AUDIT COMMITTEE

Thursday, 14 November 2019 at 6.30 p.m.

C3 - Town Hall Mulberry Place, 5 Clove Crescent, London E14 2BG

This meeting is open to the public to attend.

Members:
Chair: Councillor Val Whitehead
Vice-Chair: Councillor Abdal Ullah

Councillor Ehtasham Haque, Councillor Mufeedah Bustin, Councillor Marc Francis, Councillor Ayas Miah, Councillor Kyrsten Perry and Councillor Andrew Wood

Deputies:
Councillor Mohammed Ahbab Hossain, Councillor Bex White, Councillor Gabriela Salva Macallan and Councillor Peter Golds

[The quorum for this body is 3 Members]

Contact for further enquiries:
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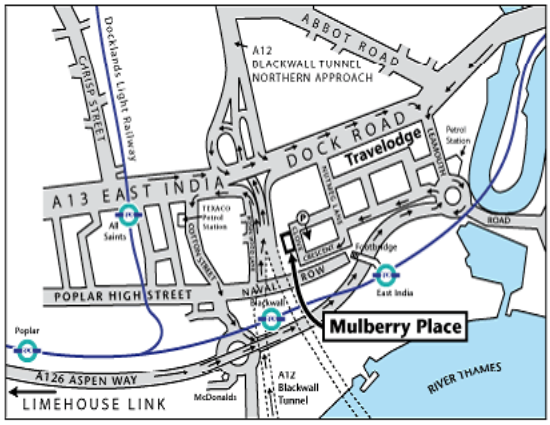

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	To confirm the minutes of the Audit Committee held on the 23rd July 2019.	
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Next Meeting of the Committee:
Thursday, 30 January 2020 at 6.30 p.m. to be held in the C3 - Town Hall Mulberry Place

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DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Asmat Hussain, Corporate Director of Governance and Monitoring Officer,
Tel: 020 7364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to the Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.30 P.M. ON TUESDAY, 23 JULY 2019

COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE

Members Present:

Councillor Val Whitehead (Chair)
Councillor Abdal Ullah
Councillor Mufeedah Bustin
Councillor Marc Francis
Councillor Ehtasham Haque
Councillor Kyrsten Perry
Other Councillors Present:

Apologies:

Councillor Ayas Miah
Councillor Andrew Wood
Others Present:

Angus Fish	–	Deloitte
Jonathan Gooding	–	Deloitte
Syed Nahid Uddin	–	Member of Public

Officers Present:

Bharat Mehta	–	(Audit Manager)
Neville Murton	–	Corporate Director, Resources)
Paul Rock	–	(Head of Internal Audit, Anti-Fraud and Risk)
Anthony Sotande-Peters	–	(Interim Strategic Risk Advisor, Risk Management and Audit)
Lino Messore	–	Corporate Anti-Fraud Assistant
David Seagroatt	–	Senior Auditor
Farhana Zia	–	Senior Committee Services Officer

1. APPOINTMENT OF VICE-CHAIR

The Chair asked for nominations for vice-chair. Councillor Kyrsten Perry proposed Councillor Abdal Ullah for vice-chair of the Audit Committee, which was seconded by Councillor Marc Francis.

The Committee **RESOLVED** to elect Councillor Abdal Ullah as vice-chair of the Audit Committee.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

Councillor Krysten Perry declared she is Chair of the Pensions Committee.

Councillor Val Whitehead declared she is a trustee and treasurer of Toyhouse libraries, which receives some grant funding from the council. However she does not have any pecuniary benefit from it.

3. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the 11th April 2019 meeting were agreed and approved to be an accurate record of the meeting.

Councillor Whitehead informed Members the query raised under matters arising in relation to consultants had been answered by HR via email and this had been circulated. As such they were no longer required to attend a meeting of the Committee.

4. DELOITTE ITEMS FOR CONSIDERATION

4.1 External Audit Report 2018-19

Items 4.1 and 5.1 were taken in conjunction of each other. Deloitte presented their findings in relation to the external audit they had undertaken and Mr Neville Murton, Corporate Director for Resources and Mr Kevin Bartle, Divisional Director for Finance, Procurement and Audit commented and added to the findings.

By way of introduction, Mr Kevin Bartle, Divisional Director for Finance, Procurement and Audit addressed the Committee stating the draft Accounts being presented at the meeting were not complete and therefore could not be signed off by the Committee. Mr Bartle said that whilst it was disappointing not to achieve the deadline of 31st July, the finance team was putting in significant effort to provide the information requested by the external auditors so to ensure the situation was rectified as soon as possible.

In response to questions from Members the following was noted:

- Mr Murton, Corporate Director for Resources was asked to put into context the significance of not meeting the deadline. Mr Murton said it was not unusual for local authorities not to get the accounts signed off by the deadline of 31st July. Quite a few other Authorities were in the same position. He said the statutory deadline had moved from September to August and now the end of July, and although this was not an excuse as to why the deadline had not been achieved, other factors had played a part. There had been a restructure of the finance team, and this had impacted staff morale and delivery. However the finance team was working alongside the external auditors and had an action plan in place to ensure a robust response was provided to the outstanding queries. Mr Murton indicated that by the end of September the accounts would be in a state whereby they could be signed off.

- In response to whether there would be financial penalties for not meeting the deadline, Mr Gooding, external Auditor clarified the local

authority would not be fined for missing the deadline but may experience reputational damage.

The Chair invited Mr Gooding, external auditor from Deloitte to present his report.

Mr Gooding said the auditing of the accounts was an on-going process and involved a lot of work. He acknowledged the restructure had impacted on the delivery of information requested such as the lists of schedules and query resolution. For example, the trial balance for the Pension Fund had not been received. Mr Gooding said this consequently meant the separate opinion on the Pensions Fund could not be provided to the Committee.

Mr Gooding said the scope of their audit had not changed as per the plan which was submitted to the Audit Committee in April 2019. The update report made several recommendations on the significant risks identified. Mr Gooding referred to the risk of management override control, which is a risk external auditors must presume exists and said that the journals to test the effectiveness of transactions made and identify the risk of fraud were received when they were finalising their report, as a result they had yet to complete their testing. Mr Gooding continued saying the report provided a commentary on significant risks such as the valuation of property assets, capital expenditure, pension liability and the implementation of IFRS 9 and IFRS 15. Observations in relation to the narrative and how this can be approved were also included in the report.

Mr Angus Fish, from Deloitte then took members through the reminder of the report stating pages 12 -15 of the supplement agenda pack gave an opinion against each risk. Control observations were cited at pages 20-23 and suggestions on how the accounts can be improved were listed at page 24.

In response to Member questions the following was noted:

- In response to what the risks of management overriding controls was, Mr Gooding said this refers to journal entries made on the accounting system, whereby management have overridden the controls and have applied their own judgements. In other words, they have manipulated the estimates. In order to test for fraudulent entries Deloitte require access to the data, to review it.

- In response to why it has been difficult to obtain access to data, Mr Murton said there is a huge volume of data that needs to be extracted and the size of the data presents challenges. Mr Gooding added that descriptions were missing making it hard to trace who had posted the journal. However the missing information had been worked through and progress was being made. Mr Bartle added that providing information when the Council switches auditors, as is the case for this Council, means information required by the external auditors needs to be presented in a different way and this can pose challenges.

- In response to what involvement Grant Thornton, another accounting firm, had in producing the accounts, Mr Murton clarified they had had no involvement. Mr Murton clarified for Members that Deloitte had been contracted to provide an opinion over the accuracy and completeness of the Council's accounts and prior to Deloitte, KPMG were the Council's auditors. Mr Murton said Grant Thornton were involved in the initial scoping of the finance restructure but this was not connected to the annual assurance process for the accounts.

- In response to how confident the external auditors were that they would complete their audit by the end of September, Mr Gooding said there was a Deloitte team on site at the Council throughout August to progress the work, resolve outstanding queries and finalise the audit but progress had been slow.

- In response to how many other Local Authorities had missed the deadline last year, Mr Bartle said approximately 30-40 authorities out of three to four hundred local authorities nationwide. Mr Bartle continued and said that this does add pressure but he was determined to ensure the accounts were ready for sign off by the end of September. Mr Bartle said the restructure of the finance function had a big impact, but he would be reviewing the processes followed and would be taking forward a lesson's learnt exercise.

- In response to if the previous year's audit would in any way be reviewed to identify any control deficiencies and the role of Internal Audit, Mr Bharat Mehta, Audit Manager, stated that the recommendations made by the external auditors would be reviewed by Internal Audit and where appropriate included in the Annual Internal Audit Plan, which the Audit Committee has oversight for. Mr Murton added the change of auditors had caused problems, however there was a need for the Council to improve its accounting procedures. It was essential for the local authority to get this right next year. A lot more work was required during the year rather than the end of the financial year to start the audit process.

- In response to when did it become apparent the deadline of 31st July was not going to be achieved, Mr Bartle said approximately two to three weeks ago. Whilst the teams were working hard to achieve the goal of 31st July, it gradually materialised that the accounts would not be delivered in time for the deadline. Mr Bartle said regular meetings with Deloitte managers made it clear this deadline would be unattainable.

Members concurred there was considerable work the Finance team had to do in rectifying the situation and to ensure the reputational risk to the Authority was limited.

Members of the Committee **RESOLVED** to **NOTE:**

1. the unaudited Annual Financial Report including the Statement of Accounts for the financial year ending 31st March 2019;
2. the officer action plan to address audit matters arising; and
3. the initial report from the external auditors as presented at item 4.1 of the agenda. A final report will be brought to the next meeting of this committee.

5. TOWER HAMLETS ITEMS FOR CONSIDERATION

5.1 Annual Financial Report 2018-19

This item was dealt with in conjunction with item 4.1 above.

5.2 Audit Committee Terms of Reference, Quorum, Membership and Dates of Meetings 2019/20

Ms Farhana Zia, Senior Committee Officer presented the Audit Committee's terms of reference, quorum, membership and dates of meeting for 2019-20 report.

Ms Zia said the report informed Members of the decision made at the Annual General Meeting of the Council held on the 15th May 2019, which approved the proportionality and the establishment of Committees, Sub-Committees and Panels of the Council.

Mr Paul Rock, Head of Internal Audit added the terms of reference, appended at Appendix 1 had been updated to reflect the best practice guidance from CIPFA.

Members were asked to note the report.

Members of the Committee **RESOLVED** to:

1. **NOTE** its Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1,2 and 3 of the report.

5.3 NFI Progress Report

Mr Graeme Thomson, Programme Director Counter Fraud (Data Analytics, Capability Development, and Pilots) Counter Fraud Centre of Expertise, Cabinet Office, gave a presentation on the work of his department and the National Fraud Initiative (NFI).

Mr Thomson briefly explained that the NFI had been running since 1994 and was initially the responsibility of the Audit Commission before being moved to the Cabinet Office. Mr Thomson said his team was responsible for setting the professional standard in counter fraud and providing data analytics to central and local government.

Mr Thomson said the Digital Economy Act 2017 paved the way forward for cross departmental and local government sharing of information. His team is

responsible for setting up pilot schemes to embed good practice across the sector. For example, pilots had been set up for debt recovery which involved HMRC and ten local authorities. Data extraction and data matching exercises were undertaken biennially in order to identify fraud from the public purse.

In addition, Mr Thomson stated that the Cabinet Office manage the Internal Fraud hub, which records action taken against civil servants who had committed fraud. Departments were working to ensure individuals were not employed elsewhere in the civil service after they had been convicted and/or disciplined for fraud related offences. The aim was to extend this pilot to local government but this would require a change in government policy.

Other pilots running were with Companies Houses, to identify fraudulent companies, the Insolvency Service and the Charity Commission. Once the pilots had been evaluated, data would be shared with local authorities.

In response to questions from Members the following was noted:

- Members welcomed the presentation and the important work of sharing data to identify fraud. However Members asked for central government to be aware of the downside of automatically identifying fraud and the freezing of benefits. Councillor Marc Francis said he saw many constituents who had experienced difficulty with HMRC whereby their benefit was frozen pending investigation. This causes hardship and can lead to a spiral of debt. Mr Thomson responded saying no decision to flag up fraud was made without discussion. Artificial intelligence was not used in making decisions and there is due diligence in the work they do. However he welcomed the observations of Members and asked that any further comments or suggestions be made via the Council's counter-fraud team.

The Chair, Councillor Val Whitehead thanked Mr Thomson for this presentation.

Mr Lino Messore, from the Counter Fraud team then proceeded to present the NFI progress report

Mr Messore said the data matching exercise was undertaken in late 2018, when data was supplied for data matching purposes by all relevant parties, including the Council. Mr Messore said through the NFI system cases of potential fraud are identified for investigation and are rated as low, medium or high risk. The table at paragraph 3.13 showed the material risks emerging from the examination of the data. So far the Counter Fraud team had looked at 4,500 matches and paragraph 3.16 of the report showed the actual and estimated outcomes for 2018.

In response to questions for Members the following was noted:

- Of the 4,500 referrals, 3,900 matches were closed off without issue.

- Pension recovery cases related to pensioners who had died but the authority had not been notified and an overpayment had occurred. The counter fraud team recovered 130 blue badges where the recipient had died and the badges were still in circulation.

- In response to how many cases led to prosecution, Mr Rock, Head of Internal Audit said the NFI data matching exercise was not just about prosecuting individuals but also a data cleansing exercise picking up anomalies such a wrong digit in a National Insurance number.

- Mr Rock confirmed that the Corporate Fraud Team worked alongside other colleagues within the Council to identify and investigate fraud. Regarding Blue Badge fraud the team worked with housing enforcement officers and anti-social behaviour teams.

The Committee **RESOLVED** to:

1. Note the progress made against the National Fraud Initiative Exercise for 2018/19.

5.4 Internal Audit and Counter Fraud Progress Report

Mr Paul Rock, Head of Internal Audit, Fraud and Risk introduced this report stating that the report provided an update on the progress made against the delivery of the 2019/20 Annual Internal Audit Plan, as well as the current counter fraud performance and audits which have received limited assurance ratings.

Mr Rock said written responses had been obtained from Service Heads who had achieved limited assurances, due to the length of the agenda and these had been emailed to Members for information and perusal. Normally, Service Heads were required to attend the Audit Committee to answer questions relating to their audit and action plans.

Mr Rock referred Members to paragraph 3.8 of the report and said the Internal Audit team was stretched in delivering the internal audit plan, however work was underway to recruit to vacant posts and to identify an audit partner to provide specialist support. Mr Rock also referred Members to paragraph 3.12 and said he was working with HR to recruit an independent audit member for the committee in line with the recommendation made in the peer review.

In response to questions from Members the following was noted:

- Internal Audit has a wider remit than the external auditors. Internal Audit provide financial stewardship, review plans and ensure there is value for money in the whole organisation whereas the purpose of external audit is to focus on the Council's accounts.

- In response to resources allocated to the Internal Audit function and the continuity of staff, Mr Rock said the Corporate Leadership Team

had recognised the need to employ permanent staff over temporary staff and he hoped to recruit to the vacancies in his team shortly.

- **ACTION:** In reference to paragraph 3.7 of the report, Mr Mehta Audit Manager said he would email details of the three deferred audits to Members via email.

- In relation to the Markets Audit, Member asked what controls were in place to ensure the recommendations of Internal Audit were implemented. Mr Mehta explained a follow up audit is undertaken six months after the initial review to gauge if the recommendations and changes in process have been implemented.

- With regard to the DOLs assurance, the Chair asked if the response received from the service was adequate. Mr Mehta said the service had made good progress against the recommendations and a follow up audit would be undertaken in due course.

- Mr Rock clarified the Internal Audit Plan was agreed by the Audit Committee at is April 2019 meeting and was a risk based plan taking into account risk identified by various stakeholders including the Corporate Leadership Team. Mr Rock said the plan would remain under review and be amended to take into account emerging risks.

The Committee **RESOLVED** to:

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

5.5 Q1 Risk Management Update 2019/20

Mr Anthony Sotande-Peters, Interim Strategic Risk Advisor introduced this report stating that the purpose of the report was to inform Members of the ways in which risks are identified and managed. The report provided a summary of risk activities over the first quarter 2019/20 and appended at Appendix 1 was Corporate Risk Register. Appendix 2 cited the detailed summary and updates from risk owners.

Risk registers for each Directorate had been sent to Members as requested.

In response to questions from Members the following was noted:

- Mr Sotande-Peters confirmed the risks cited on page 211 of the agenda would be revised taking into account the Ofsted findings in relation to Children Services.

The Committee **RESOLVED** to:

1. Note the corporate risk and recommend changes and updates as necessary;

2. Request risk owner(s) with risk that the Committee believes require further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at its next meeting; and
3. Ensure that an effective risk management framework is in place within the council and leading the council to be a risk mature, dynamic risk organisation.

5.6 Head of Internal Audit Annual Report

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented his Annual Head of Internal Audit Report. Mr Rock said the report provided the annual audit opinion in accordance with the requirements of Public Sector Internal Audit Standard. The opinion supported the governance conclusions that are included in the Annual Governance Statement, which forms part of the statement of accounts required under the Accounts and Audits Regulations 2015.

Mr Rock referred Members to page 231 of the agenda, paragraph 10.1 and said he was limiting the scope of the annual opinion to exclude Information Technology (IT) related risks as no audits had been undertaken in this area during 2018/19. Mr Rock said he viewed IT related risks to be a significant risk and as such would be included in the 2019/20 internal audit plan. Mr Rock said specialist IT auditors would be contracted to undertake this work.

Mr Rock continued stating the team was under resourced and this continued to be a risk. Members had already heard plans are underway to recruit to vacant posts to improve Internal Audit's performance plus appoint a third-party audit partner by the 30th September.

In response to questions from Members the following was noted:

- In reference to the table at page 228, Members asked why management were not responding to the actions/recommendations made by internal audit reviews. Mr Rock said he was investigating why this was however he was clear that Service Heads and Directors needed to be more responsive and accountable. Mr Rock said the Committee had an important role in holding them to account.

- Mr Bartle added he had confidence in Mr Rock to deliver the Internal Audit Plan and make the changes required to ensure better performance and outcomes.

The Committee **RESOLVED** to:

1. **NOTE** the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2018/19.

5.7 Annual Governance Statement

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Council's Annual Governance Statement. Mr Rock said the Annual Governance Statement was a requirement of the Accounts and Audit Regulations 2015 and should reflect the CIPFA/SOLACE principles on Delivering Good Governance in Local Government Framework. The Council was required to undertake a review of its corporate governance processes, systems and give assurances on the governance framework.

The Annual Governance Statement needs to be signed by the Chief Executive and the Mayor by the agreed statutory deadline. However Mr Bartle said that the signing may need to be delayed in light of the draft accounts not being complete.

In response to questions from Members the following was noted:

- Discussion took place regarding the Annual Governance Statement and if this should be approved by the Committee.
- Councillor Marc Francis said that whilst the statement looked at the Governance structures in Tower Hamlets, the model adopted by the Council had issues in the early days and there was evidence the structures and processes in decision making were not tight enough and this needed to be recognised. Councillor Francis gave an example of where confused governance was in place, with no clear decision making pathway. Mr Rock thanked Councillor Francis for his comments and said he would look into this further.
  - **ACTION:** Members requested the Statement be revised to better reflect the constitution and current decision making processes.

The Committee **RESOLVED** to:

1. **NOTE** the report and comments of Members and will review the Annual Governance Statement at its next meeting.

5.8 Treasury Management Report for 2018-19

Mr Neville Murton, Corporate Director for Resources presented the Treasury Management Report for 2018-19. Mr Murton said £100m from the 2018-19 budget was set aside for investment in pooled funds of which £76m had been invested. Further investment in pooled funds was paused due to high market volatility as the equity markets fell sharply over the 3 months to 31st December 2018.

Mr Murton referred Members to table 6, page 297 of the agenda pack and said a capital loss of £2.5m occurred and the portfolio valuation was £73.5m instead of the invested amount of £76m. Mr Murton continued saying the investment portfolio credit worthiness had improved from A+ to AA-.

With regards to external rates of borrowing, table 2 page 294, Mr Murton said the average rate of borrowing had decreased for 3.25% to 1.16%. Mr Murton said the balance between risk and returns had been managed well over the

period with the redemption of LOBO and re-borrowing from the Public Works Loan Board – table 3 and as such the overall picture was positive.

In response to questions from Members the following was noted:

- The LOBO agreements were put in place 30 to 40 years ago and have become costly so where possible the Council has redeemed these in favour of borrowing from the PWLB. Mr Bartle added that the LOBO agreements are not easy to get out of as they incur penalties.

- With regard to pooled funds these are equity based investments so carry a higher risk. Treasury management need to balance risk and reward. Therefore as capital is at risk this will reduce the credit score as shown in table 6. The credit score should not be confused with the credit rating which has improved from A+ to AA-, as this shows the credit worthiness of investments. Mr Bartle added Members may wish to consider the security of money invested, the liquidity and the yield.

- In response to what was being done to negate the effects of inflation Mr Murton said generally low risk funds had been invested in. Pooled funds are a move away from this and carried more risk. However with the help of the Council's advisors Arlingclose, the investments are closely monitored and it was envisaged that within a period of 5 to 10 years the capital value of the investments would increase. Decisions are made on the risk appetite of the organisation and are judgment based.

- In response to what protection there is for the investments made, Mr Murton said there was no protection in terms of pooled funds, however the Pension Fund was more exposed to equities because with the Pension Fund there is an expectation that it must produce a return as the deficit needs to be made up.

The Committee **RESOLVED** to:

1. Note the contents of the treasury management activities and performance against targets for the year ending 31st March 2019.

2. Note the Council's investments as set out in Appendix 1. The balance outstanding as at 31st March 2019 was £383,150m which includes £6m pension fund cash awaiting investment.

5.9 EXCLUSION OF PRESS & PUBLIC

The Chair **Moved** and it was: -

RESOLVED:

That in accordance with 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 contained information defined as exempt or confidential in Part 1 of Schedule 12A to the Local Government, Act 1972.

The Member of public present at the meeting departed prior to item 5.10 being discussed.

5.10 Poplar Baths - Refinancing

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

The Chair sought agreement of Committee Members to hold an extraordinary meeting of the Audit Committee in light of the draft accounts having not been finalised as well as the Committee's decision to receive a revised Annual Governance Statement, plus further consider the proposal outlined in the exempt report.

The Committee **RESOLVED** to:

Hold an extraordinary meeting of the Audit Committee on Monday, 30th September 2019 at 6:30 p.m. in Committee Room 1.

The meeting ended at 9.38 p.m.

Chair, Councillor Val Whitehead
Audit Committee

Non-Executive Report of the: **Audit Committee** Thursday, 14 November 2019	TOWER HAMLETS
Report of: Corporate Director, Governance and Monitoring Officer	**Classification:** Open (Unrestricted)
Updated Terms of Reference - Audit Committee	

Originating Officer(s)	Farhana Zia
Wards affected	All Wards

Executive Summary

This report updates the Terms of Reference, of the Audit Committee for the Municipal Year of 2019/20. The attached is information for Members of the Audit Committee.

Recommendations:

The Audit Committee is recommended to:

1. Note the updated Terms of Reference set out in appendix 1 of the report.

1. REASONS FOR THE DECISIONS

1.1 The Terms of Reference for the Audit Committee have been updated to show the Committee may choose to appoint an Independent Person (IP) to advise and support the committee.

2. ALTERNATIVE OPTIONS

2.1 The report asks Members solely to confirm its constitutional arrangements and therefore they are not required to consider any alternative options.

3. DETAILS OF THE REPORT

3.1 Each year, following the establishment of the Committee at the Council's Annual Meeting, it is customary that the newly established Committee considers its procedural arrangements.

3.2 The Audit Committee at its meeting of 24th July 2019 approved and noted the terms of reference, membership and quorum of the committee.

3.3 However, following agreement of Committee members to appoint an Independent Person (IP) to advise and support the work of the Committee, the Terms of Reference have been updated to show the Committee's intention. This is appended at Appendix 1.

3.4 The process of recruiting and appointing an Independent Person (IP) will be undertaken by the Head of Internal Audit, Fraud and Risk and the Human Resources department.

3.5 To date, the recruitment is ongoing and it is hoped an appointment will be made shortly.

4. EQUALITIES IMPLICATIONS

4.1 The updating of the Terms of Reference has no direct equalities implications, save that the recruitment of the Independent Person will be in accordance to the Human Resources criteria, procedure and processes.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 Not applicable to this report.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This report recommends that the Audit Committee note its updated Terms of Reference, as set out in Appendix 1. There are no direct financial implications arising from this report. The cost of the Independent Person advice and support will be funded within the Council's existing revenue budget.

7. COMMENTS OF LEGAL SERVICES

7.1 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The updated terms of reference are consistent with the legal framework and Part A, Section 10 of the Council's Constitution and have been adopted by Council in accordance with Part A, Section 7(a).

Linked Reports, Appendices and Background Documents

Linked Report

- NONE
-

Appendices

- Appendix 1 – updated Audit Committee Terms of Reference

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:
N/A

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1. Audit Committee

Summary Description: 1. The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. 2. The purpose of the Audit Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.	
Membership: 8 Councillors. The Audit Committee shall not be chaired by a Member of the Executive.	
Independent Person: The Audit Committee may choose to appoint an Independent Person (IP) to advise and support the Committee. The IP will not be a member of the Audit Committee but would be entitled to attend all the meetings and associated training of the Committee. The IP can receive and comment on any reports submitted to the Committee, including restricted agenda items.	
Functions	**Delegation of Functions**
<u>Governance, Risk and Control</u> 1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	None
2. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	None
3. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	None
4. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.	None
5. To monitor the effective development and operation of risk management in the Council.	None
6. To monitor progress in addressing risk-related issues reported to the committee.	None
7. To consider reports on the effectiveness of internal controls	None

and monitor the implementation of agreed actions.	
8. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	None
9. To monitor the counter-fraud strategy, actions and resources.	None
10. To review the governance and assurance arrangements for significant partnerships or collaborations.	None
<u>Internal audit</u> 11. To approve the internal audit charter.	None
12. To review proposals made in relation to the appointment of external providers of internal audit services.	None
13. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	None
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements.	None
15. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.	None
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.	None
17. To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a. Updates on the work of internal audit including key findings, issues of concern and management actions as a result of internal audit work. b. Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP). c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) considering whether the non-conformance is significant enough that it must be included in the AGS.	None
18. To consider the Head of Internal Audit's annual report, including: a. The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that	None

support the statement. b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.	
19. To consider summaries of specific internal audit reports as requested.	None
20. To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	None
21. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.	None
22. To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.	None
23. To provide free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.	None
24. To commission work from internal audit.	None
<u>External audit</u> 25. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.	None
26. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	None
27. To consider specific reports as agreed with the external auditor.	None
28. To comment on the scope and depth of external audit work and to ensure it gives value for money.	None
29. To commission work from external audit.	None
30. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	None
<u>Financial reporting</u> 31. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	None
32. To consider the external auditor's report to those charged with	None

governance on issues arising from the audit of the accounts.	
<u>Accountability arrangements</u> 33. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	None
34. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	None
35. To publish an annual report on the work of the committee.	None
Quorum: 3 Members of the Committee	

Non-Executive Report of the: **Audit Committee** Thursday, 14 November 2019	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Open (Unrestricted)
Internal Audit and Anti-Fraud Progress Report	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

This report provides an update on progress against the delivery of the 2019/20 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in July 2019.

The report also provides an update with regards to the current counter fraud performance and to highlight any new significant fraud related issues since the last report.

Recommendations:

The Audit Committee is recommended to:

1. Note the contents of this report and the overall progress and assurance provided, as well as the findings/assurance of individual reports.
2. Note the outcome of the self-assessment against the Public Sector Internal Audit Standards and the associated action plan.
3. Approve the Council's revised and prioritised internal audit plan for 2019/20.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

Progress against the 2019/20 Internal Audit Plan

3.1 In the last 6 months the service has faced significant resource issues and we recognise this has had an impact on the timely delivery of the plan. We are currently recruiting to vacant posts, have sought additional resources by spot purchasing services from BDO, and have procured a strategic audit partner to co-source the function until 2021. This contract commences on the 15 November 2019 and was awarded to BDO.

3.2 As a result of these challenges we have taken the opportunity to review the internal audit plan in full and further prioritise the remaining audits. The updated plan is shown at Appendix 1. We have prioritised audits as follows:

- Priority one audits are the highest priority and will be the focus of our delivery in the remaining five months.
- Priority two audits are important but lower priority and will be delivered if all priority one audits are delivered. As a result, priority 2 audits have not been assigned an indicative quarter for delivery. Priority 2 audits may be carried forward into the 2020/21 internal audit plan.

3.3 The plan agreed in April 2019 for 2019/20 financial year recorded 58 planned audits (for the Council). As of October 2019, there have been four additions and eight audits have been cancelled or deferred to 2020/21. After prioritisation there are 44 priority 1 and 10 priority 2 audits. Progress against the Council's internal audit plan can be summarised as follows:

Table 1 – Summary of Progress 2019/20 Internal Audit Plan

Stage of Audit	Number of Audits
Planning	4
Fieldwork	9
Draft report	5
Final report	3
Total	**21**

3.4 In addition, the service provides Internal Audit and Anti-Fraud activity to Tower Hamlets Homes. Of the original 8 planned audits for Tower Hamlets Homes, 1 is at planning stage, 1 is in fieldwork and 1 is at draft report stage. Separate reports on progress and outcomes are provided to the Tower Hamlets Homes Finance and Audit Committee.

3.5 The revised internal audit plan for the Council for 2019/20 is presented for the Audit Committee's review and approval.

Overview of Finalised Audits

3.6 Since the last report that was presented to the Audit Committee in July 2019**,** six final reports from the 2018/19 and six from 2019/20 internal audit plans have been issued.

3.7 Two draft reports from the 2018/19 audit plans are still waiting for management's response to the recommendations (Pensions and Efficiency Savings). We have escalated the lack of response to the Divisional and Corporate Directors.

3.8 In summary, since July 2019, one audit has been issued with Nil assurance, five audits have been issued with Limited assurance and five with Substantial Assurance. There was one audit which was undertaken as consultancy and in accordance with our procedures no assurance level was assigned to this audit. Summaries of the key findings and recommendations of all 12 audits are available at Appendix 2.

Nil Assurance

- Guardian Angels Primary School

Limited Assurance

- Client Monitoring of Fire Safety in Residential Dwellings
- Management and Control of Electronic Parking Income
- Request for Quotation (RFQ) System
- Debtors Systems Audit
- Right to Work Compliance

Substantial Assurance

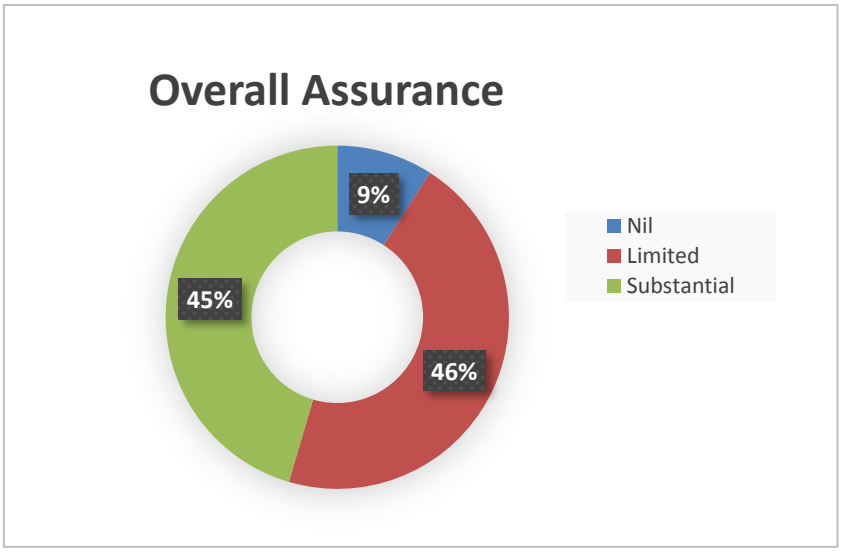
- Outdoor Education Service
- Management of Child Protection Case Conferences Follow Up Audit
- Treasury Management
- Income Maximisation
- Members Training and Induction – Follow Up Audit

Consultancy

- Review of Whistleblowing Systems and Procedures

3.9 Overall, the assurance picture to date is 9% of audits providing Nil Assurance, 45% providing Limited Assurance and 46% providing Substantial Assurance to senior management and the Audit Committee.

Chart 1 – Summary Assurance Opinions



Implementation of Agreed Management Actions

3.10 In each instance where weaknesses have been identified, Internal Audit has obtained an agreed management action plan to address the weaknesses and improve the risk management, governance and/or controls.

3.11 Currently, internal audit follows up high and medium priority recommendations six months after the issue of the final reports to assess the progress made in implementing the agreed actions. An overview of management's performance is summarised in Table 2 below:

Table 2 – Implementation of Agreed Management Actions for 2018/19 and 2019/20

	High Priority Recommendations	**Medium Priority Recommendations**
Number of Agreed Management Actions	99 (plus 6 from previous)	10
Number of Management Actions Implemented	65 (plus 5)	6
Number of Management Actions Outstanding	34 (plus 1)	4
% Implemented	66%	60%

3.12 Management's implementation of agreed actions is poor and there is clear room for improvement. However, some of these recommendations are old, dating back to 2017, and may no longer be relevant. We will be reviewing our approach to making recommendations and monitoring management's implementation.

3.13 Whilst over the course of the next three months we will be focussed on delivering the core plan, with management's input we will review outstanding recommendations to ensure they remain relevant and explore more efficient methods of monitoring and reporting results. We will present the outcome of our review and any revisions to our processes at the next Audit Committee meeting.

Public Sector Internal Audit Standards

3.14 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to periodically self-assess conformance against the standards and report to the Audit Committee any partial or non-conformance as well as a plan to address any such issues.

3.15 A self-assessment has now been completed. In summary, the Internal Audit service is generally conforming with 41 out of 56 standards. Areas of partial or non-conformance include:

- The Audit Charter
- Managing the risk to Internal Audit's independence
- Issuing engagement plans for consultancy work
- Implementation of a Quality Assurance and Improvement Programme
- Adequacy of resources
- Coordination with other assurance providers
- Monitoring and reporting the disposition of audit recommendations.

3.16 An action plan has been developed to address the areas of partial/non-conformance (see Appendix 3) and we anticipate we will be generally conforming with the standards by 31 March 2020. Progress against this action plan will be reported to the Committee at its next meeting.

3.17 We have assessed that we a fully complying with the Code of Ethics.

Appointment of Independent Expert / Member

3.18 In April 2019, the Audit Committee decided that the appointment of an independent expert/member to the audit committee should be pursued. The role was advertised over the course of the Summer with interviews planned in September, unfortunately the number of applicants was limited and we failed to secure a reasonable field of candidates with relevant experience. As a result, we have advertised the role in alternative publications and hope to appointment before the end of the calendar year.

Corporate and Social Housing Fraud

3.19 The Corporate Anti-Fraud Team consists of the following sub teams:

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge

3.20 There is also an investigator in the Insurance Service who examines the integrity of insurance claims to eliminate fraudulent submissions and repudiate inappropriate claims.

3.21 In addition to investigating referred cases, the Corporate Anti-Fraud Team also undertakes various proactive exercises and coordinates the Council's participation in the National Fraud Initiative, a biennial proactive data matching exercise run by the Cabinet Office in which each local authority must participate.

Summary of Referrals and Outcomes

3.22 Current caseloads and outcomes for the period between April and June 2019 are as summarised below:

Table 3 - Social Housing Fraud Team, July to September 2019

No. of Referrals	Closed	Rejected	Ongoing	Properties Recovered	RTB Applications Stopped	Misc. successful outcomes
144	24	38	82	9	4	7

Table 4 - Corporate Fraud Team, July to September 2019

No. of referrals	Closed	Rejected	Ongoing
10	1	0	9

3.23 Some example case studies have been attached at Appendix 4.

Proactive Anti-Fraud Activity

3.24 In addition to the reactive investigatory activities outlined above, a number of proactive counter fraud initiatives have also been conducted to promote the counter fraud culture within the Council and lower the risk of fraud.

3.25 The fraud team has undertaken a pro-active exercise examining cases of No Recourse to Public Funds (NRPF). NRPF fraud has been regularly reported an area of significant risk for all local authorities. The work has been well

received and been followed up by providing training to Social Care staff to support them in identifying false documents. A future exercise is planned to support staff to assess and robustly challenge applicants' financial status. In addition, one of our officers now regularly attends and supports the NRPF Panel.

3.26 Previously the Committee were informed the team would be launching a 'Key Amnesty' in September 2019. After seeking advice from the Communications Team, we have delayed this campaign to January 2020. The amnesty will be targeted at reducing social housing fraud and include a publicity programme to raise awareness of how the Council has been successful in investigating and where appropriate prosecuting fraud cases. It will provide an ideal opportunity for increased engagement with Tower Hamlets Homes, the borough's Registered Providers and the community. The results of the amnesty will be reported to a future audit committee.

3.27 During the last quarter the Planning and Development the team requested some training on anti-bribery and corruption. In response the Corporate Fraud Team has provided numerous sessions to over 100 staff. Feedback for these sessions has been very positive and we hope to encourage more services to engage.

3.28 In November 2019 the Corporate Fraud Team will explore launching a campaign to raise awareness of fraud affecting the Council to coincide with International Fraud Awareness Week. The campaign will include social media articles, presentations and, if appropriate, carefully selected promotional merchandise to promote fraud awareness.

National Fraud Initiative 2018/19

3.29 The Corporate Anti-Fraud Team coordinates the Council's mandatory participation in the National Fraud Initiative (NFI) which is led by the Cabinet Office. The NFI is a cross-government data matching exercise designed to identify error and fraud. It is important to note that a match on the NFI does not mean that fraud is occurring. It simply means there is a data anomaly that requires further investigation; it may result in data being corrected as well as a more substantial fraud investigation. The following table summarises the activity:

Table 5 - Summary of NFI Matches

Match type	Total no. of matches	High risk	Medium risk	Matches Resolved
Creditors	14,324	**0**	**0**	9,963
Housing Benefit	3,505	16	218	2,578
Council Tax Reduction	2,116	64	23	724
Housing Waiting List	867	75	700	56
Housing Tenants	1,033	309	130	4
Right to Buy	213	100	46	79
LBTH Pensions	201	110	29	164

Blue Badge	210	176	34	206
Procurement/Payroll & Companies House	64	0	0	64
LBTH Payroll	153	3	20	125
Resident Parking Permit	62	35	24	52
Personal Budgets	27	7	5	8
Private Residential Care Homes	24	6	12	18
Personal Alcohol Licence	1	0	0	0
Market Traders	1	0	0	0
Council Tax SPD	3,096	0	0	163
Matches total	**25,897**	**901**	**1,241**	**14,204**

3.30 The results of the NFI exercise (to date) are as follows:

- £4,681 in housing benefit overpayments identified.
- Fourteen Housing Benefit cases have been referred to the Department for Work and Pensions for fraud investigation. These are cases where student status appears not to have been declared on the benefit claims.
- £11,341 has been identified as overpaid LBTH pensions, recovery is being pursued. These cases have occurred where pensioners have died and the authority has not been notified and an overpayment of the pension has occurred.
- 130 blue badges have been recovered or are in the process of being recovered as a result of the exercise. These are cases where the blue badge recipient has died and the badges are still in circulation. The Cabinet Office recommends a notional savings value of £575 per badge.
- Fifty people have been removed from the housing waiting list with an estimated notional total value, as prescribed by the NFI, of £162,000. These are cases where the waiting list applicant has died and the authority has not been notified.
- Council Tax Single Person Discounts have been removed to the value of £104,384.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 Other than the Accounts and Audit Regulations 2015 there are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no significant financial implications.

7. COMMENTS OF LEGAL SERVICES

7.1. The Council has a legal duty to ensure that it has a sound system of internal control that facilitates the effective exercise of its functions. The Council must also ensure that its financial and operational management is effective including arrangements for the management of risk.

7.2. The Council is also required under the law to undertake internal audits to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

7.3. The evidence detailed in this report shows compliance with these legal duties

7.4. Also, the submission of a revised audit plan for the remainder of the 2019 / 20 auditing period to take into account resources and current auditing priorities demonstrates compliance with the legal duties referred to in paragraphs 7.1. and 7.2

7.5. The submission of the revised Audit plan also demonstrates:

a. That the council is taking action to respond to current requirements that another reasonable authority would take in the circumstances and

b. The council is continually improving the way in which it delivers its services in terms of economy efficiency and effecrtiveness

7.6. There are no immediate legal equalities implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 Updated Internal Audit Plan for 2019/20
- Appendix 2 Finalised Audits and Audit Summaries
- Appendix 3 Action Plan for Public Sector Internal Audit Standards
- Appendix 4 Case Studies

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

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Email: paul.rock@towerhamlets.gov.uk

Annual Internal Audit Plan 2019/20 – October 2019 Review

Corporate and Council Wide Reviews

Audit Title	Broad Scope	Quarter	Progress	Priority
Control and Monitoring of Agency Staff	The Council has procured a new contract for the provision of Agency Staff for temporary resources. This audit will review and test the procedures for controlling and monitoring the new Agency Staff contract with Adecco.	TBC		2
Establishment Control	This audit will review the Council's systems for controlling, monitoring and costing its staffing establishment.	N/A	Deferred to 2020/21 at management's request.	N/A
Delivery of Efficiency Savings	We will provide assurance on the systems and controls for delivering efficiency savings from selected transformation and efficiency programmes and projects.	3		1
Corporate Governance	An annual review of corporate governance across the council, drawing outcomes from the 2018/19 audits to provide Head of Internal Audit's annual audit opinion, and feed into the Annual Governance Statement.	4	This will now be an audit of corporate governance to provide assurance that the Council's governance processes are appropriately controlled and operating effectively.	1

Audit Title	Broad Scope	Quarter	Progress	Priority
Risk Management	To review the Council's risk management strategy and procedures and provide assurance on the effectiveness of risk management across the Council.	3	Fieldwork in progress.	1
Performance Management	A review of systems and controls for governing and managing the Council's performance management culture.	3	Planning	1
Statutory Compliance with Health and Safety at work procedures	We will review the Council's arrangements for complying with the statutory Health and Safety regulations.	3	Fieldwork in progress.	1
Financial Regulations and Waivers	We will test compliance with the Council's financial regulations and waivers to provide assurance that the Council's financial governance is sound and secure.	3	Scope revised to focus on scheme of financial delegation. Reporting in draft but not issued.	1
Key Decision Process, including Mayor's Executive Decisions and Officer Delegated key Decisions	An audit of the adequacy and effectiveness of controls over Council key decisions, including Mayor's Executive and Officer Delegated Decisions to ensure that key decisions are documented, consulted on where appropriate, taken by those with authority to do so and published as required.	4		1

Governance

Audit Title	Broad Scope	Quarter	Progress	Priority
Charging for Legal Services	A review of systems and controls for charging for Legal Services. The scope of the audit will be discussed with the Corporate Director, Governance.	N/A	Deferred to 2020/21 at management's request.	N/A
Mainstream Grants to Voluntary Sector Organisations.	To provide assurance over the systems and controls for managing and monitoring the Mainstream Grants programme to ensure that the grant funding to voluntary sector provides value for money.	4		1
Management of Controlled Stationery at Registrar's Office	The Registrar's Office has various controlled documents such as certificates of Births, Deaths and Marriages. We will review the system for controlling and monitoring the stocks of these controlled stationery to manage the risk of loss, theft and misuse of these documents.	N/A	Cancelled as reviewed by General Registrar's Office.	N/A
Information Governance – Data Quality	To provide assurance regarding compliance with data governance legislation.	3		1

Health, Adults and Community

Audit Title	Broad Scope	Quarter	Progress	Priority
Electronic Home Care System	To provide assurance that the newly implemented electronic system is operating effectively.	N/A	Cancelled as being managed as a separate project due to significant implementation issues.	N/A
Deputyships	To review the systems and controls for managing the Deputyships and Appointeeships arrangements.	3	Engagement plan issued.	1
S.75 Joint Funding Agreements	To provide assurance that controls around S.75 Joint Funding Arrangements are sound and secure.	N/A	Deferred to 2020/21 at management's request.	N/A
Quality Assurance systems for Adults	To provide assurance that adequate processes exist by means of a quality assurance framework to ensure the delivery of quality, person centred and safe care to all adult service users.	TBC	This was deferred to 2020/21 at management's request; however we will revisit this request with management.	TBC
CCTV	To review systems and controls over the efficiency and effectiveness of the CCTV operation.	4	Planning complete. Management requested audit be moved to Q4.	1
Adults Safeguarding including Financial Safeguarding	To examine the effectiveness of systems and controls for safeguarding vulnerable adults from harm, negligence, abuse and injury.	4		1

Corporate Director – Children and Culture

Audit Title	Broad Scope	Quarter	Progress	Priority
Group Schools PFI - Contract Monitoring	An audit of contract management and monitoring of the services provided under the Grouped School PFI contract. To provide assurance that controls are in place to ensure that all required services are delivered and that the payment mechanism is effective.	3		1
Gorsefield Outdoor Centre	This will be governance and value for money review of the Centre to provide assurance that the Centre is operating efficiently and effectively.	TBC		2
Schools Probity Audit	We will select a sample of schools for conducting thematic reviews of school-based systems and controls. The topics of thematic reviews will be agreed with the Divisional Director Education and Partnerships.	3/4		1
Quality Assurance for Safeguarding Children	To provide assurance on the adequacy and effectiveness of quality assurance processes, including case file reviews and audits to ensure key safeguarding risks are managed and lessons learnt are factored into the decision making process.	3	Draft report prepared.	1

Audit Title	Broad Scope	Quarter	Progress	Priority
Children Supported under No Recourse to Public Funds	This audit will have an Anti-fraud stance ensuring that there are sound controls in place around prevention and detection of fraud among families who are supported by the Council under the no recourse to public funds budget to safeguard vulnerable children.	3	Fieldwork in progress.	1
Unaccompanied Asylum Seekers with Children	To review systems and controls to support unaccompanied asylum seekers.	3		1
Leisure Services (GLL) Contract Extension	To provide assurance that the contract extension awarded to GLL has achieved the objectives and priorities of the council and that contract terms and conditions are complied with and monitored.	TBC		2
AEG Events Management Contract	Audit to review contract monitoring arrangements to ensure that this concession contract delivers the objectives and priorities set in the contract.	3	Fieldwork in progress.	1
Troubled Families	A high-level review of the Troubled Families process to provide assurance that families are appropriately identified with relevant actions taken to improve lives and outcomes for those families.	3/4	Ongoing certification of grants.	1

Audit Title	Broad Scope	Quarter	Progress	Priority
Commissioning of Accommodation for Care Leavers	This review will examine policy and procedures for commissioning living accommodation for Care Leavers. We will also review the procedures for monitoring of commissioned contracts and for making payments to the providers.	TBC		2
Tower Hamlets Education Partnership	We will review how the Council controls and monitors the services commissioned Council from the Education Partnership.	TBC		2
Guardian Angels School	Audit of core financial controls undertaken at management's request	2	This audit was an addition to the plan agreed in April 2019. Final report issued.	1
SEND Transport	A review of the circumstances that led to a significant overspend in 2018/19.	2	This audit was an addition to the plan agreed in April 2019. Draft report issued.	1

Place

Audit Title	Broad Scope	Quarter	Progress	Priority
New Town Hall Building Project	This will be project advisory piece of work. The scope of the audit will be discussed with Management.	3	Planning	1
Fire Risk	This audit will provide assurance around	3		1

Audit Title	Broad Scope	Quarter	Progress	Priority
Assessment and Enforcement	systems in place to identify private sector residential blocks which do not conform to the required fire prevention and detection standards and will examine the effectiveness of the enforcement action taken by the Council.			
Management of Community Buildings and Commercial Properties	Audit to review the soundness of systems to manage the Council's community and commercial buildings portfolio.	TBC	Management request to defer to 2020/21 but may still require audit due to increasing risk.	2
Capital Programme Delivery and Governance	This audit will review the governance and controls around the Council's Capital Delivery programme.	3		1
Planning Decisions	We will review the effectiveness of the controls around the management of the Council's planning applications and planning decisions process.	3		1
Housing Allocations and Lettings	To review and test the robustness of controls for admitting qualifying residents to the Council's housing waiting list and for allocating housing to those applicants who meet the required priority criteria.	3		1
Management of	We will review the governance and	3		1

Audit Title	Broad Scope	Quarter	Progress	Priority
Alternative Delivery Models for Housing Provision	financial management arrangements for companies and vehicles set up to by the Council to secure and manage additional housing provisions for residents of Tower Hamlets.			
Temporary Accommodation Procurement	Audit to provide assurance that the Council's arrangements for procuring and paying for temporary accommodation for the homeless are sound and secure.	3	Scope amended to address the risks and controls over the acquisition of properties for the homeless. Field work in progress	1
Electronic Parking Income	To provide assurance over the controls for receiving, reconciling and accounting for parking income through various electronic payment systems.	2	Draft report issued.	1
In-sourcing of Refuse Collection Services	We will review the governance arrangements for transferring and managing refuse collection services to the in-house team.	3	Field work in progress	1

Corporate Director - Resources

Audit Title	Broad Scope	Quarter	Progress	Priority
IR 35 Off Payroll Engagement	The IR35 legislation specifically challenges those people who supply their services to Council via their own company, but are not recognised by HMRC, as 'self-employed' and therefore should be taxed as PAYE. This audit will examine controls for identifying and assessing individuals who may fall in this category.	3	Fieldwork in progress.	1
Financial Assessments, billing and recovery for Contributions to Care	This audit will review the systems for carrying out financial assessments of service users to ensure that assessments are in accordance with policy, procedures and regulations, and that the billing and recovering of the charges are sound and secure.	4	Deferred to quarter 4 at management's request.	1
Procurement Compliance and Monitoring of contracts	This will be compliance review to ensure that the Council's procurement procedures are adhered to and contract monitoring arrangements are sound and secure.	3		1
NNDR	Annual financial systems audit to provide core assurance	4		1
Treasury Management	Annual financial systems audit to provide core assurance	TBC	Substantial audit opinion given in 2018/19.	2

Audit Title	Broad Scope	Quarter	Progress	Priority
Payroll	Annual financial systems audit to provide core assurance	TBC	Substantial audit opinion given in 2018/19.	2
General Ledger System	Annual financial systems audit to provide core assurance	4		1
Creditors	Annual financial systems audit to provide core assurance	4	Substantial audit opinion given in 2018/19.	1
Debtors	Annual financial systems audit to provide core assurance	4	Limited audit opinion given in 2018/19.	1
Pensions	Annual financial systems audit to provide core assurance	4	Substantial audit opinion given in 2018/19.	1
Housing and Council Tax Benefit	Annual financial systems audit to provide core assurance	TBC	Substantial audit opinion given in 2018/19.	2
Housing Rents	Annual financial systems audit to provide core assurance	TBC	Substantial audit opinion given in 2018/19.	2
Income Recovery	We will review and test the systems for recovering of income and bad debt management for Penalty Charge Notices, Temporary Accommodation, Commercial Properties and Community Buildings.	4	Limited audit opinion given in 2018/19.	1
Recruitment Controls and Pre-employment	To provide assurance over recruitment and pre-employment checks carried out for new council staff. This will include an	TBC	Deferred to 2020/21 at management request pending implementation of new recruitment system.	2

Audit Title	Broad Scope	Quarter	Progress	Priority
Checks	assessment of the adequacy of vetting procedures and checks on employment history, qualifications and identity.			
Right to Work Certification	We will review the process for checking and approving Right to Work certification by the Council's HR service.	3	Final report	1
HR Case Management	This audit will provide assurance that the systems and controls for managing and monitoring various HR cases are sound and secure. The scope of the audit will be determined in consultation with the Divisional Director of HR.	3	Cancelled as currently being reviewed by an external consultant.	2
Revenue and Capital Budgetary Control	Annual financial systems audit to provide core assurance	4		1
Scheme of Financial Delegation	Addition to agreed audit plan. Management request to review current scheme of delegation and ensure it is up to date and fit for purpose.	3	Draft report.	1
Insurance	A review of the claims handling process to ensure claims management is controlled and operating effectively.	3	Field work in progress.	1

Audit Title	Broad Scope	Quarter	Progress	Priority
IT Audit	A range of audits over IT related risks. To be agreed once specialist IT audit resources have been sourced.	3/4		1

Other

Audit Title	Broad Scope	Quarter	Progress	Priority
Follow Up	A risk-based programme of work to follow up implementation of agreed management actions.	TBC		2
Project Assurance work **Examples** Traded Services – Children and Culture Mosaic IT system Digitalisation Project CRM Project Agresso Upgrade Panacea Integration	We will provide advice, due diligence and assurance over new projects, developments and initiatives to improve efficiency and effectiveness of Council IT and operational systems and procedures.	1 - 4	We continue to provide ad-hoc advice and consultancy to management on projects.	2

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APPENDIX 1

Assurance level	Significance	Directorate	Audit title
NIL			
	Moderate	Children and Culture	Guardian Angels Primary School
LIMITED			
	Extensive	Place	Client Monitoring of Fire Safety in Residential Dwellings
	Extensive	Place	Management and Control of Electronic Parking Income
	Extensive	Resources	Request for Quotation (RFQ) System
	Extensive	Resources	Debtors Systems Audit
	Extensive	Resources	Right to Work Compliance
SUBSTANTIAL	Extensive	Children and Culture	Outdoor Education Service
	Extensive	Children and Culture	Management of Child Protection Case Conferences Follow Up Audit
	Extensive	Resources	Treasury Management
	Extensive	Resources	Income Maximisation
	Moderate	Governance	Members Training and Induction Follow Up audit
CONSULTANCY AUDITS	Extensive	Governance	Review of Whistleblowing Systems and Procedures

Nil Assurance Audit

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Guardian Angels RC Primary School	Oct. 2019	This audit was carried out at the request of the Local Authority (LBTH) and the current Executive Head teacher who took up her post on 23 April 2019. The previous Head teacher of Guardian Angels school had been asked to step down following a poor Ofsted inspection. The following issues were raised:- • The 2018/19 budget setting and budget monitoring controls were poor which led to budgetary failure for 2018/19 with a significant un-forecasted overspend of £160,000, which was over 10% of annual budget. This deficit is estimated to increase to £300,000 due to unpaid invoices not accrued to 2018/19 financial year. • Governors did not discharge their duties and responsibilities fully to ensure that the School's financial performance was sound. The finance committee did not meet November 2017 and November 2018, even though financial problems became apparent at the full governing board meeting in July 2018 when the 2018/19 budget was considered. • The previous Head teacher failed to ensure sound management of the school's finances. Instead, she elected to process all payments on the school's financial system herself. It was further noted that she required the Acting Senior Admin Officer (SAO) and Admin Officer to pre-sign blank cheques. • There was no evidence that higher value procurement of goods and services had been market tested.	Moderate	Nil

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Guardian Angels RC Primary School	Oct. 2019	• The School's Scheme of Delegation was not being complied with. The post of the "finance worker/bursar", was not filled for some time. A senior teaching assistant was made to act up as Senior Admin Officer without a job description. This officer had not been given any training, or access to the School's financial management system. Instead, the previous Head teacher had sole access to the financial system and she processed financial transactions on the system herself. • There was no evidence of any payroll reconciliations carried out to ensure that salary payments matched budgeted expenditure. The previous Head teacher introduced a scheme whereby certain support staff who normally claimed additional hours for breakfast club/afternoon club cover could claim 2 weeks holiday pay in August and December. This policy was not approved by Governors. The previous Head teacher failed to approve any overtime claims, in breach of the School's Scheme of Delegation. • A number of teaching staff did not have their performance appraisal and review for some time. This in breach of the Education (School Teachers' Appraisal) (England) Regulations 2012; and the School Teachers' Pay and Conditions Document (STPCD). it is possible that these teachers are due the relevant pay increase which has to be funded from the budget. All findings and recommendations were agreed with the current Executive Head Teacher and the Governing Body. Final report was sent to the Corporate Director of Children and Culture, the Chair of the Governing Body and the RC Dioceses.		

Limited Assurance Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Client Monitoring of Fire Safety in Residential Dwellings	Sept. 2019	This audit examined the controls in place for the LBTH Client to monitor fire safety arrangements for the 900 residential blocks managed by Tower Hamlets Homes. The Regulatory Reform (Fire Safety) Order 2005 places responsibility on the "Responsible Person" to manage the risk in buildings by carrying out regular fire risk assessments. For LBTH owned residential dwellings, this function has been delegated to Tower Hamlets Homes (THH). However, the responsibility that this statutory function is undertaken effectively rests with the Council through its ALMO Client Monitoring role. The following issues were reported:- • Fire Risk Assessments for the Council's 900 blocks was undertaken in 2016 and a programme of fire safety works amounting to £32.7M was put in place. • LBTH monitors THH's delegated functions by means of monthly, bi-monthly and quarterly operational and strategic meetings at which fire safety is a standing agenda item. There are also meetings with the Mayor to discuss housing related issues, including an update on fire safety. However, these meetings covered a wide range of topics, and fire safety formed a short part in the minutes. Hence we were not able to fully assess the effectiveness of the monitoring by LBTH of THH fire safety functions. The minutes of these meetings may not always reflect the full extent of discussions. Therefore, we recommended that the quality of monitoring meetings needed to be improved. • There were no written procedures, guidance, templates and tools for the monitoring officer to follow. Client roles and responsibilities were not entirely clear as monitoring appeared to be carried out at different levels by different officers depending on the sensitivity, significance and materiality of the issue. This may increase the risk of duplication, confused accountability and responsibilities. The Council's corporate procedures and tool kits for monitoring contracts were not being used.	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Client Monitoring of Fire Safety in Residential Dwellings		• THH has its own governance arrangements of fire safety functions. Fire Safety Group Meetings are held at THH level. However, it was not clear whether the LBTH Client-side attended these meetings and whether the THH governance around Fire Management has been reviewed by LBTH Client-side. • Fire risk assessment surveys of 900 blocks were carried out in 2016. This identified 9 blocks at substantial risk. However, the Council's Insurance Manager was not informed of the substantial building risks and hence these risks have not been reported to the Council's Insurance providers. The Council's Insurance Team needed to take a pro-active approach in re-assessing Fire Safety risks to Council owned buildings. • THH undertook to carry out inspections to ensure that Fire Risk Assessments carried out in 2016 still remained valid and that no significant fire risks have emerged. However, it was not clear whether such inspections had been undertaken and that the results had been reported to LBTH. • From our examination of reports and minutes of the monthly and quarterly monitoring meetings, it was not clear that THH reported on the progress of the works programme for Fire Safety works on a systematic basis to LBTH. All findings and recommendations were agreed with the then Interim Divisional Director - Strategy, Regeneration and Sustainability. Final report was issued to the Corporate Director, Place.		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Electronic Parking Income	Oct. 2019	This audit sought to provide assurance that systems of control and monitoring of parking income received via pay by phone system were sound and secure. In October 2018, the Council entered into a contract for the collection and banking of electronic parking income. The annual income is approximately £5.4 million. The key findings of the audit are summarised below: • Testing showed that the Parking team did not currently check and monitor that all income received by the contractor was passed on to the Council intact. Hence there was no assurance that all income collected at the individual parking session level was received by the Council, intact. • Our analysis showed that income was collected from fewer parking locations. There were 334 parking locations from which parking income was collectable. However, income was received from fewer locations than 334 and there was no management investigation to identify reasons for this and for any potential shortfall in income. • To date, over £140,000 in transaction fees (3% of income received) was paid to the contractor due to merchant IDs not being set up for income to be received directly into the Council's account. This payment may have cancelled any savings offered over other bidders during the tendering stage and would require a variation order. There was no evidence provided by the contractor to substantiate that they were incurring the 3% bank charges. • There were no written procedures covering various areas such as electronic parking income, contract management and income reconciliation. • Payment control was weak. Payments were not being made promptly. Contractor was set up late on the creditors system and a duplicate payment of £29,224.55 was made, which has now been refunded. All findings and recommendations were agreed with the Head of Parking and Mobility Service and Divisional Director, Public Realm. The final report was issued to the Corporate Director, Place.	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Request for Quotation (RFQ) System	July 2019	This audit reviewed the systems for requesting to quote (RFQ) for purchases of goods, works and services of up to £100,000. The primary rule is that contracts must be awarded either through RFQ or through a full tender process (above £100,000). Procurement below £100,000 is conducted through the electronic RFQ system viz. Proactis. Corporate Directors are responsible for all contracts tendered, let and managed by their departments. The audit highlighted the following control weaknesses:- • There was no segregation of duties and a single officer can perform tasks such as selecting suppliers, writing of specifications, inviting bidders, evaluating bids, selecting a successful bidder and awarding contract without oversight from Procurement or from budget holder/procurement owner. We have therefore, recommended a mandatory requirement to complete and upload a Contract Award Instructions Form with key procurement details, signed by the RFQ user and budget holder. • Currently there is no system for Corporate Procurement to be notified before a procurement starts. Where corporate contracts are already in place or where there is potential non-compliance with procedures, these cannot be identified by Corporate Procurement until after the RFQ is concluded, by which time there is already a contractual commitment. • Specification templates had not been completed in 4 procurements out of a sample of 21. An absence of specification increases the risk that goods, services and works required from the suppliers are not described clearly and unambiguously. • The current system allows evaluation to be carried out by a single officer. We have recommended that bids over £50,000 are evaluated by two officers to ensure objectivity, transparency and fairness, and that evidence is kept to support this.	Extensive	Limited (Directorates) Substantial (Corporate Procurement)

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Request for Quotation (RFQ) System		• We reported a number of non-compliance issues. Such as spend of £287K on Transport Management Consultancy and £440K on Property Acquisitions consultancy should have been carried out using the formal competitive tendering process, but instead the RFQ system was used. In 1 case, although a Council contract was in place, the procurement owner had commissioned the same supplier through the RFQ system. We noted that similar non-compliance issues had been reported by the Head of Procurement to the Procurement Board annually. However, it was not clear as to what action, if any, had been taken by the Board. We have, therefore, recommended that the Procurement Board receives at least quarterly reports and actively holds to account Directorates that repeatedly fail to comply with the policies and procedures. All findings and recommendations were discussed with the Head of Procurement and final report was issued to the Corporate Director, Resources.		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Debtors Systems Audit	Oct. 2019	This audit sought to provide assurance as to whether the systems of control around the Sundry Debtors system were sound, secure and adequate. As at May 2019, the value of invoices raised since April 2018 was £110 million. At the end of the 2018/19 financial year, £22 million was outstanding, a collection rate of 77%. The value of cancelled invoices as at 1 May 2019 was £1.75m. The following issues were reported:- • Documentation to support the recovery action taken is not always retained on file as per the debt recovery policy. • For the outstanding debt on Commercial Rents, a Commercial Rent Monitoring is in place to discuss case progression and the necessary action that should be taken. The terms of reference require the group to meet on a monthly basis. However, testing showed that the Group did not meet every month. • One overpayment of salary was written off as 'unenforceable', but this was not the case and it should have been written off under a different code. • All write offs were completed on a quarterly basis and in a timely manner. Write offs are prepared separately based on whether the invoice was raised in Agresso or Civica. It was noted that the July 2018 Agresso certificate was not dated by the relevant director. • It was confirmed that 4 recommendations made in 2017/18 audit, had not been implemented due to the intended changeover from Agresso to Civica by the end 2018. Given that these recommendations (one high and three medium) remain outstanding and that the associated risks will not be addressed until the new system is implemented, this has resulted in the Limited Assurance opinion with regards to design of the controls. All findings and recommendation were discussed with the Head of Revenue Service and final report was issued to the Corporate Director, Resources.	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Right to Work Compliance	Oct. 2019	This audit reviewed the systems for the management and control of Right to Work and Certificates of Sponsorship. Section 15 of the Immigration, Asylum and Nationality Act 2006 places a responsibility on all employers to prevent illegal working. This is done by carrying out right to work checks as set out in the Home Office guidance "An Employer's Guide to Right to Work Checks. The Council could receive a civil penalty of up to £20,000 per worker, if there is failure to conduct the prescribed checks. The following issues were reported: • Our testing of 30 new starters showed that there was no evidence that the "right to work" checks set out in the Home Office guidance "Employer's Guide to Right to Work Checks" had been carried out. The Right to Work check list provided by the Home Office is not used to document the checks, nor were the scanned images annotated with the prescribed declaration appropriately in accordance with the guidance. • The Council as a licensed sponsor of migrant workers was not meeting its record keeping and reporting duties. Further, there was insufficient or no evidence that a full resident labour market test in accordance with UK Visas and Immigration rules had been carried out in any of the 4 cases tested by Internal Audit. This increases the risk that the Council may have its sponsorship licence revoked. • User access to the Sponsorship Management System is not well controlled. The current number of 13 users is deemed excessive; at least 2 users who still have access to the system were no longer involved in sponsorship administration. All findings and recommendations were agreed with the Interim Head of Business Support and final report was issued to the Corporate Director – Resources.	Extensive	Limited

Substantial Assurance Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Outdoor Education Service	July 2019	This audit sought to provide assurance that systems and procedures for the provision of Outdoor Education Service were sound and secure. The team, based at Mile End Park offers young people an opportunity to broaden their horizons by developing key capabilities such as leadership, teamwork and self-motivation. The service delivered some 163 outdoor education sessions during 2018/19 and generated an income of £71,000 approximately. The budget for 2019/20 was set at £363,500. The following key findings were reported at the conclusion of audit:- • Procedures were in place to guide officers responsible for providing the activities. Officers working with young people were all found to be DBS checked. Up to date risk assessments were in place for the activities carried out and annual inventory checks were carried out by the service. • Our testing showed that 17 (81%) of the 21 officers in the establishment as at 28th February 2019 had not completed a declaration of interest (DOI) form, which is corporate requirement. • Testing of 10 expense claims made by staff showed that the claim forms could not be fully reconciled to the supporting receipts. In addition, a number of claims were for supplies and not bona fide expense claims. VAT was not claimed back on the expense claims which contravenes the Council's policy for expense claims which are meant for travel, subsistence, out of pocket and disturbance allowances. All findings and recommendations were agreed with the Outdoor Education Manager, and Head of Sports . Final report was issued to the Divisional Director - Culture, Learning and Leisure and Corporate Director- Children's and Culture.	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Child Protection Case Conferences Follow Up Audit	Sept. 2019	This follow up audit assessed the progress made in implementing the recommendations made at the conclusion of the original audit on this subject finalised in June 2018. Our testing showed that out of 6 recommendations made in the original audit, 3 had been implemented, 2 had been partially implemented, and 1 had not been implemented. It was concluded that controls in some key areas had not yet been fully embedded. The following findings were raised:- • We noted that a stand-alone episode for inviting professionals to the conference was delayed due to changes necessary in the FW-I system. The system went live on 22 July 2019. However, our testing of 10 cases during the period May and June 2019, identified that in 5 cases the invitation lists could not be located in FW-I. • There was still a high incidence of social workers submitting pre-conference reports well outside the required time scales. Our testing of cases in May and June 2019, showed that in 6 out of 9 relevant cases, the pre-conference report was either late or not on file. • Attendance lists were still not consistently uploaded. We found that in 4 out of 10 cases, attendance lists could not be located. Testing of 10 recent conferences showed that in 8 out of 9 relevant cases, it had been recorded that the chair had met the parents/carers before the conference. • A section on advocacy has also been included in the new CP conference form. However, we found that in 5 out of 8 relevant cases there was no evidence of advocacy • The overall level of compliance for the areas tested in this follow up review has increased from 38% (April 2018 – original audit) to 69% (June 2019). All findings and recommendations were agreed with the Divisional Director Children's Social Care. Final report was issued to the Corporate Director – Children's and Culture.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	Oct. 2019	This audit sought to provide assurance that the systems of control within the Treasury Management function were sound, secure and adequate. The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow, imposes a duty on local authorities to determine an affordable borrowing limit and it provides a power to invest. The Council expects to hold total investments of £400m and borrow a total of £82.3m with external financial institutions during 2018/19. From our testing of systems, we reported the following key issues:- • We noted that reconciliations between Agresso and the Treasury System were not signed off by the preparer (and reviewer) since August 2018. • The most recent Counter Party Credit List was not used prior to making investment decisions. We also noted that User privileges prescribed within the Treasury Management Procedure Notes did not include financial delegations for individual officers and privileges given to users were not in line with the privileges prescribed within the Treasury Management Procedure Notes and there was inadequate segregation of duties. • It could not be confirmed whether due diligence was conducted before entering into investments. It was observed for two investment transactions that there was only one authorisation on the Deal Confirmation and CHAPS Authorisation printout whilst under the procedures there should be two. • Where money was borrowed by the Council, Loan Confirmation Letters were not retained for future reference for seven out of a sample of ten cases tested. All findings and recommendations were agreed with the Head of Strategic Finance. Final report was issued to the Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Income Maximisation Project	Oct. 2019	This audit sought to provide assurance that the Project was delivering its key objectives and outputs. We noted that there was a Project Board in place, which reported to the Transformation Board. An approved business case was in place to increase income by £2m p.a. from April 2017 from work streams such as improving in-year collection of income, improving collection of arrears, identifying fraud/error etc. The benefits tracker was regularly reviewed and the savings targets of £3m per annum, for 2017/18/ and 2018/19, were revised to £1.5m annually. The following key issues were reported:- • The change in personnel caused some continuity issues in terms of governance - with important documentation either not developed, missing or not being appropriately disseminated or approved. • A single Project Initiation Document (PID) was not compiled in accordance with Council requirements which require the PID to be presented to the Programme and Transformational Boards for approval. In addition, a detailed project plan was not in place, instead, some alternative documentation was being used to manage and monitor progress . • Timelines for key activities and milestones were being revised a number of Times , and the rationale for these changes and rectification action was not clearly documented. All findings and recommendations were discussed with the Head of Revenues and final report was issued to the Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Members Training and Induction Follow Up audit	Oct. 2019	This was a follow up audit to assess the progress made in implementing the recommendations made in the original report finalised in November 2018. Testing identified that of the 5 medium priority recommendations made in the original audit, 2 have been partly implemented, 1 remained outstanding and 2 were no longer applicable. The key findings raised are as follows:- • The Council has not formally adopted the LGA Charter and Charter Plus for Councillor development as LGA are reviewing the Charter Mark. We have recommended that the Council should consider formally adopting the LGA Charter and Charter Plus following the LGA review and take a strategic approach to member development and training. • We were informed that there was no appetite to form a cross-party member group with a named Member and officer to lead on training and development. The Democratic service has started engaging with the group political officers who will then liaise with their Members in building the programme of future training sessions. • Our testing of a sample of seven training sessions delivered during the period April 2019 to June 2019 showed that no evaluation forms were completed by attendees for any of those seven training sessions. Management informed that the service has now reverted to hard copies training evaluation forms since August 2019 since the online evaluation forms were not being completed and returned. • Our testing showed that not all Members had a Performance Development Plan to identify their training needs since September 2018 to date. All findings and recommendations were agreed with the Committee Services Manager. Final report was issued to the Corporate Director – Governance.	Moderate	Substantial

Consultancy Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Review of Whistleblowing Procedures	June 2019	This was a consultancy audit undertaken at the request of the Corporate Director of Governance, who wanted to seek assurance that the current procedures for administering and managing whistle blows received through the Monitoring Officer's inbox were efficient, effective and fit for purpose. The Council's Whistleblowing Policy and Procedure were last reviewed and agreed by Audit Committee on 16th November 2017. All council employees (including permanent and temporary staff) can use the policy. The policy also covers agency workers, employees seconded to the council and contractors working for the council. The following key control issues were identified from our review:- • We noted that the published process on Council's website enables anyone to raise concerns which they believe are in the public interest. This is at variance with the existing approved Whistleblowing policy and procedures. Audit testing confirmed that during the period 4th June 2018 to 7th February 2019, 113 cases had been sent to the Monitoring Officer. Of these, only 8 cases (7.0%) were assessed as raising whistle blows worthy of further investigation. The remaining were complaints or other concerns, but not whistleblows. • Audit testing confirmed that a complete audit trail did not exist for the forms/reports of whistle blows received during the period 16th November 2017 to 12th April 2018 and that it is likely that these forms/reports/emails had been deleted. • The current Whistleblowing Policy and processes have not been reviewed since they were approved in November 2017.	Extensive	N/A

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		• There were no written internal procedures for administering, processing, approving and monitoring whistle blow reports to ensure that those officers processing the cases have clear guidance on their roles, responsibilities and limitations. We noted that a clear separation of duties needed to be introduced to ensure that the administration officers who open up the whistle blow reports/emails do not take part in decision making or decision executing process. In addition, officers undertaking these duties have not received appropriate training to manage the process efficiently and effectively. • The Whistleblowing Register was being maintained to log whistle blow concerns received in the Monitoring Officer inbox. However, this register was not being kept up to date. For example, testing identified 6 Whistleblowing report forms which had been emailed to the Monitoring Officer and duly processed between March 2018 and April 2018, which had not been recorded in the Whistleblowing Register. In addition, 18 whistleblow forms had been processed during the period February 2019 to March 2019. However, the Whistleblowing Register had not been updated with this information. All findings and recommendations were agreed with the Legal Advisor and Deputy Monitoring Officer. Final report was issued to the Corporate Director, Governance.		

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Public Sector Internal Audit Standards Action Plan

Attribute Standards	Conclusion and recommendations for further development	Response and action date
1000 Purpose, Authority and Responsibility That the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.	**Conclusion** **Partially conforming** The Internal Audit Charter does not clearly address all the requirements and needs to be updated to full reflect the standards e.g. it does not currently define the terms 'board' and 'senior management' for the purposes of Internal Audit. **Recommendation(s)** Update the Audit Charter and submit to the Audit Committee for review and approval.	Agreed. 30 January 2020
1110 Organisational Independence The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The organisation should take adequate steps to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is	**Conclusion** **Partially conforming** The CAE's performance assessment does not currently include the views of the Chief Executive and/or Chair of the Audit Committee.	Agreed. 31 March 2020

Attribute Standards	Conclusion and recommendations for further development	Response and action date
not inappropriately influenced by those subject to audit.	**Recommendation(s)** At least annually the Chief Executive and/or the Chair of the Audit Committee will be provided with an opportunity to review and comment on the CAE's Performance Development Review.	
1130 Impairment to Independence or Objectivity The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.	**Conclusion** **Partially conforming** There is an inherent risk in a small audit team of over-familiarity with audit clients. This risk is managed through the audit file review process, however, this risk and mitigation needs to be clearly documented in the audit manual and for each individual audit. **Recommendation(s)** Document in the audit manual how the risk of over-familiarity will be managed and ensure the management of this risk is documented on each audit file.	Agreed. 31 March 2020

Attribute Standards	Conclusion and recommendations for further development	Response and action date
1220 Due Professional Care Internal auditors must exercise due professional care during a consulting engagement by considering the: • Needs and expectations of clients, including the nature, timing and communication of engagement results • Relative complexity and extent of work needed to achieve the engagement's objectives, and • Cost of the consulting engagement in relation to potential benefits.	**Conclusion** **Partially conforming** Whilst these points are considered they are not consistently documented in a formal engagement plan. **Recommendation(s)** All consulting engagements to be agreed and documented through an engagement plan.	Agreed. 31 March 2020
1300 Quality Assurance and Improvement Programme The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.	**Conclusion** **Not conforming** The Internal Audit team is not operating a full Quality Assurance and Improvement Programme. **Recommendation(s)** Instigate a full Quality Assurance and Improvement Programme ensuring the results and progress against any action plans are reported to CLT and the Audit	Agreed. 31 March 2020

Attribute Standards	Conclusion and recommendations for further development	Response and action date
	Committee.	

Performance Standards	Conclusion and recommendations for further development	Response and action date
2010 Planning The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.	**Conclusion** **Partially conforming** The internal audit annual plan does include local and national issues/risks, but it does not clearly document how these will be addressed through internal audit's work. **Recommendation(s)** Ensure that future risk-based plans explain and document how internal audit's work will identify and address local and national issues and risks.	Agreed. 30 April 2020

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
2030 Resource Management The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.	**Conclusion** **Partially conforming** The timing of individual audits is agreed with management on an audit by audit basis. However, when the annual plan was agreed there were insufficient resources in place to meet delivery. **Recommendation(s)** Future audit plans should include a comprehensive assessment of the adequacy of resources. Where resources are insufficient a clear plan to address the resource shortfall should be agreed with senior management and the Audit Committee.	Agreed. 30 April 2020

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
2040 Policies and Procedures The chief audit executive must establish policies and procedures to guide the internal audit activity.	**Conclusion** **Partially conforming** Both an audit manual and electronic audit management system are in place to support the audit activity, however both need to be reviewed and updated to reflect changes in working practices and standards. **Recommendation(s)** Review the audit manual and the electronic audit management system (Galileo) to ensure both reflect current working practices and standards.	Agreed 31 March 2020
2050 Coordination The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.	**Conclusion** **Not conforming** Whilst information is shared with other providers of assurance e.g. External Audit the CAE does not regularly meet with other assurance providers to coordinate assurance activities. In addition, the CAE has not developed an approach to evaluate the level of reliance	Agreed. 30 April 2020

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
	that could be placed on other assurance providers and has not completed an assurance mapping exercise and therefore may be missing opportunities to place reliance on the work of other assurance providers e.g. Ofsted. **Recommendation(s)** The CAE should have a clear understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services within the Council. To that end the CAE should develop an approach to assessing other assurance providers, map the work of any other assurance providers against planned activity and where appropriate coordinate and place reliance on the work of those providers through regular meetings.	
2110 Governance The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes. The internal audit activity must evaluate the	**Conclusion** **Partially conforming** Each individual audit considers the governance, risk management and control processes, however there has not been a specific audit of corporate	Agreed 31 March 2020.

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.	governance in the last two years. Whilst individual audits may have addressed elements of the ethics programmes and activities, no overall audit or opinion has been provided. There were no IT audits in 2018/19 and as a result the scope of the CAE's annual opinion was limited. 100 days has been allocated for IT audit in 2019/20 but to date no audits have been planned or undertaken. **Recommendation(s)** Undertake an authority wide audit of Corporate Governance. Internal Audit must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. Internal Audit must review whether the organisation's information technology governance supports the organisation's strategies and objectives.	

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
2201 Engagement Planning Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.	**Conclusion** **Partially conforming** Whilst consulting engagements are typically agreed with the client, and often in writing by email, a formal engagement plan is not consistently issued. **Recommendation(s)** An engagement plan must be issued for every consultancy engagement.	Agreed. 31 March 2020
2210 Engagement Objectives Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board. Types of criteria may include internal	**Conclusion** **Partially conforming** Internal audit does discuss and research policies and procedures, applicable law and regulation and best practice when planning an audit, however this is not clearly documented as evaluation criteria in the audit file or in the engagement plan. Whilst consulting engagements are typically agreed with the client, and often in writing by email, a formal engagement plan is not consistently issued.	Agreed. 31 March 2020

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
policies and procedures, laws and regulations imposed by statutory bodies and leading practices (e.g. industry and professional guidance). Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client. Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.	**Recommendation(s)** Internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board. The criteria should be documented in the engagement plan and audit file. An engagement plan must be issued for every consultancy engagement and the objectives set for consulting engagements must be consistent with the organisation's values, strategies and objectives and address governance, risk management and control processes as agreed with the client. The results of the subsequent engagement must be consistently communicated to senior management and the board.	

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
2440 Disseminating Results During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.	**Conclusion** **Partially conforming** Significant governance, risk management and control issues that have been identified during consulting engagements have been communicated to senior management and the board but not in a consistent format. **Recommendation(s)** The outcomes of consultancy engagements should be reported to senior management and the board in a consistent format. Report recipients should be advised that the outcome of consultancy engagements may still be used to inform the annual opinion. Furthermore, managements implementation of recommendations arising from consultancy engagements should be monitored and reported by Internal Audit.	Agreed. 31 March 2020
2450 Overall Opinion When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the	**Conclusion** **Partially conforming** An annual report and opinion was	Agreed 31 July 2020.

Performance Standards	**Conclusion and recommendations for further development**	**Response and action date**
expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.	presented to the Audit Committee however it did not cover all the elements recommended by the standards and application note e.g. performance against KPI's. **Recommendation(s)** The annual report and opinion should incorporate all the elements recommended by the standards and application note.	
2500 Monitoring Progress The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	**Conclusion** **Partially conforming** Management's implementation of recommendations arising from assurance and consultancy engagements are not consistently and persistently followed up and reported by Internal Audit. **Recommendation(s)** Review the processes for monitoring and reporting management's implementation of agreed actions and ensure the results are regularly reported to senior management and the Audit Committee.	Agreed. 31 March 2020.

Case studies for Audit Committee November 2019

Case 1

This case was referred by a Housing Manager who suspected a fraudulent succession claim. The applicant for succession of the property was Mr Shafiqur Rahman. He claimed to be the nephew of the deceased and that he had been living at the property for more than a year prior to the death of his 'Uncle'.

In June 2016 Shafiqur Rahman formally applied for succession. The application was dealt with under the second succession principles. Subsequent investigation proved that many of the documents produced by Mr Rahman had been forged. Mr Rahman produced a British Gas utility bill, driving licence, Barclays bank statements, birth certificates, insurance documents etc. most of the documents had been falsified and/or modified.

Statements were obtained from the deceased's care worker and neighbour who confirmed that only one family member had visited in the time they had known the deceased and they did not know of Mr. Rahman. The deceased had never mentioned Mr. Rahman in any conversations.

Mr Rahman was prosecuted and convicted of fraud. On the 1 August 2019 at Snaresbrook Crown Court, he was sentenced to 2 years imprisonment which was suspended for 18 months. He was also required to complete 150 hours unpaid community work.

The conviction was reported in the press:

https://www.eastlondonadvertiser.co.uk/news/shafiqur-rahman-fraud-1-6213466

Case 2

An officer working in the Housing Department and his partner were found to be misusing a residents parking permit by renewing the permit application, and parking within the borough after they had moved to another area.

The couple had purchased a property in a neighbouring borough in 2011 and had moved to that address, but renewed the residents permit purporting to still live in the borough even though their tenancy here had been relinquished in 2011. The officer, in his official capacity, had counter signed the notice of intention to vacate the LBTH tenancy and the parking space in 2011.

However, the parking permit was observed as being used in a vehicle on more than one occasion in 2017 parked in the E2 area.

The case was taken to court and charges brought against the officer and the partner. Both gave guilty pleas at Thames Magistrates Court in July and each was sentenced to 2 years Conditional Discharge and a fine. The officer faced disciplinary action and was dismissed from his job.

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Non-Executive Report of the: **Audit Committee** Thursday, 14 November 2019	TOWER HAMLETS
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
Revised Head of Internal Audit Annual Report 2018/19	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

This report provides the annual audit opinion of the Head of Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards. The opinion supports the governance conclusions included within the Annual Governance Statement, which forms part of the statement of accounts required under the Accounts and Audits Regulations 2015.

The report was first submitted in July 2019, however it must be resubmitted as the limitations to the scope of the opinion have been revised at paragraph 10.1 of the annual report.

Recommendations:

The Audit Committee is recommended to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the word undertaken during 2018/19.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 require authorities to maintain an adequate and effective system of internal audit of its accounting records and systems of internal control in accordance with proper practices. The Audit Committee has responsibility for oversight over the authority's governance, risk and control framework. The annual report from the Head of Internal Audit assists the Audit Committee in discharging this responsibility.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1 Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2015 for English local authorities (including police and fire bodies). The regulations state that a local authority shall maintain an adequate and effective system of internal audit and recognise the need to follow public sector internal audit standards.

3.2 The Public Sector Internal Audit Standards(PSIAS) define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment. The annual opinion supports the Annual Governance Statement, which is required under Regulation 6 of the Accounts and Audit Regulations 2015.

3.3 The attached report summarises the planned and ad-hoc internal audit and counter fraud work undertaken by Internal Audit during the 2018/19 financial year. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.

3.4 The regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The annual audit opinion together with the review of conformance with the Public Sector Internal Audit Standards provides this assurance.

3.5 The annual assurance opinion provided within the annual internal audit report informs and forms part of the 2018/19 Annual Governance Statement (AGS), which will be presented to the Audit Committee separately and included in the accounts.

3.6 Since the opinion was first published in July 2019 new information in support of the AGS has emerged which includes a resubmission of the Annual Assurance Statement from the Corporate Director, Resources. This statement records significant governance issues related to the statement of accounts and Council spending.

3.7 In considering this new information, the Head of Internal Audit has decided to clarify the scope of his annual opinion so that stakeholders who may wish to rely on the opinion are clear on its limitations and why the opinion between internal and external audit may differ. The following paragraph has been added:

3.8 Internal Audit does not audit the Council's annual statement of accounts and therefore the work of Internal Audit and my opinion do not cover the

associated financial statements or disclosures. The Council's external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council.

3.9 In addition to clarifying the scope of the opinion, and to support management in addressing these governance issues and provide independent assurance to the Audit Committee, the Head of Internal Audit will reconsider the focus and scope of the remaining audits in the 2019/20 audit plan. The outcomes of these audits will be reported to senior management and the Audit Committee.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equality implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 There are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 Other than the requirements on the responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no significant financial implications

7. COMMENTS OF LEGAL SERVICES

7.1 The Council is under a duty to produce an Annual Governance Statement by virtue of regulation 4 of the Accounts and Audit Regulations 2015, which requires authorities to "conduct a review at least once a year of the effectiveness of its system of internal control". This report confirms compliance with the above statutory requirement.

7.2 The report also demonstrates that the Council has appropriate systems in place to manage its financial affairs in compliance with the Corporate Director Resources' duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Head of Internal Audit Annual Report

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- None

Officer contact details for documents:
Paul Rock
Head of Internal Audit, Fraud and Risk
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Head of Internal Audit Annual Report 2018/19

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1. Introduction

1.1 The Annual Reporting Process

1.2 The Public Sector Internal Audit Standards (Performance Standard 2450) state that the Chief Audit Executive, referred to in this report as the Head of Internal Audit, must deliver an annual internal audit opinion and a report that can be used by the organisation to inform its governance statement.

1.3 The annual report must incorporate the opinion, a summary of the work that supports the opinion, an explanation about any limitations on the scope, details of other internal or external assurance or activity that may have been relied on when forming the opinion, a statement about conformance with the Public Sector Internal Audit Standards and the results of Internal Audit's Quality Assurance and Improvement Programme.

2. Head of Internal Audit Annual Opinion 2018/19

2.1 In reaching my opinion I have taken into consideration the outcomes of audit and counter fraud activity undertaken during the year; external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge as well as management's progress in addressing governance, risk and control weaknesses.

> On the basis of the audit and counter fraud activity undertaken during the year, and taking into consideration external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge as well as management's progress in addressing governance, risk and control weaknesses, it is my opinion that I can provide **reasonable assurance** that the authority has adequate systems of internal control and that they have, in the main, been operating effectively in practice.
>
> The framework of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

3. The Basis of the Annual Opinion

3.1 The outcome of the audits undertaken during the year by Internal Audit form the basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk and control framework.

3.2 A risk-based internal audit plan was agreed with the Audit Committee in 2018. The changing public sector environment and emergence of new risks increasingly necessitates re-evaluation of the audit plan throughout

the year. During 2018/19, regular reports have been presented to the Audit Committee to highlight progress made towards the delivery of the audit plan, along with details of any significant amendments to the plan. Whilst there were no significant amendments, a number of planned audits were deferred and moved into the 2019/20 audit plan.

3.3 A combined assurance opinion was provided at the conclusion of each audit. To ensure consistency in reporting, the following definitions of audit assurance are used for each audit.

Table 1 - Audit Opinion Definitions

Level	Definition
Full	There is a sound system of control designed to achieve the system objectives and from our testing the controls are being consistently applied.
Substantial	While there is basically a sound system there are weaknesses which put some of the control objectives at risk and from our testing there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the systems objectives at risk and from our testing the level of non-compliance puts the systems objectives at risk.
Nil	Control is generally weak leaving the system open to significant error or abuse and from our testing there were significant non-compliance with basic controls leaves the system open to error or abuse.

4. Internal Audit 2018/19

4.1 The following table summarises the outcomes of the audit reviews completed for 2018/19:

Table 2 - Summary of Audit Outcomes for 2018/19.

Audit Title	Assurance Opinion	Report
Management of Members' Enquiries	Substantial	Final
Members' Induction and Training	Substantial	Final
Contract Monitoring of Commissioned Services for Public Health	Substantial	Final
Inspection of Mile End and Victoria Parks	Substantial	Final
Elective Home Education	Substantial	Final
Recycling Contract Monitoring	Substantial	Final
HR / Payroll	Substantial	Final
Creditors	Substantial	Final

Housing and Council Tax Benefit	Substantial	Final
Housing Rents	Substantial	Final
Acting Up and Honoraria	Substantial	Final
Project and programme Management	Substantial	Final
Lettings	Substantial	Final
Tendering for waste contracts	Substantial	Final
Ice Cream Tendering	Substantial	Final
Members Gifts and Hospitality	Substantial	Final
Street Lighting	Substantial	Final
Homelessness Assessment	Substantial	Final
Declaration of Interests	Limited	Final
Deprivation of Liberty Safeguards	Limited	Final
Rapid Response Team - Service Review	Limited	Final
FrameworkI - Payment Control	Limited	Final
Youth Service	Limited	Final
Dangerous Structures	Limited	Final
Management of Markets	Limited	Final
Handy Person's Service	Limited	Final
Purchase cards	Limited	Final
DBS	Limited	Final
SEND Commissioning	Limited	Final

4.2 In total, 18 substantial assurance opinions (62%) and 11 limited assurance opinions (38%) have been given (based on finalised reports only). Summaries of the finalised reports with limited assurance opinions have previously been provided to the Audit Committee. Having reviewed these audit outcomes I have concluded that a **reasonable** assurance opinion is warranted, but have also considered the following.

5. Implementation of Agreed Management Actions

5.1 In each instance where it was identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit have obtained an agreed management action plan to address the weaknesses identified and improve the system of control and compliance.

5.2 As a part of the follow up audit work programme, high and medium priority recommendations have been followed up six months after the issue of the final reports to assess the progress made in implementing the agreed actions. In March 2018, Key Performance Indicators (KPI) for management's completion of actions were reported to the Audit Committee. The KPI's recorded targets of 100% for implementation of high priority recommendations and 95% for medium priority recommendations. An overview of the performance against these KPI's is summarised in Table 3 below:

Table 3 – Implementation of Agreed Management Actions 2018/19

	High Priority Recommendations	Medium Priority Recommendations
Number of Agreed Management Actions	93	7
Number of Management Actions Implemented	60	4
Number of Management Actions Outstanding	33	3
% Implemented	65%	57%

5.3 Management's implementation of actions has worsened since last year. In 2017/18 the response rates were 78% (High) and 73% (Medium). A more detailed analysis of responses has revealed that the implementation of actions agreed during one particular audit was very poor. This has lowered the overall percentage for high priority recommendations from a potential of 75% (if all actions had been fully implemented) to the current rate of 65%. Overall, there is clear room for improvement in management's implementation of agreed actions and Internal Audit will be encouraging increased accountability and ownership by management in the future.

6. Anti-Fraud and Corruption

6.1 There continues to be an increasingly high risk of fraud across the public sector. The Council's Counter Fraud Specialists undertake activity to support the Council in reducing its fraud and corruption risks, this includes both reactive and proactive elements, along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture. Progress on this activity has been regularly reported to the Audit Committee. Appendix 1 of this report summarises a sample of cases that have been referred and investigated.

6.2 During 2018/19, 27 corporate/internal referrals in respect of alleged fraud or code of conduct breaches were received. This included referrals received via the Council's whistleblowing procedure. Of these, 25 investigations have been completed which includes all whistleblowing referrals. In addition, 357 referrals were received in respect of suspected social housing fraud matters, and 122 referrals in respect of Parking / Blue Badge fraud.

6.3 The positive outcomes achieved following the investigation of the above matters includes the following:

- 55 Social Housing properties recovered
- 12 Right to Buy applications stopped

- 58 Parking Control Notices issued
- 46 Vehicles Removed
- 175 Blue Badges seized
- 60 Resident Parking Permits cancelled

6.4 Initial matches from the biennial National Fraud Initiative (NFI 2018) data matching exercise were received by the Council in February 2019. The 'potential' fraud matches have been reviewed using the recommended prioritisation filters. For the NFI 2018 exercise the total number of matches received so far is 20,115, of these 2,144 are considered high or medium risk. To date, a total of 2,213 have been reviewed and resolved. A detailed report about the current NFI arrangements and progress made has been provided to the Audit Committee.

7. Other Sources of Assurance

7.1 During 2018/19 Ofsted have undertaken four Children's Service Monitoring Visits. The visit in March 2019 was the sixth and final monitoring visit since the Council was judged inadequate for overall effectiveness in April 2017. In their overview the inspectors reported that, whilst there were still some areas that have not yet been fully addressed effective action had been taken by leaders and managers following the previous inspection and subsequent monitoring visits has led to suitable improvements in the quality of social work practice for children in need of help and protection.

7.2 In June 2018 the Council asked the Local Government Association to run a Corporate Peer Challenge to independently review the achievements against the Best Value Action Plans and Best Value Improvement Plans. The LGA Peer Challenge Team were asked to review whether the council had adequately addressed the directions previously issued by the Ministry of Housing, Communities and Local Government (MHCLG); whether the council was adequately addressing its chosen priorities and delivering continued improvements; and whether the Council was identifying key challenges and setting realistic and ambitious targets for the future? In summary, whilst some new areas had been identified for improvement and increased focus, the Peer Challenge Team reported there had been significant improvements in all of the areas identified.

8. Schools

8.1 During 2018/19, 11 schools were subject to an internal audit review. A standard audit program is used to ensure consistency with regards to the scope of review for each school visited. The scope of the reviews covers:

- Operation of Governance Processes
- Financial Planning and Budgetary Control
- Control and Monitoring of Schools Bank Account(s)
- Procurement and Expenditure (including Large Single Purchases Tendering & Value for Money and Purchase cards)
- Income Collection and Banking

- Personnel and Payroll Management
- School Meals and School Journeys
- Inventory
- Security and Risk Management.

8.2 For every school report issued an action plan has been agreed with the school. The implementation of these actions should ensure that the control environment at these schools is improved to an appropriate level. Table 5 below details the schools subject to audit during 2018/19 with the assurance opinion provided.

Table 5 – Schools Audits 2018/19

School Name	Assurance
Cubitt Town Infants School	Substantial
Old Church Nursery	Substantial
Rachel Keeling Nursery	Substantial
Alice Model Nursery School	Substantial
Cyril Jackson Primary	Limited (Draft)
Our Lady & St Joseph Primary	Substantial
Harry Gosling Primary	Substantial
Shapla Primary School	Substantial
Raines Foundation Secondary	Limited
Swanlea Secondary	Substantial
George Green's Secondary School	Limited

9. Tower Hamlets Homes

9.1 The LBTH Internal Audit Team delivers an annual plan of audit activity for Tower Hamlets Homes (THH) as set out in the current management agreement. During 2018/19 summaries of the audit findings were reported to the Tower Hamlets Homes Finance and Audit Committee. Table 6 below summaries the audits delivered at THH along with the assurance opinions provided. For clarity, I have not taken the outcome of these audits into consideration when forming the annual opinion for the council, and are reported here as information for the Audit Committee.

Table 6 – Tower Hamlets Homes Audit Programme

Audit Description	Assurance Opinion
Right to Buy	Substantial
Management of Complaints	Substantial
Management and Control of Security breaches and Incidents	Substantial
THH Governance	Substantial
Financial Systems	Substantial
Pre-contract Audit on Dickinson House Fire Works	Limited

Follow Up audit on starters and Leavers	Substantial
Follow Up audit on Purchase card Payments and Staff Expense Claims	Substantial

10. Scope limitations

10.1 Internal Audit does not audit the Council's annual statement of accounts and this opinion does not cover the associated financial statements and disclosures. The Council's external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council.

10.2 The internal audit plan cannot address all risks across the Council and the plan represents our best use of the available resources. The annual opinion draws on the work carried out by Internal Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit plan. Not all risks fall within our audit plan. However, I have confirmed there were no audits of Information Technology (IT) related risks in 2018/19. Whilst I understand IT services are outsourced, I consider this lack of review material and I am limiting the scope of my opinion to exclude IT related risks. I will ensure that IT related governance, risks and controls are subject to internal audit in 2019/20 and will engage the support of specialist IT auditors.

11. Internal Audit Performance

11.1 During the year the Internal Audit service carried two vacancies pending the outcome of the Finance restructure. In addition, one member of the Internal Audit team has been primarily focussed on counter fraud activity. To compensate, the internal audit service was supported by the engagement of a third-party provider to deliver some systems and schools audit work. The contract with the third party provider has not been extended beyond 2018/19 and the staff vacancies remain unfilled. As a result there have been delays to some audits and the 2018/19 plan has yet to be fully completed. It is anticipated that the vacancies and the appointment of a new third-party audit partner will be resolved by 30 September 2019. Any risks to delivery of the 2019/20 audit plan will be reported to management and the audit committee.

11.2 The Internal Audit plan for 2018/19 was agreed with the Audit Committee in March 2018 with a target of 90% completion to draft report stage by 30th May 2019. As at 30th May 2019, 92% of the audit plan was complete to at least draft report stage (after deferrals and additions have been taken into account).

11.3 Continuous development in the quality of the internal audit service remains a key objective. In order to obtain feedback from the organisation, when final reports are issued a 'Customer Satisfaction Survey' is issued to all officers who receive the report. Respondents are requested to provide an

opinion as to the effectiveness of the audit and the relevancy of the audit recommendations provided.

11.4 For 2018/19, out of the 24 satisfaction surveys sent out for final reports (including Tower Hamlets Homes) 20 completed surveys were received. All 20 surveys have reported back positive outcomes indicating that the recommendations made in the internal audit report will lead to improvement in control environment.

12. Internal Audit's Independence

12.1 During the year the Head of Internal Audit was also responsible for risk management, insurance and counter fraud activity. Having recently been appointed as the Head of Internal Audit, I have sought assurance that Internal Audit has operated independently of the organisation and there were no compromises of Internal Audit's independence in its operation this year. Going forward, and in accordance with the Public Sector Internal Audit Standards, I will be ensuring that arrangements are put in place for independent audit of the risk and insurance functions. The outcome of these audits will be reported to the Audit Committee to support their role in oversight of Internal Audit.

13. Conformance with the Public Sector Internal Audit Standards and the Quality Assurance and Improvement Programme

13.1 During 2017, an external assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards was undertaken by Kent County Council. The peer assessment concluded that out of the 56 areas of compliance, there were 5 standards where the current internal audit practices were not considered to be consistent with the requirements of the standards.

13.2 The areas of non-compliance identified within the report specifically relate to the following standards:

- 1300 Quality Assurance and Improvement Programme (the sum of standards 1310-1320)
- 1320 Reporting on the Quality Assurance and Improvement Programme
- 1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing
- 2450 Overall Opinions
- 2050 Coordination & Resilience

13.3 An action plan was developed to address all the above points and was kept under review by the service. Upon completion of the actions, the outcomes will be reported to the Audit Committee.

13.4 In addition, the action plan will be refreshed after a self-assessment against the PSIAS has been completed (by 31 August 2019) and an

updated action plan, including progress against the previously agreed actions will be reported to the Audit Committee.

13.5 Further work is required to be fully compliant with the standards and to embed the Quality Assurance and Improvement Programme. I will ensure that Internal Audit is conforming with all the standards by 31 March 2020. Whilst there are some standards that require further work, I am of the view that the level of compliance does not impact on my ability to provide an annual opinion over the internal control framework.

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Non-Executive Report of the: **Audit Committee** Thursday, 14 November 2019	TOWER HAMLETS
Report of: Neville Murton - Corporate Director, Resources	**Classification:** Open (Unrestricted)
Annual Review of Anti-Bribery Policy	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

The Audit Committee is required to annually review the Council's Anti-Bribery Policy.

The Policy has been reviewed and required only minor updates to reflect ownership, contact details and web links to external sites.

Recommendations:

The Audit Committee is recommended to:

1. Review and Approve the updated Anti-Bribery Policy.

1. REASONS FOR THE DECISIONS

1.1 In accordance with best practice and the anti-bribery policy commitment, the Audit Committee is required to review and approve the Anti-Bribery Policy to ensure it remains fit for purpose and is endorsed by the Council.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1 The Anti-Bribery Policy is attached at Appendix 1.

3.2 The policy has been reviewed and only required minor amendments to its ownership, which is now correctly stated as the Corporate Director, Resources, as well as contact details for key officers and web links to external sites for further information. No other changes were made to the policy.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 There are no further statutory implications. The Anti-Bribery Policy identifies the key legislation and the implications if the Council fails to adopt adequate procedures for preventing bribery.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no specific financial implications or costs arising from the Anti-Bribery Policy.

7. COMMENTS OF LEGAL SERVICES

7.1 The policy attached at as the enclosure is compliant with the Council's legal duties embodied in the Bribery Act 2010 and other wider administrative law duties.

7.2 There are no other legal implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 – Anti-Bribery Policy

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- None

Officer contact details for documents:
Paul Rock, Head of Internal Audit, Fraud and Risk
Tel: 0207 364 7662
Email: paul.rock@towerhamlets.gov.uk

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Anti-Bribery Policy

Policy Owner: Neville Murton, Corporate Director, Resources

Version	**2.0**
First updated	**Sept 2018**
Last updated	**Oct 2019**

Policy Statement - Anti Bribery

Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance "business as usual", rather than as a one-off exercise.

Objective of this policy

This policy is intended to provide a coherent and consistent framework to enable the Council's employees and others to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

We require that all people associated with the Council, including those permanently employed, temporary agency staff, Members and contractors:

- Act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible;

- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities.

Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

This Council's commitment to action

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date;

- Making all employees aware of their responsibilities to adhere strictly to this policy at all times;

- Training all employees so that they can recognise and avoid the use of bribery by themselves and others;

- Encouraging employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;

- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution;

- Taking firm and vigorous action against any individual(s) involved in bribery;

- Providing information to all employees to report breaches and suspected breaches of this policy; and

- Dealing appropriately with bribery prevention as part of its procurement and contract monitoring processes.

Bribery – Definition

Bribery consists of offering or giving a financial or other advantage with the intention of inducing a person to improperly perform a relevant function or activity or to reward a person for the improper performance of such a function or activity. A relevant function or activity includes any function of a public nature and any activity connected with a business

The Bribery Act

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations guilty of an offence under section 7 are liable to an unlimited fine.

Are we a "commercial organisation"?

The guidance states that a "commercial organisation" is anybody formed in the United Kingdom and "...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made."

Whether or not the Council is a "commercial organisation", it is committed to meeting the standards set by the Bribery Act 2010.

What are "adequate procedures"?

The guidance issued under the Bribery Act 2010 sets out six principles relevant to whether an organisation has adequate bribery prevention procedures in place. The Council is committed to proportional implementation of these principles and makes the specific commitments set out below.

Principle 1: Proportionate procedures
The Council has adopted this Anti Bribery Policy to set out its over-riding commitment to bribery prevention. The Council has related codes of conduct and procedures that are listed later in the policy.

Principle 2: Top level commitment
This policy has been agreed by the Corporate Management Team and the Mayor, along with the related action around risk assessment, due diligence, communication, training, monitoring and review.

Principle 3: Risk Assessment
The Council has identified key areas of risk in respect of property disposal, contract award and monitoring, sponsorship, grants and regulatory activity and enforcement. These risks will be subject review and monitoring within service areas. Regular risk reports will be considered by the Corporate Management Team and Members.

Principle 4: Due diligence
The Council applies due diligence procedures, taking a proportionate and risk-based approach, in respect of persons or organisations with whom it seeks or will seek services, or provides or will provide services for, in order to mitigate identified bribery risks.

Principle 5: Communication (including training)
This policy will be appropriately publicised within the Council and externally. A programme of training will be conducted for employees and Members.

Principle 6: Monitoring and review
This policy and performance under the policy will be the subject of annual review by the Corporate Leadership Team and the Audit Committee.

Behaviours that will not be tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that an advantage will be received, or to reward an advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain an advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that an advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;
- engage in activity in breach of this policy.

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and hospitality
This policy is not meant to change the requirements of our gifts and hospitality policy set out in the Employees' Code of Conduct. This makes it clear that:

- A register of gifts and hospitality is maintained for each directorate.
- Hospitality may be offered to organisations on the Council's premises but only with the express permission of the Service Head or Divisional Director and on a scale appropriate to the occasion.
- Employees should return or refuse gifts, hospitality or favours that could put them in a compromising position or render them liable to accusations by other parties.

- Employees should not ask for any reward, tip, gift, Christmas box or other inducement and should not put themselves in debt to someone where this could influence their work.
- There may be occasions where some personal hospitality or small gift is permissible, but this should be discussed with the Service Head or Divisional Director and permission obtained.
- Before accepting a gift or hospitality, consideration should always be given to: the timing of decisions for letting contracts; the type of gift or hospitality; whether the firm may benefit from the Council's goodwill; whether the firm is seeking or has a contract; whether the visit is instructive or social; the scale and location of the hospitality and whether it falls in working hours; the frequency of the hospitality; and whether it is directed to a single person or a group.

Members remain subject to the Code of Conduct for Members, under which they make the following commitments:

- A commitment to honesty and integrity and a duty to uphold the law.
- To conduct themselves so as not to bring the Council into disrepute.
- Not to use or attempt to use their positions improperly to confer on or to secure (for themselves or another person) an advantage or disadvantage.
- To declare personal and prejudicial interests in the business of the authority.
- To have specified personal interests recorded in a register.

Public contracts and failure to prevent bribery

The Council's commitment to prevent bribery is reflected in its procurement procedures. Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2015 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This organisation has the discretion to exclude organisations convicted of this offence.

Staff responsibilities

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All staff must avoid activity that breaches this policy. Staff must comply with their terms and conditions of employment and the Employees' Code of Conduct.

Staff must:

- Read, understand and comply with this policy
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a concern

This organisation is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

There are multiple channels to help you raise concerns. Staff can view the whistleblowing process at:

http://towernet/staff_services/business_planning/whistleblowing

Staff that refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

Any external person who wishes to report a concern about bribery may do so by contacting any of the following –

Tony Qayum*, Corporate Anti-Fraud Manager,* 020 7364 4773

Paul Rock, ***Service Head – Internal Audit, Anti-Fraud & Risk,* 020 7364 7662**

Asmat Hussain*, Corporate Director, Governance,* 020 7364 4801

Further Information:

If you have any questions about these procedures, please contact Tony Qayum.

Other relevant policies:

Anti-Fraud and Corruption strategy
Anti-Money Laundering policy
Whistleblowing policy
Employees' Code of Conduct
Code of Conduct for Members
Procurement procedures

Useful links:

CIPFA Better Governance Forum https://www.cipfa.org/services/networks/better-governance-forum

The Bribery Act Bribery Act 2010

Transparency International Transparency International UK

Protect (Previously known as Public Concern at Work) Protect. For confidential advice about whistleblowing call 0203 117 2520.

Public Concern at Work - Making Whistleblowing Work - 0207 404 6609

The British Standards Institution (Code of Practice on whistleblowing arrangements 2008, Anti Bribery Management System Standard late 2011) BSI: Standards, Training, Testing, Assessment & Certification

Department for Business Innovation and Skills (Blowing the whistle to a prescribed person)
http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@employ/documents/digitalasset/dg_177605.pdf

Non-Executive Report of the: **Audit Committee** 14 November 2019	TOWER HAMLETS
Report of: Neville Murton- Corporate Director	**Classification:** Unrestricted
Q2 Risk Management Update 2019/20	

Originating Officer(s)	Paul Rock – Head of Internal Audit, Fraud and Risk
Wards affected	All wards

Executive Summary

The report and appendices provide the Audit Committee with an update on risks on the Corporate Risk Register.

There are currently 14 corporate risks on the corporate risk register, of which four are red, five, are amber, four are yellow and one green RAG rated.

One new risk has been added since the last update in July. The Head of Internal Audit and Risk has also instigated a challenge to the Corporate and Directorate leadership to ensure risks (threats and opportunities) are accurately aligned to Council objectives.

The report enables the Audit Committee fulfil part of its functions as set out in the Committee's terms of reference item no. 8 – to review the Risk Management arrangements of the authority.

Recommendations:

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary.

2. Request risk owner(s) with risks requiring further scrutiny provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at its next meeting.

3. Ensure that an effective risk management framework is in place within the council and leading the council to be a risk mature, dynamic risk organisation.

4. Note that the Council has in place a formally approved risk

management strategy which is subject to annual review. The strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations in order to ensure opportunities are seized and delivered.

1. REASONS FOR THE DECISIONS

1.1 Risk Management reports are brought annually and quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of its significant business risks.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1

What is Risk Management	The following definition of risk has been adopted by the Council; "the effect of uncertainty on objectives". Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. We define risk management as an uncertain event or set of events that, should it occur, will have a (positive or negative) effect on the achievement of our objectives.
How we manage risks	All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit by reducing their significance; either by reducing the level of impact, or making the risk less likely to happen. Over the last few years, the use of risk management as a tool in the public sector has gained strength as the appreciation of how risk management can be used as a technique for delivering an efficient and effective service to all its stakeholders. This is demonstrated in guidance issued by CIPFA / SOLACE, "Delivering Good Governance in Local Government", which makes reference to the need for effective management of risks and suggest how authorities can use audit committees to support a framework for effective systems of internal control.
Risk management framework	The Council has developed a formal Risk Management framework and processes which are supported by the Risk Management and Audit team. This is part of the Council's corporate governance process and contributes to its compliance with Financial Regulations and Procedures as well as the Accounts and Audit Regulations 2015. It is also a key part of the Council's Annual Governance Statement which is approved by the Audit Committee in June each year.

Aims	To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to; Implement and maintain a fluid process for the everyday management of risks relevant to our objective's, outcomes, services and assets; Improve the Council's risk management culture and transparent ownership of risks and issues; and Continue to meet the requirements of our external auditor and compliance providers.
How are risk assessed	Assessment is made in terms of how likely a risk is to occur and what the consequences would be if they did.
Risk Classification	Red (Severe) indicates that the risk is very significant and requires immediate and comprehensive management attention; Amber (Significant) indicates that the consequences of a risk materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan; Yellow (Material) indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning; Green (Low) indicates the likelihood and impact of the risk relatively unimportant.
How we Manage Key risks	The Council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate reviews and updates the risks captured on their risk registers and add any new or emerging risks.
Process	Each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner. New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Leadership Team meetings. Annually each Directorate is encouraged to undertake a full risk review in line with service and financial planning processes. Corporate risks are included within relevant Directorate and Divisional business plans and are also reported to Audit Committee. This reporting format ensures that the Council's risk management framework remains embedded and that reporting remains "live" across the organisation.

	Further information on risk reporting can be found in the Council's risk management strategy.
Risk Champions group activities	The risk champions group at their monthly meetings examine and challenge risks on Corporate and Directorate risk registers. New and emerging risks are also considered.
New and emerging risks	Risks on the impact of a no deal agreement on leaving the European Union.
	At the 16th October 2019 there are 440 identified active risks on the Council's risk register. They are 771 mitigating actions to treat the identified risks.

The table below is a breakdown of the number of corporate risks by directorate for quarter 2, 2019/20.

Directorate	Grand Total	4	9	12	15	16	25
		Manageable	Material	Significant	Significant	Severe	Severe
HAC	3	1	1	0	1	0	0
CCD	2	0	0	0	0	0	2
PD	3	0	1	0	2	0	0
GD	0	0	0	0	0	0	0
Resources	6	0	2	2	0	2	0
Total	14	1	4	2	3	2	2

Table 2. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate
CCD – Children's and Culture directorate
PD – Place Directorate
GD – Governance directorate
Resources – Resources directorate

The Council's strategic priorities detailed within the Corporate Strategy are as follows:

- **Priority 1: People are aspirational, independent and have equal access to opportunities.**

Outcome: People access a range of education, training, and employment opportunities.

Outcome: Children and young people are protected so they get the best start in life and can realise their potential.

Outcome: People access joined-up services when they need them and feel healthier and more independent.

Outcome: Inequality is reduced and people feel that they fairly share the benefits from growth.

- **Priority 2: A borough that our residents are proud of and love to live in.**

  Outcome: People live in a borough that is clean and green.

  Outcome: People live in good quality affordable homes and well – designed neighbourhoods.

  Outcome: People feel safer in their neighbourhoods and anti-social behaviour is tackled.

  Outcome: People feel they are part of a cohesive and vibrant community.

- **Priority 3: A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.**

  Outcome: People say we are open and transparent putting residents at the heart of everything we do.

  Outcome: People say we work together across boundaries in a strong and effective partnership to achieve the best outcomes for our residents.

  Outcome: People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

Number of Risks associated with corporate Priorities	
People are aspirational, independent and have equal access to opportunities.	2
A borough that our residents are proud of and love to live in.	2
A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.	10
Total	**14**

4. EQUALITIES IMPLICATIONS

4.1 The primary objective of Equality Impact Assessments (EIAs) is to determine the differential impact of a proposed policy, service or business activity and obtain a profile of how it affects different community groups.

4.2 Identifying risks and measures that might be employed to mitigate adverse impact is a crucial part of the EIA process.

4.3 In order to facilitate mainstreaming of the monitoring and control of identified EIA risks as best practice, departments should include the identified risks and controls measures in the Corporate Risk Register.

4.4 Risk owners should be aware of equality implications when delivering the control measures.

5. OTHER STATUTORY IMPLICATIONS

5.1 An ineffective audit committee could result in inadequate governance, risk and control arrangements remaining unchallenged, resulting in increased risks of fraud, waste or error and the potential for adverse criticism from the external auditor or other agencies. Full management of the Council's top risks (corporate risks) will allow for effective decisions to be made across the Council's business.

5.2 Risk management plays a key role in the civil contingencies bill. The Council has a responsibility to ensure it manages its risk effectively to reduce the risk of incidents affecting the safety of the community.

5.3 Environmental issues are at the forefront of decision making, this means that risk owners should only be agreeing to control measures that are environmentally friendly.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no specific financial implications arising from the recommendations within this report. General comments with regards the importance of effective risk management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report.

7. COMMENTS OF LEGAL SERVICES

7.1 The management of risk has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy efficiency and effectiveness. Therefore, the consideration of this report demonstrates the Council's compliance with its Best Value Duty.

7.2 The Council is also legally required to ensure that it has a sound system of internal control facilitating the effective exercise of the Council's functions. This includes arrangements for the management of risk and an effective

system of internal audit. This report also demonstrates compliance with these legal duties also.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports

  NONE

Appendices

Appendix 1 – Corporate Risk Register
Appendix 2 – Risk Management Strategy 2015 – 2020
Appendix 3 – Corporate Risks detailed summary update

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
  NONE

Officer contact details for documents:

A.Sotande-Peters Ext: 4051

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Appendix 1 – Corporate Risk Register

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There was an Ofsted Inspection Jan-Feb 2017 which found CSC services to be overall inadequate. The report stated that children and young people are being left in situations of harm and the DFE have issued directions to the borough. A Department for Education improvement advisor will also be identified to work with the Council to support the necessary improvement.	Ofsted report indicated shortfalls in following areas across the service: • Overall management oversight was weak. • Non-compliance in core statutory and local requirements • Absence of child care centred practice • Key threshold decisions • Risk assessment and Risk Management • Children's plans and reviews • Achieving permanence • Drift, delay and escalation • Supervision • Staff development and competence • Quality assurance and Performance Management	Harm to an individuals Children and young people being left in situations of risk and or unassisted harm. Poorer than expected outcomes for a child. Poor audit/review findings Reputational damage to the council. Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss Loss of confidence in safeguarding capability across the council, partnership and wider.	Improvement Arrangements to respond to the Ofsted Report A Children's Services Improvement Board (CSIB) has been established to take forward the improvement work. This will meet every six weeks and will be chaired by an independent advisor appointed by the Dfe. An improvement plan has been drafted to reflect the recommendations detailed in the report and will be reviewed by Ofsted to ensure this is the case. The improvement plan is developing under four main headings which are: • A robust model of social work practice • A sufficient and skilled workforce • Quality assurance and audit • Leadership, management and governance The improvement plan is being implemented with robust oversight from the Children's Services Operational Group. reporting to the CSIB. Safeguarding training programme in place covering induction and workforce development programme A back to basics training course is being developed and will be rolled	5	5	25	Overview of level of violence and risk in families in Tower Hamlets Given the number of critical incidents involving children and young people in Tower Hamlets over the last 12 months, it is proposed via the CMT Safeguarding Board that we update the JSNA on domestic violence and abuse as part of the annual assessment on community safety. The links between gang violence and violence in families will be explored as part of this analysis. The purpose will be to test the feasibility of a public health type specific reducing violence strategy across the borough. It will also enable CMT to consider the integration of the many pieces of work going on within the council and across the wider partnership aiming to increase safety and wellbeing of c/yp within a measurable framework. ***Richard Baldwin*** ***<u>Required Control Measure Target Date:</u>*** ***30/09/2019***	4	4	16	Richard Baldwin	People Are Aspirational, Independent And Have Equal Access To Opportunities.

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				out to all CSC staff in 2017 as part of the LBTH improvement plan. Staff complete the Health and Care professions Council (HPC) re-registration process every 3 years There is a process to pick up delays/failures in registration so action can be taken by managers. Review arrangements of looked after children and child protection is led by the child protection review service. This is a critical challenge role to children's social workers. There is on-going work to improve the oversight and authorative advice role. A new resolution process has been introduced and there is regular reporting of QA activities to CSC management team. Ensure that CMT have a view of the activities within the service..... Ensure that CMT have a view of the activities within the service and develop some assurance using the corporate accountability framework, risk register, management oversight, audit framework and Forward Plan. CMT safeguarding board is active. The Ofsted SEF document have been through DMT and to lead member. A new Inspection and Improvement Board has been set up. Robust commissioning that includes safeguarding checks of providers This is in place including CSC joint monitoring visits. A new joint commissioning exec is in place to address an integrated commissioning partnership at the									

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				most senior level. Adherence to statutory government guidance, policies and procedures laid down by the council and LSCB / SAB Local Safeguarding Children's Board Statutory government guidance, policies and procedures in place. Management oversight including supervision is in place. Quality Assurance framework to check and audit various areas is in place. All the above are being revised as part of LBTH improvement plan Quality assurance systems including case audits, LSCB and SAB sub-groups. There is a new approach being taken to multiagency audits via the LSCB sub group and CSC are reviewing their QA framework with a view to achieve less process, more assurance and better feedback. There is an active internal audit programme that does pick up key areas of risk and challenge within safeguarding. The effectiveness of this system is a work in progress. CSC have an improvement plan which is being implemented which is being overseen by the Children Services Improvement Board and Operational Group. Effective working relations and swift communication across partnership agencies.... Effective working relations and swift communication across partnership agencies that is held at different levels of Children's services.									

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				LSCB has an executive board for Directors and Chief Executive Officer level across the partnership. Continue to implement Signs of Safety as overarching practice framework A new relational approach is being implemented in Children's Social Care which evidence of effectiveness. This approach will now form part of a wider practice model. Training and development work in the new approach will form part of the CSC workforce development strategy. LSCB and CSC has Quality Assurance systems in place. This should provide evidence and assurance to safeguarding board and partners that service is being delivered to expected standards, there are clear (proxy) indicators and where it is not so remedial action can be taken. As part of the response to the Ofsted inspection and subsequent improvement plan, the QA framework has been revised. The LSCB is reviewing its priorities and audit programme. Serious case review/learning process in place There has been a refreshed case alert process disseminated within Children Social Care, which feeds into the LSCB case review group. Any ongoing SCR work is held at service head level and a communication flow is done to the CMT Corporate Safeguarding Group, chaired by Chief Executive Officer.									

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CSDSC0014	Failure to ensure findings and recommendations are implemented. The inspection process produced evidence to show that in the judgement areas of help and protection, in leadership and management and governance and in relation to the LSCB the restorative action that has been taken has been neither sufficiently effective nor timely. The Ofsted inspectors highlighted the need for some urgent and rapid improvement across children's social care.	The SIF inspection in Tower Hamlets found a number of failings in professional practice in relation to expected standards. Of particular significance were the findings and provisional judgements in the areas of: • Help and Protection • Leadership, Management and Governance • The Local Safeguarding Children Board*	The report indicates that the service is not working to expected statutory standards, leaving children at risk of significant harm. The Report will result in the DfE issuing a notice to improve the appointment of a DfE project advisor as well as a practice improvement partner. Reputational –The Ofsted report will cause damage to our external reputation with residents, partners and others. A high level communication and media strategy is being formulated with the key stakeholders briefed or being briefed. Staff impact – due to the findings there will naturally be an impact on the morale and staff working in the service. This includes the partners who are involved in the services. In addition this could have a negative impact on retention and recruitment to the service. Complaints – there is a concern that the findings could raise potential complaints from members, families and	Children Services Improvement Board and Improvement Plan being developed in response to the Ofsted Report/ DFE notice. The CS Improvement Board will have an independent chair and will oversee the improvement work in LBTH. The delivery of the improvement plan will be the responsibility of the Children Services Improvement Board Operations group.	5	5	25	Urgent remedial work in progress Ofsted referred a number of cases and cohorts of c/yp that in their view the Local Authority had to review to assure themselves that c/yp are safe. LBTH CSCMT took action as requested and are reviewing that action has been taken. The Inspection and Improvement Board is overseeing this. ***Richard Baldwin*** ***<u>Required Control Measure Target Date:</u>*** ***30/09/2019***	4	4	16	Richard Baldwin	People Are Aspirational, Independent And Have Equal Access To Opportunities.

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			young people around the support provided by the LA.										
THB0001	Failure to properly undertake the necessary European Union (EU) exit impact assessments, relevant planning and preparing appropriate mitigation particularly in the following areas; - All the statutory services for which the council is responsible. - All regulatory services for which the council is responsible. - Impact on supply chains including those managed directly by the council and those indirect contracts managed through commissioned services. - Data handling including data handling for any outsourced services. - Local partnership working with key statutory and strategic partners. - Appropriate plans and activity to provide community assurance and provision of timely information.	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Council services could be disrupted as supply chains and contracts are reassessed, potentially increasing costs and reprioritisation of resources. Uncertainty over grants may undermine the Council's ability to deliver or commit to services. The Council may be unable to access the specialist talent, resources and supply chains it needs to deliver its services.	Business Continuity planning and assurance assessments of key contract resilience. The Head of Procurement has initiated a supply chain risk assessment with survey been sent to 2,400 suppliers and providers to understand potential impact of Brexit on Council contractors as well as steps taken to mitigate against potential risks. Deadline date for completion of survey is set for 15th February 2019. Areas covered, include the following: - Whether the business import/export services and/or goods to/from EU - Percentage of materials/services purchased from the EU - Envisage any border delays importing materials into the UK - Any impact on current workface as a result of Brexit - Provision of support to existing staff that may be impacted by Brexit - Whether Brexit will impact the base cost/prices of core business Supplier and Provider mapping exercise of Tier 1, 2 and 3 contractors has been initiated to help identify those that are part of a multinational firm and with operations outside the UK. Outcome of initial findings and next steps will be discussed at Strategic Procurement Board on 07/02/2019.	4	4	16	Business continuity planning and assurance assessments of key contracts. HR resource planning and resilience. Financial modelling / Strategy reviews. A BCP / staff composition survey has been sent to all Heads of Service. The survey asks for information on the number of EU nationals within each team, what contracts depend on EU imports / services and what civil disorder plans / backups are in place within relevant teams. The information will be used to plan impacts on services. ***Amanda Harcus*** ***Required Control Measure Target Date:*** ***31/10/2019***	3	4	12	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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THB0003	Brexit risk to LBTH procurement and supply chains. - Supplies, services and goods from EU - Increasing costs and tariffs - Lack of availability - Stockpiling"	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Council services could be disrupted as supply chains and contracts are re-assessed, potentially increasing costs and reprioritisation of resources.		4	4	16	Engagement with Contractors and providers. Supply chain risk assessment sent to 2416 suppliers resulting in a total of 704 (29%) of suppliers completing the survey with majority of the respondents based within the Construction, Healthcare, Technology and Community Services sector. Whist the results of the survey generally indicates a positive response from the market with 82% of the businesses stating that they do not see any issues in importing material from the EU and 93% (389) do not have any plans to downsize their business due to Brexit, there are concerns amongst 37% (153) of the suppliers who believe that Brexit may impact the base cost/prices of their business. Corporate approach to managing potential supply chain risks (currently the council operates a devolved contract management system) through the strategic procurement board including capturing work undertaken with contractors in directors and supply risks identified. A follow up communication was sent to all active creditors (2,416) on 7/3/2019 requesting the completion of a Brexit impact survey to understand the number of NON-UK EU 27 National staff in their employment. A total of 216 suppliers responded, with 112 suppliers stating nil staff employed but nine suppliers	2	4	8	Zamil Ahmed	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
								responded to confirm employment of 100 to 3,000 EU nationals, further work is underway to review existing contracts with these nine suppliers. ***Zamil Ahmed*** ***Required Control Measure Target Date:*** ***30/06/2019***					
ASD0015	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.	There is a failure of one or more of the controls which fails to identify the degree of risk to a vulnerable adult. Poor practice and inadequate management oversight. Failure of quality control systems. Service user fails to work to agreed partnership / agency arrangements. Poor communication and partnership work. Poor resourcing of service areas against increased demand. Local authority contracted out service do not have sufficiently robust safeguarding arrangements.	Harm to an individual. Reputational damage to the Council. Potential for legal proceedings against the council leading to financial loss. Loss of confidence in safeguarding capability.	Revised safeguarding procedures introduced from care act implemented. Robust safeguarding procedures in place. Oversight through management reporting Social workers have 1:1 supervsion monthly on their casework including safeguarding cases. The PSMT meet monthly to review and monitor Adult Safeguarding casework, particularly serious cases and develop and implement action plans and lessons learnt. Information campaigns to raise awareness of safeguarding oversight from safeguarding adult's board A sub group of the Safeboarding board leads on publicity and promotion of safeguarding 4 year (2015 – 2019) adults board strategy The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. Safeguarding issues as part of contract management procedures . Target operating module as part of the care act implemented. This includes key worker role assigned.	3	5	15	***Required Control Measure Target Date:***	2	5	10	Claudia Brown	People Are Aspirational, Independent And Have Equal Access To Opportunities.

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				Signs of safety framework implemented. This framework helps identify the risks in a strategic manner. CQC care commission embargo list used. This list is available from the CQC highlighting all providers where the CQC has raised concerns. Failed visit policy and procedures in place. Introduction of safeguarding Star Chamber for front line teams discharge policy in consultation with Bart's								
PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.	Accountability for fire safety is not correctly designated, communicated and understood Fire Risk Assessments: * are incomplete, inadequate or not carried out in accordance with the latest advice from DCLG and fire and rescue services * are not published in accordance with the Mayor's commitment * do not include the time limits on recommendations Fire Risk Assessment Action Plans: are not produced and/or delivered within appropriate timescales Limited current contractor supplier chain for scale of identified fire safety works Constrained and limited	Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations loose the trust of residents Individual prosecution under a number of Acts of Parliament and common law offences with potential penalties including unlimited fines and a maximum of life imprisonment Corporate prosecution with potential penalties of unlimited fines, remedial orders and publicity orders Adverse national media coverage Uninsured financial loss Council perceived as not having fulfilled statutory duty to keep local housing conditions under review	Tower Hamlets Homes (THH) Fire Safety Programme progress reported to and monitored by THH and Council Bi-Monthly Operational Meeting - Standing Agenda Item Quarterly Strategic Meeting - Standing Agenda Item Quarterly Mayoral Meeting - Standing Agenda Item Capital Programme Board Council client team to review and agree timetable for publishing remaining Fire Risks Assessments Ensure Fire Risk Assessments are carried out annually or (after works) on ALL council owned housing blocks Capital Programme Board - This is specifically to include blocks who have not yet had programmed work completed	3	5	15	Work with DCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety ***Karen Swift*** ***<u>Required Control Measure Target Date:</u>*** ***28/10/2019***	1	5	5	Karen Swift	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
		ability for Tower Hamlets Homes to complete all the Fire Risk Assessment work identified in the new round of comprehensive Fire Risk Assessments Unable to justify block prioritisation policy for programmes of Fire Risk Assessment works Leaseholders do not fit fire rated flat entry doors (ALL flat entrance doors in a block will need to be compliant to achieve good fire compartmentalisation and a 'Tolerable' fire safety standard) Fire safety measures are uncoordinated											
WSF-00015	Increased demands on corporate services The management of a service that will have a budget c£20M, employ c300 officers and be implementing change that will impact on the majority of the boroughs residents, will require significant support from corporate services such as HR, Finance, Policy, Commercialisation and Communications.	Transfer of 300+ staff from Veolia to LBTH on 1st April 2020	Additional pressures on corporate services Reputational		5	3	15	Element of decided HR and Administration support will be built into the services structure. During mobilisation the impact of these corporate services will be assessed. ***Dan Jones*** ***Required Control Measure Target Date:*** ***26/09/2019*** Recruitment of temporary HR and Comms support staff Comms staff recruited and in place. HR in process of recruitment ***Dan Jones*** ***Required Control Measure Target Date:*** ***31/08/2019***	3	3	9	Dan Jones	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
ICT0071	Failure to ensure ICT risks are within the scope of council-wide risk management and internal control frameworks in the following areas; •ICT availability and continuity risk •ICT security risk •ICT change risk •ICT data integrity risk •ICT outsourcing risk Ensuring the following are kept under review: •ICT risk management policy, processes and risk tolerance thresholds •Organizational management and oversight framework •Internal audit coverage and findings; and •ICT risk controls that are specific for the identified material ICT risk. Zoe & Adrian are attending Clearview training week commencing the 14th October. Following this BCP sections will be updated on Clearview. Major incident policy and processes collated from LBTH & Agilisys side and being updated	Changes to technology and interdependent software on various applications used within the Council.	Loss of revenue. Reputational damage. Disruption to services.	Risk(s) currently managed as detailed below. IT availability and continuity risk – managed through the Corporate Business Continuity Forum. IT are standing members, with both LBTH IT and our strategic partners Agilisys represented. (IT security risk – managed through Information Governance Group and Strategic Information Governance Group, IT are standing members. IT change risk – managed through weekly change advisory board and through monthly technical design authority. IT data integrity risk – I am not aware of any specific board for this. In the classic security model information security covers confidentiality, integrity and availability, so I'd say this is covered as part of IT security risk. IT outsourcing risk – managed through monthly operations meeting and quarterly strategic partnership boards.	3	4	12	IT needs to develop business continuity plan Identify key threats e.g. suppliers going bust, loss of data centre, Prioritise the likelihood (strike, supplier failure) Develop business continuity plan Test business continuity plan ***Zoe Matthews*** ***Required Control Measure Target Date:*** ***31/03/2020***	2	4	8	Zoe Matthews	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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THB0002	Impact of Brexit on the recruitment and retention of LBTH staff (People & Skills). - Number that are EU residents - Specific service pressures e.g. social care - Professional qualifications from EU nations - Vacancies - Skills shortages - Increasing costs for agency staff or attracting workers for low skilled jobs	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	The Council may be unable to access specialist talent and resources it needs to deliver its services.	Additional Social Care workforce already in pressurised areas. Response from care home and home care providers is that there will be limited if any impact for them, as workforces in both cases are predominantly non - EEA nationals. Support provided to EU workforce ensuring they understand the EU settlement scheme and their rights post exit and support around wellbeing. Creation of a Social Work Academy within children's social care to address over reliance on agency workers and mitigate any impact on the supply of agency staff from Brexit.	3	4	12	***Required Control Measure Target Date:***	2	4	8	Amanda Harcus	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
ASD0017	Risk that should a major incident take place affecting Council services, there may be a failure to implement an effective response. The risk is increased if there was to be more than one incident at the same time.	Failure by Directorates to ensure that the Borough Major Emergency Plan (Part 3B) is kept up to date with Directorate information and procedures. Staff are unaware of the EP process. Insufficient resilience in key roles including management, rest centres, BECC and CPU.	(1) Failure of the Council to continue to operate during a crisis period as a consequence of a civil event or situation. (2) Slower than expected management response causing increased disruption to key service delivery, inconvenience to service users and the stakeholders, adverse public criticism and additional costs to the Council.	Business continuity plans kept up to date Staff with extensive experience in dealing with incidents are in place Officers in the Civil Protection Unit have dealt with incidents on several occasions, and have gained quite extensive experience on dealing with this type of incident and the action that may be required to be taken. Any future restructure will need to ensure that key posts are retained within the organisation to continue to minimise this risk Borough Emergency Management Team to co-ordinate the Council's response on tactical matters. B. E. M. Team. 6 month review of EP plan with Directorate changes.	3	3	9	Sessions on MEP/BC plans for members and senior managers. Since this risk was identified the Civil Protection Unit has provided Silver / BECC manager training on 5 Feb, 15 Feb and 4 June 2018 to 35 officers at DD / Head of Service level. The Emergency Planning College provided 'Leadership in Emergencies' training to CLT on the 9 and 10 July 2018. 10 CLT members attended. The Emergency Planning College provided BECC Managers training to 16 officers at DD and Head of Service level on 25 and 26 June 2018. The Emergency Planning College provided a bespoke session on Civil Contingencies and the role of members on 28th Sept 2018. 7 members attended. All members	2	2	4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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				Annual report to CMT Independently review the Borough Major Emergency Plan to ensure it is fit for purpose. complete Rollout a refresh training programme for senior managers and officers supporting the emergency plan. Complete 2016 June BC business impact assessment reviews by service areas 2016 June BC plan update notification has been sent to directorates Procurement of an IT system to manage BC plan update Drafting of a business case to procure IT System to manage BC plan update - the business case is drafted and has been agreed by the Directorate Management Team. The proposal will now go forward to the Corporate Leadership Team in September 2017. Update - the system was procured from Clearview. An implementation plan is in place to populate the database, train staff and migrate to the new system. Update - In order to minimise the risk we have required Business Continuity Champions to review their BC plans and to update the contact details of relevant staff. This is the major element of the June BIA revision. This process is complete. Training on the Clearview system has been arranged for 19 July for BC Champions. Once complete the system will be tested and then go live.				attended a session on emergency planning as part of their induction following the 2018 election. A session was provided to Cabinet on 'Recovery' and then delivered to CLT. ***Ann Corbett*** ***Required Control Measure Target Date:***					

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				N.B. Once Clearview is implemented there will no longer be the need to conduct twice yearly revisions of the BIA's as the system is live, unlike the current paper based process that is cumbersome. The implementation is being overseen by the CCB. A separate risk and control measure exists - ASD0032/001 Additional staff to be sought to be trained and on call if needed. Two additional staff have been identified and trained to perform the on-call rota for Civil Protection. Additionally the CPU Manager has resumed his role on the rota. This has increased the pool of those available and improved resilience. The number of BECC Managers, loggists and rest centre volunteers have all been increased with appropriate training provided - this has significantly increased our resilience. The number of on call directors is under review and will also be expanded. Business Continuity test on key LBTH sites. Exercise Sandcastle was held on 15th May as a test of the 'blackboard' system in real time during working hours. The result was reviewed at the Civil Contingencies Board. Exercise Connects (test of communication systems) is planned for 7 November 2018. Exercise Preparer (an exercise involving a cluster of 6 or 7 boroughs) is planned for February 2018. The next pan-London Safer City exercise will be on 1 and 2 May 2019.									

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CLPRCG0040	We are currently at a recycling rate of 23.2% and have a target to reach 35% by 2020. Services are currently in transition from contracted to an in-house delivery model. This may impact on our ability to bring in long term measures to improve recycling on the service as there may be significant service redesign.	Service changes may affect ability to deliver long term solutions to increase recycling rate	Reputational		3	3	9	Increase participation and reduce contamination levels via communication and outreach. Work with Outreach Teams to ensure that effective communication is rendered to residents on how/what to recycle. Additionally increase participation on food waste and dry recycling ***Fiona Heyland*** ***Required Control Measure Target Date:*** ***01/04/2020***	3	3	9	Oli Kapopo	A Borough That Our Residents Are Proud Of And Love To Live In.
RM0009	Increased acts of significant fraud or corruption (both internal and external) against the Council	Due to changes in people (personnel), systems and processes arising from change and transformation	Financial loss Damage to reputation of the council Increased costs of investigations Service disruption		3	3	9	Programme of Anti-Fraud Work The Corporate Anti-Fraud Team will deliver a programme of work across 2019/20 to raise the profile of fraud and increase fraud awareness amongst the staff. This will include a fraud awareness campaign and proactive exercises to detect potential fraud. The annual plan of activity is presented to CLT and the Audit Committee for review and agreement. Progress is reported to both on a quarterly basis. ***Paul Rock*** ***Required Control Measure Target Date:*** ***31/03/2020***	2	3	6	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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THB0004	Brexit - Organisational Impact Impact of Brexit on the regulatory landscape Impact on income streams Impact on local communities 1. Decreased revenues & changes in demand - Business and economy - Drop in the value of the pound - Business rates - Regeneration schemes - Skills shortages - Cost of living - Decline in town centres/high streets 2. Laws, Legislation and regulation. - Environmental regulations - Devolution/public service reform - Human rights 3. Citizens and Community - Community cohesion - Migration into the borough - No Recourse to Public Funds"	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Disruption to council processes and services.		3	3	9	Identify and plan for impacts on service budgets and identify new income streams e.g. new government initiatives. Monitor/Plan/Mitigate - mitigations in terms of business continuity plans, are required from all areas of the organisation. Putting in funding to plug funding gaps over 4-5 years with General Fund as contingency, but significant shocks might remove this backup, earmarked reserves could be used to meet higher priorities. Concern that not much time to get useful information from Government contacts to react. Working with partners to support local business, including access to business rate relief for small businesses. ***Neville Murton*** ***Required Control Measure Target Date:*** ***30/06/2019***	2	3	6	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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ASD0032	Delay to the June 2019 revision of the Business Impact Assessments for the Business Continuity Plans. The delay has been approved by the CCB on 15 April 2019 to enable the implementation of a new internet based Business Continuity planning tool.	Business Continuity Plans being out of date and an incident occurring resulting in key contacts not being known and contactable to respond.	A poor response to a civil emergency.		2	2	4	Regular review of Implementation plan An implementation plan for the 'Clearview' business continuity system is in place. Migration of data and information to the system and training of relevant business continuity champions from each Directorate is due for completion by mid July 2019. Progress will be reported to HAC DLT. Update - the implementation has been delayed due to admin training for the high level users (one from each Directorate). 2.5 days per officer. This will now take place 3rd, 4th and 6th September and 16th, 17th and 19th September. Thereafter the system will go live. UPDATE: I have reviewed this risk. Administrators have been trained but we still need to train service managers. A number of drop in sessions have been arranged for October 2019 where managers can update their BIAs direct on the system. Once complete the system will go live. I have kept this measure as 90% complete. ***Charles Griggs*** ***Required Control Measure Target Date:*** ***31/12/2019***	2	2	4	Charles Griggs	A Borough That Our Residents Are Proud Of And Love To Live In.

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TOWER HAMLETS

Risk Management Strategy 2015 – 2020

Will Tuckley
Chief Executive
July 2019

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Version History

This strategy builds on and replaces earlier versions of the risk management strategy and is intended to be a high level document that provides a framework to support the Councils statutory responsibility for managing risk. It also allows the Council to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a five year rolling period but will be reviewed annually to ensure it remains fit for purpose.

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London Borough of Tower Hamlets
Risk Management Policy Statement

The London Borough of Tower Hamlets recognises and accepts its responsibility to manage risks effectively in a structured manner in order to achieve its objectives and enhance the value of services provided to the community.

In pursuit of this policy LBTH has adopted a risk management strategy that supports the following key objectives:

- Enables corporate, directorate and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on LBTH's success.
- LBTH recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation and to add value to service delivery.
- Risk management is seen as an integral element of the Council's culture and operation.

These key objectives will be achieved by:

- Maintain clear roles, responsibilities and reporting lines for risks management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing risks;
- Ensure corporate, strategic, operational, partnership, and project risks are discussed on a regular basis as part of relevant board meetings;
- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health & Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in comparison and benchmarking activity.

Risk Appetite

London Borough of Tower Hamlets seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- Risks have been properly identified and assessed.
- Risks will be appropriately managed, including the taking of appropriate actions and the regular review of risks.
- The potential benefits accruing to the Council justify the level of risk to be taken.

The Council will positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

……	……
Will Tuckley **Chief Executive**	**John Biggs** **Executive Mayor**

CHAPTER 1: Introduction

This revised strategy has been developed in line with published good practice[1] and provides an overview of the operating framework, arrangements and responsibilities for managing risks within the Council.

What is Risk Management?

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk has been adopted by the London Borough of Tower Hamlets:

"The effect of uncertainty on objectives"

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner.

Our risk management definition is:

"An uncertain event or set of events that, should it occur, will have a (positive or negative) effect on the achievement of our objectives"

A risk is measured in terms of a combination of the likelihood of a perceived threat or the opportunity occurring and the magnitude of its impact on objectives.

<u>Purpose of this strategy</u>

Every risk is linked to a business objective and this strategy will facilitate a proactive stance to managing risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

By adhering to this strategy, the Council is better placed to meet all its objectives in an efficient, effective and timely manner.

[1] Including 'ISO 31000 Risk Management – Principles and Guidelines' and 'A Structured Approach to Enterprise Risk Management' issued by the Institute of Risk Management, the Association of Insurance and risk Managers and the Association of Local Authority Risk Managers.

Some benefits of successfully implementing this strategy are listed below:

- Ensuring our ability to satisfy statutory requirements
- Protecting and enhancing the Council's reputation
- Increased innovation, value for money and visual improvements in service delivery
- Effective resilience to changing environmental conditions, to protect key services
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risk are being controlled

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Council is fully committed to developing a culture where risk is appropriately and effectively managed and for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- Common understanding of risk management across major projects and partners;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment, including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Council's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Council.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Risk Management Objectives

The main objectives of Tower Hamlets' risk management strategy are to:

Aim	How this is achieved
Improve engagement, utilisation and ownership of risks and risk management across the council.	**Embed a risk management culture** to create an environment where risk management becomes an integral part of day to day council operations.
	Enabling better quality decision making by keeping risk management as a core part of governance processes.
	Minimising failures and maximising opportunities and supporting the governance framework.
To provide a strategic lead and champion risk management across the organisation and stakeholders maintaining our statutory accountabilities	**Increasing our models of partnership** to deliver better services to the community.
	Co-producing joint risk management solutions to help minimise threats and maximise opportunities.
	Being bold and taking calculated risks to encourage innovation and drive an entrepreneurial community.
To take a lead on developing and replicating best practice in risk management, providing value for money services and allowing better outcomes for the council.	**Leading on innovative projects** and enhancing risk management awareness and practices, including the reduction of insurance claims.
	Active participation externally to help shape the future of risk management.
	Regular benchmarking, adapting best practice to improve risk management.

How the objectives can be achieved

The objectives and outcomes of this strategy will be achieved by working closely with key teams across all council Directorates.

In particular, we will:

- Maintain clear roles, responsibilities and reporting lines for risk management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing risks;
- Ensure corporate, strategic, operational, partnership, and project risks are discussed on a regular basis as part of relevant board meetings;

- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health & Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in comparison and benchmarking activity.

Note: This is not an exhaustive list.

Risk Appetite

Risk Appetite is a method to help guide an organisation's approach to risk and risk management. Defined well, risk appetite translates risk metrics and methods into business decisions; it sets the boundaries which form a dynamic link between strategy, target setting and risk management.

In 2017 the council's risk management team worked with Zurich Municipal to develop and expand the council's risk appetite definition and categories. A number of workshops were held with senior officers and the Mayor and cabinet. Output from the workshops was used in creating specific levels of risk appetite for separate categories of risk as outlined below.

Risk appetite is the amount of risk the council is willing to take. It varies according to the risk for example the council would accept a greater amount of risk for areas of innovation than in those relating to compliance and regulatory activities.

Risk Category Identification

Risk appetite categories	
Finance	Risks which focus on areas where financial features play an important part such as budget control and revenue generation.
Compliance/Regulatory	Risks relating to ensuring regulations, laws and guidelines that govern the business of the Council.
Contracts & Partnerships	Risks relating to the various contracts held within the organisation and the service which our customers receive. Also risks associated with working with private or public sector organisations to achieve common goals and objectives.
Safety & Safeguarding	Risks relating to provision of services to vulnerable adults and children provided by the Council. This would also include wellbeing and safety of residents.
Reputation	Risks involving amongst others the safekeeping and protection of all important data held within the organisation and the conduct of members & staff.

Innovation	Risks which focus on long term goals and plans.

Risk Appetite Matrix and Risk Appetite thresholds

Consider the risk score against the risk appetite threshold for its category. The threshold is represented by the vertical black lines in the matrix below. For example, innovation risks have a risk appetite threshold of 25, and safety & safeguarding have a threshold of 5. This means the council will taker higher risks to ensure innovation, but will be less tolerant to risks concerning safety and safeguarding of its staff and citizens.

Risk Category	**AVOID** Risk Score 1-4	**MINIMAL** Risk Score 5-9	**CAUTIOUS** Risk Score 10-12	**OPEN** Risk Score 15-16	**SEEK** Risk Score 20-25
Finance					
Compliance / Regulatory					
Contracts & Partnerships					
Safety & Safeguarding					
Reputation					
Innovation					

Risk Appetite Level	**Risk Appetite Description**
Avoid	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimal	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefits.
Cautious	Preference for the safe options that have moderate degree of risk and may only have limited potential benefits.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Seek	Eager to realise benefits and to choose options to achieve this despite the higher risk

CHAPTER 2: The Risk Management Process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the organisations public image.

Whenever an activity takes place, there will be an outcome that will either lead to success or failure. In undertaking the activity there will be a number of factors which need to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risk. It is about:

- Identifying the objectives and what can go wrong.
- Acting to avoid it going wrong or to minimise the impact if it does.
- Realising opportunities and to reducing threats.

The Risk Management Cycle

The risk management process is broken down into five steps illustrated below:

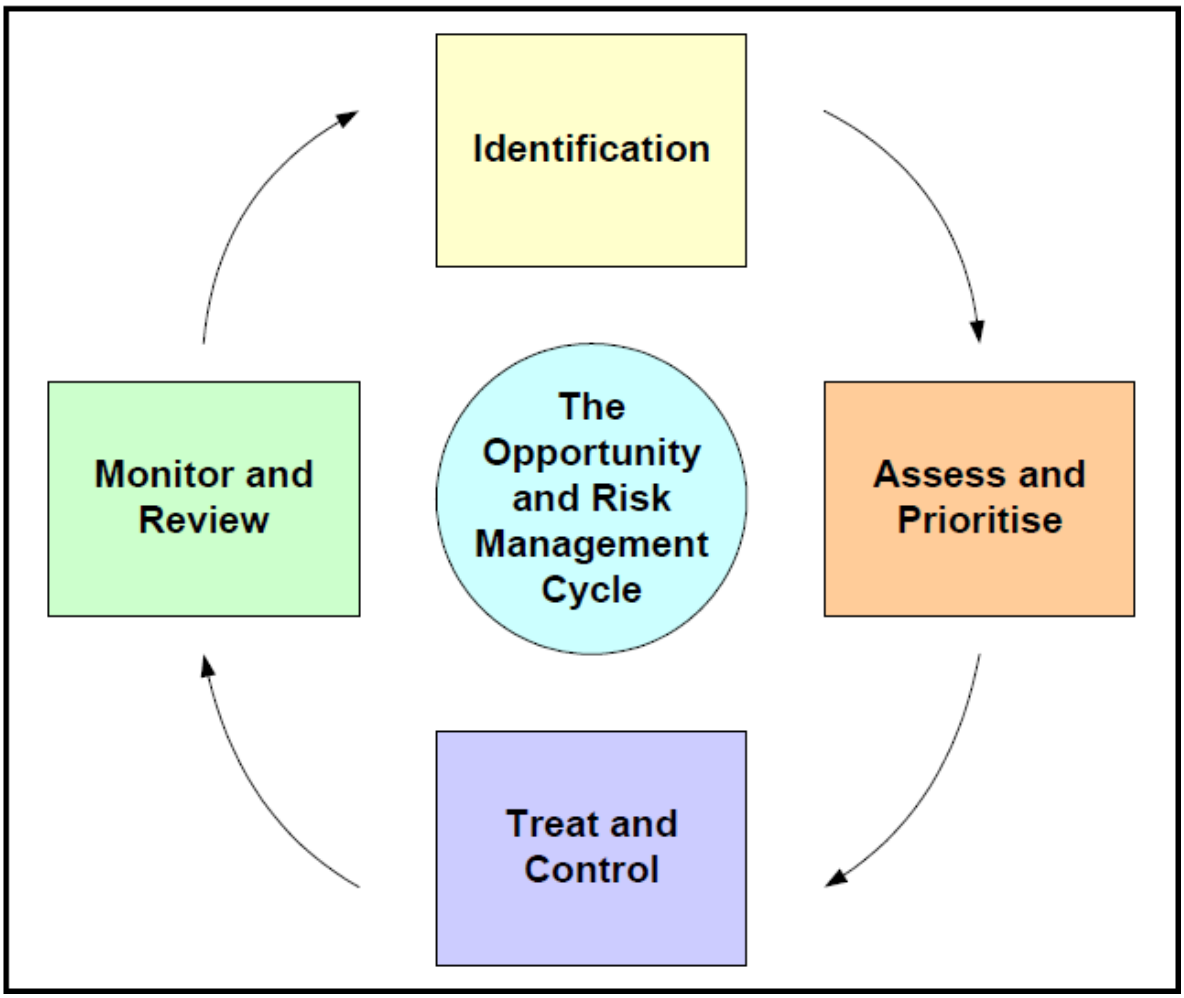


Figure 1: Risk Management Cycle

The risk management process is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk.

The process is cyclical and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the risks to the activity/outcome you are assessing.

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, there is usually a balancing of risks to be done in everything we do so the first step is to be clear about the objectives and key deliverables of the project or service in mind before attempting to identify the risks. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/directorate/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of Stakeholders; and

- How the activity sits within the corporate/directorate/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the service and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the council and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Step 2: Identify and Analyse Risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative. Wide Consultation is required from all levels of management and staff.

Questions to Ask	What will stop us achieving the objective? (Threat) What could help us achieve the objective? (Opportunity)
Actions	Consider: - Lessons learned - Who the stakeholders are - The activity itself - Who should own the risk Tools: - Brainstorming - SWOT analysis - PESTLE analysis (Political, Economic, Social, Technological, Legislative, Environmental) - Horizon Scanning - Stakeholder Analysis - Cause and effect diagrams - Risk Bow Tie
Output	Risk(s) Identified Risk Owner(s) Identified

<u>Risk Ownership</u>

Having identified and defined the risks, it is essential that someone ‘owns’ them (the risk owner). This is not the same as being responsible to carry out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;

- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a directorate viewpoint, the risk owner should be a member of a management team, and have knowledge and influence on the areas of work required to respond to this risk. For example, if the risk is “overspend of budgets in Finance, Audit and Procurement”, the risk should be owned by the Divisional Director for Finance, Audit and Procurement who has responsibility for managing the Finance, Audit and Procurement budget.

Note: The individuals selected would be accountable for managing the risk which affect the objectives, whether explicitly named or not. “Ownership” of the risk within the context of risk management simply formalises their responsibilities. Responsibility for managing risks should be included within the individual’s performance targets where they are identified as a risk or control owner.

Step 3: Assess and Prioritise the Risks.

Every Risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

Questions to Ask	How likely is it to happen? What impact would it have if it happened?
Actions	Score Risks on the 5x5 matrix in appendix C below 1. Current – how likely/severe the risk without doing anything 2. Target – the desired score
Output	Current risk score Target risk score

Step 4: Mitigation and planning responses

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to respond to and manage risks.

When agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks.

Questions to Ask	What can we do about it? Who will be involved?
Actions	Options to respond to a threat: **Tolerate** – monitor to ensure the impact/likelihood do not change. **Treat** – carry out controls to reduce the likelihood/impact. **Transfer** – by insuring or passing the risk to a third party. **Terminate** – stop doing the activity associated with the risk. Options to respond to an opportunity: **Ignore** – if the cost of seizing the opportunity outweighs the benefits. **Exploit** – e.g. changing an activity's scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification. **Share** – pain/gain formula where both parties share the gain (with pre-agreed limits) if the cost is less or share the pain if cost exceeds.
Output	Control Measure(s) Control Owner(s)

Step 5: Monitor and Review

Once the risks have been identified and appropriate controls and responses are put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

Questions to Ask	How do we record the risk? How do we know if the Risk has changed?
Actions	Enter information into a risk register. Risk Management Information

	System (JCAD) Regularly review.
Output	Risk Register regular reviews (see table below for guidance on suggested risk review periods)

As a guide, risks should be reviewed in management meetings using the following criteria:

Standard Review		Programmes, projects and partnerships
Red	Monthly	Monthly
Amber	1-3 months	Monthly
Yellow	3 months	Monthly
Green	6 months	Quarterly

Figure 2: Recommended risk review frequencies

Note: at least annually, each risk register should be reviewed in its entirety.

CHAPTER 3: REPORTING RISKS

Risk Reporting Framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers that adequate measures have been taken to manage risk.

To support this, risk management has been integrated into the corporate, strategic and operational business planning process. By using the risk methodology, key risks facing the council or a particular service will be identified. This helps to ensure that the risks the council faces in the delivery of the strategic plan are identified and managed.

As set out in its formal terms of reference, the Audit Committee is responsible for monitoring the Authority's Risk Management arrangements and seeking assurance that action is being taken on risk related issues identified by auditors and inspectorates.

Escalation of risks ensures that managers have a clearer picture on risks or issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources, or review areas of concern.

On reporting, usually each quarter, different risk registers are taken to different management teams. Lists of key reports below including target audience along with their escalation criteria (risk score).

Corporate Risk Register	The corporate risk register is used to highlight and assure elected members that key risks are being effectively managed and responded to.

Directorate Risk Register	This register flows out from the division and services risk registers. It is challenged and moderated quarterly by the Directorate Management teams. Risks which are escalated here are those with a risk score of 16 and above.
Divisional Risk Register	This register flows from the service and team risk registers and is challenged and moderated quarterly by the divisional leadership teams. Risks which are escalated here are those with risk score of 10 and above.
Service Risk Register	This register flows from risks to service objectives and is moderated and challenged by the service leadership team.
Team Risk Register	This register flows from risks to the team objectives and is reviewed and updated at team meetings.
Programme/Project Risk Register	Where it is considered appropriate, major programmes and projects will produce and maintain their own risk registers, and be responsible for updating this on a monthly basis. Significant programme and project risks will be escalated to directorate and service management teams where relevant.

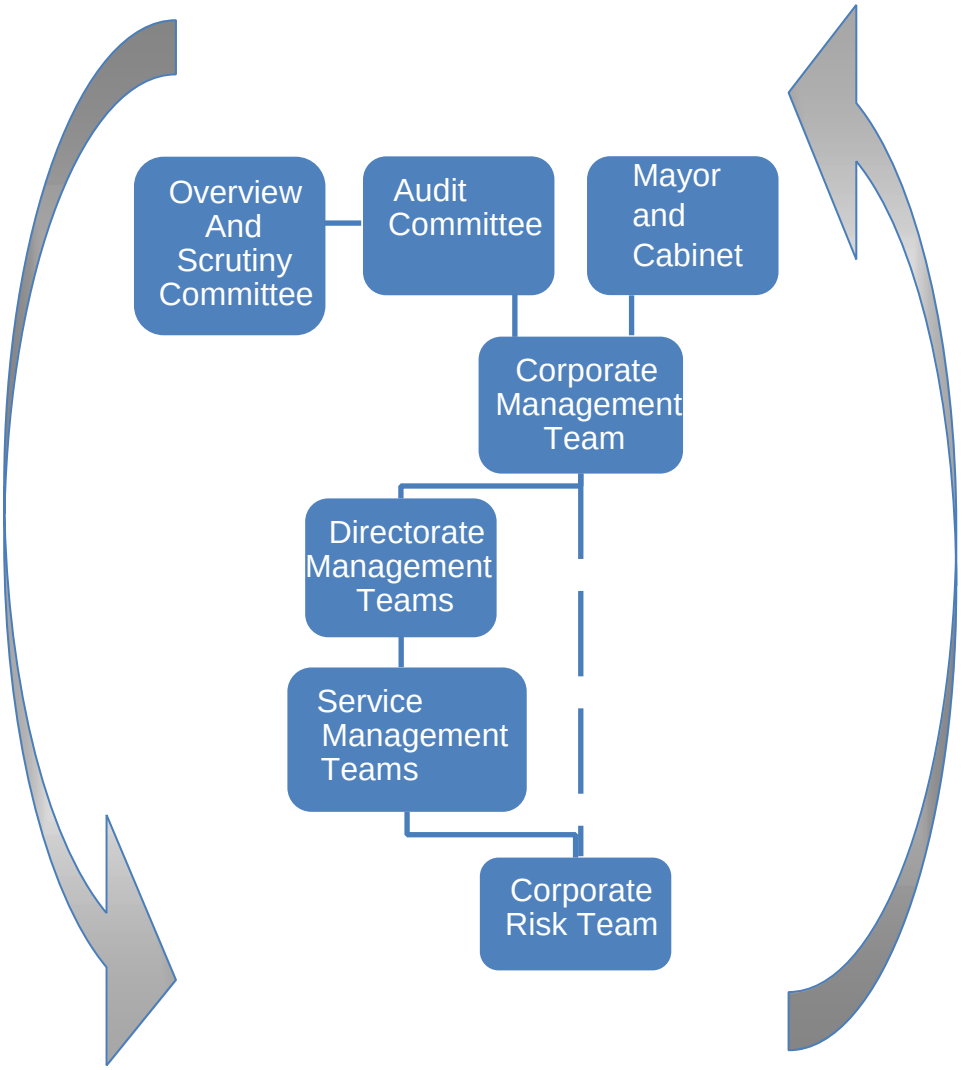
Risk escalation process

Risks will be escalated using a bottom up process depending on the risk score (i.e. risk tolerance) and/or management recommendation.

Corporate review will be undertaken quarterly.

Directorate reviews should be adapted to suit the structure of each respective directorate, although as minimum should be done quarterly.

Annual review of all risks should be undertaken as a minimum.


Overview And Scrutiny Committee
Audit Committee
Mayor and Cabinet
Corporate Management Team
Directorate Management Teams
Service Management Teams
Corporate Risk Team

Appendix A

Groups, roles and responsibilities

It is essential that all staff within Tower Hamlets understand the role they play in the effective management of risk.

Groups

The role of the risk management team is primarily that of an advisory, support and critical friend function and to support this, the following review groups are in place.

Reviewing Group	Responsibilities
Cabinet and Elected members	Own the Council's risk management policy. Contribute to defining the overall risk appetite for the organisation. Review the corporate risk register. Review the directorate risks within their area of leadership. Regularly discuss new and existing risks with the relevant Corporate Director.
Audit Committee	Monitors the effective development and operation of risk management and governance in the council; Monitors and acts on escalated corporate risks under the direction of the Chief Executive; Oversees and approves the council's risk management policy and strategy; Receives periodic updates on threats and opportunities which impact on the council's objectives / outcomes; Contributes to defining the overall risk appetite for the organisation; Members consider any risks they wish to be passed to the Overview and Scrutiny Committee for further scrutiny
Overview and Scrutiny Committee	Provides scrutiny for any risks escalated from Audit Committee

Reviewing Group	Responsibilities
Corporate Leadership Team	Ensures that escalation processes are in place for designated parts of the council for risk reviews; Identifies the need for investment to fund, promote and oversee the implementation of the risk management strategy; Ensures participation in the delivery of risk management within the organisation; Owns individual corporate risks (as delegated by the Chief Executive), and approves corporate risks as escalated from directorate management teams Agrees the involvement of the risk manager, internal audit and other officers as appropriate. Contributes to defining the risk appetite.
Corporate Health and Safety Committee	Monitors and reviews high level Health and Safety risks and issues, escalating to the Corporate Management Team as appropriate; Ensures that Health and Safety risks are managed effectively within directorate and service areas; Provides risk management recommendations; Provides a forum for the discussion of risks and issues raised by risk registers, environmental conditions, and internal and external audits.
Directorate Leadership Teams	Ensures directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively; Reviews and challenges risk registers for their directorate and service's on a quarterly basis; Makes recommendations on risks/issues to escalate to Corporate Management Team; Sets priorities for dealing with unacceptable risks and to reduce risks; Ensures that risk management roles and responsibilities are included within appropriate1-2-1 targets.

Reviewing Group	Responsibilities
Internal Audit	Reviews the Risk management Policy and Strategy Supports and reviews the risk management process. Focus internal audit work on significant risks. Provides the risk team with updates on risks identified from audits. Provides assurance on risk management across the council, based upon reviews through audit risk assessments.
Programme, project, strategic and operational boards and senior responsible owners	Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities; Understands the Risk management Policy and Strategy and their accountabilities; Implements the risk management processes within their areas of responsibility; Escalates programme, project, strategic and operational risks as appropriate; Records and lessons learnt actions are put in place to reduce or eliminate risks before new projects are implemented; Ensures risk management is at the heart of decision making and key information is delivered through management groups.

Roles

To help clarify an individual's responsibility for managing risks within their role, a set of risk management competencies has been developed and is available for inclusion within individual 1-2-1 sheets.

Roles	Responsibilities

Risk Manager (& risk management team)	Ensures the Risk Management Policy is implemented Develops plans to improve the management of risk Develops risk management guidance and training and supports risk and control owners in delivering their role Ensures appropriate staff and Members are adequately trained in risk management Carries out ongoing management of risk process reviews, benchmarking scrutiny and challenge.

Divisional Directors /Service managers	Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities Understands the Risk management Policy and Strategy and their accountabilities Maintenance of the risk registers in their area of responsibility, ensuring that all risks are added to the council's risk register. Escalating risks of a corporate nature to the attention of their DMT Undertakes risk assessments for their service in relation to service / business planning and budget setting process. Identifies partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed. Reviews risks and risk assessments on a regular basis and discusses the management of risks with relevant team members.

Risk/control measure owners	Ensures effective action is taken to manage risk. Ensures the integrity of information recorded on the risk register. Oversees control measures and reviews proposed mitigating actions. Monitors progress against mitigating actions. Reports to their management teams on significant changes in risks.
All council employees	Aware of the Risk Management Policy and Strategy Understands their responsibilities in managing risk Participate (as appropriate) in the identification, assessment and control of threats and opportunities Immediately reports to their manager any incident, accident, 'near misses' or any other concerns that they may have with regards to risks.

Appendix B

Statutory requirements

The council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services. The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively.

The council has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective delivery of its functions, which include arrangements for the management of risk.

The effectiveness of the council's risk managements is assessed annually as part of the Annual Governance Statement (AGS) and Annual Audit Opinion (AAO) which is signed off by the Chief Executive and Leader of the council.

In compiling the AGS, assurances are obtained from a wide range of sources, in consultation with directorates and divisions.

The risk management policy above is a signed statement of intent by the Chief Executive and the Mayor of the council committing the organisation to operating a culture where risk management is embedded, communicated and used in the council for the benefits of the community.

Appendix C

Threat and Opportunity Risk Scoring Matrix

Likelihood										
Almost certain (5)	5	10	15	20	25	25	20	15	10	5
Likely (4)	4	8	12	16	20	20	16	12	8	4
Possible (3)	3	6	9	12	15	15	12	9	6	3
Unlikely (2)	2	4	6	8	10	10	8	6	4	2
Rare (1)	1	2	3	4	5	5	4	3	2	1
	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)	Very High (5)	High (4)	Medium (3)	Low (2)	Negligible (1)
	Impact – Threats					**Impact - Opportunities**				

Appendix D

Bitesize Guide to the Risk management Process

For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

Bitesize Guide to Risk Management

1. **Determine your objectives**
   For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

What	2. Identify	3. Prioritise the risk(s)	4. Mitigation & Action Planning	5. Monitor and Review
Ask	What will stop us achieving the objective? (Threat) What could help us achieve the objective? (Opportunity)	How likely is it to happen? What impact would it have if it happened?	What can we do about it? Who will be involved?	How do we record the risk? How do we know if the risk has changed?
Do	Information: - Lessons learned - Stakeholders - The activity itself Tools: - Brainstorming - SWOT analysis - PESTLE analysis - Horizon scanning - Stakeholder analysis - Bow-Ties (cause and effect diagrams	Score risks twice on the 5x5 matrix below 1. Current – how likely/severe the risk is without doing anything 2. Target - the desired score	Options to respond to a risk: Tolerate – monitor to ensure the impact/likelihood do not change. Treat- carry out controls to reduce the likelihood/impact. Transfer – by insuring or passing the risk to a third party. Terminate – stop doing the activity associated with the risk.	Enter information into a risk register. For corporate or high risks, enter into the risk software JCAD Risk. Regularly review.

Likelihood						
Almost certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Negligible	Low	Medium	High	V High

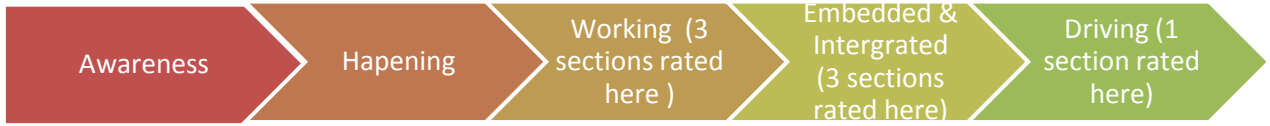
Output	**Risk identified** **Risk owner**	**Current risk score** **Target risk score**	**Control Measure(s)** **Control owner(s)**	**Risk register** **Regular reviews**
Help	**For help and advice, contact the Risk Management Team:** **Phone: 020 7364 4051**			

Risk Maturity

All organisations are on a risk management journey. Risk maturity refers to where the business is on that journey and how well established risk management is as a discipline across the organisation.

Maturity modelling is a valuable tool, enabling us to benchmark our current risk management capability and help us direct our resources to areas that need improvement and further development. Modelling allows us to set long term plans for the service and track our position through the journey. We measure our maturity and compare ourselves against other councils on an annual basis through the CIPFA benchmarking exercise.

The diagram below shows the maturity levels provided by CIPFA and how Tower Hamlets faired in the exercise in 2017/18:



Scoring in some categories improved during 2017/18 and the following three categories move up an assessment band during the year:

- People
- Risk Handling and Assurance
- Policy & Strategy
- Processes

The next stage of the council's risk management journey is focused on improving the following categories so that they become "Driving"

- Leadership & Management
- Outcomes and Delivery
- Partnerships & Shared Resources

Guidance, Education and Training

The Risk Management Team is responsible for developing workforce risk management capability across the organisation. This is achieved through the provision of guidance, education, training and support. The existing suite of guidance materials includes:

- Risk Management Strategy 2015-20

- Risk Management policy

- Risk Management Handbook for Managers

- Risk Management e-learning modules

All risk management training materials are available on the Risk Team page on the council's intranet. As described within the roles and responsibilities appendix of the Risk Management strategy (appendix A), staff and partners at all levels are encouraged to utilise the information provided.

In addition to the suite of guidance and training information available on the intranet, the Risk Team provide targeted training for areas of high risk including high risk processes, projects and procurement. For more information on risk management training please email Risk.Team@towerhamlets.gov.uk.

The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the latest industry best practice.

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Appendix 3

Corporate Risks detailed summary update

Details of current corporate risks and updates by risk owners following review of risks. It provides a summary of the risk, control measures and relevant information on current status of the risk.

Risk Reference	Risk Description and Owner	Date Created	Days on Register	Raw Risk Rating	Controlled Risk Rating	Appetite Category	Appetite Level	Update	Review Date/Overdue
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. Richard Baldwin	15/05/2013	2330	**25**	**16**	Safety & Safeguarding	**5-9**	13 Control Measures, 12 are 100% complete The re-inspection of Children's Social Care by Ofsted has now taken place. The outcome of the inspection is that Ofsted are now satisfied that the level of practice, decision-making and leadership in relation to the safety of children and young people is now at an appropriate level. This process is overseen by the Improvement Board and Ofsted inspectors via monitoring visits.	14/01/2020
CSDSC0014	The inspection process produced evidence to show that in the judgement areas of help and protection, in leadership and management and governance and in relation to the LSCB the restorative action that has been taken has been neither sufficiently effective nor timely. The Ofsted inspectors highlighted the need for some urgent and rapid improvement across children's social care. Richard Baldwin	03/04/2017	911	**25**	**16**	Safety & Safeguarding	**5-9**	2 Control Measures, 1 100% complete, 1 75% complete. The re-inspection of Children's Social Care by Ofsted has now taken place. The outcome of the inspection is that Ofsted are now satisfied that the level of practice, decision-making and leadership in relation to the safety of children and young people is now at an appropriate level. This process is overseen by the Improvement Board and Ofsted inspectors via monitoring visits.	14/01/2020

THB0003	Brexit risk to LBTH procurement and supply chains. Zamil Ahmed	06/03/2019	209	**16**	**8**	Brexit	**N/A**	1 Control measure, 50% completed. Supply chain risk assessment sent to 2416 suppliers resulting in a total of 704 (29%) of suppliers completing the survey with majority of the respondents based within the Construction, Healthcare, Technology and Community Services sector. Whist the results of the survey generally indicates a positive response from the market with 82% of the businesses stating that they do not see any issues in importing material from the EU and 93% (389) do not have any plans to downsize their business due to Brexit, there are concerns amongst 37% (153) of the suppliers who believe that Brexit may impact the base cost/prices of their business. Corporate approach to managing potential supply chain risks (currently the council operates a devolved contract management system) through the strategic procurement board including capturing work undertaken with contractors in directors and supply risks identified. A report on the potential staffing implications across council contracts. A follow up communication was sent to all active creditors (2,416) on 7/3/2019 requesting the completion of a Brexit impact survey to understand the number of NON-UK EU 27 National staff in their employment. A total of 216 suppliers responded, with 112 suppliers stating nil staff employed but nine suppliers responded to confirm employment of 100 to 3,000 EU nationals, further work is underway to review existing contracts with these nine suppliers.	16/01/2020

THB0001	Failure to properly undertake the necessary European Union (EU) exit impact assessments, relevant planning and preparing appropriate mitigation particularly in the following areas; - All the statutory services for which the council is responsible. - All regulatory services for which the council is responsible. - Impact on supply chains including those managed directly by the council and those indirect contracts managed through commissioned services. - Data handling including data handling for any outsourced services. - Local partnership working with key statutory and strategic partners. Appropriate plans and activity to provide community assurance and provision of timely information. Neville Murton	07/02/2019	236	**16**	**12**	Brexit	**N/A**	2 control measures, 1 = 100% complete, 1 = 50% complete HR resource planning and resilience. Financial modelling / Strategy reviews. A BCP / staff composition survey has been sent to all Heads of Service. The survey asks for information on the number of EU nationals within each team, what contracts depend on EU imports / services and what civil disorder plans / backups are in place within relevant teams. Information from survey now informs mitigating actions currently been put in place.	16/01/2020
WSPP0015	Increased demands on corporate services The management of a service that will have a budget of £20M, employ 300 officers and be implementing change that will impact on the majority of the boroughs residents will require significant support from corporate services such as HR, Finance, Policy, Commercialisation and Communications. Dan Jones	01/11/2018	334	**15**	**9**	Compliance & Regulatory	**5-9**	2 control measures, both 50% completed. Element of decided HR and Administration support will be built into the services structure. During mobilisation the impact of these corporate services will be assessed. Recruitment of temporary HR and communications support staff. Communications staff recruited and in place. HR in process of recruitment.	26/09/2019

ASD0015	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency. Claudia Brown	10/08/2015	1513	**15**	**10**	Safety & Safeguarding	**5-9**	9 control measures in place 100% complete Continuing to prioritise improving safeguarding practice through a range of measures which are monitored at ASC Improvement Board, Corporate Safeguarding Board and the Safeguarding Adults Board Remains a risk in Adult Social Care. Adequate mitigation in place and so risk is now considered medium level.	01/01/2020
PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety. Karen Swift	28/09/2017	733	**15**	**5**	Safety & Safeguarding	**5-9**	4 Control Measures, 3 = 100% Complete, 1 = 80% Complete MHCLG have asked Councils to undertake a new data exercise on the external materials for all high rise private blocks. Concerns about resourcing this activity remain although financial assistance is likely under the New Burdens doctrine. An announcement on this is due shortly. The London element of the £200m Government ACM cladding remediation fund is being administered by the GLA and they are in contact with us and buildings owners direct about bids to the fund. This marks good progress towards getting the ACM removed on buildings which have not as yet formed a remediation plan. Fortnightly project team meetings to continue to monitor ACM clad work and the new data task.	03/11//2019

THB0002	Impact of Brexit on the recruitment and retention of LBTH staff (People & Skills). - Number that are EU residents - Specific service pressures e.g. social care - Professional qualifications from EU nations - Vacancies - Skills shortages Increasing costs for agency staff or attracting workers for low skilled jobs Armanda Harcus	06/03/2019	209	**12**	**8**	Brexit	**N/A**	Additional Social Care workforce already in pressurised areas. Response from care home and home care providers is that there will be limited if any impact for them, as workforces in both cases are predominantly non - EEA nationals. Support provided to EU workforce ensuring they understand the EU settlement scheme and their rights post exit and support around wellbeing. Creation of a Social Work Academy within children's social care to address over reliance on agency workers and mitigate any impact on the supply of agency staff from Brexit. Risk to be reviewed in August to check data and ensure adequate provision is in place when a final decision is made on Brexit. Few staff have declared as EU nationals and with the removal of fees, application for settled status should be less burdensome.	05/11/2019

ICT0071	Failure to ensure ICT risks are within the scope of council-wide risk management and internal control frameworks in the following areas; •ICT availability and continuity risk •ICT security risk •ICT change risk •ICT data integrity risk •ICT outsourcing risk Ensuring the following are kept under review: •ICT risk management policy, processes and risk tolerance thresholds •Organizational management and oversight framework •Internal audit coverage and findings; and •ICT risk controls that are specific for the identified material ICT risk. Zoe Matthews	20/11/2018	315	**12**	**8**	Innovation	**20-25**	2 Control Measures, 1 = 100% Complete, 1 = 10% Complete IT security risk – managed through Information Governance Group and Strategic Information Governance Group, IT are standing members. IT change risk – managed through weekly change advisory board and through monthly technical design authority. IT outsourcing risk – managed through monthly operations meeting and quarterly strategic partnership boards. An audit will be undertaken to ensure meetings are happening, minutes are being kept, and actions progressed. Zoe & Adrian are attending Clearview training week commencing the 14th October. Following this BCP sections will be updated on Clearview. Major incident policy and processes collated from LBTH & Agilisys side and being updated	23/12/2019
CLPRCG0040	We are currently at a recycling rate of 24.6% and have a target to reach 35% by 2020. Services are currently in transition from contracted to an in-house delivery model. This may impact on our ability to bring in long term measures to improve recycling on the service as there may be significant service redesign. Oli Kapopo	08/11/2018	327	**9**	**9**	Reputational	**10-12**	We have carried out a re-route of recycling rounds and are working on remodelling our approach on how we deal with contamination from a collection perspective. We are asking that bins are stickered and that collections happen within 48 hours. Further initiatives i.e. Outreach and Communications will need to be looked into to supplement operations.	22/10/2019

ASD0017	Risk that should a major incident take place affecting Council services, there may be a failure to implement an effective response. The risk is increased if there was to be more than one incident at the same time. Denise Radley	04/08/2013	2249	**9**	**4**	Safety & Safeguarding	**5-9**	12 Control Measures, All are 100% completed. Since the last review a Baseline Review of LBTH preparedness and business continuity arrangements has been completed. The recommendations are due to be presented at HAC DLT on 23 September. Thereafter an implementation plan will be developed. It is anticipated that the CCB will provide the necessary governance. Additionally, an added pressure is the migration of a paper based business impact assessment process to a bespoke IT system. Training is in place and should be complete, including updated BIA's by end October. There are staff shortages in the CPU and this is being addressed via recruitment. The risk level therefore remains unchanged.	23/12/2019
RM0009	Increased acts of significant fraud or corruption (both internal and external) against the Council Neville Murton	08/01/2014		**9**	**6**	Compliance/ Regulatory	**5-9**	1 Control Measure, 50% completed The Corporate Anti-Fraud Team will deliver a programme of work across 2019/20 to raise the profile of fraud and increase fraud awareness amongst the staff. This will include a fraud awareness campaign and proactive exercises to detect potential fraud. The annual plan of activity is presented to CLT and the Audit Committee for review and agreement. Progress is reported to both on a quarterly basis.	09/02/2020

THB0004	"Brexit - Organisational Impact Impact of Brexit on the regulatory landscape Impact on income streams Impact on local communities 1. Decreased revenues & changes in demand - Business and economy - Drop in the value of the pound - Business rates - Regeneration schemes - Skills shortages - Cost of living - Decline in town centres/high streets 2. Laws, Legislation and regulation. - Environmental regulations - Devolution/public service reform - Human rights 3. Citizens and Community - Community cohesion - Migration into the borough - No Recourse to Public Funds Neville Murton	06/03/2019	209	**9**	**6**	Brexit	**N/A**	1 control measure; 75% complete. Identify and plan for impacts on service budgets and identify new income streams e.g. new government initiatives. Monitor/Plan/Mitigate - mitigations in terms of business continuity plans are required from all areas of the organisation. Putting in funding to plug funding gaps over 4-5 years with General Fund as contingency, but significant shocks might remove this backup, earmarked reserve could be used to meet higher priorities. Working with partners to support local business, including access to business rate relief for small businesses.	17/10/2019
ASD0032	Delay to the June 2019 revision of the Business Impact Assessments for the Business Continuity Plans. The delay has been approved by the CCB on 15 April 2019 to enable the implementation of a new internet based Business Continuity planning tool. Charles Griggs	15/04/2019	169	**4**	**4**	Safety & Safeguarding	**5-9**	1 Control Measure 75% complete In order to minimise the risk we have required Business Continuity Champions to review their BC plans and to update the contact details of relevant staff. This is the major element of the June BIA revision. This process is complete. Training on the Clearview system has been arranged for 19 July for BC Champions. Once complete the system will be tested and then go live. N.B. Once Clearview is implemented there will no longer be the need to conduct twice yearly revisions of the BIA's as the system is live, unlike the current paper based process that is cumbersome. This was discussed at the CCB on 15 July 2019.	15/10/2019

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TOWER HAMLETS

Annual Risk Management Report 2018/19

Paul Rock,
Head of Internal Audit, Fraud and Risk Management

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Appendix 1: Corporate Risk Register

Appendix 2: Risk Management Strategy 2015- 2020

Appendix 3: Risk scoring matrix

1.0 Introduction

1.1 The Council's ongoing risk and assurance aims are:

- To provide Members and Senior Officers an understanding of the key risks facing the Council and its community, and to show how these risks are being effectively mitigated.
- To implement and maintain a fluid process for business as usual management of risks relevant to our objectives, outcomes, services and assets.
- To align reporting mechanisms for finance, risk, audit and performance providing members and senior officers triangulated risk and assurance profiles.
- To continue to meet the requirements of our external auditor and compliance providers.

2.0 Risk Management Team

2.1 The Risk Management team comprises of Internal Audit, Fraud, Insurance and the Risk Management services. The team is led by the Head of Internal Audit, Fraud and Risk Management. The following section focuses on the Risk Management service this is delivered by the Head of Service and the Strategic Risk Adviser. It highlights the aims of the team and the services that underpin these objectives.

The Risk Management team aim's and services

2.2 The Risk Management Team has the following targets:

A. Ensuring the consistent use of risk management and ownership of risk at all levels;

B. Building and maintaining a risk aware culture within the council, including appropriate education and training;

C. Developing, implementing and reviewing the risk management framework and risk management processes;

D. Developing competence and maturity in risk management;

E. Linking with the other functions within and beyond the Risk Management team that advise on specific aspects of risk management (e.g. insurance, health and safety, business continuity, civil contingencies, occupational health, internal audit);

F. Reporting, escalating and communicating risk issues to key stakeholders.

2.3 In order to meet these aims the team delivers the following services:

- Management and coordination of the corporate risk management process which is part of the council's corporate governance framework.
- Provision of professional risk management support on a range of corporate and directorate projects. This includes, where appropriate, attendance at management meetings, risk interventions such as the production of risk strategies and process guides, risk identification and control workshops, access and training to the council's Risk Management Information System (JCADCORE).
- Facilitating risk workshops to continually refresh and review risk registers which include identification, analysis and evaluation of risks to objectives, discussion on existing and proposed mitigation with an in-depth look at its effectiveness, reliability, relevance and cost. Concluding with a review and confirmation of assigned risk and control responsibilities.
- Preparation and publication of risk information on TH Net.
- Maintenance and development of the Risk Management Information System.
- Provision of risk training including members, and senior managers, new managers and staff as well as regular training opportunities on

JCADCORE.

2.4 **Role of the Audit Committee in supporting the risk management process.**

- The Committee oversees the Council's risk management strategy, anti-fraud and anti-corruption arrangements; and needs to be satisfied that the Authority's assurance framework properly reflects the risk environment.
- Members have a critical role in establishing the environment that will allow the effective management of risk to flourish.
- To consider all audit or external reports relating to any directorate in the Council and seek assurance that action has been taken where necessary.
- To receive an annual report from the Head of Audit and Risk Management reviewing the effectiveness of the Council's risk management strategy.
- To monitor progress in addressing risk-related issues reported to the committee.

3.0 **Corporate Risk Management Process**

3.1 The approach to managing risk is outlined in the Council's Risk Management Strategy which also contains the Risk Management Policy Statement.

The Statement encourages innovation and creative approaches to service delivery whilst requiring careful consideration of the risks involved and taking appropriate measures to manage them. The Corporate Risk Management process is aimed at identifying, assessing, prioritising and mitigating the significant risks that could impact on the delivery of the council's objectives (i.e. corporate risks). This process is also aligned with the council's team planning arrangements. Risks are prioritised for reporting in accordance to the scoring methodology in the risk management scoring matrix.

3.2 Corporate risks (strategic risks) are those concerned with ensuring overall success of Council objectives, and the vitality and viability of the organisation. Materialisation of such risks can have a number of consequences, for example they could significantly affect the reputation of the Council, or present significant financial costs. Risks are identified and assessed by impact and likelihood on an ongoing basis across all Directorates. Guidance has been produced to help Risk Champions (see 3.4 below) and their directorates identify corporate risks from their service level assessments.

3.3 The review of both corporate and directorate risk is undertaken on a monthly basis by the Risk Champions Group. A process is in place to aid all directorates capture key risks and assess their significance. The methodology adopted by the authority (the UK Government's Management of Risk approach) is used to assess and prioritise key risks and to focus attention on those risks that require attention.

Significant risks are examined at directorate level and any risk that remains significant after existing controls are taken into account (residual risk) are reported quarterly to the Corporate Leadership Team (CLT) so that they can be considered further.

Risk Champions Group

3.4 The Risk Champions Group is a key part of the council's corporate risk process. The Group is currently chaired by the Head of Internal Audit, Fraud and Risk Management and its members comprise senior officers from each of the directorates. The group meets monthly and its primary purpose is to ensure that there is appropriate scrutiny of risks that have been identified by directorates and recommended for elevation to the corporate risk register. It also reviews and scrutinises directorate risks.

3.5 The role of a Risk Champion is set out in the group's terms of reference

and includes the following activities:

- Update and maintain directorate risks on JCADCORE every quarter;
- Maintain close liaison on risk and risk dynamics with individual Divisional Directors and Directorate Leadership Teams (DLT) collectively;
- Challenge officers in their directorate in their assessment of risk and seek explanations over the proposed actions to manage the risk;
- Build a risk-aware culture within their directorate and disseminate good risk management practices;
- Provide advice and assistance as required;
- Obtain and update on planned actions from appropriate service heads for reporting to CLT; and
- Bring significant risks to the attention of the CLT.

3.6 Once the group have scrutinised, reviewed and updated the corporate risks the risk management team prepare a quarterly risk management update report for CLT and subsequently to Mayor's Advisory Board (MAB). A quarterly update is also presented to the Audit Committee.

3.7 Corporate risk owners continue to be invited to discuss their risk(s) with the group to get a better understanding on how well the risk is being managed. It may then make recommendations to the risk owner for suggested improvements to the controls.

Corporate Risk Register

3.8 Risks that feature on the corporate risk register have been identified by the corporate leadership team and also include risks that have met the corporate risk criteria and escalated by each directorate.

3.9 The current corporate risk register (as at 16/10/19) identifies 14 corporate risks.

				Risk	Score		
Directorate	**4**	**9**	**12**	**15**	**16**	**25**	**Grand Total**
HAC	1	1	0	1	0	0	3
CSD	0	0	0	0	0	2	2
Place	0	1	0	2	0	0	3
Governance	0	0	0	0	0	0	0
Resources	0	2	2	0	2	0	6
Grand Total	1	3	2	3	2	2	14

Table 1. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community Services directorate
CSD – Children's Services directorate
Place – Place directorate
Governance – Governance directorate
Resources – Resources directorate

Compared with the same period in 2018, the numbers of corporate risks have increased from 12 to 14.

Risk Numbers

At the end of September there are **440** identified active risks and 771active controls on the Council's risk register. To ensure risk management process remains effective and aligned to organisational objectives, this is reviewed quarterly by the risk team.

4.0 Risk Management Support and Interventions

4.1 An important role of the Risk Management team is to assist teams/services in applying a risk management approach to help deliver operational or project objectives. During the reporting period risk management has provided support to a number of areas within the council. Support can take various forms including the provision of advice and guidance as well as setting up risk processes and training. In 2018/19 twenty two risk

workshops were held with various Directorates and Divisions to review, identify and analyse risks to their objectives.

5.0 Preparation and Publication of Risk Management Information

5.1 The Risk Management pages on THnet include information and tools on managing risks which are updated regularly. Over the period more documents have been added or revised:

- A quick reference guide to Risk Management (a user friendly two page guide)
- Further guidance on how to use the JCADCORE Risk system
- Risk management guidance for managers
- LBTH Risk Management strategy

6.0 Risk Management Training

6.1 Risk Management training is essential if managers and staff are to understand the benefits of this approach and use it to help make effective decisions and achieve directorate/corporate objectives. Risk Management training has the following goals;

- Creating positive risk management behaviours and culture.
- Communicating risk information.
- Building risk capability.
- Identifying risks to objectives.
- Assessing risks and establishing tolerance.
- Addressing risks
- Reviewing and monitoring risks.
- Reporting risks.

6.2 The Council's risk management system JCADCORE contains all recorded risks from across the Council. Information from the risk management system is used to create reports for management teams and members.

7.0 Promotion of Risk Management

7.1 This section highlights the promotional Risk Management activity which has taken place during the reporting period.

Risk Talks

7.2 Risk talks are regular, usually monthly, lunch and learn sessions were initiated in May 2012. Their purpose being to bring life to Risk Management through the use of case studies, research, sharing best practice and updates all highlighting the importance and benefits of managing risk. The talks are advertised on the THnet as well as targeted invitations being sent to officers. There is usually a mixed audience of senior managers, managers and staff. Topics have ranged from the Cyber risk landscape, managing reputational risks, anti-fraud and corruption strategy, GDPR risk and impact of Brexit on the local Authority.

7.3 A new programme of risks talks featuring internal and external speakers started in May 2019.

8.0 **Risk Management performance**

8.1 This section provides evidence of the overall council performance of its formal Risk Management arrangements. Two areas are highlighted. The first is the Council's Annual Governance Statement and also the result of the council's most recent participation in the Alarm/CIPFA Risk Management benchmarking exercise in 2018. The evidence suggests that the council has processes in place which continue to improve.

The council's Annual Governance Statement

8.2 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions; this includes arrangements for the management of risk. Risk management is a principal element of corporate governance; a risk management strategy is in place to support this and is regularly reviewed.

The **2018/19** Annual Governance Statement Report noted the following comments regarding the Council's Risk Management arrangements.

"All councillors and managers are responsible for ensuring threats and opportunities are considered in the decisions they take. TH has in place a formally approved risk management strategy which is subject to annual review. That strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered."

"In support of the delivery of effective risk management arrangements, a corporate risk management system 'JCAD' is used to capture all relevant corporate / directorate and project related risks. In addition, directorate Risk Champions oversee the continued development and review of the council's approach to risk management, acting as risk specialists to continually review existing risk and to consider emerging risk matters."

Benchmarking risk management

8.3 To assess and compare our "risk management health" with other authorities the Council participates in CIPFA benchmarking exercise. It is designed as a performance improvement tool and helping Council's to

raise standards of risk management. The results are expected to be used as the basis of the evidence to provide the Council with assurance of the standard of risk management that it has reached. A summary of our performance from our most recent participation (2018) is provided below:

Enablers Leadership & Management	Awareness	Happening	**Working**	Embedded & Integrated	Driving
Policy & Strategy	Awareness	Happening	Working	**Embedded & Integrated**	Driving
People	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Partnerships & Resources	Awareness	Happening	**Working**	Embedded & Integrated	Driving
Processes	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Results Risk Handling & Assurance	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Outcomes & Delivery	Awareness	Happening	**Working**	Embedded & Integrated	Driving

Level Guide:

Awareness	<20%
Happening	20 – 45%
Working	45 – 70%
Embedded & Integrated	70 – 85%
Driving	85%

Table 3- LBTH Summary of Risk Management Benchmarking results

8.4 The seven key risk management enablers were assessed as “Working (3)”, “Embedded & Integrated” (3) and “Driving” (1). Our aspiration is to move all ratings to the “driving” category and work continues on these improvement areas.

9. **Risk Management Action plan 2019/20**

9.1 The Risk Management team plan includes a number of actions to address some of the points above and made elsewhere in this paper:

- The council's Risk Management policy and manager's guide will be reviewed and revised to incorporate the revised risk appetite from the risk appetite workshops.
- Conduct a risk management delivery options appraisal.
- Continuation of work undertaken in moving from "compliance" to an embedded risk management "capability", which supports timely decision-making across the Council's operations and services.
- To move from being risk averse to risk mature, in line with the Council's risk appetite.
- To move beyond a "threat" based approach to risk management, identifying where risk can deliver positive outcomes and generate opportunities for the Council.
- Develop an approach to risk informed decision making which supports Business as Usual (BAU) and the innovation and transformation required to deliver on the blueprint to 2022.
- Develop an approach to using risk culture as a driver for effective risk management and empowered decision making across the Council.
- Further work will be undertaken to ensure risks are more closely aligned to service and business objectives.
- Risk Talks will continue with regular features in TH Now.
- Risk Management protocol and risk champions membership and terms of reference will be refreshed to provide guidance and further assurance on the application of Risk Management within directorates, with particular emphasis on identification of key risks and emerging risks.

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TOWER HAMLETS

Risk Management Strategy 2015 – 2020

Will Tuckley
Chief Executive
July 2019

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Version History

This strategy builds on and replaces earlier versions of the risk management strategy and is intended to be a high level document that provides a framework to support the Councils statutory responsibility for managing risk. It also allows the Council to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a five year rolling period but will be reviewed annually to ensure it remains fit for purpose.

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Date	**July 2019**
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London Borough of Tower Hamlets
Risk Management Policy Statement

The London Borough of Tower Hamlets recognises and accepts its responsibility to manage risks effectively in a structured manner in order to achieve its objectives and enhance the value of services provided to the community.

In pursuit of this policy LBTH has adopted a risk management strategy that supports the following key objectives:

- Enables corporate, directorate and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on LBTH's success.
- LBTH recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation and to add value to service delivery.
- Risk management is seen as an integral element of the Council's culture and operation.

These key objectives will be achieved by:

- Maintain clear roles, responsibilities and reporting lines for risks management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing risks;
- Ensure corporate, strategic, operational, partnership, and project risks are discussed on a regular basis as part of relevant board meetings;
- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health & Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in comparison and benchmarking activity.

Risk Appetite

London Borough of Tower Hamlets seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- Risks have been properly identified and assessed.
- Risks will be appropriately managed, including the taking of appropriate actions and the regular review of risks.
- The potential benefits accruing to the Council justify the level of risk to be taken.

The Council will positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

……	……
Will Tuckley **Chief Executive**	**John Biggs** **Executive Mayor**

CHAPTER 1: Introduction

This revised strategy has been developed in line with published good practice[1] and provides an overview of the operating framework, arrangements and responsibilities for managing risks within the Council.

What is Risk Management?

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk has been adopted by the London Borough of Tower Hamlets:

"The effect of uncertainty on objectives"

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner.

Our risk management definition is:

"An uncertain event or set of events that, should it occur, will have a (positive or negative) effect on the achievement of our objectives"

A risk is measured in terms of a combination of the likelihood of a perceived threat or the opportunity occurring and the magnitude of its impact on objectives.

<u>Purpose of this strategy</u>

Every risk is linked to a business objective and this strategy will facilitate a proactive stance to managing risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

By adhering to this strategy, the Council is better placed to meet all its objectives in an efficient, effective and timely manner.

[1] Including 'ISO 31000 Risk Management – Principles and Guidelines' and 'A Structured Approach to Enterprise Risk Management' issued by the Institute of Risk Management, the Association of Insurance and risk Managers and the Association of Local Authority Risk Managers.

Some benefits of successfully implementing this strategy are listed below:

- Ensuring our ability to satisfy statutory requirements
- Protecting and enhancing the Council's reputation
- Increased innovation, value for money and visual improvements in service delivery
- Effective resilience to changing environmental conditions, to protect key services
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risk are being controlled

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Council is fully committed to developing a culture where risk is appropriately and effectively managed and for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- Common understanding of risk management across major projects and partners;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment, including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Council's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Council.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Risk Management Objectives

The main objectives of Tower Hamlets' risk management strategy are to:

Aim	How this is achieved
Improve engagement, utilisation and ownership of risks and risk management across the council.	**Embed a risk management culture** to create an environment where risk management becomes an integral part of day to day council operations.
	Enabling better quality decision making by keeping risk management as a core part of governance processes.
	Minimising failures and maximising opportunities and supporting the governance framework.
To provide a strategic lead and champion risk management across the organisation and stakeholders maintaining our statutory accountabilities	**Increasing our models of partnership** to deliver better services to the community.
	Co-producing joint risk management solutions to help minimise threats and maximise opportunities.
	Being bold and taking calculated risks to encourage innovation and drive an entrepreneurial community.
To take a lead on developing and replicating best practice in risk management, providing value for money services and allowing better outcomes for the council.	**Leading on innovative projects** and enhancing risk management awareness and practices, including the reduction of insurance claims.
	Active participation externally to help shape the future of risk management.
	Regular benchmarking, adapting best practice to improve risk management.

How the objectives can be achieved

The objectives and outcomes of this strategy will be achieved by working closely with key teams across all council Directorates.

In particular, we will:

- Maintain clear roles, responsibilities and reporting lines for risk management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing risks;
- Ensure corporate, strategic, operational, partnership, and project risks are discussed on a regular basis as part of relevant board meetings;

- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health & Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in comparison and benchmarking activity.

Note: This is not an exhaustive list.

Risk Appetite

Risk Appetite is a method to help guide an organisation's approach to risk and risk management. Defined well, risk appetite translates risk metrics and methods into business decisions; it sets the boundaries which form a dynamic link between strategy, target setting and risk management.

In 2017 the council's risk management team worked with Zurich Municipal to develop and expand the council's risk appetite definition and categories. A number of workshops were held with senior officers and the Mayor and cabinet. Output from the workshops was used in creating specific levels of risk appetite for separate categories of risk as outlined below.

Risk appetite is the amount of risk the council is willing to take. It varies according to the risk for example the council would accept a greater amount of risk for areas of innovation than in those relating to compliance and regulatory activities.

Risk Category Identification

Risk appetite categories	
Finance	Risks which focus on areas where financial features play an important part such as budget control and revenue generation.
Compliance/Regulatory	Risks relating to ensuring regulations, laws and guidelines that govern the business of the Council.
Contracts & Partnerships	Risks relating to the various contracts held within the organisation and the service which our customers receive. Also risks associated with working with private or public sector organisations to achieve common goals and objectives.
Safety & Safeguarding	Risks relating to provision of services to vulnerable adults and children provided by the Council. This would also include wellbeing and safety of residents.
Reputation	Risks involving amongst others the safekeeping and protection of all important data held within the organisation and the conduct of members & staff.

Innovation	Risks which focus on long term goals and plans.

Risk Appetite Matrix and Risk Appetite thresholds

Consider the risk score against the risk appetite threshold for its category. The threshold is represented by the vertical black lines in the matrix below. For example, innovation risks have a risk appetite threshold of 25, and safety & safeguarding have a threshold of 5. This means the council will taker higher risks to ensure innovation, but will be less tolerant to risks concerning safety and safeguarding of its staff and citizens.

Risk Category	**AVOID** Risk Score 1-4	**MINIMAL** Risk Score 5-9	**CAUTIOUS** Risk Score 10-12	**OPEN** Risk Score 15-16	**SEEK** Risk Score 20-25
Finance					
Compliance / Regulatory					
Contracts & Partnerships					
Safety & Safeguarding					
Reputation					
Innovation					

Risk Appetite Level	**Risk Appetite Description**
Avoid	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimal	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefits.
Cautious	Preference for the safe options that have moderate degree of risk and may only have limited potential benefits.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Seek	Eager to realise benefits and to choose options to achieve this despite the higher risk

CHAPTER 2: The Risk Management Process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the organisations public image.

Whenever an activity takes place, there will be an outcome that will either lead to success or failure. In undertaking the activity there will be a number of factors which need to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risk. It is about:

- Identifying the objectives and what can go wrong.
- Acting to avoid it going wrong or to minimise the impact if it does.
- Realising opportunities and to reducing threats.

The Risk Management Cycle

The risk management process is broken down into five steps illustrated below:

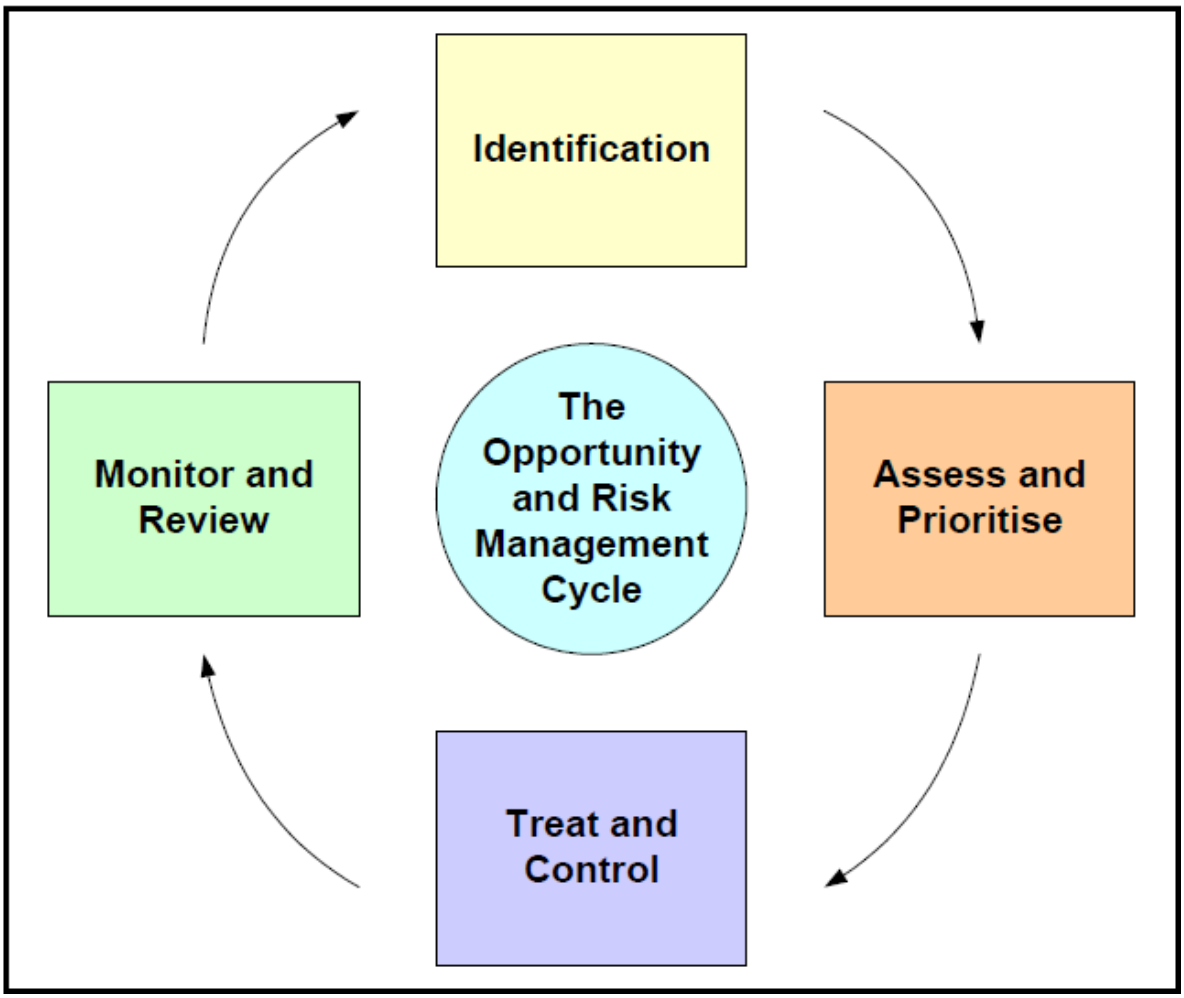


Figure 1: Risk Management Cycle

The risk management process is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk.

The process is cyclical and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the risks to the activity/outcome you are assessing.

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, there is usually a balancing of risks to be done in everything we do so the first step is to be clear about the objectives and key deliverables of the project or service in mind before attempting to identify the risks. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/directorate/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of Stakeholders; and

- How the activity sits within the corporate/directorate/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the service and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the council and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Step 2: Identify and Analyse Risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative. Wide Consultation is required from all levels of management and staff.

Questions to Ask	What will stop us achieving the objective? (Threat) What could help us achieve the objective? (Opportunity)
Actions	Consider: - Lessons learned - Who the stakeholders are - The activity itself - Who should own the risk Tools: - Brainstorming - SWOT analysis - PESTLE analysis (Political, Economic, Social, Technological, Legislative, Environmental) - Horizon Scanning - Stakeholder Analysis - Cause and effect diagrams - Risk Bow Tie
Output	Risk(s) Identified Risk Owner(s) Identified

<u>Risk Ownership</u>

Having identified and defined the risks, it is essential that someone ‘owns’ them (the risk owner). This is not the same as being responsible to carry out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;

- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a directorate viewpoint, the risk owner should be a member of a management team, and have knowledge and influence on the areas of work required to respond to this risk. For example, if the risk is “overspend of budgets in Finance, Audit and Procurement”, the risk should be owned by the Divisional Director for Finance, Audit and Procurement who has responsibility for managing the Finance, Audit and Procurement budget.

Note: The individuals selected would be accountable for managing the risk which affect the objectives, whether explicitly named or not. “Ownership” of the risk within the context of risk management simply formalises their responsibilities. Responsibility for managing risks should be included within the individual’s performance targets where they are identified as a risk or control owner.

Step 3: Assess and Prioritise the Risks.

Every Risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

Questions to Ask	How likely is it to happen? What impact would it have if it happened?
Actions	Score Risks on the 5x5 matrix in appendix C below 1. Current – how likely/severe the risk without doing anything 2. Target – the desired score
Output	Current risk score Target risk score

Step 4: Mitigation and planning responses

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to respond to and manage risks.

When agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks.

Questions to Ask	What can we do about it? Who will be involved?
Actions	Options to respond to a threat: **Tolerate** – monitor to ensure the impact/likelihood do not change. **Treat** – carry out controls to reduce the likelihood/impact. **Transfer** – by insuring or passing the risk to a third party. **Terminate** – stop doing the activity associated with the risk. Options to respond to an opportunity: **Ignore** – if the cost of seizing the opportunity outweighs the benefits. **Exploit** – e.g. changing an activity's scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification. **Share** – pain/gain formula where both parties share the gain (with pre-agreed limits) if the cost is less or share the pain if cost exceeds.
Output	Control Measure(s) Control Owner(s)

Step 5: Monitor and Review

Once the risks have been identified and appropriate controls and responses are put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

Questions to Ask	How do we record the risk? How do we know if the Risk has changed?
Actions	Enter information into a risk register. Risk Management Information

	System (JCAD) Regularly review.
Output	Risk Register regular reviews (see table below for guidance on suggested risk review periods)

As a guide, risks should be reviewed in management meetings using the following criteria:

Standard Review		Programmes, projects and partnerships
Red	Monthly	Monthly
Amber	1-3 months	Monthly
Yellow	3 months	Monthly
Green	6 months	Quarterly

Figure 2: Recommended risk review frequencies

Note: at least annually, each risk register should be reviewed in its entirety.

CHAPTER 3: REPORTING RISKS

Risk Reporting Framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers that adequate measures have been taken to manage risk.

To support this, risk management has been integrated into the corporate, strategic and operational business planning process. By using the risk methodology, key risks facing the council or a particular service will be identified. This helps to ensure that the risks the council faces in the delivery of the strategic plan are identified and managed.

As set out in its formal terms of reference, the Audit Committee is responsible for monitoring the Authority's Risk Management arrangements and seeking assurance that action is being taken on risk related issues identified by auditors and inspectorates.

Escalation of risks ensures that managers have a clearer picture on risks or issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources, or review areas of concern.

On reporting, usually each quarter, different risk registers are taken to different management teams. Lists of key reports below including target audience along with their escalation criteria (risk score).

Corporate Risk Register	The corporate risk register is used to highlight and assure elected members that key risks are being effectively managed and responded to.

Directorate Risk Register	This register flows out from the division and services risk registers. It is challenged and moderated quarterly by the Directorate Management teams. Risks which are escalated here are those with a risk score of 16 and above.
Divisional Risk Register	This register flows from the service and team risk registers and is challenged and moderated quarterly by the divisional leadership teams. Risks which are escalated here are those with risk score of 10 and above.
Service Risk Register	This register flows from risks to service objectives and is moderated and challenged by the service leadership team.
Team Risk Register	This register flows from risks to the team objectives and is reviewed and updated at team meetings.
Programme/Project Risk Register	Where it is considered appropriate, major programmes and projects will produce and maintain their own risk registers, and be responsible for updating this on a monthly basis. Significant programme and project risks will be escalated to directorate and service management teams where relevant.

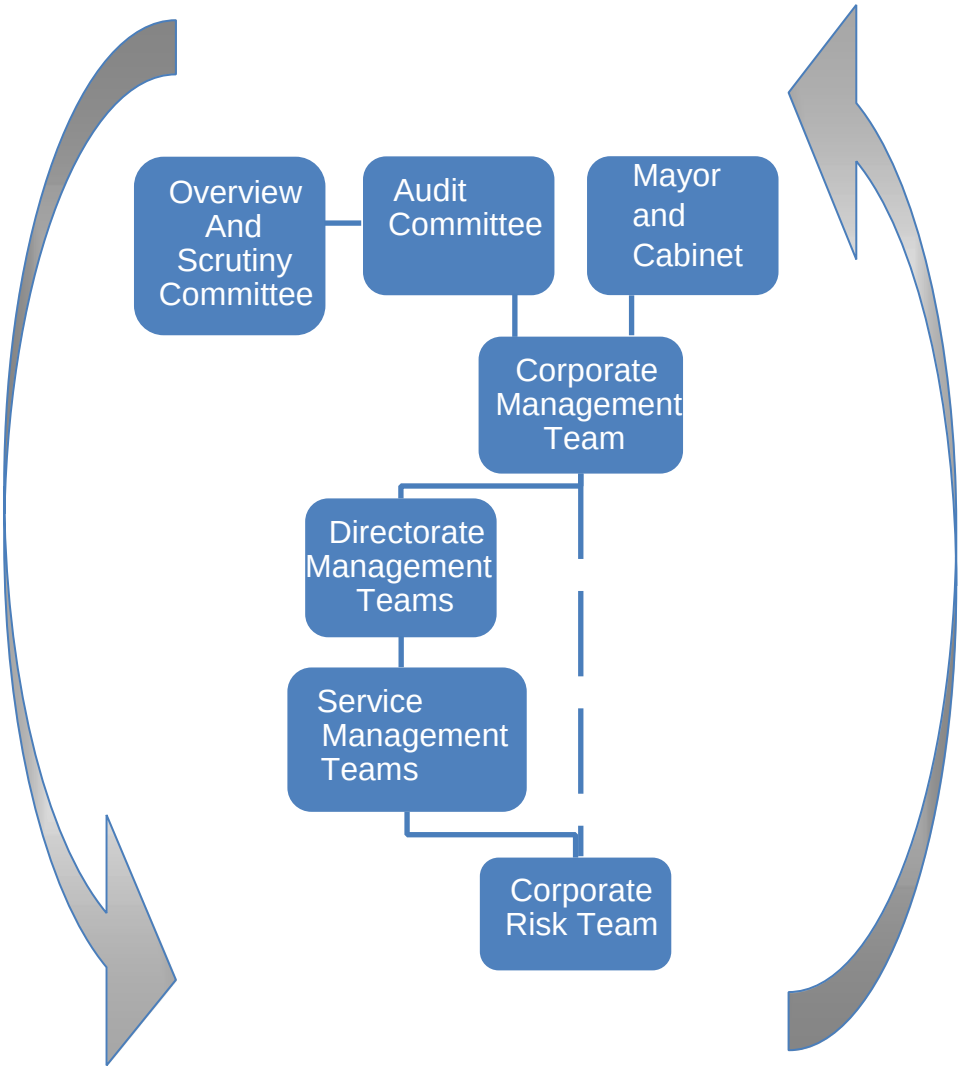
Risk escalation process

Risks will be escalated using a bottom up process depending on the risk score (i.e. risk tolerance) and/or management recommendation.

Corporate review will be undertaken quarterly.

Directorate reviews should be adapted to suit the structure of each respective directorate, although as minimum should be done quarterly.

Annual review of all risks should be undertaken as a minimum.


Overview And Scrutiny Committee
Audit Committee
Mayor and Cabinet
Corporate Management Team
Directorate Management Teams
Service Management Teams
Corporate Risk Team

Appendix A

Groups, roles and responsibilities

It is essential that all staff within Tower Hamlets understand the role they play in the effective management of risk.

Groups

The role of the risk management team is primarily that of an advisory, support and critical friend function and to support this, the following review groups are in place.

Reviewing Group	Responsibilities
Cabinet and Elected members	Own the Council's risk management policy. Contribute to defining the overall risk appetite for the organisation. Review the corporate risk register. Review the directorate risks within their area of leadership. Regularly discuss new and existing risks with the relevant Corporate Director.
Audit Committee	Monitors the effective development and operation of risk management and governance in the council; Monitors and acts on escalated corporate risks under the direction of the Chief Executive; Oversees and approves the council's risk management policy and strategy; Receives periodic updates on threats and opportunities which impact on the council's objectives / outcomes; Contributes to defining the overall risk appetite for the organisation; Members consider any risks they wish to be passed to the Overview and Scrutiny Committee for further scrutiny
Overview and Scrutiny Committee	Provides scrutiny for any risks escalated from Audit Committee

Reviewing Group	Responsibilities
Corporate Leadership Team	Ensures that escalation processes are in place for designated parts of the council for risk reviews; Identifies the need for investment to fund, promote and oversee the implementation of the risk management strategy; Ensures participation in the delivery of risk management within the organisation; Owns individual corporate risks (as delegated by the Chief Executive), and approves corporate risks as escalated from directorate management teams Agrees the involvement of the risk manager, internal audit and other officers as appropriate. Contributes to defining the risk appetite.
Corporate Health and Safety Committee	Monitors and reviews high level Health and Safety risks and issues, escalating to the Corporate Management Team as appropriate; Ensures that Health and Safety risks are managed effectively within directorate and service areas; Provides risk management recommendations; Provides a forum for the discussion of risks and issues raised by risk registers, environmental conditions, and internal and external audits.
Directorate Leadership Teams	Ensures directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively; Reviews and challenges risk registers for their directorate and service's on a quarterly basis; Makes recommendations on risks/issues to escalate to Corporate Management Team; Sets priorities for dealing with unacceptable risks and to reduce risks; Ensures that risk management roles and responsibilities are included within appropriate1-2-1 targets.

Reviewing Group	Responsibilities
Internal Audit	Reviews the Risk management Policy and Strategy Supports and reviews the risk management process. Focus internal audit work on significant risks. Provides the risk team with updates on risks identified from audits. Provides assurance on risk management across the council, based upon reviews through audit risk assessments.
Programme, project, strategic and operational boards and senior responsible owners	Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities; Understands the Risk management Policy and Strategy and their accountabilities; Implements the risk management processes within their areas of responsibility; Escalates programme, project, strategic and operational risks as appropriate; Records and lessons learnt actions are put in place to reduce or eliminate risks before new projects are implemented; Ensures risk management is at the heart of decision making and key information is delivered through management groups.

Roles

To help clarify an individual's responsibility for managing risks within their role, a set of risk management competencies has been developed and is available for inclusion within individual 1-2-1 sheets.

Roles	Responsibilities

Risk Manager (& risk management team)	Ensures the Risk Management Policy is implemented Develops plans to improve the management of risk Develops risk management guidance and training and supports risk and control owners in delivering their role Ensures appropriate staff and Members are adequately trained in risk management Carries out ongoing management of risk process reviews, benchmarking scrutiny and challenge.

Divisional Directors /Service managers	Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities Understands the Risk management Policy and Strategy and their accountabilities Maintenance of the risk registers in their area of responsibility, ensuring that all risks are added to the council's risk register. Escalating risks of a corporate nature to the attention of their DMT Undertakes risk assessments for their service in relation to service / business planning and budget setting process. Identifies partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed. Reviews risks and risk assessments on a regular basis and discusses the management of risks with relevant team members.

Risk/control measure owners	Ensures effective action is taken to manage risk. Ensures the integrity of information recorded on the risk register. Oversees control measures and reviews proposed mitigating actions. Monitors progress against mitigating actions. Reports to their management teams on significant changes in risks.
All council employees	Aware of the Risk Management Policy and Strategy Understands their responsibilities in managing risk Participate (as appropriate) in the identification, assessment and control of threats and opportunities Immediately reports to their manager any incident, accident, 'near misses' or any other concerns that they may have with regards to risks.

Appendix B

Statutory requirements

The council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services. The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively.

The council has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective delivery of its functions, which include arrangements for the management of risk.

The effectiveness of the council's risk managements is assessed annually as part of the Annual Governance Statement (AGS) and Annual Audit Opinion (AAO) which is signed off by the Chief Executive and Leader of the council.

In compiling the AGS, assurances are obtained from a wide range of sources, in consultation with directorates and divisions.

The risk management policy above is a signed statement of intent by the Chief Executive and the Mayor of the council committing the organisation to operating a culture where risk management is embedded, communicated and used in the council for the benefits of the community.

Appendix C

Threat and Opportunity Risk Scoring Matrix

Likelihood										
Almost certain (5)	5	10	15	20	25	25	20	15	10	5
Likely (4)	4	8	12	16	20	20	16	12	8	4
Possible (3)	3	6	9	12	15	15	12	9	6	3
Unlikely (2)	2	4	6	8	10	10	8	6	4	2
Rare (1)	1	2	3	4	5	5	4	3	2	1
	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)	Very High (5)	High (4)	Medium (3)	Low (2)	Negligible (1)
	Impact – Threats					**Impact - Opportunities**				

Appendix D

Bitesize Guide to the Risk management Process

For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

Bitesize Guide to Risk Management

1. **Determine your objectives**
   For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

What	2. Identify	3. Prioritise the risk(s)	4. Mitigation & Action Planning	5. Monitor and Review
Ask	What will stop us achieving the objective? (Threat) What could help us achieve the objective? (Opportunity)	How likely is it to happen? What impact would it have if it happened?	What can we do about it? Who will be involved?	How do we record the risk? How do we know if the risk has changed?
Do	Information: - Lessons learned - Stakeholders - The activity itself Tools: - Brainstorming - SWOT analysis - PESTLE analysis - Horizon scanning - Stakeholder analysis - Bow-Ties (cause and effect diagrams	Score risks twice on the 5x5 matrix below 1. Current – how likely/severe the risk is without doing anything 2. Target - the desired score	Options to respond to a risk: Tolerate – monitor to ensure the impact/likelihood do not change. Treat- carry out controls to reduce the likelihood/impact. Transfer – by insuring or passing the risk to a third party. Terminate – stop doing the activity associated with the risk.	Enter information into a risk register. For corporate or high risks, enter into the risk software JCAD Risk. Regularly review.

Likelihood						
Almost certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Negligible	Low	Medium	High	V High

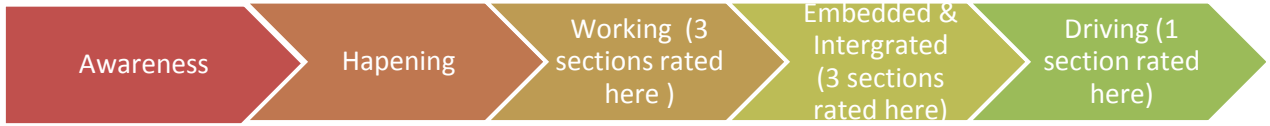
Output	**Risk identified** **Risk owner**	**Current risk score** **Target risk score**	**Control Measure(s)** **Control owner(s)**	**Risk register** **Regular reviews**
Help	**For help and advice, contact the Risk Management Team:** **Phone: 020 7364 4051**			

Risk Maturity

All organisations are on a risk management journey. Risk maturity refers to where the business is on that journey and how well established risk management is as a discipline across the organisation.

Maturity modelling is a valuable tool, enabling us to benchmark our current risk management capability and help us direct our resources to areas that need improvement and further development. Modelling allows us to set long term plans for the service and track our position through the journey. We measure our maturity and compare ourselves against other councils on an annual basis through the CIPFA benchmarking exercise.

The diagram below shows the maturity levels provided by CIPFA and how Tower Hamlets faired in the exercise in 2017/18:



Scoring in some categories improved during 2017/18 and the following three categories move up an assessment band during the year:

- People
- Risk Handling and Assurance
- Policy & Strategy
- Processes

The next stage of the council's risk management journey is focused on improving the following categories so that they become "Driving"

- Leadership & Management
- Outcomes and Delivery
- Partnerships & Shared Resources

Guidance, Education and Training

The Risk Management Team is responsible for developing workforce risk management capability across the organisation. This is achieved through the provision of guidance, education, training and support. The existing suite of guidance materials includes:

- Risk Management Strategy 2015-20
- Risk Management policy
- Risk Management Handbook for Managers
- Risk Management e-learning modules

All risk management training materials are available on the Risk Team page on the council's intranet. As described within the roles and responsibilities appendix of the Risk Management strategy (appendix A), staff and partners at all levels are encouraged to utilise the information provided.

In addition to the suite of guidance and training information available on the intranet, the Risk Team provide targeted training for areas of high risk including high risk processes, projects and procurement. For more information on risk management training please email Risk.Team@towerhamlets.gov.uk.

The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the latest industry best practice.

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London Borough of Tower Hamlets – Risk Scoring Matrix

What is a risk?

- A risk can be defined as "an uncertain event or set of events that could impact on the achievement of objectives" . A risk can have a negative or a positive impact.
- A risk should be assessed against an objective.
- A risk is measured in terms of likelihood and impact. (see Tables below)
- It is important to note that if the likelihood of the event occurring is *less than* 100%, i.e. it is not a certainty
- A risk may never 100% mitigated, but its risk score may reduce to an acceptable level
- A risk can be dealt with in 4 ways – Treat (mitigate), Tolerate (accept), Transfer to a third party or Terminate (avoid).

How to use the Risk Scoring Matrix

To assess a risk , first consider the likelihood of that risk occurring. Consult the Likelihood Classification Table below and choose the most appropriate description e.g. **Possible** ,which has a score of 3. Next, consider the impact of that risk occurring using the Impact Classification Table. There may be several impacts of a risk e.g. service disruption and financial loss, choose the highest rated impact e.g. **High** which has a score of 4. It is essential to take into account, when scoring, any existing measures that either reduce the likelihood or/and impact of the risk occurring. Using the Risk Matrix below a likelihood score of **Possible (3)** and an Impact of **High(4**) gives a risk score of **12 (Amber**). The Risk Definition table indicates the meaning of that score in terms of management action required.

Likelihood Classification

Score	Likelihood Description	Definition (% = Chance of happening)
5	Almost certain	Expected to occur in most circumstances (>80%)
4	Likely	Will probably occur in most circumstances (51% - 80%)
3	Possible	Fairly likely to occur (21% - 50%)
2	Unlikely	Could occur at some point (6% - 20%)
1	Rare	Extremely unlikely or virtually impossible (<5%)

Impact Classification

Impact Type / Impact description	Service disruption	Financial Loss	Reputation	Performance	Health and Safety
Very High 5	Total failure of service for a significant period	Financial loss in excess of £1,000,001	National adverse media coverage for more than 3 days. Possible resignation of chief/senior officer's)	Failure to achieve a strategic theme or major corporate objective in the Council's strategic plan	Fatality of employee. Service user or other stakeholder
High 4	Significant service disruption	Financial Loss between £500k to £1,000,000	Adverse national media coverage	Failure to achieve one or more strategic plan objectives	Serious injury/permanent disablement of one or more employees/service users
Medium 3	Disruption to service – causing some concern	Financial loss between £51k - £500k	Adverse local media coverage/significant no of service-user complaints	Failure to achieve a service plan objective	Injury to staff/service user resulting in loss of working time
Low 2	Minor impact on service	Financial loss between £5k and 50k	Service user complaints contained with directorate	Failure to achieve several team plan objectives	Minor injury to service user/staff
Negligible 1	Annoyance but does not disrupt service	Financial loss under £5k	Isolated service user complaints	Failure to achieve unit level objective	Slight injury to an employee/service user

Risk Matrix

Likelihood						
Almost certain	**5**	5	10	15	20	25
Likely	**4**	4	8	12	16	20
Possible	**3**	3	6	9	12	15
Unlikely	**2**	2	4	6	8	10
Rare	**1**	1	2	3	4	5
		1	**2**	**3**	**4**	**5**
		Negligible	**Low**	**Medium**	**High**	**V High**

Impact

Risk Score definitions

Red (Severe)	Serious concern. Comprehensive Management action required immediately.
Amber (Significant)	Significant concern. Some immediate action required plus comprehensive action plans.
Yellow (Material)	Consequences of risk are of some concern although treating the risk will usually be through contingency planning. Risk to be kept under regular monitoring
Green (Manageable)	The risk is relatively low, however risk should be monitored.

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Appendix 1 – Corporate Risk Register

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There was an Ofsted Inspection Jan-Feb 2017 which found CSC services to be overall inadequate. The report stated that children and young people are being left in situations of harm and the DFE have issued directions to the borough. A Department for Education improvement advisor will also be identified to work with the Council to support the necessary improvement.	Ofsted report indicated shortfalls in following areas across the service: • Overall management oversight was weak. • Non-compliance in core statutory and local requirements • Absence of child care centred practice • Key threshold decisions • Risk assessment and Risk Management • Children's plans and reviews • Achieving permanence • Drift, delay and escalation • Supervision • Staff development and competence • Quality assurance and Performance Management	Harm to an individuals Children and young people being left in situations of risk and or unassisted harm. Poorer than expected outcomes for a child. Poor audit/review findings Reputational damage to the council. Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss Loss of confidence in safeguarding capability across the council, partnership and wider.	Improvement Arrangements to respond to the Ofsted Report A Children's Services Improvement Board (CSIB) has been established to take forward the improvement work. This will meet every six weeks and will be chaired by an independent advisor appointed by the Dfe. An improvement plan has been drafted to reflect the recommendations detailed in the report and will be reviewed by Ofsted to ensure this is the case. The improvement plan is developing under four main headings which are: • A robust model of social work practice • A sufficient and skilled workforce • Quality assurance and audit • Leadership, management and governance The improvement plan is being implemented with robust oversight from the Children's Services Operational Group. reporting to the CSIB. Safeguarding training programme in place covering induction and workforce development programme A back to basics training course is being developed and will be rolled	5	5	25	Overview of level of violence and risk in families in Tower Hamlets Given the number of critical incidents involving children and young people in Tower Hamlets over the last 12 months, it is proposed via the CMT Safeguarding Board that we update the JSNA on domestic violence and abuse as part of the annual assessment on community safety. The links between gang violence and violence in families will be explored as part of this analysis. The purpose will be to test the feasibility of a public health type specific reducing violence strategy across the borough. It will also enable CMT to consider the integration of the many pieces of work going on within the council and across the wider partnership aiming to increase safety and wellbeing of c/yp within a measurable framework. ***Richard Baldwin*** ***<u>Required Control Measure Target Date:</u>*** ***30/09/2019***	4	4	16	Richard Baldwin	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				out to all CSC staff in 2017 as part of the LBTH improvement plan. Staff complete the Health and Care professions Council (HPC) re-registration process every 3 years There is a process to pick up delays/failures in registration so action can be taken by managers. Review arrangements of looked after children and child protection is led by the child protection review service. This is a critical challenge role to children's social workers. There is on-going work to improve the oversight and authorative advice role. A new resolution process has been introduced and there is regular reporting of QA activities to CSC management team. Ensure that CMT have a view of the activities within the service..... Ensure that CMT have a view of the activities within the service and develop some assurance using the corporate accountability framework, risk register, management oversight, audit framework and Forward Plan. CMT safeguarding board is active. The Ofsted SEF document have been through DMT and to lead member. A new Inspection and Improvement Board has been set up. Robust commissioning that includes safeguarding checks of providers This is in place including CSC joint monitoring visits. A new joint commissioning exec is in place to address an integrated commissioning partnership at the									

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				most senior level. Adherence to statutory government guidance, policies and procedures laid down by the council and LSCB / SAB Local Safeguarding Children's Board Statutory government guidance, policies and procedures in place. Management oversight including supervision is in place. Quality Assurance framework to check and audit various areas is in place. All the above are being revised as part of LBTH improvement plan Quality assurance systems including case audits, LSCB and SAB sub-groups. There is a new approach being taken to multiagency audits via the LSCB sub group and CSC are reviewing their QA framework with a view to achieve less process, more assurance and better feedback. There is an active internal audit programme that does pick up key areas of risk and challenge within safeguarding. The effectiveness of this system is a work in progress. CSC have an improvement plan which is being implemented which is being overseen by the Children Services Improvement Board and Operational Group. Effective working relations and swift communication across partnership agencies.... Effective working relations and swift communication across partnership agencies that is held at different levels of Children's services.									

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				LSCB has an executive board for Directors and Chief Executive Officer level across the partnership. Continue to implement Signs of Safety as overarching practice framework A new relational approach is being implemented in Children's Social Care which evidence of effectiveness. This approach will now form part of a wider practice model. Training and development work in the new approach will form part of the CSC workforce development strategy. LSCB and CSC has Quality Assurance systems in place. This should provide evidence and assurance to safeguarding board and partners that service is being delivered to expected standards, there are clear (proxy) indicators and where it is not so remedial action can be taken. As part of the response to the Ofsted inspection and subsequent improvement plan, the QA framework has been revised. The LSCB is reviewing its priorities and audit programme. Serious case review/learning process in place There has been a refreshed case alert process disseminated within Children Social Care, which feeds into the LSCB case review group. Any ongoing SCR work is held at service head level and a communication flow is done to the CMT Corporate Safeguarding Group, chaired by Chief Executive Officer.									

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
CSDSC0014	Failure to ensure findings and recommendations are implemented. The inspection process produced evidence to show that in the judgement areas of help and protection, in leadership and management and governance and in relation to the LSCB the restorative action that has been taken has been neither sufficiently effective nor timely. The Ofsted inspectors highlighted the need for some urgent and rapid improvement across children's social care.	The SIF inspection in Tower Hamlets found a number of failings in professional practice in relation to expected standards. Of particular significance were the findings and provisional judgements in the areas of: • Help and Protection • Leadership, Management and Governance • The Local Safeguarding Children Board*	The report indicates that the service is not working to expected statutory standards, leaving children at risk of significant harm. The Report will result in the DfE issuing a notice to improve the appointment of a DfE project advisor as well as a practice improvement partner. Reputational –The Ofsted report will cause damage to our external reputation with residents, partners and others. A high level communication and media strategy is being formulated with the key stakeholders briefed or being briefed. Staff impact – due to the findings there will naturally be an impact on the morale and staff working in the service. This includes the partners who are involved in the services. In addition this could have a negative impact on retention and recruitment to the service. Complaints – there is a concern that the findings could raise potential complaints from members, families and	Children Services Improvement Board and Improvement Plan being developed in response to the Ofsted Report/ DFE notice. The CS Improvement Board will have an independent chair and will oversee the improvement work in LBTH. The delivery of the improvement plan will be the responsibility of the Children Services Improvement Board Operations group.	5	5	25	Urgent remedial work in progress Ofsted referred a number of cases and cohorts of c/yp that in their view the Local Authority had to review to assure themselves that c/yp are safe. LBTH CSCMT took action as requested and are reviewing that action has been taken. The Inspection and Improvement Board is overseeing this. ***Richard Baldwin*** ***<u>Required Control Measure Target Date:</u>*** ***30/09/2019***	4	4	16	Richard Baldwin	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
			young people around the support provided by the LA.										
THB0001	Failure to properly undertake the necessary European Union (EU) exit impact assessments, relevant planning and preparing appropriate mitigation particularly in the following areas; - All the statutory services for which the council is responsible. - All regulatory services for which the council is responsible. - Impact on supply chains including those managed directly by the council and those indirect contracts managed through commissioned services. - Data handling including data handling for any outsourced services. - Local partnership working with key statutory and strategic partners. - Appropriate plans and activity to provide community assurance and provision of timely information.	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Council services could be disrupted as supply chains and contracts are reassessed, potentially increasing costs and reprioritisation of resources. Uncertainty over grants may undermine the Council's ability to deliver or commit to services. The Council may be unable to access the specialist talent, resources and supply chains it needs to deliver its services.	Business Continuity planning and assurance assessments of key contract resilience. The Head of Procurement has initiated a supply chain risk assessment with survey been sent to 2,400 suppliers and providers to understand potential impact of Brexit on Council contractors as well as steps taken to mitigate against potential risks. Deadline date for completion of survey is set for 15th February 2019. Areas covered, include the following: - Whether the business import/export services and/or goods to/from EU - Percentage of materials/services purchased from the EU - Envisage any border delays importing materials into the UK - Any impact on current workface as a result of Brexit - Provision of support to existing staff that may be impacted by Brexit - Whether Brexit will impact the base cost/prices of core business Supplier and Provider mapping exercise of Tier 1, 2 and 3 contractors has been initiated to help identify those that are part of a multinational firm and with operations outside the UK. Outcome of initial findings and next steps will be discussed at Strategic Procurement Board on 07/02/2019.	4	4	16	Business continuity planning and assurance assessments of key contracts. HR resource planning and resilience. Financial modelling / Strategy reviews. A BCP / staff composition survey has been sent to all Heads of Service. The survey asks for information on the number of EU nationals within each team, what contracts depend on EU imports / services and what civil disorder plans / backups are in place within relevant teams. The information will be used to plan impacts on services. ***Amanda Harcus*** ***Required Control Measure Target Date:*** ***31/10/2019***	3	4	12	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
THB0003	Brexit risk to LBTH procurement and supply chains. - Supplies, services and goods from EU - Increasing costs and tariffs - Lack of availability - Stockpiling"	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Council services could be disrupted as supply chains and contracts are re-assessed, potentially increasing costs and reprioritisation of resources.		4	4	16	Engagement with Contractors and providers. Supply chain risk assessment sent to 2416 suppliers resulting in a total of 704 (29%) of suppliers completing the survey with majority of the respondents based within the Construction, Healthcare, Technology and Community Services sector. Whist the results of the survey generally indicates a positive response from the market with 82% of the businesses stating that they do not see any issues in importing material from the EU and 93% (389) do not have any plans to downsize their business due to Brexit, there are concerns amongst 37% (153) of the suppliers who believe that Brexit may impact the base cost/prices of their business. Corporate approach to managing potential supply chain risks (currently the council operates a devolved contract management system) through the strategic procurement board including capturing work undertaken with contractors in directors and supply risks identified. A follow up communication was sent to all active creditors (2,416) on 7/3/2019 requesting the completion of a Brexit impact survey to understand the number of NON-UK EU 27 National staff in their employment. A total of 216 suppliers responded, with 112 suppliers stating nil staff employed but nine suppliers	2	4	8	Zamil Ahmed	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
								responded to confirm employment of 100 to 3,000 EU nationals, further work is underway to review existing contracts with these nine suppliers. ***Zamil Ahmed*** ***Required Control Measure Target Date:*** ***30/06/2019***					
ASD0015	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.	There is a failure of one or more of the controls which fails to identify the degree of risk to a vulnerable adult. Poor practice and inadequate management oversight. Failure of quality control systems. Service user fails to work to agreed partnership / agency arrangements. Poor communication and partnership work. Poor resourcing of service areas against increased demand. Local authority contracted out service do not have sufficiently robust safeguarding arrangements.	Harm to an individual. Reputational damage to the Council. Potential for legal proceedings against the council leading to financial loss. Loss of confidence in safeguarding capability.	Revised safeguarding procedures introduced from care act implemented. Robust safeguarding procedures in place. Oversight through management reporting Social workers have 1:1 supervsion monthly on their casework including safeguarding cases. The PSMT meet monthly to review and monitor Adult Safeguarding casework, particularly serious cases and develop and implement action plans and lessons learnt. Information campaigns to raise awareness of safeguarding oversight from safeguarding adult's board A sub group of the Safeboarding board leads on publicity and promotion of safeguarding 4 year (2015 – 2019) adults board strategy The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. Safeguarding issues as part of contract management procedures . Target operating module as part of the care act implemented. This includes key worker role assigned.	3	5	15	***Required Control Measure Target Date:***	2	5	10	Claudia Brown	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				Signs of safety framework implemented. This framework helps identify the risks in a strategic manner. CQC care commission embargo list used. This list is available from the CQC highlighting all providers where the CQC has raised concerns. Failed visit policy and procedures in place. Introduction of safeguarding Star Chamber for front line teams discharge policy in consultation with Bart's								
PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.	Accountability for fire safety is not correctly designated, communicated and understood Fire Risk Assessments: * are incomplete, inadequate or not carried out in accordance with the latest advice from DCLG and fire and rescue services * are not published in accordance with the Mayor's commitment * do not include the time limits on recommendations Fire Risk Assessment Action Plans: are not produced and/or delivered within appropriate timescales Limited current contractor supplier chain for scale of identified fire safety works Constrained and limited	Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations loose the trust of residents Individual prosecution under a number of Acts of Parliament and common law offences with potential penalties including unlimited fines and a maximum of life imprisonment Corporate prosecution with potential penalties of unlimited fines, remedial orders and publicity orders Adverse national media coverage Uninsured financial loss Council perceived as not having fulfilled statutory duty to keep local housing conditions under review	Tower Hamlets Homes (THH) Fire Safety Programme progress reported to and monitored by THH and Council Bi-Monthly Operational Meeting - Standing Agenda Item Quarterly Strategic Meeting - Standing Agenda Item Quarterly Mayoral Meeting - Standing Agenda Item Capital Programme Board Council client team to review and agree timetable for publishing remaining Fire Risks Assessments Ensure Fire Risk Assessments are carried out annually or (after works) on ALL council owned housing blocks Capital Programme Board - This is specifically to include blocks who have not yet had programmed work completed	3	5	15	Work with DCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety ***Karen Swift*** ***<u>Required Control Measure Target Date:</u>*** ***28/10/2019***	1	5	5	Karen Swift	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
		ability for Tower Hamlets Homes to complete all the Fire Risk Assessment work identified in the new round of comprehensive Fire Risk Assessments Unable to justify block prioritisation policy for programmes of Fire Risk Assessment works Leaseholders do not fit fire rated flat entry doors (ALL flat entrance doors in a block will need to be compliant to achieve good fire compartmentalisation and a 'Tolerable' fire safety standard) Fire safety measures are uncoordinated											
WSF-00015	Increased demands on corporate services The management of a service that will have a budget c£20M, employ c300 officers and be implementing change that will impact on the majority of the boroughs residents, will require significant support from corporate services such as HR, Finance, Policy, Commercialisation and Communications.	Transfer of 300+ staff from Veolia to LBTH on 1st April 2020	Additional pressures on corporate services Reputational		5	3	15	Element of decided HR and Administration support will be built into the services structure. During mobilisation the impact of these corporate services will be assessed. ***Dan Jones*** ***Required Control Measure Target Date:*** ***26/09/2019*** Recruitment of temporary HR and Comms support staff Comms staff recruited and in place. HR in process of recruitment ***Dan Jones*** ***Required Control Measure Target Date:*** ***31/08/2019***	3	3	9	Dan Jones	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
ICT0071	Failure to ensure ICT risks are within the scope of council-wide risk management and internal control frameworks in the following areas; •ICT availability and continuity risk •ICT security risk •ICT change risk •ICT data integrity risk •ICT outsourcing risk Ensuring the following are kept under review: •ICT risk management policy, processes and risk tolerance thresholds •Organizational management and oversight framework •Internal audit coverage and findings; and •ICT risk controls that are specific for the identified material ICT risk. Zoe & Adrian are attending Clearview training week commencing the 14th October. Following this BCP sections will be updated on Clearview. Major incident policy and processes collated from LBTH & Agilisys side and being updated	Changes to technology and interdependent software on various applications used within the Council.	Loss of revenue. Reputational damage. Disruption to services.	Risk(s) currently managed as detailed below. IT availability and continuity risk – managed through the Corporate Business Continuity Forum. IT are standing members, with both LBTH IT and our strategic partners Agilisys represented. (IT security risk – managed through Information Governance Group and Strategic Information Governance Group, IT are standing members. IT change risk – managed through weekly change advisory board and through monthly technical design authority. IT data integrity risk – I am not aware of any specific board for this. In the classic security model information security covers confidentiality, integrity and availability, so I'd say this is covered as part of IT security risk. IT outsourcing risk – managed through monthly operations meeting and quarterly strategic partnership boards.	3	4	12	IT needs to develop business continuity plan Identify key threats e.g. suppliers going bust, loss of data centre, Prioritise the likelihood (strike, supplier failure) Develop business continuity plan Test business continuity plan ***Zoe Matthews*** ***Required Control Measure Target Date:*** ***31/03/2020***	2	4	8	Zoe Matthews	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
THB0002	Impact of Brexit on the recruitment and retention of LBTH staff (People & Skills). - Number that are EU residents - Specific service pressures e.g. social care - Professional qualifications from EU nations - Vacancies - Skills shortages - Increasing costs for agency staff or attracting workers for low skilled jobs	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	The Council may be unable to access specialist talent and resources it needs to deliver its services.	Additional Social Care workforce already in pressurised areas. Response from care home and home care providers is that there will be limited if any impact for them, as workforces in both cases are predominantly non - EEA nationals. Support provided to EU workforce ensuring they understand the EU settlement scheme and their rights post exit and support around wellbeing. Creation of a Social Work Academy within children's social care to address over reliance on agency workers and mitigate any impact on the supply of agency staff from Brexit.	3	4	12	***Required Control Measure Target Date:***	2	4	8	Amanda Harcus	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
ASD0017	Risk that should a major incident take place affecting Council services, there may be a failure to implement an effective response. The risk is increased if there was to be more than one incident at the same time.	Failure by Directorates to ensure that the Borough Major Emergency Plan (Part 3B) is kept up to date with Directorate information and procedures. Staff are unaware of the EP process. Insufficient resilience in key roles including management, rest centres, BECC and CPU.	(1) Failure of the Council to continue to operate during a crisis period as a consequence of a civil event or situation. (2) Slower than expected management response causing increased disruption to key service delivery, inconvenience to service users and the stakeholders, adverse public criticism and additional costs to the Council.	Business continuity plans kept up to date Staff with extensive experience in dealing with incidents are in place Officers in the Civil Protection Unit have dealt with incidents on several occasions, and have gained quite extensive experience on dealing with this type of incident and the action that may be required to be taken. Any future restructure will need to ensure that key posts are retained within the organisation to continue to minimise this risk Borough Emergency Management Team to co-ordinate the Council's response on tactical matters. B. E. M. Team. 6 month review of EP plan with Directorate changes.	3	3	9	Sessions on MEP/BC plans for members and senior managers. Since this risk was identified the Civil Protection Unit has provided Silver / BECC manager training on 5 Feb, 15 Feb and 4 June 2018 to 35 officers at DD / Head of Service level. The Emergency Planning College provided 'Leadership in Emergencies' training to CLT on the 9 and 10 July 2018. 10 CLT members attended. The Emergency Planning College provided BECC Managers training to 16 officers at DD and Head of Service level on 25 and 26 June 2018. The Emergency Planning College provided a bespoke session on Civil Contingencies and the role of members on 28th Sept 2018. 7 members attended. All members	2	2	4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				Annual report to CMT Independently review the Borough Major Emergency Plan to ensure it is fit for purpose. complete Rollout a refresh training programme for senior managers and officers supporting the emergency plan. Complete 2016 June BC business impact assessment reviews by service areas 2016 June BC plan update notification has been sent to directorates Procurement of an IT system to manage BC plan update Drafting of a business case to procure IT System to manage BC plan update - the business case is drafted and has been agreed by the Directorate Management Team. The proposal will now go forward to the Corporate Leadership Team in September 2017. Update - the system was procured from Clearview. An implementation plan is in place to populate the database, train staff and migrate to the new system. Update - In order to minimise the risk we have required Business Continuity Champions to review their BC plans and to update the contact details of relevant staff. This is the major element of the June BIA revision. This process is complete. Training on the Clearview system has been arranged for 19 July for BC Champions. Once complete the system will be tested and then go live.				attended a session on emergency planning as part of their induction following the 2018 election. A session was provided to Cabinet on 'Recovery' and then delivered to CLT. ***Ann Corbett*** ***Required Control Measure Target Date:***					

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	I	Total	Required Control Measures	Target Risk L	I	Total	Responsibility	CPT
				N.B. Once Clearview is implemented there will no longer be the need to conduct twice yearly revisions of the BIA's as the system is live, unlike the current paper based process that is cumbersome. The implementation is being overseen by the CCB. A separate risk and control measure exists - ASD0032/001 Additional staff to be sought to be trained and on call if needed. Two additional staff have been identified and trained to perform the on-call rota for Civil Protection. Additionally the CPU Manager has resumed his role on the rota. This has increased the pool of those available and improved resilience. The number of BECC Managers, loggists and rest centre volunteers have all been increased with appropriate training provided - this has significantly increased our resilience. The number of on call directors is under review and will also be expanded. Business Continuity test on key LBTH sites. Exercise Sandcastle was held on 15th May as a test of the 'blackboard' system in real time during working hours. The result was reviewed at the Civil Contingencies Board. Exercise Connects (test of communication systems) is planned for 7 November 2018. Exercise Preparer (an exercise involving a cluster of 6 or 7 boroughs) is planned for February 2018. The next pan-London Safer City exercise will be on 1 and 2 May 2019.									

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
CLPRCG0040	We are currently at a recycling rate of 23.2% and have a target to reach 35% by 2020. Services are currently in transition from contracted to an in-house delivery model. This may impact on our ability to bring in long term measures to improve recycling on the service as there may be significant service redesign.	Service changes may affect ability to deliver long term solutions to increase recycling rate	Reputational		3	3	9	Increase participation and reduce contamination levels via communication and outreach. Work with Outreach Teams to ensure that effective communication is rendered to residents on how/what to recycle. Additionally increase participation on food waste and dry recycling ***Fiona Heyland*** ***Required Control Measure Target Date:*** ***01/04/2020***	3	3	9	Oli Kapopo	A Borough That Our Residents Are Proud Of And Love To Live In.
RM0009	Increased acts of significant fraud or corruption (both internal and external) against the Council	Due to changes in people (personnel), systems and processes arising from change and transformation	Financial loss Damage to reputation of the council Increased costs of investigations Service disruption		3	3	9	Programme of Anti-Fraud Work The Corporate Anti-Fraud Team will deliver a programme of work across 2019/20 to raise the profile of fraud and increase fraud awareness amongst the staff. This will include a fraud awareness campaign and proactive exercises to detect potential fraud. The annual plan of activity is presented to CLT and the Audit Committee for review and agreement. Progress is reported to both on a quarterly basis. ***Paul Rock*** ***Required Control Measure Target Date:*** ***31/03/2020***	2	3	6	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
THB0004	Brexit - Organisational Impact Impact of Brexit on the regulatory landscape Impact on income streams Impact on local communities 1. Decreased revenues & changes in demand - Business and economy - Drop in the value of the pound - Business rates - Regeneration schemes - Skills shortages - Cost of living - Decline in town centres/high streets 2. Laws, Legislation and regulation. - Environmental regulations - Devolution/public service reform - Human rights 3. Citizens and Community - Community cohesion - Migration into the borough - No Recourse to Public Funds"	Leaving the European Union on the 31st October 2019 without a negotiated withdrawal agreement.	Disruption to council processes and services.		3	3	9	Identify and plan for impacts on service budgets and identify new income streams e.g. new government initiatives. Monitor/Plan/Mitigate - mitigations in terms of business continuity plans, are required from all areas of the organisation. Putting in funding to plug funding gaps over 4-5 years with General Fund as contingency, but significant shocks might remove this backup, earmarked reserves could be used to meet higher priorities. Concern that not much time to get useful information from Government contacts to react. Working with partners to support local business, including access to business rate relief for small businesses. ***Neville Murton*** ***Required Control Measure Target Date:*** ***30/06/2019***	2	3	6	Neville Murton	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L	Current Risk I	Current Risk Total	Required Control Measures	Target Risk L	Target Risk I	Target Risk Total	Responsibility	CPT
ASD0032	Delay to the June 2019 revision of the Business Impact Assessments for the Business Continuity Plans. The delay has been approved by the CCB on 15 April 2019 to enable the implementation of a new internet based Business Continuity planning tool.	Business Continuity Plans being out of date and an incident occurring resulting in key contacts not being known and contactable to respond.	A poor response to a civil emergency.		2	2	4	Regular review of Implementation plan An implementation plan for the 'Clearview' business continuity system is in place. Migration of data and information to the system and training of relevant business continuity champions from each Directorate is due for completion by mid July 2019. Progress will be reported to HAC DLT. Update - the implementation has been delayed due to admin training for the high level users (one from each Directorate). 2.5 days per officer. This will now take place 3rd, 4th and 6th September and 16th, 17th and 19th September. Thereafter the system will go live. UPDATE: I have reviewed this risk. Administrators have been trained but we still need to train service managers. A number of drop in sessions have been arranged for October 2019 where managers can update their BIAs direct on the system. Once complete the system will go live. I have kept this measure as 90% complete. ***Charles Griggs*** ***<u>Required Control Measure Target Date:</u>*** ***31/12/2019***	2	2	4	Charles Griggs	A Borough That Our Residents Are Proud Of And Love To Live In.

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Non-Executive Report of the: **Audit Committee** Thursday, 14 November 2019	TOWER HAMLETS
Report of: Neville Murton Corporate Director, Resources	**Classification:** Open (Unrestricted)
Updated Draft Annual Governance Statement	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

As part of the Annual Accounts and in accordance with the principles of the CIPFA / SOLACE Delivering Good Governance in Local Government Framework. Tower Hamlets is required to undertake a review of its corporate governance processes, systems and the assurances on the governance framework to support the creation of an annual governance statement.

Recommendations:

The Audit Committee is recommended to:

1. Review and comment on the Draft 2018/19 Annual Governance Statement and Action Plan attached at Appendix 1.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 require that the Authority must agree an Annual Governance Statement (AGS), prepared in accordance with proper practices published by CIPFA in relation to internal control, for publication with its Statement of Accounts. The Audit Committee provides an important role in reviewing the effectiveness of governance arrangements within the Council and therefore the recommendation above falls within the terms of reference for the committee.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1 The review of the effectiveness of the Council's system of internal control that underpins the Annual Governance Statement must be carried out at least annually. The Council's AGS forms part of the annual accounts. Its content is prepared from various sources and assurance processes including but not only the Annual Report of the Head of Internal Audit.

3.2 Corporate governance is defined as the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities. There is a strong correlation between effective governance and effective service delivery. To deliver the Council's vision and support the drive for continuous improvement strong governance arrangements need to be in place.

3.3 The AGS is usually presented to the same Audit Committee meeting as the Statement of Accounts. This draft AGS is presented to the Committee in advance of the Statement of Accounts to provide the Committee with an opportunity to review and comment on the revised approach and content of the AGS, which identifies the current significant governance issues and how they will be addressed.

3.4 Evidence sources collated for drafting the 2018/19 AGS were as follows:

- A review against the Council's own Code of Corporate Governance
- Consultation with, and assurance provided by Corporate Directors;
- Work undertaken during the year by Internal Audit and other inspection bodies; and
- A review of progress against the delivery of the 2017/18 AGS significant governance issues and action plan.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equality implications resulting from this report

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment and to oversee the financial reporting.

5.3 This report has therefore been provided within this context to ensure the committee is able to perform its core function and to consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 Other than the requirements of the Accounts and Audit Regulations 2015 there are no specific financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

7.1 The Council is under a duty to produce an Annual Governance Statement by virtue of regulation 4 of the Accounts and Audit Regulations 2015, which requires authorities to "conduct a review at least once a year of the effectiveness of its system of internal control".

7.2 This report confirms compliance with the above statutory requirement.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 Draft Annual Governance Statement

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- None

Officer contact details for documents:
Paul Rock
Head of Internal Audit, Fraud and Risk
Tel: 0207 3647662

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TOWER HAMLETS

Annual Governance Statement

2018/2019

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TOWER HAMLETS

Our Annual Governance Statement

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner.

We recognise the importance of having good governance, which includes effective leadership and management, policies and procedures, to ensure we have a well run Council that delivers high quality, value for money services to the local community. The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government.*

We recognise our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded. We have reviewed our governance processes and how they have operated over the course of the last year. This report summarises our review and conclusions.

We are satisfied that the Council has adequate governance arrangements in place. Governance is generally working well but we acknowledge that there are areas where we must improve, particularly in relation to the Council's statement of accounts and spending. We are committed to improving and have included a plan to record actions for 2019/20. We will report progress against these actions at the next annual review.

Signed on behalf of the London Borough of Tower Hamlets

_____	_____
Will Tuckley, Chief Executive	John Biggs, Executive Mayor

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Introduction

All local authorities are required to report publicly about how they have complied with their governance arrangements and do so through an Annual Governance Statement (AGS). But what is governance? Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner.

The Council has adopted a Code of Corporate Governance. The Code is based on the principles of good governance recommended by Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE in a joint document entitled 'Delivering Good Governance in Local Government'.

The Code of Corporate Governance sets out the commitment of the London Borough of Tower Hamlets to continue to uphold the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for.

To assess the effectives of key elements of the governance framework, including partnership arrangements and alternative delivery models, we have reviewed our performance against each of the seven principles of good governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management.
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

When evaluating our performance we have taken into consideration reviews and inspections of the Council by others, such as Ofsted and the Local Government Association (LGA) – Corporate Peer Challenge, as well as the work of internal and external

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audit. We have also reviewed our progress against improvement actions that were identified as part of the 2017/18 Annual Governance Statement.

In addition, each Corporate Director is required to confirm that their directorates are run efficiently, effectively, and with proper risk management and governance arrangements, including a sound system of internal control. They are required to review internal controls to ensure they are adequate and effective, whilst considering the following:

- Outcomes from risk assessments and evaluations
- Self-assessment of key service areas within the directorate
- Internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies, including inspectorates, external auditors, etc.
- Linkage between business planning and the management of risk

Where areas for improvement are required an action plan must be developed.

We have used these returns to further enhance our review of the Council's governance framework.

To conclude the assessment, we have provided an overall opinion on our governance arrangements and included an action plan to record how we will address any areas requiring improvement.

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TOWER HAMLETS

Our Assessment

To assess the effectives of key elements of the governance framework, including partnership arrangements and Council owned companies, we have reviewed our performance against each of the seven principles of good governance. When evaluating our performance, we have taken into consideration reviews and inspections of the Council by others such as Ofsted, the Local Government Association, as well as the work of internal and external audit.

Principal	Governance Arrangements
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	The Council's constitution records the rules and laws under which the Council operates, including the Financial Regulations. The constitution is published on the Council's website. In addition, there are a range of policies and procedures to direct and guide Members and staff, as well as codes of conduct that set out standards of behaviour expected from Members and staff. The Council has appointed the required statutory officers which includes the Head of Paid Service (Chief Executive), the Monitoring Officer (Corporate Director, Resources) and the Chief Finance Officer, sometimes referred to as the Section 151 Officer (Corporate Director, Resources). These three officers meeting regularly to discuss governance issues. The Council operates a Standards (Advisory) Committee to manage issues of Member conduct. In accordance with best practice, the Committee is chaired by a person that is independent of the authority. The Council has adopted a whistleblowing policy to guide and support staff about how to raise any concerns. It is readily available on the Intranet. The Monitoring Officer maintains a central record of all whistleblowing concerns and how they have been resolved. The approach to whistleblowing has recently been reviewed by Internal Audit (in 2019/20). Committee reports and decisions have been published online to ensure transparency and Executive decisions are subject to the 'Call-In' process by backbench Councillors who can raise

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	any concerns they may have. The Council maintains a Register or Interests (for officers and Members) which includes a requirement to declare interests at meetings ensure that potential issues are recorded and Members do not take part in meetings in an inappropriate way. This includes the need to leave the room when any items for which they have a Pecuniary Interest are discussed. The Council has also maintained a Gifts and Hospitalities register to ensure that Members and officers declare any gifts and hospitality in an open and transparent manner. The Council has sought feedback from the public through its complaints and comments procedures and has responded to the outcomes, as appropriate. The Council's Audit Committee has met throughout the year and has considered reports from internal and external audit as well as other updates, reports, and advice from the Chief Financial Officer and Monitoring Officer.
B. Ensuring openness and comprehensive stakeholder engagement.	Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality/disclosure of exempt information which are provided for in statutory provisions. The Council has invested in the technology to facilitate the webcasting of meetings meaning that stakeholders and residents can attend meetings if they wish to or watch them online. An online library of meeting agendas, attendance, supporting papers, decisions and minutes is maintained on the Council's website. As a result, the decision-making process can be considered and reviewed by stakeholders and the public from inception through to final decision and any ultimate scrutiny.

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	The Council has sought community views on a wide range of issues and has undertaken regular consultation and engagement with citizens and service users. The Council's Overview and Scrutiny Committee has engaged with stakeholders, residents and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee includes co-opted residents with relevant knowledge and has encouraged residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses have been invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interest are represented. Social media channels have been used extensively to support the Council's engagement with stakeholders. Details of current, planned, and past consultations have been made available on the Council's website along with information on how the public/stakeholders can put forward their views.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	The Strategic Plan is the main business planning document of the Council. It sets out the corporate priorities and outcomes, the high level activities that will be undertaken to deliver the outcomes, as well as the measures that will help determine whether the Council is achieving the outcomes. The Council has a structured set of plans which turn our vision into actions, through Directorate, Key Council Strategies and Team Plans. The plan has been published in the Council's website. The performance of the Council against measurable outcome-led targets has been assessed through performance monitoring reports that have been considered within directorates, by the Corporate Leadership Team, Committees, Cabinet and subsequently at other meetings of relevance. Any such reports can also be called in for scrutiny and reviewed by the Audit Committee.

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D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	The Council, Cabinet and Committees have received regular reports on performance monitoring, the strategic plan and other policies and procedures which demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues. All decisions being considered have been objectively and rigorously analysed by the Monitoring Officer and the Chief Financial Officer and all reports have set sections for legal and finance comments to be recorded. Reports have bene cleared by finance and legal clearance before publication. The Council's Performance Management and Accountability Framework (PMAF) sets out how we establish whether performance improvement is necessary. The Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements and this board has met regularly. The Council's Performance Improvement Board challenges services where there are identified concerns, takes a trouble-shooting approach, acts as a "critical friend" to drive improvement in performance, and makes recommendations about where to focus resources to drive improvement.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	The roles of all officers (including statutory roles) have been defined in agreed job descriptions and person specifications. Staff performance is reviewed on an annual basis in accordance with the Personal Development Review process (PDR). The Council has adopted TOWER values and new Competency Framework to support officers in delivering services. The Council's transformation programme called SMARTER TOGETHER, which is led by CLT, is focussed on ensuring the Council is more agile, leaner, and strategic to achieve the best outcomes with limited resources.

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	All members have been provided with a Member Induction Programme and wider Member Development Programme. Members also have an online portal to give them access to many useful documents and materials. All staff are provided with a corporate Induction and provided with additional documents and policies to support their induction. Staff are provided with opportunities for further development through the PDR and PDP processes. The Council has adopted a range of supporting plans and strategies including the People Resource Plan, Corporate Training Programme and Workforce Development Strategies.
F. Managing risks and performance through robust internal control and strong public financial management.	The Council has adopted a risk management strategy and approach with the main priorities of providing robust systems of identification, evaluation, and control of risks which threaten the Council's ability to meet its objectives to deliver services to the community Risk management is part of the Council's day-to-day activities and decision-making and regular reports have been provided at divisional level, directorate level, and cross-organisation with relevant Committees and Cabinet receiving regular updates and advice. The Corporate Risk Register has been regularly reviewed the Corporate Leadership Team and independently by the Audit Committee. During the last year, the Corporate and Divisional leadership teams received training on Risk Management. Refresher training is provided annually. The Corporate Director, Resources is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters. The Council's system of internal financial control is based on a framework of financial regulations,

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	regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. The Council has a proactive, holistic approach to tackling fraud, theft, corruption, and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. The outcomes of ant-fraud work have been reported to, and reviewed by, the Audit Committee. A Medium-Term Financial Strategy is in place. Revenue and capital budget planning based on corporate priorities are led by the Corporate Leadership Team and were presented for approval by the Council. Revenue and Capital Budget Monitoring reports have been presented to the Cabinet on a regular basis, this includes the annual outturn. Members have been able to scrutinise budget monitoring through the relevant Committee to ensure performance and risks are managed. Members and senior management have been provided with regular reports on performance and progress towards outcome achievement. All reports to Council, Cabinet and Committees are required to set out key implications and information in areas such as risk, equalities and environmental impact. The Audit Committee is responsible for considering the Council's arrangements for internal governance and financial management and to recommend any actions accordingly. It has received a number of relevant reports such as annual internal audit plans, reports from external audit, anti-fraud and corruption initiatives and risk management. The Council's Internal Audit service undertakes an annual programme of audits which includes providing assurance over the council's risk management processes. If any areas for improvement

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	are identified Internal Audit makes recommendations for management to consider and implement. Progress against the plan and the outcomes of audits are reported to the Audit Committee.
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	The Council has a published constitution setting out how decisions are taken and how the public can get involved in decision making, including access to information, petitions and ways of getting involved in decision making. The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. The Council webcasts it's Council, Cabinet and Overview and Scrutiny Committee meetings to ensure full transparency of the meetings. The Council's maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions. The Council's constitution sets out the Terms of Reference of all Committees to ensure information is presented to the Appropriate Committees. Access to Information rules set out how the Council maintains good public access to information and reports. There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities. The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The Head of Internal Audit delivers a quarterly progress report to the Audit Committee setting out the outcome of Internal Audit and Counter Fraud activity.

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	The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny, and Inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk management and governance. As the Council's most senior decision making body, Audit Committee, and any other relevant Non-Executive Committee including Scrutiny, can report any concerns they have regarding actions that have not been undertaken.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole of the Council's activities. It is a requirement for the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of governance, risk management and internal controls within the Council. The Head of Internal Audit reported the 2018/19 annual opinion to the Audit Committee in July 2019.

> *On the basis of the audit and counter fraud activity undertaken during the year, and taking into consideration external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge as well as management's progress in addressing governance, risk and control weaknesses, it is my opinion that I can provide* ***reasonable assurance*** *that the authority has adequate systems of internal control and that they have, in the main, been operating effectively in practice.*
>
> *The framework of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.*

The full report from July 2019 is available here (item 5.6).

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Given this AGS has been reproduced several months after the annual opinion was first stated, we have asked whether there is any additional commentary the Head of Internal Audit would like to add. The Head of Internal Audit has stated:

> Since stating my opinion in July 2019 new information has been brought to my attention which includes a resubmission of the Annual Assurance Statement from the Corporate Director of Resources. This statement records significant governance issues related to the statement of accounts and Council spending.
>
> As stated above, my opinion takes into consideration the internal audit and counter fraud activity undertaken during the year, as well as external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge and management's progress in addressing governance, risk and control weaknesses. I have recorded limitations to the scope of my opinion which state:
>
> > *"The internal audit plan cannot address all risks across the Council and the plan represents our best use of the available resources. The annual opinion draws on the work carried out by Internal Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit plan. Not all risks fall within our audit plan. However, I have confirmed there were no audits of Information Technology (IT) related risks in 2018/19. Whilst I understand IT services are outsourced, I consider this lack of review material and I am limiting the scope of my opinion to exclude IT related risks. I will ensure that IT related governance, risks and controls are subject to internal audit in 2019/20 and will engage the support of specialist IT auditors."*
>
> In considering this new information, I have decided to clarify the scope of my annual opinion so that stakeholders who may wish to rely on the opinion are clear on its limitations and why the opinion between internal and external audit may differ. The following paragraph has been added to the annual reporting of the Head of Internal Audit at 10.1.
>
> > *"Internal Audit does not audit the Council's annual statement of accounts and therefore the work of Internal Audit and my opinion do not cover the associated financial statements or disclosures. The Council's external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council."*

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In addition, to support management in addressing these emerging governance issues, and provide independent assurance to the Audit Committee, I will reconsider the focus and scope of the remaining audits in the 2019/20 audit plan. The outcomes of these audits will be reported to senior management and the Audit Committee.

Paul Rock, Head of Internal Audit, Fraud and Risk.

External Audit & Inspections

External Audit

In July 2018 KPMG, the previous external auditor, completed their audit of the 2017/18 financial statements. Within the Annual Audit Letter presented to the Audit Committee, the auditor issued an unqualified opinion in relation to the Council's 2017/18 statutory financial statements. This means that KPMG concluded that the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

However, the 2017/18 value for money (VFM) work, KPMG issued a qualified conclusion on the Council's arrangements to secure value for money for 2017/18. KPMG specifically concluded that "the authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources throughout 2017/18. KPMG remained satisfied that none of the outstanding issues have an adverse impact on the 'sustainable resource development' criterion. KPMG therefore issued a qualified VFM conclusion on an 'except for' basis, which is consistent with the VFM opinion given in 2016/17.

From 1 September 2018 Deloitte LLP was appointed as the Council's external auditor, this was following the decision of the Council to opt in to the Public Sector Audit Appointments Limited (PSAA) arrangement. The PSAA Board appointed Deloitte to audit the accounts of the Council for a period of five years (2018/19 to 2022/23).

Deloitte were unable to complete their audit of the 2018/19 financial statements before the deadline of 31 July. In July 2019 Deloitte reported to the Audit Committee that their audit was ongoing and would not be complete because of delays in delivery of supporting working papers for audit from management and delays in receiving information and explanations in response to subsequent audit queries. There are were also open issues which needed to be resolved prior to finalisation of their report. The significant issues they highlighted included misstatements and disclosure deficiencies.

The auditors also indicated they would most likely be issuing a qualified "value for money conclusion" because Ofsted's 2018 report and subsequent monitoring reports indicated (notwithstanding the improvement trajectory) that proper arrangements to secure to secure economy, efficiency and effectiveness in the use of resources were not in place throughout the whole of the period covered (the 2018/19 financial year).

The full report is available here (item 4).

In response, the Council developed an action plan that has been overseen by the S.151 Officer and the Deputy Section 151 Officer; additional resources have been sourced to complete the plan and produce a revised set of accounts and a dedicated finance improvement team has been created for additional support. The Council anticipates the accounts will be closed by January 2020.

Other Inspections

During 2018/19 external inspectors from Ofsted and the Local Government Association have completed inspections and reviews, summary details are as follows.

Ofsted

As a follow up to the April 2017 report published by Ofsted in respect of Tower Hamlets' Single Inspection of Children in need of help and protection, children looked after and care leavers and the Local Safeguarding Children Board, all of the scheduled Ofsted monitoring visits have now been completed. The full inspection of the service was completed during June 2019. The majority of the monitoring reports have highlighted areas of improvement across Children's Social Care. They have also helpfully pointed out areas where further work is required, and we have focused much activity on strengthening these aspects of practice in order that we can present a strong and positive account of practice throughout the upcoming inspection. The final judgement from the full inspection in June was published at the end of July 2019 and Ofsted rated the Council as Good.

The full report is available here.

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Local Government Association (LGA) – Corporate Peer Challenge

During June 2018, the council took part in a four day Local Government Association led Corporate Peer Challenge. The LGA Peer Challenge team were asked to review the following:

1. How the Council adequately addressed the directions issued by MHCLG and the expectations of the departed commissioners.
2. Whether the Council is addressing its chosen priorities and delivery continued improvements to local residents and businesses.
3. Whether the Council is identifying key challenges and setting realistic and ambitious targets for the future.

The final feedback report issued to the Mayor and the Chief Executive concluded that:

1. The directions of MHCLG and the expectations of the departed Commissioners were to consider to improvements in the areas of: Grants; Procurement; Property; Election and Communication and Culture. In summary the peer team believes that there have been significant improvements in all the areas identified.
2. The Council set priorities were adopted from the Mayor's Manifesto. These priorities are now being incorporated in a refreshed Strategic Plan.
3. The Council clearly understands its population, their needs and the challenges in addressing these needs. These are reflected in the revised Strategic Plan and its improvement work.

As a result of the feedback received improvement actions were developed with the delivery of these monitored by the Transformation & Improvement Board.

The full report is available here.

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Council Owned Companies and Partnerships

Tower Hamlets Homes

The Council has in place a well-established Arm's Length Management Organisation - Tower Hamlets Homes, a wholly owned subsidiary limited by guarantee to manage the Council's housing stock. Tower Hamlets Homes has a formal governance structure and manages its internal affairs and delegated budgets through the Company Board. Performance is monitored through a formal review process with senior council officers and elected members. The company operates its own risk management strategy and is subject to internal and external audit and inspection activities in compliance with the Companies Act.

During 2018/19, the Council commissioned Altair to support it in exploring options for the delivery of its housing management services beyond the end of the current management agreement. The review was undertaken in two stages; consisting of a baseline assessment and an options review. The purpose of the baseline Assessment stage of the project was to review the current strategic, operational and financial context of LBTH, and to assess the effectiveness of THH as a housing manager, considering its strengths and challenges.

Overall, Altair assessed that THH is a generally well-performing housing manager in terms of both housing management performance and cost. There is room for improvement in some key areas of service delivery, but evidence of performance improvements over recent years and an extensive transformation programme currently being delivered are positive.
The review further found no performance or financial imperative to significantly change the housing management arrangements for the LBTH stock currently managed by THH.

The Council's Internal Audit team providers internal audit services to THH. In keeping with the Public Sector Internal Audit Standards, the Head of Internal Audit issued an annual opinion about the governance, risk management and internal control arrangements. The opinion was as follows:

> *On the basis of the audit work undertaken during the 2018/19 financial year, my overall opinion on the organisation's system of governance, risk and control is that* ***substantial*** *assurance can be provided that the internal control environment*

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(including the key financial systems, risk and governance) is in the main well established and operating effectively in practice.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give this assurance.

Seahorse Homes Limited

Seahorse Homes Limited is a wholly owned company limited by shares established in 2017, to provide market rented homes and deliver a return on investment, both to cross-subsidise affordable housing and to fund wider General Fund services. The agreed business plan sets out its intention to acquire homes and then to develop homes. The Council holds 100% of the shares in this company and has initially committed £6m in equity. The company has yet to start trading. The Board of Directors is comprised of three Council officers. Following staffing changes within the Council the composition of the Board is being reviewed to minimise potential conflict of interests.

Mulberry Housing Society

Mulberry Housing Society is a not-for-profit charitable Community Benefit Society (CBS) established in 2017. The Council funds the CBS and holds two of five seats of the Board, the others being held by independent people initially appointed by the Council. The Board of Directors is comprised of two council officers and three independent members. The society is seeking to acquire homes which will be let at sub-market rent levels in order to meet housing needs. There were no financial transactions through the CBS in 2018/19. As an independent CBS, the Council does not have any equity shareholding in the company but intends to fund activities through retained right to buy receipts and loan finance.

PLACE Ltd (Pan-London modular Temporary Accommodation)

This not-for-profit company limited by guarantee (CLG) was set up by the Council in 2018 is a collaborative enterprise between a group of London Boroughs. The company will purchase modular homes that can be delivered to 'meanwhile' sites across the capital and relocated several times over a minimum 40 year lifespan. The pilot site is likely to be in Tower Hamlets. The company

has secured capital grant from the Greater London Authority, which will be administered by the Council. In addition, the Council is considering providing a capital loan facility to the company. As a CLG, the Council does not have an equity shareholding in the company.

Capital Letters (London) Ltd (Pan-London TA procurement hub)

This not-for-profit company limited by guarantee (CLG) was set up by the Council in 2018 and is a collaborative enterprise between a group of London Boroughs. The company will lease private properties for use as temporary accommodation and tenancies to prevent homelessness. The company has secured revenue grant funding from MHCLG which will initially be administered by the Council; a Chief Executive and Chief Finance Officer have been appointed in 2019 and they will be adopting their own processes and procedures including for the payment of salaries and maintenance of accounting systems. The Council may provide a loan facility to the company to support positive cash flow. As a CLG, the Council does not have an equity shareholding in this company.

Significant Governance Issues

Corporate Directors are required to consider whether there have been any significant governance issues. For the purposes of this review we have defined a significant governance issue as something that:

- Seriously prejudiced or prevented achievement of one or more principal objectives.
- Resulted in the need to seek additional funding to resolve the issue.
- Required a significant diversion of resources.
- Had a material impact on the accounts.
- Resulted in significant public interest or has seriously damaged the reputation of the Council.
- Resulted in formal actions by the Section 151 (Corporate Director, Resources) or Monitoring Officer (Corporate Director, Governance).
- Received significant adverse commentary in an external inspection report and was not or cannot be addressed in a timely manner.

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Progress against Significant Governance Issues Identified in 2017/18

In 2017/18 the AGS included three significant governance issues which needed to be addressed during 2018/19. All actions have been completed and closed.

No.	Action	Outcome
1	To continue to effectively deliver the commitments outlined and defined within the Best Value Improvement Plan as a response to the findings of the Commissioners.	The improvement plan outcomes have been delivered.
2.	To continue to deliver improvements in Children's Services that respond to the Ofsted findings.	Ofsted re-inspected the authority and published their report in July 2019 which concluded the Council has made significant improvements and rated the service as Good.
2	The 2017/18 Internal Audit of the Leaving Care Service governance and control arrangements received a Nil assurance rating to this audit and which recommended that a full service review is undertaken.	This action has been delivered. Internal Audit continued to provide support and assisted the service in reconciling its records and payments. A further audit will be undertaken in 2019/20.

Significant Governance Issues Identified in 2018/19

All five Corporate Directors submitted their returns for 2018/19 to the Chief Executive. The Corporate Directors of Place, Governance, Children's & Culture confirmed there were no significant governance issues. The Corporate Directors for Health, Adults & Community and Resources identified several issues, the most significant were as follows:

No.	Issue	Action	Responsible	Timescale
1	Outstanding Payments to care providers end of year accrual process and implementation of Electronic Home Care Monitoring. Associated adverse end of year budget	Outstanding Payments Hub established to recover position on monies owed to providers – external input to design (Socitm) and CPMO oversight and support.	Claudia Brown, Divisional Director, Adult Social Care & Allister Bannin,	December 2019

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No.	Issue	Action	Responsible	Timescale
	position in relation to adult social care.	Review of accruals process and improvements to monthly budget process particularly around home care. Commissioned review of Electronic Home Care Monitoring from Socitm – final report now prepared and recommendations being discussed and implemented.	Finance Adrian Osborne, Finance Business Partner & relevant managers Denise Radley & Divisional Directors & Finance Business Partner	Monthly End July 2019 and then implementation
2	Adult Social Care Improvement – consistent practice and quality	Improvement Board replaced by Quality Assurance Board during 2018/19. Independent input from LGA Care & Health Improvement Advisor. Internal audits & follow ups of relevant areas). Further actions include need for improved data to support performance & quality improvement and recruitment and retention of social workers.	Claudia Brown, Divisional Director Adult Social Care	Plans extend throughout 2019/20
3	There are significant issues with the 2018/19 accounts closure which continues to require extensive remedial actions. This has included: • Weaknesses in how accruals have been raised.	An action plan has been developed and is being overseen by the S.151 Officer and the Deputy Section 151 Officer. Additional resources have been sourced to complete the plan and produce a revised set of accounts.	Corporate Director, Resources. Divisional Director,	January 2020

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No.	Issue	Action	Responsible	Timescale
	• Pension fund deficit and accounting. • Valuation of infrastructure and temporary accommodation assets. • Accounting processes for the collection and general funds.	Advice and support is being support from other London Boroughs and Grant Thornton. A dedicated finance improvement team is being created for additional support.	Finance, Procurement and Audit.	
4	The Council is in an overspend position. There has been significant slippage in the achievement of savings targets c. £10 million. The position may change (for the worse) as the as accounts need to be restated.	The Corporate Leadership Team is committed to meeting the financial challenges. All directorates will monitor and find ways to proportionally respond to the increasingly challenging financial and demand position whilst delivering statutory duties and existing savings targets. The financial position will be closely monitored and reported to CLT and MAB.	Corporate Directors and Budget Managers.	March 2020
5	Budget Management needs to be improved across the Council	A new budget handbook has been produced and will be launched imminently. Finance will provide training and guidance to budget managers. The finance improvement team will provide additional support. CLT will adopt a more challenging approach to the delivery of Recovery Plans and discretionary spending decisions.	Divisional Director, Finance, Procurement and Audit Corporate Directors and all Budget Managers	March 2020

DRAFT

No.	Issue	Action	Responsible	Timescale
6	There are performance issues in relation to Pension Administration that includes: • Data quality • Refund backlogs • Transfer backlogs • Delays to annual allowance reviews.	The actuary is completing urgent reviews of annual allowances. Recruitment to vacancies is being pursued as a matter of urgency.	Divisional Director, Finance, Procurement and Audit	December 2019
7	There is an overspend on the Dedicated Schools Grant. In addition, there is demand and budget pressure on SEND and the associated transportation.	The financial position will be closely monitored and reported to CLT and MAB. A financial recovery plan has been produced and submitted to the Department for Education. A wider review of SEND is being undertaken and will be focussed on demand and funding management. SEND Transportation has recently been reviewed by Grant Thornton and options to manage demand and costs have been presented to the Directorate for their consideration and implementation.	Corporate Director, Resources Corporate Director, Children's and Culture.	December 2019

DRAFT

No.	Issue	Action	Responsible	Timescale
8	Internal Audit has been under resourced as a result of vacancies, misaligned work force and no external delivery partner. There is a risk that the current and future annual opinions will be limited in scope and/or unsafe.	All vacancies to be filled as a matter of urgency. Existing temporary staff, where appropriate, to be moved to permanent contracts. External delivery partner to be sourced urgently.	Head of Internal Audit	November 2019

Conclusion and Opinion

Opinion

We are satisfied that the Council has adequate governance arrangements in place. Governance is generally working well but we acknowledge that there are areas where we must improve, particularly in relation to the Council's statement of accounts and spending. We are committed to improving and have included a plan to record actions for 2019/20. We will report progress against these actions at the next annual review.

Definitions

As part of this review we have provided an opinion on the level of assurance that the governance arrangements can provide and whether the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. To assist with this assessment, we have defined the opinion ratings as follows:

Good Strong governance arrangements exist, they are operating effectively, and minimal improvements are required.

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Adequate	The governance arrangements are adequate and support the Council in meeting its objectives, but improvements are required to achieve good governance.
Requires Improvement	There are significant governance issues which may result in the Council failing to achieve its objectives.

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Non-Executive Report of the: **Audit Committee** 14th November 2019	TOWER HAMLETS
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
Statement of Accounts 2018-19 - Progress Update	

Originating Officer(s)	Tim Harlock, Interim Chief Accountant Kevin Bartle, Interim Divisional Director of Finance, Procurement and Audit
Wards affected	All (**All Wards);**

Executive Summary

This report is intended to provide Members with an update on the work to complete the corrections arising from the external audit of the 2018/19 Draft Statement of Accounts.

The report aims to cover the significant areas of challenge, but it should be noted that there is also considerable follow-up work arising, and outstanding, that the external auditor, Deloitte, will need to conclude on.

Recommendations:

The Audit Committee is recommended to:

1. Note the progress made on the points raised by Deloitte in their report to this committee on 23 July; and,
2. Note the emerging matters since that last report.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 require that each Local Authority approve its audited financial statements by the statutory deadline of 31st July each year. Since that deadline has been missed it is incumbent upon the Council to have its financial statements signed off as soon as practically possible thereafter.

2. ALTERNATIVE OPTIONS

2.1 The Council produces its Statement of Accounts in line with the relevant guidance and legislation.

2.2 This report is produced to ensure the correct approval process is followed and Members are kept informed of the Council's financial position; as a result no alternative action is considered appropriate.

3. DETAILS OF THE REPORT

3.1 In July, Members received a report from Deloitte detailing matters encountered during their audit of the authority's Statement of Accounts that they wished to highlight. This report will follow that broad outline of matters, incorporating new aspects of enquiry, or requiring correction, within those same main subject themes where possible.

3.2 **Valuation of Property Assets** - Deloitte requested information to support inputs to the valuation of properties and requested explanations of valuation methodology. In the course of producing said response and examining the underlying detail some errors have emerged. Detail by asset class as follows:

Council Dwellings	*No further action anticipated*.
Other Land And Buildings - Schools	In providing the responses to sample testing, it was realised that land valuations had not been performed accurately; officers are in correspondence with the external valuers to correct this. Once figures have been finalised, it is likely that a significant adjustment will be required, and consideration will need to be given as to whether it will be necessary to restate both the opening and closing balance sheets for 2017/18. Furthermore, it should be noted that Deloitte are scrutinising the valuations of the building elements, to ensure that they are consistent with the detail of the "depreciated replacement cost" methodology, which is quite prescriptive and based on the concept of Modern Equivalent Asset. This adjustment will have no impact on General Fund (GF) reserves and balances. *To be scrutinised by Deloitte.*
Other Land And Buildings - Temporary Accommodation	Due to the timing of the revaluation calendar, under which many asset classes are valued as at 1st April 2018, substantial numbers of properties which were purchased for Temporary Accommodation during the year 2018/19 were not valued under the appropriate valuation basis as at the balance sheet date (31

	March 2019). In the draft Statement of Accounts, these new purchases had been included on the balance sheet at their purchase price of £34.7m and not revalued; however, the correct valuation basis is Existing Use Value, and officers have since instructed valuers to value accordingly. The revised figure came back at £23.4m. In addition, some of the properties purchased were undergoing renovation works to bring them up to desired standards, thus rendering them not yet operational. Technically therefore, those particular properties should be classified as Assets Under Construction. The resulting reclassification will be of the value £24.3m. These adjustments would have no impact on GF reserves and balances. *The above is yet to be formally reviewed by Deloitte*.
Infrastructure Assets	In detailed discussion with the Head of Highways, officers have assessed the most appropriate Useful Economic Life (which is used for depreciating assets down) for all constituent elements within this asset class; rather than the current 40 years, 25 years was considered to be a reasonable weighted average for all constituent elements other than tunnels, for which 120 years was deemed appropriate. Had this UEL been applied in 2018/19, it would have resulted in a higher depreciation charge of £7.9m rather than the £3.9m applied. This adjustment will have no impact on GF reserves and balances. The above has been discussed with Deloitte. *Officers are minded not to amend the accounts for this, but to defer adoption of new UELs until 2019/20.*

3.3 **Capital Expenditure** - there are no outstanding queries other than an identified under-accrual of expenditure of £3.4m, which officers will amend for in the next version of the accounts.

3.4 **Pension Liabilities and Lump-Sum Payment to Pension Fund** - there are several points of challenge:

Assumptions feeding into the actuary's IAS 19 report	The key assumption under scrutiny was the assumed rate of salary increases, at 2.3%. Officers have concluded that, although lower than many other authorities, this assumption is not inconsistent with experience in recent years or internal planning assumptions, and is therefore a reasonable estimate. *No further action anticipated.*
Estimated pension assets	Although there is inconsistency of figures between

being c£28m higher than the Council's share of the assets as disclosed in the Pension Fund accounts	the main accounts and the Pension Fund accounts, after checking with Hymans Robertson (the Council's Actuary), officers have concluded that this has arisen from the IAS 19 report not being based on actual data as at 31 March 2019 (unlike the Pension Fund accounts). Explanation provided by the actuary has been shared with Deloitte. *Officers await Deloitte's view on this matter.*
The Council paid a lump-sum "up front" of £43.4m to the Pension Fund in 2017/18, rather than three separate payments of £15m over the three years 2017/18, 2018/19 and 2019/20.	The required payment profile was specified in the "rates and adjustments certificate", and according to a detailed reading of the legislation this is indeed how monies should have been paid over. Clarification on this matter was provided by legal counsel, who also added that if challenged it seemed highly unlikely that a court would grant any relief as it was of an entirely technical nature, being primarily an administrative issue. It should be noted that the then Chief Accountant was in communication with the actuary over this matter, and also presented a report for approval of this decision to the Pensions Committee on 21 September 2017. *Officers await Deloitte's view on this matter.*
Unfunded Liabilities	Outside of the Tower Hamlets Local Government Pension Scheme there is an unfunded liability which had not been assessed within the draft accounts (as required by the CIPFA Code). This arose from discretionary awards upon retirement made to teachers over several decades – where the Council continues to pay a top-up element of pension each month (ie that element which the accrued contributions previously paid to the Teachers' Pension Fund does not provide for). *This liability has been assessed as £9.4m and will be included within the balance sheet of the revised accounts. (It has no impact on the GF reserves and balances as presented in the accounts).*

3.5 **Collection Fund-related items** – in Deloitte's report of 23 July, they mentioned release of a creditor balance of £20m and the challenge with respect to the (low) level of provision against appeals made by business ratepayers:

Creditor balance of £20m	Officers have investigated the history of this creditor balance, and have reviewed previous years to ascertain its history (on a "most likely" scenario, as we do not have complete records). It appears that errors were made on a consistent basis over a number of years prior to 2013 in the calculation and

	journaling of the bad debt provision, thus giving rise to an erroneous surplus in the Collection Fund. In 2013 this erroneous surplus was credited to the Council's own balance sheet as creditor, whereas the correct treatment would have been to leave it within the Collection Fund. In 2018/19 this surplus was taken to revenue codes, and subsequently a proportion to reserves. *Officers have concluded that the correct treatment is to reverse the whole £20m back to the Collection Fund.* *Officers are finalising the detailed working papers before presenting to Deloitte.*
Low level of provision against appeals to rateable values	Officers have performed benchmarking against other London authorities by way of assessing provision as a percentage of total rateable value. The total provision of the Tower Hamlets Collection Fund was found to be a complete outlier, at 0.2%, whereas the broad range of consensus was within the range 2-6%, with overall average at 4%. *The Council will top up the provision to ensure it falls inside that generally accepted range. The overall impact to the Council's accounts is still being assessed and officers are finalising the detailed working papers before presenting to Deloitte.*

3.6 **Implementation of IFRS 9 and IFRS 15** - although officers do not expect there to be noticeable impact, if any, arising from the implementation of these new reporting standards, there is a need to provide working papers such that Deloitte can scrutinise the assessment made. Officers will work to improve the level of working papers.

3.7 **Other financial reporting matters** - there are several elements that Deloitte made observation on; these will be incorporated in the next version of the accounts, including:

- Accounting policies
- Critical accounting judgments
- Cash flow statement
- Elimination of internal recharges
- Narrative report

3.8 Further points of significant activity (emerging matters that have come into sharper focus since the last report) - these are detailed below:

Review of revenue accruals	Testing of an initial sample of accruals items identified an unacceptably high level of error was identified (in particular several of the items accrued for should not have been). Officers agreed with Deloitte to perform an extensive

	reviewing exercise of the accruals raised, with a view to amending where significant error had occurred. *This exercise is ongoing, though drawing close to conclusion, and anticipates an increase on the revenue outturn in excess of £2m.*
Accrual for leaseholder contributions to the costs of major works on housing properties	Where major works are undertaken on blocks of housing, the costs that are attributable to leaseholders are billed to them. In recent years this billing has fallen behind, in particular due to the expanded programme of Decent Homes, and the need to obtain final completion from contractors. Tower Hamlets Homes has been pro-actively implementing an exercise of catch-up billing; nevertheless, it has been estimated that as at 31 March 2019, £15m of contributions should have been accrued for. *Officers are finalising the detailed working papers before presenting to Deloitte.*
Loss allowance for bad debt for the above ("bad debt provision" in pre-IFRS 9 terminology)	Currently there is no loss allowance set aside against leaseholder contributions for major works. Although recovery processes as implemented by THH appear to be reasonably robust, and the level of write-offs in recent years has certainly reduced markedly in recent years, it is unlikely that a gross debtor of c£35m should have nil loss allowance for bad debt. Officers continue to test and consider what an appropriate level might be. *Officers are finalising the detailed working papers before presenting to Deloitte.*
Receipts in Advance	In particular in the area of Community Infrastructure Levy, the Council has not been accounting on a full accruals basis. Income should be recognised in the accounts upon "commencement of development"; in practice the raising of the invoices sometimes gets delayed for sound practical and operational reasons due to delays in getting finalisation of details (eg architects' drawings illustrating relevant floorspace), and, conversely, sometimes monies get paid ahead of time. Officers are performing thorough assessment of CIL billing, and eligible schemes, and will ensure robustness in the stated RIA and accruals figures. (Unfortunately, the CIL billing system does not facilitate this exercise with system reports, and so this has turned into a time-consuming manual exercise). *Officers are finalising the detailed working papers before presenting to Deloitte.*
Grants accounting – "grants with conditions"	In technical accounting terminology, "with conditions" is interpreted to mean unspent grant monies are

	subject to active recovery processes by the donating government department – and therefore should be shown as creditors on the balance sheet. In practice, most grants are simply “ring-fenced” (despite the voluminous stipulations provided by donating departments), meaning that unspent monies should be recognised as income in-year, and then lodged on the balance sheet as earmarked reserves. Officer assessment indicates that about £7m will need to be reclassified in this way (resulting in an increase in earmarked reserves of said amount, although this should not be viewed as “new resource”, rather “re-badged resource”.). *Approach has been agreed with Deloitte.*
Grants accounting – debtor balances	A debtor should be set up where the Council is owed monies that relate to that particular financial year (eg a government department has only paid 3 instalments by 31 March out of the 4 quarterly payments due, thus leaving one instalment due for the year). However, for Dedicated Schools Grant and PFI credits, debtors were set up even where all monies due had been paid in-year. Clearing these debits to revenue will result in a reduction of £5.9m on the General Fund balances and reserves. *Approach has been agreed with Deloitte.*

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equalities implications within this report.

5. OTHER STATUTORY IMPLICATION

5.1 VALUE FOR MONEY CONCLUSION

Deloitte will report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources as part of its audit report on the Statement of Accounts.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 The Statement of Accounts is being restated so as to take account of the significant errors found to date.

7. COMMENTS OF LEGAL SERVICES

7.1 The Council is required to prepare a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The statement must include statements about the housing revenue account (setting out prescribed particulars) and each and every other fund in relation to which the Council has a statutory function to keep a separate account. The statement must include notes demonstrating that Dedicated Schools Grant has been deployed in accordance with regulations; of the number of employees in each £5,000 salary bracket starting at £50,000, not including senior employees; and of the remuneration and the Council's contribution to pension for each senior employee.

7.2 The Accounts and Audit Regulations 2015 specify a procedure for signing, approval and publication of a statement of accounts. The chief finance officer is required to sign and date the statement of accounts by 31 May each year, certifying that it presents a true and fair view of the Council's financial position at the end of the relevant financial year and of the Council's income and expenditure for the year. The Audit Committee must approve the statement of accounts by 31 July each year and the statement must be signed by the chair of the meeting at which the accounts were approved. The statement of the accounts must be published by 31 July along with any certificate, opinion or report issued or given by the Local Auditor under the Local Audit and Accountability Act 2014.

7.3 As indicated in the report, it is consistent with good practice for the committee to see the statement of accounts at an early stage, given that it will be asked to approve the accounts upon completion of the audit.

7.4 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is referred to as the Council's best value duty. The Annual Financial Report for 2018-19 will go towards demonstrating that the Council is meeting this duty.

7.5 When making decisions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). There are no direct equality implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

Annual Financial Reports 2018-19, presented to Audit Committee on 23 July 2019

Appendices

None

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

- Tim Harlock, Interim Chief Accountant (ext. 6791)

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Non-Executive Report of the: **Audit Committee** **14 November 2019**	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
Treasury Management Mid-Year Report for 2019/20	

Originating Officer(s)	Katherine Ball – Strategic Finance Manager
Wards affected	All Wards

Summary

This Report is produced in accordance with the CIPFA Treasury Management Code of Practice	The Treasury Management Strategy Statement and the Treasury Prudential Indicators, for 2019/20 were approved by Council on 19th February 2019 as required by the Local Government Act 2003. This report covers the period 1st April 2019 to 30th September 2019
Investment returns fluctuate in line with the bank of England base rate. Base rate is maintained at 0.75%.	The Council has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the impact of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. Risk includes interest rate fluctuations and change to inflation.
The investment income budget set for 2019/20 was £4m and we are broadly on target.	For the 2018/19 budget, £100m of investments were set aside for investment in pooled funds. To date, £76m has been invested. Equity markets fell very sharply over the 3 months to 31 December 2018 and investment in pooled funds was paused due to high market volatility.
From the Benchmarking exercise a total return of 1.60% was achieved for the reporting period, which was 0.46% above the average for similar LAs return and 0.38% higher than the average return for all LAs.	The 7 day London Interbank Bid Rate (LIBID) is the performance measure for the Council's investment returns and the return for year to date is 0.57%. For this reporting period, the investments portfolio returned 1.60%. This was better than the benchmarking average of 1.22%. More information on this can be found in section 3.6. The credit worthiness of investments is maintained at –AA and the average credit score is 4.18 for this reporting period, signifying LBTH portfolio credit risk is lower than the benchmarking average.

Prudential Indicators (PI) and Treasury Management (TM) indicators have been fully complied with.	Over the reporting period, all treasury management (TM) activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy statement.

Recommendations:

Members are recommended to:

- note the contents of the treasury management activities and performance against targets for half year ending 30 September 2019; and
- note the Council's investments as set out in Appendix 1. The balance outstanding as at 30 September 2019 was £307.250m

1. **REASONS FOR THE DECISIONS**

1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

1.2 This report updates members on both the borrowing and investment decisions made by the Corporate Director, Resources under delegated authority in the context of prevailing economic conditions and considers the Council's Treasury Management performance.

1.3 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its investment strategy as approved by Full Council.

2. ALTERNATIVE OPTIONS

2.1 The Council is bound by legislation to have regard to the Treasury Management (TM) Code. The Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities. If the Council were to deviate from those requirements, there would need to be justifiable reason for doing so.

3. DETAILS OF REPORT

3.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to the Treasury Management Code. The Treasury Management code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities and risks.

3.2 Treasury management is defined as "the management of the Council's investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Within reason, the Council can vary its treasury management strategy having regard to its own views about its appetite for risk in relation to the financial returns required.

3.3 The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision reports were included in the Budget Pack that was presented to Full Council on 19 February 2019.

3.4 ECONOMIC OUTLOOK AND INTEREST RATE FORECAST FROM ARLINGCLOSE

3.4.1 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slow-down in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

3.4.2 There appears no near term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, Donald Trump is unlikely to change his stance.

3.4.3 Parliament appears to have frustrated UK Prime Minister Boris Johnson's desire to exit the EU on 31st October. The probability of a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risk of this event remains for 2020. The risk of a general election in the near term has, however, increased.

3.4.4 UK economic growth has stalled despite a probable pick-up in growth in Q3 2019. The ONS reported a Q2 growth rate of -0.2%. The MPC has downgraded its growth forecasts for future years.

3.4.5 While the potential for divergent paths for UK monetary policy remain in the event of a withdrawal agreement, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy.

3.4.6 Inflation remains around target, albeit displaying a surprising decline in August 2019. The tight labour market risks medium-term domestically-driven inflationary pressure. Slower global growth should reduce the prospect of externally driven inflationary pressure, although political turmoil could push up oil prices.

3.4.7 Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

3.4.8 Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy.

3.4.9 Arlingclose judges that the risks are significantly weighted to the downside.

3.4.10 Gilt yields have fallen to historic lows. The risks to economic growth from global political uncertainty appear to have crystallised, dampening rate expectations and dragging yields lower.

3.4.11 We expect gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside. Volatility will continue to offer longer-term borrowing opportunities.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3-month money market rate													
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
1yr money market rate													
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	0.30	0.50	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
5yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.35	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.35	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
10yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.55	0.55	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.40	0.40	0.45	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.95	1.00	1.05	1.10	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Downside risk	0.45	0.50	0.55	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
50yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.90	0.95	1.00	1.05	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60

3.5 TREASURY MANAGEMENT STRATEGY 2019/20

3.5.1 The Treasury Management Strategy was approved on 19th February 2019 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2019/20 including the limits and criteria for selecting institutions to be used for the investment of surplus cash and the council's policy on long-term borrowing and limits on debt. The Council complied with the strategy throughout the reporting period and all investments were made to counterparties within the Council's approved lending list.

3.5.2 The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

3.5.3 The treasury management position as at 30th September 2019 shown in table 2 below.

Table 2: Treasury Management Summary

	31.03.19 Balance £m	Movement over the Year £m	30.09.19 Balance £m	31.09.19 Rate %
Long-term borrowing	74.296	-	74.296	3.25
Short-term borrowing	-	-	-	-
Total borrowing	**74.296**	**-**	**74.296**	**3.25**
Long-term investments	73.000	8.000	81.000	
Short-term investments	273.500	(216.500)	57.000	

	31.03.19 Balance £m	Movement over the Year £m	30.09.19 Balance £m	31.09.19 Rate %
Cash and cash equivalents	36.650	132.600	169.250	
Total investments	**383.150**	**(75.900)**	**307.250**	**1.6**
Net investments	***308.854***	**(75.900)**	***232.954***	

Borrowing Strategy during the period

3.5.4 The Council held £74.296m of external loans at 30th September 2019.

Table 3: Borrowing Position

	31.03.19 Balance £m	Movement £m	30.09.19 Balance £m	30.09.19 Rate %	30.09.19 WAM* years
Public Works Loan Board Banks (fixed-term)	56.796 17.500	- -	56.796 17.500	2.92 4.34	44.9 58.0
Total borrowing	**74.296**	**-**	**74.296**	**3.25**	**13.9**

*Weighted average maturity

3.5.5 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing has been to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The secondary objective being to have flexibility to renegotiate loans should the Council's long-term plans change.

3.5.6 The Council redeemed £60m of its LOBO (Lender's Option Borrower's Option) loans during 2018/19 and partly re-financed this through Public Works Loans Board (PWLB) loans.

PWLB Rate Increase

3.5.7 On October 9th 2019 the Treasury increased the interest rate for the Public Works Loan Board (PWLB) by one percentage point.

3.5.8 In a letter to council finance directors the Treasury's Local Government & Reform team said the decision to increase the interest rate was taken because "some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows." The letter said the government will monitor the impact of the change and keep its rates policy under review.

3.5.9 Our Treasury advisers, Arlingclose, have provided a funding update in which they set out that it is probable that local authorities will in future wish to investigate other sources of long-term borrowing, as, given the increase in PWLB rates, it is likely that there is now cheaper borrowing available to local authorities than PWLB.

3.5.10 One likely consequence is that if the Council decides to borrow from non PWLB sources it will face a more onerous and lengthy administrative process compared to arranging borrowing through the PWLB; local authorities will have to go through a rigorous process with much more disclosure and explanation, as private investors will look to scrutinise the credit worthiness of potential borrowers

3.5.11 The Council will work closely with Arlingclose in future to understand the implications for the Council and its borrowing need.

Investment Activity

3.5.12 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Council's investment balance ranged between £307m to £383m due to timing differences between income and expenditure. The investment position at this reporting period is shown in table 4 below.

3.5.13 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

Investments Outstanding & Maturity Structure

3.5.14 The table below shows the amount of investments outstanding at the end of September 2019 split according to the financial sector.

3.5.15 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Given the increasing risk and falling returns from short-term unsecured bank investments, the Council has diversified into more secure and/or higher yielding asset classes by allocating £100m for strategic pooled investments and currently £76m has been invested as shown in Table 4 below.

Table 4 Outstanding Investments by Financial Sector

Financial Sector	31.03.19 Balance £m	Movement over the Year £m	30.09.19 Balance £m	% Portfolio
UK Banks	25.000	15.000	40.000	13.0
UK Building Societies	-	-	-	-
Government (incl. local authorities)	145.500	(57.500)	88.000	28.6
Oversea Banks	100.000	(80.000)	20.000	6.5
Money Market Funds	36.650	46.600	83.250	27.1
Pooled Investment Funds:	76.000	-	76.000	24.7
Cash plus funds	*20.000*	-	*20.000*	
Short-dated bond funds	*18.000*	-	*18.000*	
Strategic bond funds	*9.000*	-	*5.000*	
Equity Income funds	*13.000*	-	*6.000*	
Property funds	*5.000*	-	*5.000*	
Multi asset income funds	*11.000*	-	*11.000*	
Total investments	**383.150**	**(75.900)**	**307.250**	

Performance Report

3.5.16 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

Table 5: Investment performance for financial year to 30th September 2019

Period	LBTH Performance	Benchmark Return	Over/(Under) Performance
Full Year 2018/19	1.16%	1.24%	(0.08%)
Quarter 1	1.41%	1.23%	0.18%
Mid-Year 2019/20	**1.60%**	**1.14%**	**0.46%**

3.5.17 The Council's budgeted investment return for 2019/20 is **110 basis points** (1.10%) with average cash balance of £400m. This is based on placing £100m in pooled investments during 2018/19. There was a delay in placing these investments because of investment market sentiment over historically expensive investment values.

3.5.18 £76m was invested in pooled funds during 2018/19. The funds will be in place to deliver the full year savings target in 2019/20 onwards, however due to the nature of the funds, returns will fluctuate from year to year. The risk profile of these investments is an important consideration for the Committee, in order to achieve higher returns, there can be a need to accept higher levels of risk.

3.5.19 The investment performance for the reporting period is **160bps** with an average cash balance of £340m.

3.6 Investment Benchmarking

3.6.1 LBTH participates in a benchmarking club being run by Arlingclose to enable officers to compare the Council's treasury management / investment returns against those of similar authorities. The model takes into account a combination of credit, duration and returns achieved over the duration, and it includes data from 139 local authorities. The progression of risk and return metrics are shown in Table 6 below.

Table 6: Investment Benchmarking

	Tower Hamlets		12 London & Metropolitan Average	139 Local Authorities (LAs) Average
	31 March 2019	30 Sept 2019		
Internal Investments	£307.2m	£231.3m	£67.9m	£65.2m
External Funds	**£75.2m**	**£75.8m**	***£13.7m***	***£12.8m***
Average Credit Score	3.96	4.18	4.46	4.28
Average Credit Rating	AA-	AA-	AA-	AA-
Number of Counterparties & Funds	38	29	11	14
Proportion Exposed to Bail-in	20%	53%	72%	62%

	Tower Hamlets		12 London & Metropolitan Average	139 Local Authorities (LAs) Average
	31 March 2019	30 Sept 2019		
Proportion Available within 7 days	12%	30%	61%	42%
Proportion Available within 100 days	51%	62%	74%	68%
Average Days to Maturity	108	106	92	28
Internal Investment Return	***0.97%***	***0.94%***	***0.87%***	***0.83%***
External Funds - Income Return	**1.97%**	**2.94%**	***3.11%***	***3.68%***
Total Investments - Total Return	**1.16%**	**1.60%**	**1.14%**	**1.22%**

3.6.2 As at 30th September 2019 LBTH investment portfolio delivered 0.94% for internal investment management, outperforming the benchmarking average of 0.87% and also the average return for 139 LAs of 0.83%, whilst for total return for total investments LBTH generated 1.60% outperforming the average return for 12 London Boroughs and Metropolitan Boroughs with return of 1.14% by 46bps, and outperforming the average return for 139 LAs with an average return of 1.22% by 38bps.

3.6.3 Our investment portfolio credit scores are better than the benchmark average of 4.46, signifying that LBTH's portfolio credit risk is lower than that of the others. As a consequence our investment portfolio credit worthiness was maintained at AA-, in line with the benchmark average.

3.6.4 The proportion of the portfolio investments exposed to bail-in is 53%, this level is significantly lower than the benchmark average of 72%. This means we have taken less bail-in risk on our investors compared to the others. Bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings.

3.6.5 It can also be seen from the above table that the number of counterparties the Council had as at 30th September was 29. The number of counterparties the Council had investments with during the period is more than double the benchmarking average of 11. This demonstrates the Council reduces the counterparty risk and concentration risk of the investments portfolio significantly by investing with many quality institutions and local authorities. The lower average credit score compared to others reflects the lower risk of lending to Local Authorities.

3.7 Compliance Report

3.7.1 All treasury management activities undertaken from the beginning of the financial year 2019/20 to the this reporting period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

3.7.2 Compliance with the authorised limit and operational boundary for external debt is set out in Table 7 below.

Table 7: Debt Limits

	31.03.19 Actual £m	2019/20 Forecast £m	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied

			£m	£m	
Borrowing	74.296	207.893	389.224	399.224	✓
PFI & finance leases	61.181	58.650	57.266	67.266	✓
Total debt	**135.477**	**266.543**	**446.490**	**466.490**	✓

3.7.3 The Council measures and manages its exposures to treasury management risks using a range of indicators.

3.7.4 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.03.19 Actual	30.09.19 Actual	2019/20 Target	Complied
Portfolio average credit rating	AA-	AA-	A	✓

3.7.5 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.03.19 Actual	30.09.19 Actual	2019/20 Target	Complied
Total cash available within [3] months	£124.15m	£169.25m	£100m	✓
Total sum borrowed in past [3] months without prior notice	Nil	Nil	Nil	✓

3.7.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.09.19 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	£1.004m	10%	0%	✓
12 months and within 24 months	£0.755m	30%	0%	✓
24 months and within 5 years	£2.825m	40%	0%	✓
5 years and within 10 years	-	80%	0%	✓
10 years and above	£68.709m	100%	0%	✓

3.7.7 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20
Actual principal invested beyond year end	£101m
Limit on principal invested beyond year end	£150m

Complied	✓

3.8 **Non-Treasury Investments**

3.8.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. For English Authorities: This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

3.8.2 The Council currently does not have such investments.

4. EQUALITIES IMPLICATIONS

4.1 There are no equality implications directly arising from this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are wither not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value implications
- Consultations
- Environmental (including air quality)
- Risk management
- Crime Reduction
- Safeguarding
- Data protection/ Privacy Impact Assessment

Best Value Implications

The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

5.2 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

Risk Management

There is inevitably a degree of risk inherent in all treasury activity.

The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.

The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Arlingclose who specialise in Council treasury issues.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This report provides an update on Treasury Management activities from April 2019 to September 2019.

6.2 The Council adopted a new approach to its investment activities in line with approvals given in the 2019/20 Treasury Management Strategy and its Medium Term Financial Strategy to increase the level of investment income it generates for 2019/20.

6.3 As at the 30th September 2019 the Council held an outstanding investments portfolio of £307.25m. The annual investment income budget is £4m and current estimates indicate that this is achievable.

7. LEGAL COMMENTS

7.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

7.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” (“the Treasury Management Code”) in carrying out capital finance functions under the Local Government Act 2003.

7.3 This noting report of the Corporate Director, Resources advises the Committee of the Council’s borrowing and investment activities for the half-year ending 30th September 2018 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director, Resources has responsibility for overseeing the proper administration of the Council’s financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.

7.4 When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t (the public sector equality duty).

APPENDICES

Appendix 1 – Investments Outstanding at 30th September 2019

Appendix 2 – Glossary

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

Arlingclose LTD - Treasury Management Benchmarking Report and Quarter 3 2019/20 and Treasury Management Mid-Year Report Template

Brief description of "background papers'
Name and telephone number of holder and address where open to inspection
Katherine Ball, x0997, Mulberry Place

Appendix 1: Investments Outstanding as at 30th September 2019

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	Amundi MMF		**MMF**	25.000	0.73%
	Aberdeen MMF		**MMF**	25.000	0.74%
	Federated MMF		**MMF**	25.000	0.74%
	Aviva MMF		**MMF**	8.250	0.72%
	SUB TOTAL			**82.250**	
Long Term	CCLA Diversified Income Fund		**POOLED**	5.000	
	CCLA Local Authorities Property Fund		**POOLED**	5.000	
	Payden & Rygel Absolute Return Bond Funds		**POOLED**	10.000	
	Threadneedle Global Equity Income Fund		**POOLED**	3.000	
	Threadneedle Strategic Bond Fund		**POOLED**	5.000	
	Threadneedle Sterling Short-Dated Corporate Bond Fund		**POOLED**	8.000	
	Investec, Diversified Income Fund		**POOLED**	6.000	
	Schroder Income Maximiser Fund		**POOLED**	3.000	
	M & G Global Dividend Fund (POOLED)			2.000	
	M & G Optimal Income Fund (POOLED)			2.000	
	M & G UK Income Distribution Fund (POOLED)			3.000	
	M & G Strategic Corporate Bond Fund (POOLED)			4.000	
	SUB TOTAL			**56.000**	
< 1 Month	Newry, Mourne and Down District Council	25/10/2018	25/10/2019	6.000	1.15%
	SUB TOTAL			**6.000**	
1 - 3 Months	Payden & Rygel Sterling Reserve Fund (POOLED)		**POOLED**	10.000	
	Royal London Enhanced Cash Plus Y (POOLED)		**POOLED**	10.000	
	Thurrock Borough Council	08/11/2017	08/11/2019	20.000	1.05%
	Wrexham County Borough Council	03/06/2019	03/21/2019	20.000	0.90%
	Australia & New Zealand Banking Group	04/06/2018	04/12/2019	20.000	0.98%
	SUB TOTAL			**80.000**	
3 - 6 Months	Santander	00/01/1900	CALL 95	20.000	
	Middlesbrough Council	26/01/2018	27/01/2020	10.000	1.08%
	East Ayrshire Council	12/03/2019	12/03/2020	5.000	1.20%
	Isle of Wight Council	07/02/2018	07/02/2020	2.000	1.05%
	SUB TOTAL			**37.000**	
6 - 9 Months	Lloyds TSB Bank	10/06/2019	10/06/2020	20.000	1.25%
	SUB TOTAL			**20.000**	
> 12 Months	Lancashire County Council	10/05/2019	10/11/2020	20.000	1.30%
	Dumfries & Galloway	20/08/2018	20/08/2021	5.000	1.20%
	SUB TOTAL			**25.000**	
	TOTAL			**307.250**	

Appendix 2 – Glossary

Asset Life	How long an asset, e.g. a Council building is likely to last.
Bail-in	A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings rather than the government or taxpayers.
Bail-out	A bailout is a colloquial term for the provision of financial help to a corporation or country which otherwise would be on the brink of failure or bankruptcy.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.
Commercial paper	Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.
Corporate bonds	A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets.
Consumer Prices Index	The main inflation rate used in the UK is the CPI. The

& Retail Prices Index (CPI & RPI)	Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.
Credit Default Swap (CDS)	A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.
Credit watch	Variety of special programmes offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilt	Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
The International Monetary Fund (IMF)	Is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Market Loans	Loans from banks available from the London Money Market

	including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.
Money Market Fund (MMF)	A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England, whose main role is to regulate interest rates.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.
Non Specified Investments	Investments deemed to have a greater element of risk such as investments for longer than one year
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB is normally the cheapest source of long term borrowing for LAs.
Quantitative Easing (QE)	Quantitative easing (QE), also known as large-scale asset purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy.
Specified Investments	Investments that meet the Council's high credit quality criteria and are repayable within 12 months.
Supranational bonds	Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development
Treasury bills (or T-bills)	Treasury bills (or T-bills) mature in one year or less. Like zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.

AUDIT COMMITTEE WORK PLAN 2019/20

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Last updated:	8th October 2019

Agenda Item 5.1

AUDIT COMMITTEE WORK PLAN 2019/20

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
14TH NOVEMBER 2019			
1. Deloitte	Standing item - External Audit report	Jonathan Gooding/Angus Fish	
2. Updated Terms of Reference	Terms of reference updated with details of independent member to be appointed.	Farhana Zia	
3. Internal Audit and Anti-Fraud update 2019/20 – Q2	An update on progress against the delivery of the 2019/20 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee.	Bharat Mehta / Tony Qayum	
4. Revised Head of Internal Audit Annual Report 2018/19	Updated Head of Internal Audit opinion on governance processes in the Council.	Paul Rock	
5. Review of Anti-Bribery and Anti Money Laundering Policies	(Annually) – 2 separate reports	Asmat Hussain/Paul Rock	
6. Risk Management Report 2019/20 Q2	An update on risks on the Corporate Risk Register.	Anthony Sotande-Peters	
7. Annual Risk Management Report 2018/19	Review – deferred from July meeting	Anthony Sotande-Peters	
8. Updated Annual Governance Statement 2018/19	Committee to undertake a review of the Corporate Governance process. Is linked to the Annual Financial Accounts.	Paul Rock	Deferred from 23/7/19 mtg
9. Annual Risk Management Report 2018/19	Review – deferred from July meeting	Anthony Sotande-Peters	
10. Statement of Accounts – Progress Report	An update on the progress made on the Accounts 2018/19	Kevin Bartle/ Neville Murton/ Tim Harlock	

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REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
11. Treasury Management Report 2019/20 – Q2 (Mid-Year report)	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators.	Allister Bannin / Katherine Ball	
30TH JANUARY 2020			
1. Deloitte	Standing Item – Annual Audit Letter (Fees)		
2. Risk Management Report 2019/20 Q3	An update on risks on the Corporate Risk Register.	Anthony Sotande-Peters	
3. Internal Audit and Anti-Fraud update 2019/20 – Q3	An update on progress against the delivery of the 2019/20 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee.	Bharat Mehta/ Tony Qayum	
4. Treasury Management Report 2019/20 – Q3	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators.	Allister Bannin / Katherine Ball	
5. Draft Accounting Policies 2020-21	To review and approve the accounting policies that will be implemented during the financial year and reflected in the published Statement of Accounts for that period.	Allister Bannin/ Brian Snary	
6. Internal Audit Charter	Review and approve.	Paul Rock	
9TH APRIL 2020			
1. Deloitte	Standing Item • External Audit Plan and Fees		
2. Risk Management Report 2019/20 - Q4	An update on risks on the Corporate Risk Register.	Anthony Sotande-Peters	
3. Internal Audit and Anti-Fraud update 2019/20 – Q4	An update on progress against the delivery of the 2019/20 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit	Bharat Mehta/ Tony Qayum	

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AUDIT COMMITTEE WORK PLAN 2019/20

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
	Committee.		
4. Treasury Management Report 2019/20 – Q4	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators.	Allister Bannin	
5. Annual Internal Audit and Counter-Fraud Strategy & Plan		Paul Rock	
6. Draft Annual Governance Statement	For review, approval in July 2020 with Annual Accounts	Paul Rock	
7. Review of Code of Corporate Governance	(Annually) Monitoring Officer (Item 6 & 7 interlinked)	Asmat Hussain	
8. Internal Audit Annual Audit Plan 2020/21.	For review and approval.	Paul Rock	
9. Whistleblowing Report	Annually – Monitoring Officer	Asmat Hussain	
10. Risk Management Strategy	Review and approve.	Paul Rock / Anthony Sotande-Peters	
11. Terms of Reference	Review and approve JULY 2020	Farhana Zia / Paul Rock	
12. Annual Self - Assessment and report of the Audit Committee	Self - Assessment – Apr 2020 Audit Report by Chair – July 2020 to go to Full Council.	Cllr Whitehead/Paul Rock & Farhana Zia	

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