1972, section 100B)."

³ Page numbers refer to the page numbers on the agenda next to each report title and the consecutively numbered pages of the reports attached to the agenda (and not the discrete page numbering on individual reports).
an estimate of the cost of the work but that this should be forthcoming.

Resolved: The Board be informed of the estimated cost of carrying out the additional audit work in relation to the 2017/18 objections to the Statement of Accounts when this information became available.

(g) It was noted that work in relation to the 2014/15 objections to the Statement of Accounts, including the LOBOS loans, had been completed.

(ii) **Item 7: Financial Control Environment**

[The matters arising did not relate to any items on the agenda for this meeting]

(a) Page 7, Penultimate Paragraph: regarding the steps taken to review the financial control environment, which were set out set out in paragraph 4.1 of the report that was before the Board at its last meeting; specifically, the provision referred to in Bullet Point 1 of that paragraph viz.

“Implementation of an annual learning and development programme for officers to ensure that financial assurance and procurement operations are fully understood and roles and responsibilities defined.”

the Chair proposed that the Director of Human Resources & Organisational Development (HR & OD), oneSource, be requested to provide a report on the Council’s Corporate Learning Plan to the next meeting of the Board.

Resolved: that the Director of HR & OD, oneSource, be requested to provide a report on the Council’s Corporate Learning Programme to the next meeting of the Board on 7 November 2018.

(b) Page 8, Paragraph (iii): regarding the Financial Rules Training programme that was in place at the London Borough of Havering, and the proposal to adopt a similar training programme for Newham, the Chair asked why it was that oneSource, an organisation that serviced three London boroughs, Newham, Havering and Bexley -

- Required different plans for each borough i.e. did the boroughs have different needs, staff, capabilities, computers; and
- Why [to the hilarity of some Members of the Board and comments of “sometimes you have to speak the truth”] Newham, as the borough with the most financial problems, did not have a good training plan?

Resolved: that [if it was the case that different Officer Financial Rules Training programmes were provided by oneSource to Newham, Havering and Bexley councils] the Board be informed of the reasons why oneSource provided different Officer Financial Rules Training programmes to each of the boroughs serviced by
oneSource.

(c) Page 7, Penultimate Paragraph: regarding the steps taken to review the financial control environment, which were set out in paragraph 4.1 of the report that was before the Board at its last meeting, and, specifically, the provision referred to in Bullet Point 2 of that paragraph viz.

“Introduction of the officers’ Assurance Board which will be responsible for consolidation and coordination of the assurance and governance functions including supporting the annual governance statement.”

it was stated, in response to a number of questions by the Chair, that the membership of the Officers’ Assurance Board had still to be agreed along with its Terms of Reference.

Resolved: that the membership of the Officers’ Assurance Board and its Terms of Reference be circulated to Members of the Board before the next meeting of the Board on 7 November 2018.

(d) Page 7, Paragraph (vii): regarding the Corporate Risk Register, it was noted that this was listed for consideration on the draft Forward Plan which had been circulated with the papers for this evening’s meeting. In response to a number of questions, the following information was provided.

- Responsibility for managing the Risk Register was that of the Head of Assurance, oneSource, and that responsibility for risk management operations was that of oneSource Insurance officers.

- The present system for the management and administration of Risk, which relied upon software provided by JC Applications Development Ltd (known as “JCAD”), was presently under review.

- Mr Welburn, Head of Assurance, oneSource, had recently attended a meeting of Newham Council’s Corporate Leadership Team (CLT) when the Corporate Risk Register was discussed and updated.

Resolved: that –

1. The Corporate Risk Register be circulated to Members of the Board within the next 10 days; and

2. That the Board be provided with a briefing note setting out how the Corporate Risk Register was monitored and controlled and how items on the register were referred to others to action.

(e) Page 9, Resolution – Audit Board Working Group: regarding the decision of the Board to establish a working group to review

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4 It was pointed out to Members of the Board that the Corporate Risk Register had been circulated with the papers for the last meeting of the Board and could be viewed on the Council website at: Audit Board 25 July 2018 Item 11 Draft 2018/19 Internal Audit Plan - Appendix 3 Newham Risk Register
reports that were submitted to the Audit Board, it was confirmed that the first meeting of the Working Group would take place on Tuesday, 18 October 2018 from 6 PM to 9 PM at Newham Town Hall, East Ham.

(f) The Chair reported that Paul Thorogood, Director of Finance, was not presently with Newham Council. Consequently, there were a number of actions allocated to Mr Thorogood which remained to be completed.

(iii) Item 8: Annual Financial Report 2017/18 and Statement of Accounts

[The matters arising did not relate to any items on the agenda for this meeting]

(a) Page 9, Paragraph (iii): in response to a question by the Chair regarding the operation of the shared and non-shared oneSource budgets and the reduced rental income from Stratford and Newham Town Halls and from Dockside, it was reported that no decisions had been taken, for a number of reasons, to pursue the maximum rental income that might be achieved from these properties.

In response to a reference by the Chair to a service level agreement (SLA) between oneSource and the London Borough of Newham, it was noted that a joint committee comprised of elected members from each of the three London boroughs serviced by oneSource had been established to oversee the financial and operational performance of oneSource.

Councillor Gray, a Member of the oneSource Joint Committee (“the Joint Committee” or “Committee”), updated Members on recent reports to the Joint Committee and decisions taken by the Committee that officers had then been requested to implement.

The Chair asked that the minutes of the oneSource Joint Committee be included for information on agendas for Audit Board meetings. It was reported that minutes of meetings of the Joint Committee included non-public minutes and that the approval of the Joint Committee would be required if these minutes were to be circulated to Members of the Audit Board.

Resolved: That –

1. The Audit Board be provided with a copy of any existing service level agreement (SLA) between oneSource and the London Borough of Newham; and

2. If there was no impediment to so doing, that the public and non-public minutes of meetings of the oneSource joint committee be circulated with Audit Board agendas for information.

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5 Mr Thorogood was on secondment from oneSource to the London Borough of Bexley until April of next year. In his absence, Mr Mark Hobson had been appointed Director of Finance, oneSource.

6 Agendas, reports and public minutes of meetings of the oneSource Joint Committee can be viewed on the Newham Council website at: oneSource Joint Committee
(b) Page 10, Paragraph (iv): in response to a question by the Chair regarding the Quarterly Budget Update reports to Cabinet, it was confirmed that a report had been submitted to Cabinet.

The Chair proposed that the Quarterly Budget Update reports submitted to Cabinet should also be presented to the Audit Board with a suitable covering report.

**Resolved:** That the Quarterly Budget Report submitted to Cabinet be referred to the Audit Board for information with a covering report highlighting issues of relevance to the Audit Board, including efficiencies and savings.

(c) Page 10, Paragraph (iv): regarding the comments made by Cllr Gray about limitations imposed on budget efficiencies by the requirement to provide statutory services, the Chair asked if the Council was procuring services in the right way and what action had been taken to maximise efficiencies and to ensure value for money.

In the subsequent discussion, the following points were made.

- Ensuring value for money should be part of the performance management of the contract and should be an ongoing process.

- With regard to RMS, it was noted that no performance management contract had been in place and that, for externalised services, there should be a contract management team responsible for managing and reporting back on the performance of these contracts. If contractors were failing to meet their contractual obligations under the terms and conditions of the contract, then any penalty clauses within the contract terms should be enforced.7

- The Council’s legal officers had to be involved in the drafting of contracts to ensure that the terms and conditions of the contract were enforceable and that there were no weaknesses in the terms of the contract that could then be exploited by the contractor.

(d) Page 10, Paragraph (vii): regarding the CIPFA Health Check, it was reported that CIPFA was in the process of finalising its Health Check report which would then be submitted to the Mayor as the person who had commissioned the report. It was anticipated that the Mayor would then share the report with Members and officers, as might be appropriate.

(iv) **Item 9: Treasury Management Strategy Annual Report 2017/18**

[The matters arising did not relate to any items on the agenda for this meeting]

Referring to the reference about loans made to small businesses not being included in the annual report, the Chair stated that, in future, the report should include details of these loans.

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7 Members of the Board were reminded that RMS was not an externalised service.
Regarding the notification sent to Members about Treasury Management Training, it was confirmed that this training would take place at **5 PM** at **Newham Town Hall** on **7 November 2018** preceding the Audit Board meeting scheduled for that evening at 7 PM.

**Noted**

(v) **Item 10: 2017/18 Outturn Reports and Summaries of Audit Reports Issued in Quarter 4**

[The matters arising did not relate to any items on the agenda for this meeting]

Page 11, Paragraph (ii): regarding the Compliance with Procurement Rules Review that was taking place, it was reported that the review included Havering and Newham Borough Councils. In addition, a separate compliance and procurement report on RMS was being prepared.

**Noted**

(vi) **Item 13: London Stadium – Independent Review by Peter Oldham QC**

[The matters arising did not relate to any items on the agenda for this meeting]

Cllr Ruiz informed the Board that the London Stadium Scrutiny Commission (“the Commission”) had met to consider the Independent Review report and that the next meeting of the Commission was scheduled for 15 October 2018.

In response to a question by the Chair, it was stated that an official response to the report, including “lessons learned”, was being prepared by members of the Council’s Corporate Leadership Team (CLT) and would be submitted to the next meeting of the London Stadium Scrutiny Commission.

**Noted**

4. **Decision Sheet and Action Log**

The Board received the following updates on the Decision Sheet and Action Log.

(i) Meeting Date: 25 July 2018

(a) **Minute Item No. 7: Audit Board Working Group**

The Audit Board Working Group, to which all members of the Board were invited, would take place on **Thursday, 18 October 2018** at **Newham Town Hall** from **6 PM** to **9 PM**.

(b) **Minute Item No. 16b: RMS Management Plan – Update Report**

This report would now be referred to the Audit Board Working Group
Meeting on 18 October 2018. The chair requested that this report be circulated to Members of the Board within the next 10 days.

**Resolved:** the following actions, having been completed, be deleted from the Decision Sheet and Action Log -

**Meeting Date:** 25 July 2018

None.

**Invitation to the Chief Executive to Attend Audit Board**

It was proposed that an invitation be extended to the Chief Executive to attend the meeting of the Audit Board Working Group on 18 October 2018 and, if she was unable to attend that meeting, to invite her to the next meeting of the Audit Board on 7 November 2018.

**Resolved:** that an invitation be extended to the Council’s Interim Chief Executive, Katherine Kerswell, to attend the Audit Board Working Group meeting on 18 October 2018 or, failing that, the next scheduled meeting of the Audit Board on 7 November 2018.

5. **Summaries of Audit Reports**

Before the report was presented to the Board, the Chair proposed that consideration be given to amending the template of the covering report so that more information might be included in the report, such as the reasons for carrying out the audit and any action plan.

In response to the Chair’s proposal, it was the Vice Chair suggestion that this might be appropriate for limited assurance reports. For moderate or substantial assurance reports it may be useful for the Board to receive regular reports summarising the substantial assurance reports that had been presented to the Board. In this way, the Board could get an overall impression of the number and type of assurance reports and learn from these reports.

Stuart Moore, Deputy Head of Assurance, informed the Board that a Progress Report listing all the audits that had been completed according to category i.e. limited or moderate/substantial assurance reports, would be submitted to the next meeting of the Audit Board on 7 November 2018. In response to a question, Mr Moore, detailed the processes and procedures involved in following up on any particular audit report.

**Resolved:** to note the report.

6. **Audit Board Annual Report 2017/18**

The Board considered a report setting out comments by Members of the Board on proposed amendments to the draft Audit Board Annual Report 2017/18 which had been presented to the Board on 11 April 2018. As Members had not been able to agree on the proposed amendments to the

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8 The agenda and reports for the Audit Board Working Group would be published no later than Wednesday, 10 October 2018 i.e. five clear working days before the date of the meeting, excluding the date of publication and the date of the meeting.
draft annual report, the report was being resubmitted to the Board for further consideration.

As there was no statutory requirement for the Board to produce an annual report, and because several references in the report were now otiose, it was proposed that no further action be taken on the draft report.

Resolved: to take no further action on the draft Audit Board Annual Report 2017/18.

7. Year Ahead Plan 2018/19

The Board considered the Year Head Plan 2018/19 and the list of reports scheduled for presentation to the Board during the remainder of the current municipal year.

In the subsequent discussion, the following points were made.

(i) The Board usually received a report on the number of Freedom of Information (FOI) request that had been received in any year and that this should be added to the schedule.

(ii) It was noted that FOI requests had previously been considered by the Board at the same time as it had considered Whistleblowing and the Council’s use of provisions within the Regulation of Investigatory Powers Act 2000 (RIPA).

(iii) The Chair stated that he had a list of items to add to the Year Head Plan which he would forward to Committee Services. The list included the following items –

- Ombudsman Decisions and Costs/Implication
- Council’s Use of Surveillance under RIPA
- Use of Agency Staff, Market Supplements and Redundancy Payments
- Quarterly Budget Update
- Principal Risks and Uncertainties Report
- Whistleblowing Policy
- Gender Pay Gap
- Council Tax and Business Rates
- Procurement Policy: compliance with financial regulations and procedure rules
- Off System Spend
- Value for Money
- Assessment of Transferred Services
- Review of Complaints Policies and Procedures
- Corporate Appraisal Systems

He proposed that these items could be grouped and categorised for
inclusion in the Year Head Plan 2018/19 at the meeting of the Audit Board Working Group meeting on 18th October.

(iv) It was reported that, in addition to the meeting dates set out in the Year Ahead of Plan, a joint meeting of the Audit Board and the Investment and Accounts Committee (IAC) had been scheduled for 6 PM on Thursday, 22 November 2018 at Newham Town Hall.

Resolved:
1. To note the report;
2. That the Chair provide Committee Services with a list of items to be added to the Year Head Plan 2018/19 for consideration at the meeting of the Audit Board Working Group on 18 October 2018; and
3. The Year Head Plan 2018/19 (“the Plan”) be referred to the Audit Board Working Group (“Working Group”) on 18 October 2018 with a request that the Working Group organise the Plan according to category and date.


Resolved: to exclude any members of the press and public who might be present during consideration of Agenda Items 9 and 10 which contained exempt information as defined by Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), as follows –
1. Items 9 and 10: Paragraph 7 – information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
2. Item 11: not applicable

SUMMARY OF MATTERS CONSIDERED WHILE THE PRESS AND PUBLIC WERE EXCLUDED

9. Non-public Minutes of the Previous Meeting

The Board considered the minutes of its previous meeting of 25 July 2018. Members expressed concern that there was no one available who could answer questions on matters arising out of consideration of those parts of the minutes which referred to RMS and which were on the agenda for this evening’s meeting.

Cllr John Gray, in his capacity as the Council’s Cabinet Member for Housing Services whose remit included RMS stated that, Jerry Austin, who had recently been appointed as the permanent Operations Manager for RMS, had been briefed to take whatever measures were necessary to resolve failings in the operation of the service. Therefore, it was appropriate that the Board should address any questions and concerns to Mr Austin as the
person now in charge of RMS operations.  

Resolved: to –

1. Approve the minutes of the meeting of 25th of July 2018 and to authorise the Chair to sign them as a correct record; and

2. Request that the RMS Management Plan referred to in the minutes be circulated to Members of the Board within the next 10 days.  

10. Repairs and Maintenance Service (RMS) Reports

10a Management Plan Update

Report withdrawn.

10b Follow-Up Assurance Report

The Board considered a report by the Head of Assurance, oneSource, which set out the results of a follow-up audit of RMS. The follow-up review was carried out as part of the annual Internal Audit Plan for 2018/19.

During the course of the conversation, the Chair and Members of the Board expressed dismay that 60% of the recommendations set out in the report had either not been implemented or only partially implemented.

Members also expressed concern that it was not sufficiently clear which recommendations set out in paragraph 2.2 of the report related to the various reports referred to in paragraph 1.2 of the report.

Stuart Moore, Deputy Head of Assurance, deputising for Jeremy Welburn, Head of Assurance, stated that he had not been involved in any of the work to do with RMS, but that he could take back any comments that the Board might have on the report.

Members of the Board then set out various concerns relating to specific recommendations, and the presentation of the recommendations generally, as follows.

(i) Recommendation 11: Restoration of Performance Appraisal System

There was concern that delay in implementing this recommendation had been attributed to the need to design new appraisal form templates, and that this delay had prevented the implementation of recommendations 12 to 14.

It was suggested that all that was required by way of a template was a piece of paper with four boxes on it in which to record a conversation.

Cllr Gray noted that there was a 12-page corporate appraisal template which was little used because it was impractical and that less than 12%...
of the Council staff received regular appraisals. He stated that he believed that the reason that appraisals were not carried out was because there was an insufficient number of managers to perform this task.\textsuperscript{11}

Cllr Gray went on to say that RMS was being transformed by managers who were dealing with, not only historical matters, but current service delivery requirements. Regarding accountability, Cllr Gray noted that a number of RMS staff had been held accountable for their actions as Council employees and, as a result, were no longer employed by the Council.

(ii) **Use of Headings under Which to Group Recommendations**

It was proposed that the various recommendations be listed according to the report and area examined in accordance with paragraphs 1.2 and 2.2 of the report.

(iii) **List of Implemented and Partially Implemented Recommendations**

That it would be helpful to Members of the Board to have a list of all those recommendations that had been implemented and/or were partially implemented.

Without seeing a list of recommendations that had been implemented or partially implemented, it was stated that the Members of the Board could not be confident about the implementation of those recommendations.

Concern was also expressed that there may be inherent risks in recommendations that had been only partially implemented.

(iv) **Staff Training on the Implementation of the New Organisational Structure**

In response to a Member’s question regarding the Management Comment that a skills audit to identify skills gaps to be filled by training or recruitment was to commence shortly, the Chair stated that this looked to be very much a cosmetic exercise involving “let’s fill in the blanks and say something for the sake of it”.

In summarising the discussion, the Chair stated that the Board was disappointed –

(i) In the lack of progress in the implementation of recommendations set out in the Business Plan;

(ii) The lack of ownership [of responsibility for RMS]; and

(iii) Lack of progress in implementing the Internal Audit Plan 2018/19 recommendations.

**Resolved:** That, -

1. Within the next 10 days, Members of the Board be provided with –

\textsuperscript{11} In the management comments relating to recommendation 11, it was noted that new appraisal templates were required for 197 operatives of varying trades.
(i) A copy of the updated RMS Management Plan[^12]; and

(ii) A comprehensive list of the recommendations emanating from the reports relating to RMS including those recommendations that had been implemented, were partially implemented and those still to be implemented.

2. The following Plans be sent to Members of the Board no later than 10th October[^13] for the meeting of the Audit Board Working Group meeting on Thursday, 18 October 2018 -

(i) The RMS Transformation Plan; and

(ii) The RMS Management Plan.

11. Dates and Times of Future Meetings

Future dates and times of meetings of the audit Board and the Audit Board Working Group were noted, as follows.

(i) Audit Board Working Group

A meeting of the Audit Board Working Group had been scheduled from 6 PM to 9 PM on **Thursday, 18th October** at **Newham Town Hall**, East Ham.

(ii) Audit Board

The next scheduled meeting of the Audit Board would take place on **Wednesday, 7 November 2018** at **7 PM** at **Newham Town Hall**, East Ham.

(iii) Joint Meeting of the Audit Board and Investment and Accounts Committee

There would be a joint meeting of the Audit Board and Investment And Accounts Committee (IAC) to discuss a report by the Council’s external auditors (EY, formerly Ernst and Young) on the Council’s Statement of Accounts on **Thursday, 22 November 2018** at **6:30 PM** at **Newham Town Hall**, East Ham.

**The Meeting Ended at 8:30 PM**

[^12]: See Item 9, Resolution 2 (above)

[^13]: That is, the date of publication and dispatch of the agenda and reports for the meeting of the Audit Board Working Group on Thursday, 18 October 2018.