REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	17th March 2015	Unrestricted		

REPORT OF:	
Corporate Director, Resources	**Annual Internal Audit Plan 2015-16**
ORIGINATING OFFICER(S):	Ward(s) Affected:
Head of Risk Management and Audit	**N/A**

1.   Introduction

1.1   This report presents the proposed Annual Internal Audit Plan for 2015/16 at Appendix 1 of this report. The plan was compiled using the Governance Based Audit Assessment Methodology and the Internal Audit Charter approved by the Audit Committee in June 2014.

1.2   The Internal Audit Charter at Appendix 3, details the methodology for developing the annual audit plan and sets out the role of internal audit and the process by which to direct the work of audit. The first step in this methodology is to obtain information about the population from which audit activity is to be selected. This was achieved by consulting with key officers, reviewing the authority's corporate plan and risk registers and meeting with external audit. By gathering information and assessing the risks affecting each auditable system, resources have been directed at those areas with the highest risk significance. Details of the Governance Based Audit Assessment Methodology are attached at Appendix 2 for information.

2.   Recommendation

2.1   That the Audit Committee endorses the Annual Internal Audit Plan for 2015/16 at Appendix 1 and the Internal Audit Charter at Appendix 3.

2.2   The Audit Committee is also asked to note the remainder of the report.

3. Background / Methodology

3.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and departmental objectives.

3.2 This process uses four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the four assessment categories and what each is intended to measure.

Assessment Category		Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

3.3 Following this assessment, those systems with the highest score were added to the audit plan based on the resources available. In addition to the above assessment, auditable areas that have a medium or low score, but in order to support the work of external audit or to provide assurance to key officers, also feature in this audit plan. These include areas such as the reviews of key financial systems, governance arrangements, grant audits, cash income and regularity/probity audits.

Resources

3.4 The table below shows how provisionally the plan will be resourced between the in-house staff and our strategic internal audit partner, Mazars through the L.B of Croydon Framework Agreement.

Audit Resources 2015/16		Days	Days
In-house	5 auditors @ 195 days	975	
	Management	150	
			1,125
Mazars	Core Audits	405	
	Computer Audit	100	
	TOTAL		505
	PLAN TOTAL		**1,630**

Please note – the analysis shown in the table above is subject to review. The Head of Audit and Risk Management will assess the audit plan and profile the plan in consultation with the Council's S151 officer and the Audit Manager.

Annual Audit Plan

3.5 Appendix 1 shows the annual audit plan and provides a brief summary of the scope of each review. The plan also shows the source of the auditable area and its link to the authority's corporate priorities. The proposed plan was consulted with each Directorate Management Team (DMT) and the Corporate Management Team (CMT).

3.6 In summary, for 2015/16, the Internal Audit Plan comprises of 1,630 days across all directorates. In line with the established protocols, all changes to the agreed 2015/16 plan will be reported to the Audit Committee in December 2015. The increase of 164 days over the original 2014/15 audit plan relates to the creation of a temporary post to carry out procurement and contract related audits and audit work around grants, for 2015/16.

	Original plan 2014/15	Revised Plan 2014/15	Audit Plan 2015/16
Corporate systems	50	30	257
Law, Probity and Governance	45	30	60
Education, Social Care and Welfare	290	350	250
Communities, Localities and Culture	165	170	145
Tower Hamlets Homes	130	130	130
Development & Renewal	150	150	174
Resources	286	296	264
Computer audit	100	100	100
Follow-up, management and reactive fraud provision	250	185	250
Total	**1,466**	**1,441**	**1,630**

3.7 In developing the internal audit plan for 2015/16, consideration has been given to the matters raised in the PWC report issued in November 2014 and the subsequent directions from DCLG in December 2014. Discussions are also underway with the Council's external auditors, KPMG, to ensure the work of internal and external audit is joined up. In light of the above, the Head of Audit will continue to monitor the audit plan and where necessary amend the plan. All changes will be reported to the Audit Committee highlighting any significant change being raised with the Corporate Director, Resources and the Chair of Audit Committee.

4.   Comments of the Chief Financial Officer

This report presents the proposed Annual Internal Audit Plan for 2015/16 and recommends that the Audit Committee endorse the plan for 2014/15 as detailed in Appendix 1.

4.2   The Audit plan is expected to be delivered within existing resources and thus there are no additional financial implications arising from endorsing the plan attached.

5.   Legal Comments

5.1.   The Council has a duty 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 by virtue of section 3 of the Local Government Act 1999. This is known as its Best Value Duty.

5.2.   Under sections 15(5) and 15(6) of the Local Government Act 1999 the Secretary of State for Communities and Local Government issued legally enforceable directions in order to ensure that the Council complies with its obligations under part 1 of the Local Government Act 1999. Action 1 to be taken by the Council in respect of the Directions (as stated in Annex A to the Directions) the Council is to agree a plan with the Commissioners to ensure the compliance by the Council with the remainder of the directions. In preparing the Audit Plan, due consideration has been given to the Directions and Best Value Plan presented to the Commissioners.

5.3   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 consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

6.   One Tower Hamlets

6.1   There are no specific one Tower Hamlets considerations.

6.2   There are no specific Anti-Poverty issues arising from this report.

7.   Risk Management Implications

7.1.   In preparing this audit plan, due consideration has been given to the Council's present systems of governance, risk management and control. Internal Audit has also carried out its own risk assessment on all audit activities within the Audit Universe by applying the governance based risk assessment methodology detailed at Appendix 2. In addition, the Council's Directorate and Corporate Risk Registers were considered and consultations with Service Heads were carried out to review specific risks facing their services.

8.   Sustainable Action for a Greener Environment (SAGE)

8.1.   There are no specific SAGE implications.

London Borough of Tower Hamlets
Risk, Internal Audit and Control Plan: 2015/16

Contents

Foreword

The role of internal audit is important in supporting organisations achieve their goals and outcomes. For internal audit to contribute towards the overall goals of the organisation, effective arrangements of audit activity is essential, whether planned or unplanned. The annual audit plan for 2015/16 is devised using a risk based methodology, and focuses on areas where Tower Hamlets needs to be sure its risks are being properly managed. The plan also recognises the wider role audit has in supporting management, who strive to deliver excellent public services to residents living in, and people working in the borough, by including for example, corporate reviews, value for money, contract and ICT audits. A large part of the annual plan rightly focuses on providing independent assurance over the systems of control for managing risks across the authority. There is also some flexibility within the plan for risks that will arise over the next financial year.

For 2015/16, the audit plan has been developed to include findings arising from the PWC report issued in Oct 2014 to support the Council achieves its goals. The audit plan will continue to be monitored actively to ensure key risks are being managed.

Finally, in preparing the plan, it is important to recognise the contributions made by officers at the Departmental and Corporate Management Teams, the S151 Officer, and the Chair of the Audit Committee for which I am grateful.

Minesh Jani
Head of Risk Management and Audit

Context

Risk taking is vital to the success of any business; it is inherent in everything we do. All too often, however, risks are regarded only as hazards despite the fact they can present significant opportunities for organisations to innovate and gain short and long-term competitive advantages. Risk and opportunity are, in essence, a duality – like two sides of the same coin.

The Good Governance Standard for Public Services identifies that 'Good governance means "taking informed, transparent decisions and managing risk". This implies creating a framework of enterprise-wide risk management that is embedded in the 'business as usual' operations and viewed as an integral component of how the organisation is governed.

Risk management is not about avoiding or eliminating risk. It is about understanding what risks are and the potential impact upon the organisation should the risks materialise and also about controlling risks when they arise.

Embedding good, enterprise-wide risk management systems will facilitate the achievement of our strategic objectives.

Internal Audit and their evaluation of controls provide an important part of the tool kit that the Corporate Management Team and the Audit Committee have in evaluating the risks being faced by the organisation, and the controls that are in place to mitigate these risks.

Key Risks

The Audit Plan is based on three principal sources of information – Risk Registers (Strategic Risks and Directorate based service risks), our own risk analysis and management request. In formulating the Audit Plan, the key corporate risks and Directorate based risks have been considered. There are 9 corporate risks which are being monitored by the CMT and the Audit Committee and are summarised below. These risks have been referenced within the Audit Plan, where applicable.

Risk Ref..	Risk
ESWRS0001	Council's inability to meet demand for school places.
DRA0016	Failure to meet the borough's housing targets.
ESW0001	Death or serious harm to a child or vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.
RSB0019	Failure to maintain financial viability/financial balance in 2016/17 and future years through to 2020.
PPM0016	Failure of the Council's supply chain.

No.	Risk
LPGCOM0003	Failure to effectively manage the reputation of the Council.
LPGSE0001	Failure to achieve "One Tower Hamlets" and community cohesion.
LPGLS0001	Non-compliance with corporate governance procedures.
CLSCEH0002	There is a risk that, should a major incident take place affecting Council services, there may be a failure to implement an effective response.

The Role of Internal Audit

The role of Internal Audit is to provide an independent 'assurance' to the organisation that its systems of internal control are sound and adequate, and are being complied with by staff and management.

Internal Audit is a review function, which independently reviews and reports upon the organisation's internal control, governance and risk management arrangements. It critically evaluates the entire internal control framework and where necessary, makes recommendations for improvement and the introduction of best practice.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The findings emerging from internal audit reviews provide a basis for an Annual Audit Opinion and form part of the Council's Annual Governance Statement.

London Borough of Tower Hamlets 2015/16 Internal Audit Plan

	Audit Days	Pages
Corporate systems and Council–wide reviews	257	2-4
Director of Law, Probity and Governance	60	5
Education, Social Care & Wellbeing	250	6-8
Communities, Localities & Culture	145	9-11
Tower Hamlets Homes	130	18-20
Development & Renewal	174	12-14
Resources & core financial systems	264	15-17
Information technology audits	100	21-23
Follow up, management and reactive fraud provision	250	23
Total Provision	**1,630**	-

Internal Audit plan 2015-16

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Corporate Audits				
Management and Control of Sickness	This audit will examine controls in place for an effective management and monitoring of sickness absences across the Council.	20	Audit Need Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Establishment Control	We will review systems and processes in place to provide assurance around the effective management of the Council's establishment levels.	15	Audit Need Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Transparency Code – Compliance	This audit will test compliance with various aspects of the Transparency Code to ensure that the Council has a sound system in place for collecting, quality checking and publishing the necessary information.	12	Corporate Risk Ref. LPGLS0001 Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Management and Control of Taxis/Cabs	This audit will provide assurance over controls in place for controlling and monitoring of the use of taxis and minicabs by staff and members.	10	Audit Need Analysis Corporate Risk Ref. LPGLS0001	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Use of Purchase Cards – Compliance Testing	This will be compliance testing of how purchase cards are used, controlled and monitored across the Council to provide assurance that the Council's procedures on Purchase cards are followed and complied with.	30	Audit Needs Analysis Corporate Risk Ref. PPM0016	**One Tower Hamlets** Working efficiently and effectively as One Council
Procurement Procedures – Compliance audit	This will be a detailed testing of how Directorate staff comply with the Council's Procurement procedures to ensure that goods and services are procured, ordered and paid in accordance with the Council's approved procedures.	30	Audit Needs Analysis Corporate Risk Ref. PPM0016	**One Tower Hamlets** Working efficiently and effectively as One Council
Control and Monitoring of Best Value Action Plan	We will provide assurance that the progress of Best Value Action Plan for securing the Council's compliance with its best value duty is controlled and monitored.	25	Audit Needs Analysis and Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Regularity Audits of Grant Funded Third Sector organisations	We will carry out probity audits to a sample grant funded organisations to provide assurance that the grant funding is properly used in accordance with the grant conditions and that value for money is secured in the use of public money to achieve the objectives and priorities of the Council.	100	Audit Needs Analysis and Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Control, Monitoring and Reporting of Executive Decisions	This audit will examine the Council's procedures for recording, monitoring and reporting of Executive decisions taken by officers.	15	Management request. Corporate Risk Ref. LPGLS0001	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**257**		

Law, Probity and Governance	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Contract Signing and Sealing	To examine procedures for finalising, signing and sealing of legal contracts.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Communications Strategy – Compliance with the Protocol	This will be a review of the Council's Communication Strategy to ensure that it is up to date and key requirements are delivered and monitored effectively.	15	Audit Needs Analysis Corporate Risk Ref. LPGCOM0003	**One Tower Hamlets** Working efficiently and effectively as One Council
Registrar's Office	We will examine the systems and controls for income generation initiatives to provide assurance that the new business model is delivered effectively.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Data Quality	This audit will examine a sample of high risk corporate performance indicators identified by the Performance Management team to provide assurance over the accuracy of the indicator.	10	Management request	**One Tower Hamlets** Working efficiently and effectively as One Council
Monitoring of Contracts for Mayor's Advisors	We will examine systems and procedures for monitoring the various contracts for advisors to ensure that they deliver good value for money and that payments are controlled and monitored in accordance with Council procedures.	10	Request by the CMT	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**60**		

Education, Social Care and Wellbeing	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Resource Allocation for Individual Budgets for Adults Social Care	We will review the systems and controls for allocating and approving resources for Individual Budgets to ensure that care plans for individual service users are costed and budgeted correctly and accurately**.**	10	Audit Needs Analysis Corporate Ris Re ESW0001.	**A Safe and Supportive Community** Empower Older and Vulnerable People
Recovery of Unspent Funds from Individual Budgets for Adults Social Care	We will test the procedures for identifying, monitoring and recovering unspent individual budgets and funds that have been used for activities outside the support plan.	10	Audit Needs Analysis	**A Safe and Supportive Community** Empower Older and Vulnerable People. Focus on Early Intervention
Financial Safeguarding	We will undertake sample testing of the effectiveness with which financial safeguarding of vulnerable adults in supported and other accommodation is managed, controlled and monitored.	20	Audit Needs Analysis	**A Safe and Supportive Community** Empower Older and Vulnerable People. Focus on Early Intervention

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Quality of Care Audits	Review and testing of procedures in place for ensuring that the quality of care received by vulnerable adults from their care providers is to the expected standard of care.	15	Audit Needs Analysis Corporate Risk Ref. ESW0001	**A Safe and Supportive Community** Empower Older and Vulnerable People. Focus on Early Intervention
Better Care Fund – Planning and Governance	We will review the planning and governance arrangements for delivering an effective system for integrating health and social care services to local people to receive better care.	10	Audit Needs Analysis Corporate Risk Ref. ESW0001	**A Safe and Supportive Community** Focus on Early Intervention
Contract Management of School Expansions	We will select a sample of building works in progress and test the effectiveness of contract management and monitoring to ensure that building works are delivered on time and to the agreed budget.	10	Audit Needs Analysis Corporate Risk Ref. ESWRS0001	**A Prosperous Community** Support lifelong learning opportunities for all.
Management of Missing Children's Register	We will review procedures for identifying, recording and monitoring cases of children missing from schools and other establishments.	10	Audit Needs Analysis Corporate Risk Ref. ESW0001	**A Safe and Supportive Community** Focus on Early Intervention
Management and control of "No Recourse to Public Fund" cases – Children's and Adults services	We will review the verification framework for controlling and managing cases falling within the terms of "No recourse to Public Funds", but receiving services from the Council.	15	Management Request	**A Safe and Supportive Community** Focus on Early Intervention

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Management of the Action Plans resulting from Serious Case Reviews – Adults and Children's services	We will review the robustness of systems in place for implementing and embedding lessons learnt from Serious review Cases.	15	Audit Needs Analysis Corporate Risk Ref. ESW0001	**A Safe and Supportive Community** Focus on Early Intervention
Schools audits	The school probity audits will cover areas of Leadership and Governance; Budget Management; Procurement; Income and Expenditure controls; Payroll and Personnel; Asset Management; ICT security and other key areas of business within schools.	135	Annual Programme	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**250**		

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Communities, Locality and Culture				
Control and Monitoring of Education and Development of Staff	This will be an audit of procedures in place for approving, controlling and monitoring of education and development of staff within the Directorate and its services.	10	Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Flare – Data Quality	We will undertake testing of the Flare system operated by the Health and Housing Team to provide assurance that cases are managed and dealt with efficiently and effectively.	10	Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Licence Applications	How applications for various licences are managed, including effectiveness of publicity and consultation before granting the licence.	15	Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Trading Standards	We will review the systems and procedures for case management, ensuring that the Council's residents and consumers benefit from the programme of work undertaken by the Trading Standards Service.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Park and Phone Cashless Parking Income	This audit will review systems and procedures for controlling and monitoring the contract for Park and Phone service to ensure that all income due to the council is collected and accounted for efficiently and service provided is compliant with the contract.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Tendering for the new Waste Contracts	We will review and provide advice on the tendering arrangements for the procurement of the new Waste contract.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Highways Contract	This audit will test the effectiveness of controls over the ordering, inspecting and paying for planned and responsive Highways Maintenance works undertaken as part of the Measured Term Contract.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Community Language Service	We will examine systems for governance, recruitment, quality control of teaching and paying for staff to ensure that Council procedures and standards are complied with.	15	Management Request Corporate Risk ref. LPGSE0001	**One Tower Hamlets** Working efficiently and effectively as One Council
Community Champions Programme	We will review the governance and systems and procedures in place for managing the community champions programme to ensure that the Council's objectives are met.	10	Audit Needs Analysis Corporate Risk ref. LPGSE0001	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Youth Centres – Probity Audits	This will be probity audit on Youth Centres to provide assurance that the centres are operating within the Council's rules and procedures, and that the service objectives and priorities are achieved economically, efficiently and effectively.	30	Audit Needs Analysis and Management Request Corporate Risk ref. LPGSE0001	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**145**		

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Development and Renewal				
Asset Management	This will be a review of systems and controls for management of Council's assets to achieve the key priorities and objectives.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Temporary Accommodation	We will provide assurance over the systems and procedures for placing and paying for homeless families in temporary accommodation including B&B establishments to ensure that the government regulations are complied with and that Council's objectives are achieved.	20	Audit Needs Analysis Corporate Risk ref. DRA0016	**One Tower Hamlets** Working efficiently and effectively as One Council
Monitoring of Faith Buildings Grants	We will review the systems for monitoring the grants for the Faith Buildings programme to ensure that the funding secures value for money.	15	Audit Needs Analysis and Management Request.	**One Tower Hamlets** Working efficiently and effectively as One Council
Management and Monitoring of Emergency Funds	We will review the systems for allocating and monitoring the grants awarded from the Emergency Fund to ensure that the funding is released to organisations meeting the agreed criteria and that it secures the principles of sound probity and value for money.	10	Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Annual Evaluation of Grants Programme	This audit will provide assurance that as required by the Council's procedures the various grant programmes and initiatives are evaluated on an annual basis to ensure that they have achieved their objectives effectively and that lessons learnt are cascaded to the next round of the programme.	10	Audit Needs Analysis and Management Request.	**One Tower Hamlets** Working efficiently and effectively as One Council
Mainstream Grants Programme– Allocation and Assessment	This work will shadow the new round of the grants programme to provide assurance that grant application, eligibility, assessment and allocation systems achieve best value principles and achieve Council objectives.	20	Audit Needs Analysis and Management Request.	**One Tower Hamlets** Working efficiently and effectively as One Council
Repairs and Maintenance of Administrative Buildings	We will review systems for identifying, ordering, inspecting, paying and monitoring the reactive and planned repairs and maintenance works to Administrative Buildings of the Council.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Contract Audit	We will review the effectiveness of systems and controls for managing and monitoring various capital projects delivered by the Capital Delivery group.	30	Audit Needs Analysis and Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
London Mayor and LBTH Community Infrastructure Levy (CIL)	We will test the effectiveness of the systems for collecting and paying for the London Mayor's Community Infrastructure Levy. We will use the results of these tests to evaluate the systems proposed for the LBTH CIL.	15	Audit Needs Analysis and Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Delivery of Economic Benefits and Outputs	This review will provide assurance that the Council has effective systems and controls in place for managing and monitoring the various Economic Benefits to the community designed in various agreements and contracts.	12	Audit Needs Analysis and Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Land Acquisitions and transactions	We will review the governance and controls around the Council's land acquisitions programme and land related transactions with developers and other stakeholders to ensure that these are within the Council's powers.	12	Audit Needs	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**174**		

Resources	Broad Scope	Audit days	Audit Source	Link with Corporate Priorities
Management of VAT	We will review systems and controls for VAT management to ensure that VAT regulations are complied with.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Medium Term Financial Plan	We will test the system for compiling and updating the Council's Medium Term Financial Plan to ensure that the Council's medium term financial planning is sound, secure and resilient.	10	Audit Needs Analysis Corporate Risk Ref. RSB0019	**One Tower Hamlets** Working efficiently and effectively as One Council
Management of Efficiency Programme	Review of systems and controls for managing and monitoring the Council's savings programme.	20	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Payroll Account Reconciliation	We will test the soundness of the procedures for payroll account reconciliation to provide assurance that payroll transactions are reconciled with the Council's accounting system.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
One Stop Shops – Regularity Audit	We will undertake planned visits to One Stop Shops to provide assurance that Council's rules and regulations e,g, data security and protection control etc. are complied with in carrying out various front line customer service functions.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit days	Audit Source	Link with Corporate Priorities
Processing of Suppliers Credit Notes	We will test the soundness of controls over the timely and accurate processing of Credit Notes received from the Council's suppliers.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Management of Insurance Claims	We will provide assurance over the adequacy of systems and procedures for managing various insurance claims received by the Council from residents, tenants, staff and other parties to whom the Council has duty of care.	10	Audit Needs Analysis and Management Request.	**One Tower Hamlets** Working efficiently and effectively as One Council
Management of the Council Tax Reduction Scheme	We will review the controls over the local Council Tax reduction scheme to ensure that systems are sound and secure and achieve the objectives of the Council.	15	Audit Needs Analysis and Management Request.	**One Tower Hamlets** Working efficiently and effectively as One Council
Bailiff Contract	We will test the effectiveness with which the Bailiff contract is controlled and monitored to ensure that the key deliverables in the contract are monitored and objectives are achieved.	10	Audit Needs Analysis.	**One Tower Hamlets** Working efficiently and effectively as One Council
Treasury Management	Annual Review of key financial system	10	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
HR/payroll	Annual Review of key financial system	15	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit days	Audit Source	Link with Corporate Priorities
General Ledger	Annual Review of key financial system	10	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Budgetary control	Annual Review of key financial system	10	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Creditors	Annual Review of key financial system	15	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Debtors	Annual Review of key financial system	15	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
NNDR	Annual Review of key financial system	10	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Council Tax	Annual Review of key financial system	15	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Capital Programme and Accounting	Annual Review of key financial system	8	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Control and Monitoring of cash income C&D	Annual Review of key financial system	10	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Pensions	Annual Review of key financial system	8	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Housing and Council Tax Benefit	Annual Review of key financial system	15	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit days	Audit Source	Link with Corporate Priorities
Housing Rents	Annual Review of key financial system	8	Part of Managed Audit approach	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**264**		

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Tower Hamlets Homes				
Major Works	We will provide assurance over the systems and controls in place for the correct capturing and identification of major works, undertaking the necessary consultations with Leaseholders, billing, collection, recovery and other key processes.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Unauthorised Occupancy	We will review the effectiveness with which unauthorised occupancy is controlled and managed.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Corporate Health and Safety	We will review the various aspects of Health and Safety requirements falling within the remit of the company to provide assurance that the required H&S standards and regulations are complied with and monitored.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Specialist Repairs Contracts	This audit will review the controls for managing and monitoring the specialist repairs contract for repairs, maintenance and servicing gas installations and equipment.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Management and Control of Voids and Lettings	We will review the effectiveness of the systems and controls for managing void Council dwellings to ensure that these are re-let efficiently and effectively and the required policy, procedures and standards are followed.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Management and Control of Declaration of Interests by Staff	This will be a review of the company's policy and procedures for managing and controlling declaration of interests by staff.	7	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Risk Management	To carry out testing around the effectiveness of risk identification, risk assessment, control identification and management of risks and opportunities.	8	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Management of SLAs	We will review the systems and controls for effective management of various SLAs the company has entered with LBTH.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Bancroft TMO	This will be a regularity audit of the TMO to provide assurance that the TMO is managed and controlled within the contractual framework and that functions carried out by the TMO are in accordance with Management Agreement.	10	Management Request	**One Tower Hamlets** Working efficiently and effectively as One Council
Follow Up Audits	We will undertake follow up audits to ensure that the agreed internal audit recommendations have been implemented and that the control environment has improved.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Contract Audits	We will review the effectiveness of systems and controls for managing and monitoring various building and maintenance works planned and delivered by the company under the Delegated powers from LBTH.	15	Audit Needs Analysis Corporate Risk Ref. DRA0016	**One Tower Hamlets** Working efficiently and effectively as One Council
Total		**130**		

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Information Technology				
Problem Management	This audit will give assurance over the system of control over processes to identify service issues and the arrangements to mitigate risk of repeat issues. The audit will take account of root cause analysis, evaluation and steps taken to address problem.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Backups and Recovery	The purpose of this audit is to provide assurance that a back and recovery plan is in place to enable the Council to recover data and computer operations from loss of data.	10	Audit Needs Analysis Corporate Risk ref. CLSCEH0002	**One Tower Hamlets** Working efficiently and effectively as One Council
ICT Governance	This audit will seek to understand how the ICT strategy has been formulated linked to the Council's strategic plan and agreed (acknowledged that the strategy is draft and being finalised). The audit will also seek to understand how the enterprise architecture framework has been set up and whether this is in line with good practice and controls are in place to ensure the architecture aligns with business and IT strategy and delivering value for money. The audit will review governance controls and reporting arrangements to ensure ICT is delivering in line with business expectations, including how customer satisfaction is assessed.	20	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Project Management	This audit will examine the arrangements in place for developing and delivering the Council's strategic priorities from change management projects including the methodology for, planning, processing (Council and Agilisys), delivery and Deliverables, and effective management of progress and budgets etc. A sample of projects will be reviewed.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
ITIL Security Management – ISO 27001	The audit will examine the arrangements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented information management system. The audit will also examine the IT partner's arrangements for managing its ITIL standards.	15	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Web Management and Security	The purpose of this audit is to ensure management controls are in place to ensure the Council's internet and e-mail policy is complied, particularly around arrangements to prevent access to inappropriate sites and for regular reporting of web usage.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Patch Management – OS (hardware) and software	This audit will review the arrangements in place for Patch management of hardware and software to protect the Council from IT threat.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council

	Broad Scope	Audit Days	Audit Source	Link with Corporate Priorities
Threats and vulnerability management	Controls in this area are important to safeguard the Council from cyber risks; in particular, internet based attacks. This audit will review arrangements in place to protect the Council from such threats.	10	Audit Needs Analysis	**One Tower Hamlets** Working efficiently and effectively as One Council
Other				
Follow up Audits	We will undertake follow up audits to ensure that the agreed internal audit recommendations have been implemented and that the control environment has improved.	100		**One Tower Hamlets** Working efficiently and effectively as One Council
Management Requests	Contingency set aside to service Management requests during the year.	50		**One Tower Hamlets** Working efficiently and effectively as One Council
Reactive Fraud	Earmarked resource to support the investigation of cases of potential fraud, irregularities, waste of public money and whistle blow inquiries directed to the team.	50	Annual	**One Tower Hamlets** Working efficiently and effectively as One Council
Management Time	Provision for management time to direct, control and monitor the work of the team.	50		**One Tower Hamlets** Working efficiently and effectively as One Council
Grand Plan Total		**1,630**		

Governance-based Audit Assessment Methodology

Assessment Categories

The Risk Assessment model takes account four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the proposed four assessment categories and what each is intended to measure.

Assessment Category		Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

The full definition for each category and the scoring criteria are described below.

Assessment Process

Assessment was based on professional judgement after careful consideration of the key risks to the authority with the Executive Directors and other key officers, a review of current and previous audit plans and strategic issues facing the authority. The following steps were followed in performing the risk assessment:

Step	Action
1	Select the System and Corporate Controls to be risk assessed, to ensure a clear and unambiguous understanding of the area under review. This is normally called the Auditable Area
2	Select the most appropriate assessment criterion and therefore the score in each assessment category
3	Record the scores.
4	Compute the risk index by reference to the following section

Calculation of the Audit Risk Index

Internal Audit risk is the product of risk and materiality. In valuing materiality it is appropriate to add the constituent assessments of Corporate Importance and Corporate Sensitivity to generate a Materiality Factor on a scale of 100.

Total Risk is the product of inherent and control risk. For the purposes of simplicity in this model Inherent Risk is assessed on a scale of 5-10 and Control Risk on a scale of 2-10. The minimum Risk Factor is produced by <u>multiplying</u> these components is therefore 10% (2 x 5).

The Audit Risk Index for each auditable area is, therefore, the Materiality Factor multiplied by the Risk Factor.

<u>Results of the Audit Risk Assessment</u>

The structured list of auditable areas with illustrative assessment scores is recorded and the summarised scores used to give the Risk Factor and Materiality Factor and the resultant Audit Risk Index.

The list of auditable areas is then ranked by reference to the Audit Risk Index and grouped as high, medium or low priority. The top third are considered to be high priority, the next medium priority, and the bottom third low priority.

Internal Audit Risk Assessment Matrices

A   CORPORATE IMPORTANCE   This aspect considers the effect on an organisation of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the assessment. Overall it is a measure of the extent to which the organisation depends on the correct running of the system to achieve its strategic objectives.

Score	Risk to Department, Corporate and/or Service Objectives		Operational Risk Exposure		Financial Risk Exposure
10	Negligible impact on achievement of service objectives. This would still be achieved with minimum extra cost or inconvenience.	or	Minor inconvenience	or	Under 2% of total operating income or net assets.
20	Service objectives only partially achievable without compensating action being taken or reallocation of resources.	or	Difficult to recover	or	Between 2% and 10% of operating income or net assets.
30	Unable to achieve service objectives without substantial additional costs or time delays or adverse effect on achievement of national targets / performance indicators.	or	Permanent loss of data	or	Between 10% and 30% of operating income or net assets.
40	Unable to achieve service objectives resulting in significant visible impact on service provision such as closure of facilities.	or	Unable to restore system	or	Between 30% and 50% of operating income or net assets.
50	Unable to achieve service objectives, resulting in inability to fulfil corporate obligations.	or	Organisation unable to function	or	Over 50% of total operating income or net assets

Internal Audit Risk Assessment Matrices

B	Corporate Sensitivity		This aspect takes into account the sensitivity / confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities.

Score	Risk to Public Image		Risk of Adverse Publicity		Risk to Accountability		Risk of non-legal Compliance
10	Negligible consequences					or	No regulatory requirements
20	Some public embarrassment but no damage to reputation or standing in the community	or	Information would be of interest to local press			or	Minimal regulatory requirements and limited sensitivity to non-compliance
30	Some public embarrassment leading to limited damage	or	Information would be of interest to local MPs			or	Modest legal and regulatory requirements
40	Loss of credibility and public confidence in the service concerned	or	Incident of interest to National Press	Or	Incident potentially leading to the dismissal or resignation of the responsible functional manager	or	Extensive legal and regulatory requirements with sanctions for non-compliance
50	Highly damaging with immediate impact on public confidence	or	Incident of interest to the Audit Commission, government agencies	Or	Incident potentially leading to the resignation or dismissal of a Chief Officer	or	Possible court enforcement order for non-compliance

Internal Audit Risk Assessment Matrices

C   Inherent Risk   This aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk or error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered in section D.

Score	Inherent Risk – Vulnerability		Risk of Error due to System Complexity		Risk resulting from Pace of Change		Risk to Asset Security
5	Low vulnerability		Simple system with low risk of error	or	No changes planned	or	Undesirable low value assets not at risk of fraud or loss
6	Medium or low inherent risk	or		or	Limited changes planned with reasonable timescale		
7	Medium vulnerability	or	Moderately complex system with medium risk of error	or	Moderate level of change over medium term		
8	Medium to high inherent risk	or		or	Significant level of change with restricted timescale		
10	Highly vulnerable	or	Complex system with high risk of error	or	Extensive changes planned with short timescale	or	Highly desirable assets exposed to high risk of fraud or loss

Internal Audit Risk Assessment Matrices

D   Control Risk   This aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes into account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk. CRSA and extensive Control Risk Workshops under the leadership of the Council's Risk Manager could support evaluation.

Score	History of Risk Management Success		Management Risk and Control Environment		Condition of Risk Management Controls
2	No history of control weakness	or	There is effective risk management in place and adequate controls operated by risk-aware management	or	Effective controls and robust attitude to the management of all material risks. Embedded risk management culture
4	No history of significant weakness	or	Good management risk and control environment	or	Stable system with history of reliability and controls. Risk management issued considered regularly.
6	No high risk issues outstanding from the previous audit/investigation/best value/external review	or	No knowledge of management risk and control environment	or	Risk management and system controls not validated.
8	Some significant problems were identified and are known to be outstanding from the previous audit/review	or	Some significant concerns have been expressed by management (through Controls Risk Workshops)	or	Technical health of system of risk management and controls in doubt.
10	Major weaknesses in risk management and controls were identified and are known to be outstanding	or	Major concerns have been expressed by management (through Controls Risk workshops)	or	Obsolete system with history of problems and ineffective control. Little or no work undertaken on risk management.

LONDON BOROUGH OF TOWER HAMLETS

INTERNAL AUDIT CHARTER

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the Audit Committee and to Corporate Management Team for final approval.

Purpose

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the Corporate Management Team (CMT) and in particular to the Chief Financial Officer to help him discharge his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems. Further information around the purpose of Audit is set out in the Council's Financial Regulations (D3) and Financial Procedures (CR4).

Authority

The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Responsibility

The Council's Head of Internal Audit (The Head of Audit and Risk Management) is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit

Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- To investigate allegations of fraud, bribery and corruption

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Tower Hamlets Homes. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Corporate Management Team (CMT) and the Audit Committee (AC). Both documents must then be presented to these bodies annually.
- The annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of CMT. It is then presented to CMT and AC annually for noting and endorsement.
- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the AC. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to CMT and AC on a quarterly basis.

- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC.
- Results from internal audit's Quality Assurance and Improvement Programme will be reported to both CMT and the AC.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to CMT and the AC and will be included in the annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Independence

The Head of Internal Audit (the Head of Audit and Risk Management) has free and unfettered access to the following:

- Chief Financial Officer (Corporate Director, Resources)
- Head of Paid Service
- Chair of the Audit Committee (AC)
- Monitoring Officer
- Any other member of the Corporate Management Team

The independence of the Head of Internal Audit is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the AC contribute to, and/or review the appraisal of the Head of Internal Audit.

All Council and contractor staff in the Governance Service are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards.
- All Council Policies and Procedures
- All relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. Both the Head of Audit and Risk Management and the Audit Manager are required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

The Internal Audit Process

The Pre-Audit Stage
Based on the audit timetable, which has previously been agreed, Internal Audit Team will give two weeks notice to the appropriate Corporate Director and Service Head (the Audit Owner) of an impending audit review and issue an Audit Brief. The Audit Brief will also detail how the audit relates to the agreed audit plan. The Audit Owner has an opportunity to comment on the Audit Brief and raise any areas of concern.

The Audit Owner will ensure that Internal Audit is provided with a written agreement or otherwise to the Audit Brief within two weeks following the receipt of the draft by the Audit Owner.

During the Audit
At this stage Internal Audit will keep the Auditee informed of key findings found during the course of the audit. Where an officer has not been able to provide information requested, Internal Audit will refer matters to the Audit Owner.

The Auditee will ensure that the auditor is provided with all the resources and facilities, including information requested, to facilitate the smooth progress of the audit, including responding to any auditor enquiries promptly.

Post Audit Stage
Upon conclusion of the audit field work Internal Audit will present a Draft Audit Report to be discussed at the audit exit meeting with the Audit Owner. At the audit exit meeting, the findings will be discussed, along with any recommendations for improvement.

Following the audit exit meeting, LB Tower Hamlets Internal Audit will issue a formal Draft of the Audit Report which includes a Management Action Plan of Recommendations to the Audit Owner within three weeks following the completion of the audit exit meeting.

The Audit Owner has three weeks to respond to the Draft Audit Report by completing the Management Action Plan of Recommendations, including listing responsible officers and proposed completion dates. Upon receipt of the agreed Action Plan, a Final Report will be issued to all parties concerned.

The Audit Owner will then enter the agreed management actions and target dates into the Audit Tracker System, and monitor the progress in implementing the recommendations.

The LB Tower Hamlets Internal Audit will present a Summary of Findings from recently issued Final Audit Reports to the Audit Committee. The Audit Owner will have the opportunity to add a response to the Summary of Findings before this report is presented to the Audit Committee.

The Monitoring Process

Follow-up audits will be conducted six months after the issue of the Final Report, and a follow up audit report will be issued showing the progress on implementing the agreed recommendations.

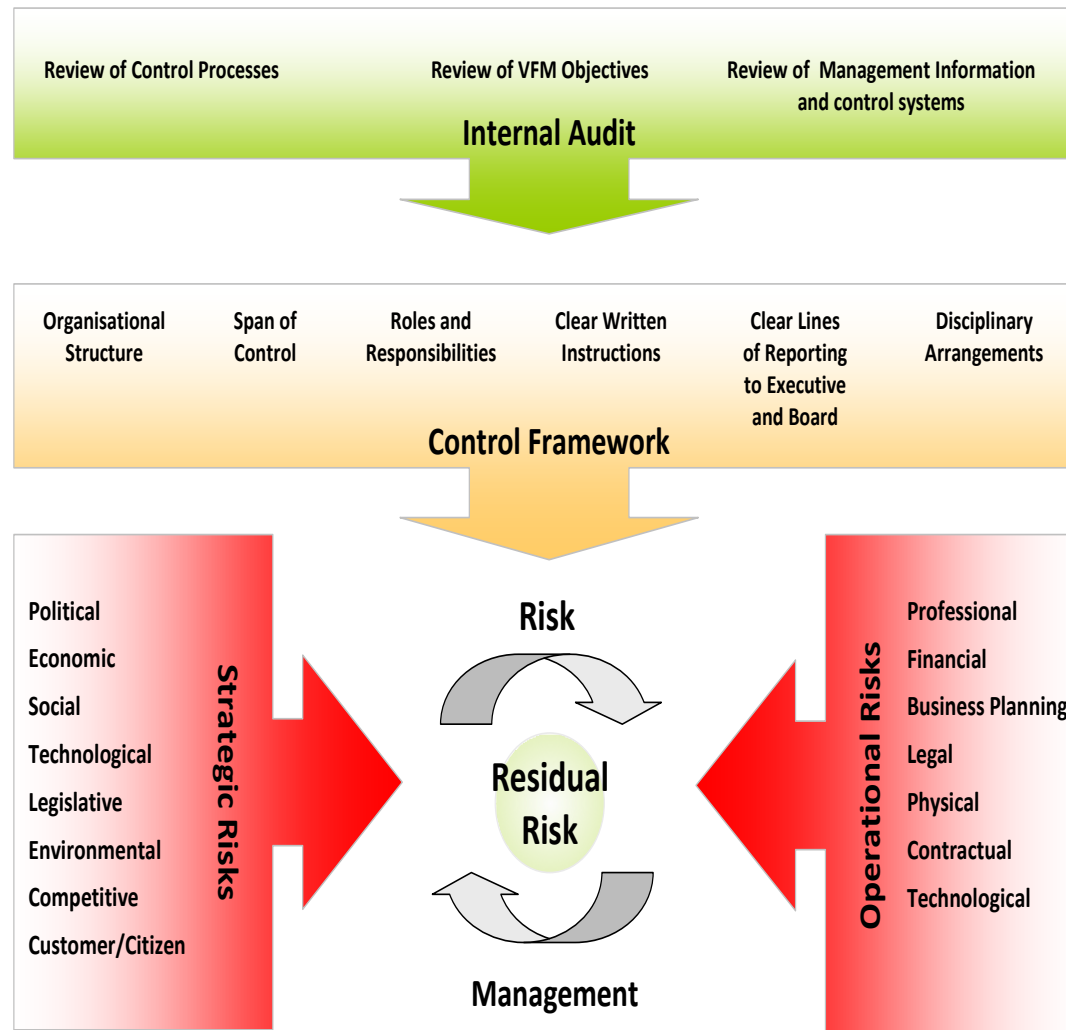Internal Audit recommendations are classified as follows:

Category 1 – High Priority - 100% of recommendations to be implemented within six months
Category 2 – Medium Priority – 95% of recommendations to be implemented within six months

Summary

Internal Audit: Will provide assurance that risk management processes and internal controls are operating effectively, ensure major business risks are being managed effectively, and that governance arrangements are operating effectively.

Control Framework: A matrix of control mechanisms will be developed to ensure that every member of staff is aware of their responsibility in managing risk, and a reporting framework will ensure that the Senior Management Team and the Board have a clear view of the effectiveness of the controls in place.

Risk Management: The Risk Register will be reviewed on a periodic basis to reassess the residual level of risk for the strategic risks identified in the first year of operation; new risks added as they become evident.

Risk Management Framework

Definitions

Risk "Any issue which could impact on an organisation's ability to meet its objectives"

Risk Management Risk management is a planned and systematic approach to the identification, analysis and control of risks that challenge and threaten the achievement of the objectives of the organisation. Risk management makes it possible to determine whether the risks pose a large enough threat and the innovations a big enough opportunity, to implement mitigation techniques.

Objective Is to implement an effective risk management framework that ensures that risks are identified and managed to an acceptable level and that opportunities are fully exploited, whilst minimising, financial loss, service disruption, bad publicity, reputation loss, claims for compensation and threats to the public and staff.

Our Policy: We believe that by managing risks effectively, we at LB of Tower Hamlets will be in a stronger position to deliver our strategic and operational objectives. By taking advantage of opportunities and managing them well, we will be in a better position to improve services and give our stakeholders better value for money.

Objectives of Risk Management:

- Ensure that systems are in place to identify, track and report upon existing and emerging risks that could damage the interest of our business and our stakeholders.
- Ensure that risk management is embedded throughout the organisation, creating an environment where all staff assumes responsibility for managing risk.

These Objectives will be Achieved by:

- Establishing clear roles, responsibilities and reporting lines within the organisation for risk management;
- Providing opportunities for shared learning on risk management across the organisation;
- Developing and maintaining systems for identifying and evaluating all significant risks;
- Developing and maintaining a framework for allocating resources to identified priority risk areas;
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
- Incorporating risk management considerations into Best Value and service reviews and business planning;
- Put in place review and monitoring arrangements to assess the effectiveness of our mechanisms and arrangements.

To Emphasise the Organisation's Working Commitment to Risk Management, the Risk Management Mission Statement is as Follows:

"London Borough of Tower Hamlets recognises that it has a responsibility to manage opportunities and risks in a structured manner in order that LB Tower Hamlets will better achieve its corporate objectives and enhance the value of services it provides to the Community".

The Audit Committee, Corporate Management Team (CMT) and the Directorate Management Team (DMT) will have overall responsibility for risk management and will be consulted and kept informed as to the progress of the implementation of the strategy on at least an annual basis.

Roles and Responsibilities

Audit Committee	The Committee's primary role is to review and conclude upon the adequacy and effectiveness of the Council's overall internal control system. In performing this role the Committee's work predominantly focuses upon the framework of risks, controls and related assurances that underpin the delivery of the Council's objectives.
Corporate Management Team	. One of the roles of the CMT is to work on a cross-directorate basis to ensure that the Council has an effective risk management arrangement in place to achieve its objectives and to consider quarterly reports on the key strategic risks faced by the Council and how these risks are being managed and mitigated.
Corporate Director of Resources	As S.151 officer, the Corporate Director of Resources is responsible for the proper administration of the financial affairs of the Council. The requirement to have an Internal Audit function derives from S.151 of the Local Government Act 1972 As such the Corporate Director of Resources supports the Council and its departments in ensuring that the arrangements made for financial management, risk management and internal control systems are sound and secure.
Corporate Directors	The Corporate Directors have the operational responsibility for ensuring that there are sound procedures in place at Directorate level for effective financial management, risk management and internal control systems.

Risk Management Action Plans

One of the key risk management objectives is the effective management of the organisation's risks, both strategic and operational. This has been achieved by the sessions to identify and profile the organisation's significant strategic risks.

Once this task has been compiled, SMT and the Audit Committee will be asked to comment on these risks and the risk assessment process. In relation to the operational risks, each Director has facilitated and co-ordinated a similar risk assessment exercise in order that the significant operational risks have been accurately identified profiled and managed. The aim of such a process is that it will eventually form part of each Division's annual business planning process.

Coming out of this process, will be risk management action plans relating to the most serious significant risks, i.e. those where the existing levels of internal control are seen as inadequate. The above assessments (both strategic and operational) will be a yearly process with tracking and monitoring of risks on an annual basis.

The Director of Resources will receive copies of each Division's operational risk management action plans in order that any cross-departmental risks can be picked up and managed accordingly. The Director of Resources will also monitor the risk improvement strategy to ensure that progress is made against the key significant risks.

Similarly, the same risk assessment programme can be adopted when services are going through the Best Value programme. A risk management pack can be included in the Best Value documentation. It is generally accepted that each Directorate must be seen to be managing its risks in order to demonstrate Best Value.

Classification of Risk

Strategic Risks		Operational Risks	
Political Wrong strategic priorities Not meeting Government agendas Too slow to innovate/modernise Decisions based on incomplete information Unfulfilled promises to Council Failure to recruit a suitable CEO	**Economic** General economic problems Regional economic problems Treasury risk Missed business or service opportunities	**Professional** Failure to recruit/retain staff Lack of training Over-reliance on key officers Inefficient management processes Inability to implement change Lack of employee motivation Bad management of partners	**Financial and business planning** Failure of major project(s) Failure to prioritise, allocate appropriate budgets and monitor Failure to implement effective partnering contracts for property and estate services
Social Failing to meet the needs of disadvantaged Impact of demographic changes Employment challenges Lack of development of staff Failures in partnership working	**Technological** Obsolescence of technology Security policies Breach of confidentiality Failure in communications	**Legal** Not meeting statutory duties Breach of confidentiality/DPA Failure to comply with European Directives on procurement of works, supplies, and services Failure to implement new legislation	**Physical** Attacks on personnel Loss of tangible assets Non compliance with health & safety law Loss of physical assets Local and national emergencies
Legislative Judicial review Human Rights Act breaches Intervention by regulatory bodies Inadequate response to new legislation Poor response to Audit Commission	**Environmental** Impact of sustainability policies Noise, contamination and pollution	**Contractual** Over-reliance on key suppliers/contractors Failure of outsource provider Quality issues Non-compliance with procurement policies	**Technological** Failure of big technology project IT system crashes affect services Breaches of security of network and data Bad management of intranets and websites
Competitive Failure to show best value Failure of bids for government funds	**Customer/Citizen** Lack of appropriate consultation Bad public and media relations		