

Audit Committee



Wednesday, 1 December 2021 at 6.30 p.m.

Committee Room One - Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

Supplemental Agenda

This meeting is open to the public to attend.

Further Information

For further information including Membership of this body and public information see the main agenda.

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Audit Committee

Wednesday, 1 December 2021

6.30 p.m.

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Next Meeting of the Committee:

Thursday, 27 January 2022 at 6.30 p.m. to be held in the Committee Room One -
Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

<p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>1 December 2021</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Will Tuckley, Chief Executive</p>	<p>Classification: Open (Unrestricted)</p>
<p>Annual Governance Statement for 2020/21</p>	

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

Reason for Urgency

Clearances for this report were received later than anticipated which resulted in the publishing deadline being missed. This is the last opportunity for the Audit Committee to formally review the draft Annual Governance Statement prior to its inclusion in the Council's financial statements.

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. The Council 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 agree the 2020/21 Annual Governance Statement.

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 the Chartered Institute for Public Finance and Accountancy (CIPFA) 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 Evidence sources collated for drafting the 2020/21 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 2019/20 AGS significant governance issues and action plan.

3.3 The AGS is presented to the Audit Committee for review and agreement. The AGS has been agreed by the Chief Executive and Mayor.

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 required to produce an annual governance statement in accordance with the Accounts and Audit Regulations 2015. Therefore, this report demonstrates the Council's compliance with that act.
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Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 Annual Governance Statement 2020/21

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:

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Annual Governance Statement

2020/2021

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.

The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government*. In adopting this Code, 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. We also acknowledge our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded.

The Council is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We are open and transparent about our continuous improvement journey and have been recognised for achievements so far. For example, Ofsted rated our Children's Services as 'Good' in 2019, just two years after it was given an 'Inadequate' rating. Inspectors said the achievement represented 'Remarkable progress'. In 2020 Investors in People (IiP) acknowledged almost a third of the indicators are at the higher-level gold standard, a solid foundation to be built on even further in the coming year. Alongside this we have won a number of national awards demonstrating our excellent services, but we are not complacent and recognise the need to have a continued focus on improvement.

We are required to report publicly about how the Council has complied with the governance arrangements. We have reviewed our governance processes and how they have operated over the course of the last year. This Annual Governance Statement reports the outcome of our assessment.

In conclusion, 2020-2021 has been a challenging year, the COVID-19 pandemic has had a profound impact on everyone. The pandemic has required us to govern differently to adapt and meet the needs of our community. Our governance arrangements during the pandemic have included instigating our borough emergency plans, preparing and delivering a local outbreak plan, operating clear and robust governance made up of Gold, Silver and Bronze commands, a Partnership Health Protection Board and Local Engagement Board, we have also ensured visible professional and political leadership and collaborated extensively with the London Coronavirus Response Cell and North East London Incident Management Team. Our work with partners focused on

mobilising and encouraging partners towards a place-based response. It also involved lobbying government on a range of policy areas, to 'on-the-ground' visits and assisting at food distribution hubs and PPE distribution, to targeted messaging to get pandemic-related information and guidance out to residents and many more activities. We have led in the work to understand the impact of the COVID-19 pandemic in Tower Hamlets and attempted to predict the impact going forward. The first impact assessment was carried out in summer 2020 analysing the initial impacts of the pandemic in the first few months and focused on 13 core topics. This has supported our recovery plans and ensure our collective partnership focus on the areas we need to support our residents with.

During this difficult time there have been governance and leadership opportunities which we are keen to hold onto, and we are committed to delivering better outcomes for residents by using the opportunities from new ways of working and the efficiency and effectiveness learnt through our emergency response. The pandemic has compounded our financial challenges. The economic impact has reduced the amount of income that the council receives from business rates and council tax in 2020-21 and the forecast income for following years. The council has also incurred significant costs for the pandemic response, a decrease in income from fees and charges and slippage in previously planned savings. In response, we have updated both our Strategic Plan and the Medium-Term Financial Strategy to ensure our budget can support delivery of our priorities and address the significant financial challenges facing the council.

Whilst we have been able to quickly adapt our governance arrangements, there remains significant challenges, in addition to the long term impact of the pandemic, which has included closing our financial accounts, budget management and SEND performance. We recognise that good governance requires a culture of continuous improvement and challenge, we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance. We have put action plans in place to address any issues and regularly report progress via the Corporate Leadership Team and relevant Committees.

Signed on behalf of the London Borough of Tower Hamlets

Will Tuckley, Chief Executive

John Biggs, Executive Mayor

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). 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 work 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 effectiveness 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 CIPFA, as well as the work of internal and external audit. We have also reviewed our progress against improvement actions that were identified as part of the 2019/20 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 view on our governance arrangements and included an action plan to record how we will address any areas requiring improvement.

Our Assessment

To assess the effectiveness 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 CIPFA, as well as the work of internal and external audit.

Principal	Review of Governance Arrangements
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>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. The constitution was last updated and agreed at full Council in 2021. 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. We have noted that some of the Council's policies and procedures are overdue for a review. Given the global pandemic, all overdue policies and procedures will be reviewed as soon as practicable.</p> <p>The Council has appointed the required statutory officers which includes the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Legal Services) and the Chief Finance Officer, also referred to as the Section 151 Officer (Corporate Director, Resources). These three officers meet regularly to discuss governance issues.</p> <p>The Council operates a Standards Advisory Committee to oversee and promote high standards of conduct by the Mayor, Councillors and Co-opted Members of the Council, including in relation to the Code of Conduct and the Register of Interests. Half the Committee membership allocation is for independent Co-opted Members and there are also two separately appointed statutory Independent Persons who advise in relation to alleged breaches of the Code of Conduct. The Committee takes an active role in this work receiving regular reports, monitoring complaints against Members, the Register of Interest/Gifts and Hospitality, Member Development and reports from the work of the Committee on Standards in Public Life amongst other matters. The</p>

Committee provides full Council with an annual report on its activities which highlights areas of strength and concern; a report was last taken to full Council in July 2021. All members positively acknowledge the Code when they join the Council. A consultation was launched in June 2020 to review the model code of conduct for Members and the code was last published as part of the constitution in June 2021. Work has begun to produce a new Code and it is anticipated the new Code will be adopted in 2021-2022.

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. In April 2021 the Monitoring Officer reported a summary of concerns raised and their outcomes to the Audit Committee.

Committee reports and key decisions have been published online to ensure transparency and Executive decisions made by the Mayor and Cabinet are subject to the 'Call-In' process by backbench Councillors who can raise any concerns they may have.

The Council maintains a Register of Interests (for officers and Members) which includes a requirement to declare interests at meetings ensuring 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. We recognise that the number of officers declaring interests via self-service has declined. We will be requiring officers to update their declarations. A revised guide to declaring interests at meetings has been attached to all meeting agendas since May 2020. Now that the Council is operating on-line meetings (via Teams) attendants of the meeting that declare an interest are required to leave the virtual meeting room.

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 Gifts and hospitality policy needs to be reviewed. We also recognise there has been a reduction in gifts and

	<p>hospitality being declared by officers, whilst this is likely to be related to the pandemic (less gifts and hospitality have been offered) to ensure all gifts and hospitality are recorded we will be promoting the requirements for officers throughout 2021/22.</p> <p>The Council has sought feedback from the public through its complaints and comments procedures and has responded to the outcomes as appropriate.</p> <p>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 the Monitoring Officer.</p> <p>The Council routinely provides training for its Member on ethics during their induction. Further member training on ethics and probity was provided during 2020/21.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Council meetings and Committees are routinely 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.</p> <p>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. This technology has proven particularly effective during the Covid-19 pandemic and enabled critical Committees to continue and be available to the public.</p> <p>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.</p> <p>The Council has sought community views on a wide range of issues and has undertaken regular</p>

	<p>consultation and engagement with citizens and service users. During 2019/20 the Council launched a Consultations Hub to better facilitate consultations. 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. The Hub has had a positive impact on consultation resulting in increased transparency and accessibility providing the Council with a more balanced view of public opinion.</p> <p>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 interests are represented. During 2020/21 Internal Audit reviewed the arrangements for scrutiny and provided reasonable assurance. Areas that did require improvement were agreed with management and an action plan developed.</p> <p>Social media channels have been used extensively to support the Council's engagement with stakeholders. The Council has adopted a Social Media Policy to provide advice and guidance on the use of social media.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>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 the vision into actions, through directorate, key council strategies and service plans. The plan is refreshed annually. The latest version has been published on the Council's website which has been updated to reflect the impact of the pandemic.</p>

	<p>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, Overview and Scrutiny Committee, Cabinet and subsequently at other meetings of relevance. Any such reports can also be called in for scrutiny and reviewed by the Audit Committee.</p>
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>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.</p> <p>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 been cleared by finance and legal officers before publication, although on some occasions finance and/or legal are given very little time to review and comment and we will seek to improve lead times.</p> <p>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.</p> <p>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.</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within</p>	<p>The roles of all officers (including statutory roles) have been defined in agreed job descriptions and person specifications. Staff performance is reviewed twice during the year Start 1 April- 31 May and then Mid Year 1 October to November. A new approach called 'My Annual Review (MAR)' has been introduced to improve the process and make it simpler facilitating a two way</p>

<p>it.</p>	<p>conversation. Currently, metrics suggest that completion of the MAR is low across the Council, although conversely the recent staff survey reflects a higher percentage of staff saying they have objectives set with their manager. Management will continue to monitor compliance with the process and address areas of weakness.</p> <p>The Council has articulated its values and behaviours in ‘TOWER values’ which includes a behaviours framework to support officers in the MAR process and when recruiting staff.</p> <p>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.</p> <p>All members have been provided with a Member Induction Programme and wider Member Development Programme. Members also have an online portal (members hub) to give them access to many useful documents and materials and a weekly Member Bulletin email to keep them updated with the work of the Council.</p> <p>Cabinet Members and the Mayor are held to account through regular attendance at Overview and Scrutiny Committee and Sub-Committee meetings as well as through monthly Portfolio meetings with the Mayor and quarterly performance and budget monitoring meetings.</p> <p>Staff new to the council are provided with a corporate Induction and provided with additional documents and policies to support their induction, this includes mandatory training in areas such as data protection, anti-fraud and whistleblowing. Completion of the mandatory training programme is low, although it has been improving over the last 12 months. Management will continue to monitor compliance with the process and address areas of non-compliance.</p> <p>Staff are provided with a wide range of development opportunities through the Learning Hub. The Council has adopted a range of supporting plans and strategies including the People and</p>
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	Wellbeing Plan, and the Workforce Development Strategies.
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p>	<p>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. The five year Risk Management Strategy was reviewed and agreed by CLT at the end of 2019/20 and the Audit Committee in July 2020.</p> <p>Risk management is part of the Council's day-to-day activities and decision-making and regular reports have been provided at corporate and directorate level. The Corporate Risk Register is independently reviewed by the Audit Committee. During the Covid-19 pandemic a bespoke risk register was created and closely monitored by the Gold and Silver groups to ensure that significant risks were acknowledged and mitigated. Engagement with risk management was much improved at all level of the business throughout the pandemic and this has continued in 2020/21.</p> <p>In July 2021 the Audit Committee received the annual report for risk management for the 2020/21 period. The report concluded that "Risk management remain an important feature of good governance and the Council's approach to risk management has matured during 2020/21 which has been demonstrated through the proactive risk management during the response to Covid-19 pandemic. The current risk management arrangements are reasonable, but there is some room for improvement to better integrate risk management into the day to day operations and culture of the Council and this will be a key focus of work during 2021- 2022." An improvement action plan for 2021/22 was agreed by the same Audit Committee.</p> <p>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, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.</p>

A Medium-Term Financial Strategy is in place and is refreshed annually. Revenue and capital budget planning based on corporate priorities are led by the Corporate Leadership Team and are 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.

The Council has faced significant financial challenges (increased costs, significantly reduced income and undeliverable savings) throughout 2020/2021 and was forecasting an overspend, however the Council was able to recover and the outturn position for 2020/21 was an underspend resulting a lower than anticipated pressure on reserves. Covid-19 will continue to have an impact on the Council's finances over the next three years and will be critical to the medium-term financial planning

Since 2019/20 Finance has been focussed on rectifying significant issues with the 2018/19 and 2019/20 statement of accounts. The Mayor, Cabinet Members, CLT and the Audit Committee have been provided with regular updates on progress to finalise the accounts. The accounts continue to be subject to external audit review (by Deloitte). Further adjustments may be required through the audit process but these in themselves are unlikely to be sufficient to achieve an unqualified audit opinion.

Production and publication of the 2020/21 statement of accounts have also been delayed and the statutory deadline to publish an audited set of accounts will not be met.

The Council has established a detailed and far reaching Finance Improvement Plan designed to address the significant issues that have been identified from the Independent Review commissioned following the initial production of the 2018-19 Statement of Accounts; the initial external audit feedback from Deloitte's on both outstanding Statement of Accounts; the CIPFA

	<p>review of Financial Management reported in 2017 and a range of matters identified by officers of the Council that require rectification.</p> <p>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 anti-fraud work have been reported to, and reviewed by, the Audit Committee.</p> <p>The Covid-19 pandemic significantly impacted on the anti-fraud team's ability to progress investigations. In line with the Council's strategy during the pandemic, only essential services were in operation. To minimise the risk to the investigators and the public, interviews, foot patrols and visiting were stopped, although desktop investigations have continued throughout. As a result, outcomes in comparison to previous years are reduced. As restrictions ease during 2021/22, the backlog of investigation and Court work will be cleared. Most Court cases are being relisted for hearings in late 2021 and 2022.</p> <p>The positive outcomes achieved following the investigation of the above matters includes 22 social housing properties being recovered and £17,000 was awarded to the Council in costs and compensation</p> <p>All reports to Council, Cabinet and Committees are required to set out key implications and information in areas such as risk, equalities, safeguarding and environmental impact.</p> <p>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.</p> <p>The Council's Internal Audit service undertakes an annual programme of audits which includes</p>
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	<p>providing assurance over the council’s risk management processes. If any areas for improvement 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.</p>
<p>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>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 constitution was last agreed by Council and published in May 2021.</p> <p>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.</p> <p>The Council webcasts it’s Council, Cabinet, Strategic Development Committee, Development Committee and Overview and Scrutiny Committee meetings to ensure maximum transparency. As a result of the Covid-19 pandemic the Council introduced virtual meetings and has also webcast all committee meetings including the Licencing Sub Committee and the Audit Committee.</p> <p>The Council maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.</p> <p>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.</p> <p>The Council updated its Code of Corporate Governance and it was presented to the Corporate Leadership Team and the Audit Committee for approval in July 2021.</p> <p>There are governance arrangements for the partnership structure. The Tower Hamlets Plan</p>

	<p>identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.</p> <p>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.</p> <p>The Council responds to the findings and recommendations of 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. However, management’s responsiveness to internal audit is inadequate for some audits with the implementation of agreed recommendations taking many months. The Head of Internal Audit has raised these concerns with the senior officers and the Audit Committee and has introduced new procedures to improve engagement with management.</p> <p>As senior Council decision making bodies, the Audit Committee, and any other relevant Non-Executive Committee including Scrutiny, can report any concerns they have regarding actions that have not been undertaken.</p>
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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 2020/21 annual opinion to the Audit Committee in July 2021. The opinion for 2021/22 will be provided in July 2022.

2020/21 Head of Internal Audit Annual Opinion Issued in July 2021

In reaching my opinion this year I have taken the following into consideration:

- *Outcomes of the internal audit and anti-fraud activity undertaken during the year, which forms the primary basis for the opinion.*
- *The significant issues with the Council's Statement of Accounts.*
- *Assurance from third parties such as the Council's external auditors, Investors in People, the Social Care Institute for Excellence (SCIE) and the Chartered Institute of Public Finance & Accountancy (CIPFA).*
- *The significant improvement in the implementation of management actions that were agreed during the course internal audit activity.*
- *The Council's risk awareness and risk culture which has matured further in 2020-21.*
- *The fact that none of the internal audit assignments were rated as 'No assurance' for the third consecutive year and one audit received 'Substantial Assurance'.*
- *The impact on the authority from the outbreak of Covid-19 which has affected many aspects of service provision, governance, risk management, internal control, financial resilience, and ways of working.*

Primarily on the basis of the audit and anti-fraud activity undertaken during the year, but also taking into account external assurances and other relevant matters above including the significant issues with the closure of the Council's accounts, it is my opinion that I can provide Limited¹ assurance that the Council has adequate systems of governance, risk management and internal control.

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

¹ A limited assurance opinion means that significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives.

The full report from July 2021 is available on the Council's website.

External Audit & Inspections

External Audit

From 1 September 2018 Deloitte LLP was appointed as the Council's external auditor, this was following the decision of the Council to opt into 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).

At the time of drafting this statement (August 2021) Deloitte have been unable to complete their audit of the 2018/19 or 2019/20 financial statements. There have been significant issues with the Council's 2018/19 and 2019/20 statement of accounts, and it has taken many months for these issues to be investigated and resolved with some significant issues still outstanding. In April 2021, Deloitte reported the following to the Council's Audit Committee:

As our audits are in progress, we are not yet in a position to conclude. We report in this document on uncorrected misstatements, together with other actual or possible misstatements where we are not able to quantify the amount of the misstatement. Whilst these matters are individually immaterial, in concluding our audit we will need to consider whether they may be material in the aggregate. If this was the case and they remained unadjusted, this would result in the qualification of our opinion. In our July 2019 report, we said that our value for money conclusion for 2018/19 would be qualified as improvements in children's services, following an earlier assessment by Ofsted that services were inadequate, were not in place for the whole of 2018/19. In this document we report that we expect both the 2018/19 and 2019/20 value for money conclusions will also be qualified due to weaknesses in financial reporting arrangements and explain the background to this judgement.

The Council has developed an action plan, 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. Progress has been regularly reported to the Council's Statutory Officers, the Mayor, Cabinet Members and the Audit Committee. It is anticipated the audits for

the 2018/19 and 2019/20 accounts will be completed in 2021. To support improvement moving forward a Finance Improvement Board has been created and is chaired by the Interim Corporate Director of Resources (s151 Officer). The Board will monitor, challenge, and support the delivery of the Finance Improvement Plan.

The Council is in the progress of producing a draft set of accounts for 2020/21. Due to amended regulations, laid by the Secretary of State for Housing, Communities and Local Government, the publication date for the accounts has been moved from 31 July to no later than 30 September 2021.

Other Inspections and Review

Investors in People

In December 2020 the external assessor from Investors in People completed an assessment and, the Council was accredited with the Investors in People Silver Award. The assessor commented in his reports that almost a third of the elements were met at the Gold level and the organisational plans, if implemented as intended, would enable the Council to achieve Gold in the future. The key strengths recognised included a good momentum on the people agenda despite the Covid-19 pandemic; the new appraisal process “My Annual Review was successfully launched; a revised and updated organisational change policy and toolkit was put in place; survey results revealed a friendlier culture; improvement in supporting wellbeing and inclusion were recognised; there were improved internal communications; there were also clear improvements in learning and development and more positive relationships between line management and their staff. The next assessment is due in May 2023.

Social Care Institute for Excellence (SCIE) and the Chartered Institute of Public Finance & Accountancy (CIPFA)

Towards the end of 2020, SCIE and CIPFA were commissioned to undertake a finance and practice review of the London Borough of Tower Hamlets Adult Social Care Service with a view to exploring the drivers for behind its high net expenditure and to propose recommendations to bring these costs into line with the budgets required for a sustainable medium term financial strategy. The subsequent report identified numerous challenges faced by the service including the comparatively late introduction of charging and financial assessment for social care services; an unusually complex case-load; high community expectations and dependency on

the Council's services; high attrition rates in senior Service management posts and amongst senior posts in the Council's finance department, and the disruption caused by the Covid-19 pandemic. The authors commented:

Despite these challenges the Council is starting to make progress and has implemented a range of new initiatives to embed a strength-based philosophy and manage practice decisions. The Service has also developed a number of initiatives to control costs and has embarked on programmes to deliver significant costs savings. All of these initiatives have started to yield benefits but have not had the fully desired impact.

The report authors identified 10 key areas for improvement which included the need for a clearer strategic vision and strategy; action to address the weaknesses in core data held on Mosaic; the need to align change and improvement initiatives; the need to develop grounded plans to deliver savings; embedding strength-based practice; a programme to educate and raise awareness of the benefits and objectives of strength-based thinking and to strike a "new deal" with the community; sourcing project and change management support; embedding stronger business discipline; improving the reporting and monitoring of budgets and ensuring that changes to working practices are seen through and sustained. The authors made a series of recommendations that need to be developed into a clear project plan with timelines and responsibilities. The recommendations have been reported to CLT accepted by the Corporate Director and an action plan developed, although its delivery is reliant on additional resources being made available.

Companies, Arms-Length Management Organisations and Charitable Community Benefit Societies

The Council is involved in a number of companies as well as an Arms-Length Management Organisations and a Charitable Community Benefit Society which are detailed below.

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.

The Council's Internal Audit team provides internal audit services to THH. In keeping with the Public Sector Internal Audit Standards, the Head of Internal Audit issued an annual opinion for 2020/21 about the governance, risk management and internal control arrangements. The opinion was as follows:

*Internal Audit provides assurance over the organisation's systems of governance, internal control and risk management. On the basis of the audit work undertaken during the 2020/21 financial year, my overall opinion on the organisation's systems of governance and internal control is that **Reasonable** assurance can be provided. This is based on four of the seven core audits receiving Reasonable assurance, two receiving Substantial assurance and one receiving Limited assurance. However, in view of the Limited assurance on the organisation's Risk Management systems, I can only provide **Limited** assurance on the risk management arrangements.*

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

PLACE Ltd (Pan-London Modular Temporary Accommodation)

This not-for-profit company limited by guarantee (CLG), set up by the Council in 2018 working collaboratively with the London Housing Directors' Group and London Councils. It is a collaborative enterprise between a group of London Boroughs (currently with five member local authorities). 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 for the programme. 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. The council is one of 4 board members and in addition there is an independent chair.

Capital Letters (London) Ltd (Pan-London Temporary Accommodation Procurement Hub)

This not-for-profit company limited by guarantee (CLG) was set up by the Council in 2018 working collaboratively with the London Housing Directors' Group and London Councils. It is a collaborative enterprise between a group of London Boroughs. The company is leasing private properties for use as temporary accommodation and securing assured shorthold tenancies to prevent homelessness. The company has secured revenue grant funding from MHCLG, which will initially be administered by Tower Hamlets Council; a Chief Executive and Chief Finance Officer were appointed in 2019 and the company has adopted their own processes and procedures (approved by representatives of its member Councils through Capital Letters' formal governance arrangements) including for the payment of salaries and maintenance of accounting systems. As a CLG, the Council does not have an equity shareholding in this company.

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.

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 on 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 who are each shareholders. The society is seeking to acquire homes which will be let at sub-market rent levels in order to meet housing needs. As an independent CBS, the Council does not have any equity shareholding.

Review of Company Governance Arrangements

During 2020/21 Internal Audit was commissioned to provide advice in relation to the current governance arrangements for the companies. A draft report was produced in May 2021 and at the time of drafting this statement management is considering how to improve the future governance arrangements.

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.

Progress against Significant Governance Issues Identified in 2019/20

The 2019/20 the AGS included 9 significant governance issues which needed to be addressed. A summary of progress/outcomes against these actions follows:

No.	Issue	Action	Progress / Outcome
1	<p>The Government imposed lockdown of the Country in response to the COVID-19 pandemic is anticipated to have a material impact on the Council's income sources and expenditure requirements.</p> <p>The pandemic impacts in a number of ways including the achievement of corporate objectives, the need for additional extraordinary government funding and has necessitated the diversion of resources into critical services.</p> <p>There is no guarantee that all additional costs will be reimbursed and indeed the government has raised the prospect of Council reserves being used to support some of the activity.</p>	<p>Modelling of impacts particularly in relation to the Council's tax bases for business rates and Council tax has been undertaken and MTFS modelling updated</p> <p>Review of Strategic Plan objectives and establishment and operation of GOLD and Silver management structures</p> <p>Production of returns to MHCLG setting out additional costs and utilisation of additional monies provided.</p>	<p>The outturn position for 2020-2021 was an underspend. The MTFS has been updated to reflect ongoing challenges resulting from the financial impact of COVID-19.</p>
2	<p>The issues identified with the 2018/19 Statement of Accounts (SoA) and reflected in the 2018/19 AGS have been worked on during the year. A revised SoA was presented to the Audit Committee in May 2020 and are now subject to external audit</p>	<p>A commitment was made to the Audit Committee for an independent review to be undertaken to understand and ensure that the lessons to be learnt from these issues have been fully identified and steps taken to address them.</p>	<p>The Council has established a detailed and far reaching Finance Improvement Plan designed to address the significant issues that have been identified from the Independent Review commissioned following the initial production of the 2018-</p>

No.	Issue	Action	Progress / Outcome
	review (by Deloitte). Further adjustments will be required through the audit process.	The review was completed and presented to the Audit Committee in November 2020. An action plan is being prepared to address the issues.	19 SoA; the initial external audit feedback from Deloitte's on both outstanding SoA's; the CIPFA review of Financial Management reported in 2017 and a range of matters identified by officers of the Council that require rectification.
3	Budget Management remains a concern with overspending remaining a significant risk. Agreed action to mitigate budget pressures and savings slippage, such as the Agency Review Panel, the non-essential expenditure embargo and the production of Recovery Plans, have been largely unsuccessful.	<p>An additional set of budget challenge sessions base on an assessment of financial risk were held with budget managers and relevant Corporate Directors.</p> <p>Immediate measures were introduced to reduce future spending including a freeze on recruitment, a freeze on agency contracts, a review of staffing levels and a review of posts funded from reserves.</p> <p>In addition, the senior leadership team have prepared saving proposals to ensure a balanced budget.</p>	The outturn position for 2020-2021 was an underspend. The MTFS has been updated to reflect ongoing challenges resulting from the financial impact of COVID-19.
4	The reduction in General Reserves arising from the overspend has required a review of earmarked reserves in order to maintain an appropriate level of General Fund balances. This has impacted on delivery of other priorities and has led to a further reduction in the overall level of the	The level of usable reserves needs to be kept under review during the year and is clearly linked to the maintenance of robust budget management processes set out above.	The outturn position for 2020-2021 was an underspend which result in a lower draw on reserves than anticipated. The MTFS has been updated to reflect ongoing challenges resulting from the financial impact of COVID-19.

No.	Issue	Action	Progress / Outcome
	Council's usable reserves.		
5	<p>The COVID-19 pandemic has resulted in the potential failure of the Council's Leisure Services provider; with a request for financial support being made to avoid service failure once lockdown is ended.</p> <p>The refinancing of the Poplar Baths project has also been impacted by the pausing of the proposed project finance in the light of CV-19. This brings additional risk to the council from project failure in addition to provider failure on the leisure contract.</p>	<p>Detailed financial analysis of the position that the provider finds themselves in was undertaken on an open book basis to inform a decision about options for support and/ or provision of services in the future.</p> <p>Continued engagement with the project company and respective legal and financing specialists to minimize risk to the Council through the refinancing process.</p>	<p>Detailed financial analysis of the Council's Leisure Services provider's position has taken place on an ongoing basis and the issue of risk of failure has been largely mitigated through the following Cabinet decisions and funding secured:</p> <p>29 Jul 2020 - Cabinet Report: The Safe & Viable Reopening of Leisure Centre –</p> <ol style="list-style-type: none"> 1. authorised the Corporate Director Resources to negotiate and agree a management fee sum of up to £181k for Poplar Baths. 2. authorised the Corporate Director Resources to negotiate and agree the removal of the Leisure Management service element from the main Poplar Baths PPP agreement, to bring it in line with the main leisure management contract or as a continuation of the current arrangements between LBTH and Folera. 3. approved a contract variation to the main leisure management contract to provide a management fee of up to £593k to GLL, pending further negotiation of the repayment schedule and share of surplus and following further

No.	Issue	Action	Progress / Outcome
			<p>consultation with the Mayor and Lead Member.</p> <p>4. approved increased pricing schedule</p> <p>5. approved the phased restoration of safe and viable leisure centre activities in three phases with decisions upon implementation of each phase to be determined following a review of guidance, implementation, demand and lessons learned and following consultation with the Mayor and Lead Member in advance of each phase of restoration.</p> <p>27 January 2021 - Cabinet Report: Procurement of the Leisure Management Contract – Authorised the extension of the leisure management contract and Poplar Baths contracts to 2024</p> <p>Mar 2021 – National Leisure Relief Fund (NLRF) funding £803k secured</p>
6	The COVID-19 pandemic has resulted in requests from Social Care providers for additional payments and for payments in advance of service delivery. This must also be seen in the context of the discontinued	Alternative block payment arrangements have been put in place as a response to the pandemic. This was to ensure continuity of supply. These continue to be in place and are reviewed and adjusted accordingly on a	Additional financial support measures were put in place to assist Social Care Providers by the use of the Government specific Covid-19 Grant funding, Adult Social Care Infection Control Fund, Adult Social Care

No.	Issue	Action	Progress / Outcome
	<p>use of the electronic home care monitoring system in Adults Services and reversion to a manual system.</p>	<p>regular basis.</p> <p>Longer term arrangements are also being explored as part of plans for homecare re-procurement which will begin in 2022.</p>	<p>Rapid Testing Fund and the Adult Social Care Workforce Capacity Fund. Adult Social Care Providers were allocated funding, within the grant conditions of these funding regimes, for specific items of expenditure they were incurring. This included providers with which the Local Authority does not have a contract with. Further funding to Adult Social Care Providers will continue for the period 1st April to 30th September 2021 under the continued Adult Social Care ring-fenced Infection Control and Testing Grant.</p> <p>A new reporting template and homecare monitoring process is being piloted with Homecare providers as part of a programme of 4 workstreams that will be delivered during 2021/22, in line with the re-procurement of domiciliary care services.</p>
7	<p>Towards the end of 2019/20 the Council engaged an external consultant to review the extent of video surveillance system usage and compliance with the relevant Code of Practice. The consultant concluded the following:</p> <p><i>...the London Borough of Tower Hamlets can be considered not to comply with the</i></p>	<p>A comprehensive action plan to improve compliance and reduce the risks has been agreed and implementation has begun.</p>	<p>Progress with the plan and project continues (led within the directorate but covering systems across the whole Council) to ensure compliance with standards.</p>

No.	Issue	Action	Progress / Outcome
	<p><i>Council's obligations to show due regard to the provisions of the Protection of Freedoms Act 2012 (PoFA), thus failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems by the Council or on behalf of the Council.</i></p> <p><i>It can also be considered that the Council fails to meet the requirements to comply with the Data Protection Act 2018 Legislation and GDPR regulations the use and management of video surveillance systems. Considering the current situation, the risks to the organisation are three-fold – financial, legal and reputational.</i></p>		
8	<p>Failure to adequately maintain Chater House resulting in inadequate insurance, increases in premiums and a breach of the lease conditions.</p>	<p>Programme put in place to review the stock condition of community shops portfolio and undertake any necessary repairs and maintenance. Fire Risk Assessments to be being undertaken on all commercial portfolio.</p>	<p>The Council continues to review the stock condition of community shops portfolio and undertake any necessary repairs and maintenance.</p>
9	<p>Weaknesses or non-compliance regarding the system of governance, risk management and control in the Capital Programme (<i>Recommendation from Audit</i></p>	<p>Undertake a 'fundamental review' of the current year's Capital Programme plus two years and report funding to Cabinet for oversight.</p>	<p>Capital programme reviewed including profiling of expenditure in full and agreed at Cabinet. Capital monitoring and compliance with</p>

No.	Issue	Action	Progress / Outcome
	<i>report on governance of capital programme).</i>	<p>Ensure the capital programme has adequate profiling of expenditure to capture any slippage / overspend over more than one year.</p> <p>Ensure Capital Growth Bids and Project approvals are completed and authorised by the originating officer prior to approval of the capital scheme.</p>	<p>procedures has now improved. Capital budgets are now incorporated into Agresso. Slippage can be identified quickly and appropriate action taken.</p> <p>Bids are reviewed and approved at the Capital Delivery Board which is Chaired by the Corporate director of Place and includes representation from key officers.</p>
	A need to improve the financial governance of capital programmes (<i>Recommendation from Audit Report on governance of acquisition of properties for Temporary Accommodation</i>).	<p>Governance arrangements for the acquisition programme to be reviewed and aligned to the Council's Programme and Project Management Office (PPMO) requirements</p> <p>Plan to be put in place to ensure property acquisitions are financially assessed for value for money and the Officer's Authority for properties and accord to the scheme of delegation</p>	<p>Capital programme reviewed in full and agreed at Cabinet.</p> <p>Financial analysis of housing procurements to identify yields and if yields are insufficient purchase does not proceed.</p>
	Outdated governance (Directors) and purpose of traded companies in particular Seahorse Limited & Mulberry Housing Society.	Undertake a review and refresh of governance and purpose of traded housing companies (Seahorse Limited & Mulberry Housing Society)	Review of company governance arrangements completed. Future governance arrangements and purposes of companies to be considered.
	Stronger client monitoring of capital expenditure of LBTH over Tower Hamlets	THH Management Agreement to be strengthened to include an operational	Management Agreement: The Management Agreement was reviewed,

No.	Issue	Action	Progress / Outcome
	<p>Homes to mitigate risks of breaches in procurement guidelines.</p>	<p>subgroup on procurement and management of contracts. Programme of training for project managers to be delivered to raise awareness and understanding of the governance arrangements.</p>	<p>agreed, and signed off by both THH and LBTH in July 2020.</p> <p>Project Managers: All Project Managers have had training on Framework, procurement, governance, contract management (JCT Contract). Follow up training will be arranged once the contract has been mobilised.</p> <p>Client Capital Monitoring: A Capital Programme and Community Safety Delivery group was created to enhance monitoring of capital and fire safety works delivery. The group is fully functioning, meets bi-monthly, and among other things, agrees in principle the detailed profile and configuration of the Housing capital, fire safety and FRAs programmes for consideration prior to formal approval by the Council.</p> <p>In addition, the group regularly reviews reports on the spend against budget/ forecasts for all the capital and fire safety schemes, monitors expenditure against budgets of the agreed Capital Programme ensuring that schemes are within approved budgets and variances appropriately</p>

No.	Issue	Action	Progress / Outcome
			<p>addressed.</p> <p>Improved Procurement and Contract Management by THH: THH has set up a dedicated procurement team to improve its procurement approaches and ensure compliance and accountability for the activities delegated via the MA. THH has also strengthened the governance arrangements that support procurement and contracts. Some of the improvements made include:</p> <ul style="list-style-type: none"> ▪ Improved visibility and procurement planning: This is provided by THH procurement plan, which captures all procurement activity delivered on behalf of the Council (and the company). The plan details procurement projects earmarked for the next 12-24months and tracks the progress of each project to ensure compliance with the council's procurement rules. ▪ Early engagement on procurement strategy: The Client Team are sighted on all PIFs, Appendix 1's, Tollgate 1 and Tollgate 2 reports as they are submitted to the Council's

No.	Issue	Action	Progress / Outcome
			<p>procurement team.</p> <ul style="list-style-type: none"> ▪ Enhanced procurement and contract governance: A THH procurement Board has been set up with representatives from LBTH (procurement and Client teams). This supports and provides oversight of THH's procurement. The Board meets monthly and monitors progress against the plan. THH's Executive Management Team also receives quarterly reports on the progress of the plan. ▪ THH/LBTH procurement SLA: The SLA was re-negotiated in June 2020 and is working well. THH works closely with the Councils procurement team to ensure that the council's procedures are followed, and all procurement projects are compliant.

Significant Governance Issues Identified in 2020/21

All four Corporate Directors submitted their returns for 2020/21 to the Chief Executive. The following table summarises the most significant issues raised and the proposed actions to address them:

No.	Issue	Action	Responsible	Timescale
1	Issues have been identified with both the 2018/19 and 2019/20 Statement of Accounts (SoA) and reflected in the 2018/19 and 2019/20 AGS respectively. These significant issues continue to be addressed. The SoA's continue to be subject to external audit review (by Deloitte). Further adjustments may be required through the audit process but these in themselves may not be sufficient to achieve an unqualified audit opinion.	The Council has established a detailed and far reaching Finance Improvement Plan designed to address the significant issues that have been identified from the Independent Review commissioned following the initial production of the 2018-19 SoA; the initial external audit feedback from Deloitte's on both outstanding SoA's; the CIPFA review of Financial Management reported in 2017 and a range of matters identified by officers of the Council that require rectification.	As at May 2021:- Interim Corporate Director of Resources Succeeded by (once appointed):- Corporate Director of Resources and Governance	Phase 1 July 2021 Phase 2 August 2022
2	Budget management – there is a persistent overspend in adult social care and budget management (including the closure of account process) needs further strengthening across the directorate.	Implement savings programme and the recommendations in the forthcoming report by SCIE/CIPFA (this action sits alongside the practice recommendations and work on quality) All budget managers and senior staff to work with and support Finance Team to deliver an accurate and timely outturn and closure of account process with a particular focus on accruals. Reduce levels of debt including charges for care services and NHS debt (including	Corporate Director, Health, Adults & Community and Divisional Director, Adult Social Care and Joint Director of Integrated Commissioning Corporate Director, Health, Adults & Community and all Divisional Directors and budget holders in the directorate Corporate Director, Health, Adults &	2021/22 and 2022/23 April – May 2021 and annually 2021/22

No.	Issue	Action	Responsible	Timescale
		<p>implement recommendations in the internal audit of the Financial Assessments of Contributions to Social Care internal audit).</p> <p>Further strengthen budget management across the directorate and particularly in Adult Social Care with a particular focus on the quality and accuracy of forecasting</p>	<p>Community, Divisional Directors, Financial Assessment Team, Finance Business Partners (Corporate Director, Resources)</p> <p>Corporate Director, Health, Adults & Community and all Divisional Directors and budget holders in the directorate, Finance Business partners.</p>	<p>2021/22 ongoing</p>
3	Impact of the Covid-19 pandemic	<p>Public Health continue to focus on response to the pandemic and this will continue for some time – manage the risk to business as usual activity alongside response to the pandemic and recovery from the pandemic.</p> <p>Manage increases in demand caused by the pandemic including in adult social care, substance misuse services and commissioned domestic violence services.</p>	<p>Corporate Director, Health, Adults & Community & Director of Public Health</p> <p>Corporate Director, Health, Adults & Community and all Divisional Directors in the directorate</p>	<p>2021/22</p> <p>2021/22</p>

No.	Issue	Action	Responsible	Timescale
4	Commissioning, re-procurement and contract management of domiciliary care services	Consider future options in relation to electronic home care monitoring.	Joint Director of Integrated Commissioning	April – June 2021
		Re-procure domiciliary care services worth c£30m pa and deliver savings opportunity identified within SCIE/Cipfa report	Joint Director of Integrated Commissioning	June 2021 – March 2022
5	Compliance with standards in relation to video surveillance systems across the Council	Continue with project (led within the directorate but covering systems across the whole Council) to ensure compliance with standards	Divisional Director, Community Safety, Head of Information Governance & all Divisional Directors across the Council with responsibility for the use of surveillance systems	2021/22
6	Improvements in consistency and quality of work in Adult Social Care	Implement improvements identified in forthcoming SCIE/Cipfa report regarding practice (alongside financial/savings opportunities) as part of a comprehensive transformation and improvement programme	Corporate Director, Health, Adults & Community (statutory Director of Adult Social Services), Divisional Director Adult Social Care, Principal Social Worker & Joint Director of Integrated Commissioning	2021/22 and 2022/23
		Implement further developments to Mosaic (IT system) and improve the quality of data	Divisional Director, Adult Social Care and	2021/22 and 2022/23

No.	Issue	Action	Responsible	Timescale
		<p>on the system as part of the above programme.</p> <p>Implement the recommendations in the internal audit of Client Financial Affairs (service managed within Resources Directorate)</p>	<p>Divisional Director, IT</p> <p>Corporate Director Health, Adults & Community, Corporate Director, Resources</p>	2021/23
7	SEND Performance – weaknesses in performance and provision. Will be subject to a Local Area Inspection by Ofsted & CQC.	SEND Improvement Board driving detailed SEND Improvement Plan.	Director of Education	March 2022
8	King George Fields Trust – Charities Commission investigation into delayed submission of accounts.	<p>Urgent resolution of accounts.</p> <p>Review of governance arrangements.</p>	Director of Sports and Leisure	March 2022
9	Ensure that the council is well prepared to meet the provisions contained within the Building Safety Bill to ensure Fire Safety in residential dwelling	<p>Review the Council's Management Agreement (MA) with THH and ensure clear delegated functions are in place with THH including Fire Safety responsibilities</p> <p>Put in place a shadow structure to meet provisions contained within the bill in advance of legislation</p> <p>Put in place adequate resource, including ICT infrastructure to meet the demands of the Building Safety Bill and mitigate any risks reading THH housing stock.</p>	Director Housing and Regeneration	<p>May 2021</p> <p>August 2021</p> <p>May 2021</p>
10	Continue to progress remedial fire safety	Monitor, report and continue to progress	Director Housing and	March 2022

No.	Issue	Action	Responsible	Timescale
	measures for residents in tower blocks in the borough to improve fire safety	<p>ACM remediation with London Fire Brigade, GLA, MHCLG</p> <p>Continue to collect information on External Wall Systems, working with stakeholders (LBF, GLA, MHCLG) to identify and mitigate buildings identified as high risk</p> <p>Put in place adequate resource, including ICT infrastructure to support fire safety within the private sector</p>	Regeneration	<p>March 2022</p> <p>March 2022</p>
	Continue to review the stock condition of community shops portfolio and undertake any necessary repairs and maintenance.	<p>Undertake a programme of reviews of community shops, including tenant's fire and safety management, property owner's liability guidance and maintenance.</p> <p>Put in place a protection measures for unoccupied units and undertake valuations on buildings ensuring the correct level of cover.</p> <p>Undertake communications to make tenants aware of risks and obligations around fire safety and the terms of their lease, taking action on shop tenants who fail to adhere to their lease.</p>	Director, Property and Major Programmes	<p>March 2022</p> <p>March 2022</p> <p>March 2022</p>

2020-2021 has been a challenging year, the COVID-19 pandemic has had a profound impact on everyone. The pandemic has required us to govern differently to adapt and meet the needs of our community. Our governance arrangements during the pandemic have included instigating our borough emergency plans, preparing and delivering a local outbreak plan, operating clear and robust governance made up of Gold, Silver and Bronze commands, a Partnership Health Protection Board and Local Engagement Board, we have also ensured visible professional and political leadership and collaborated extensively with the London Coronavirus Response Cell and North East London Incident Management Team. Our work with partners focused on mobilising and encouraging partners towards a place-based response. It also involved lobbying government on a range of policy areas, to 'on-the-ground' visits and assisting at food distribution hubs and PPE distribution, to targeted messaging to get pandemic-related information and guidance out to residents and many more activities. We have led in the work to understand the impact of the COVID-19 pandemic in Tower Hamlets and attempted to predict the impact going forward. The first impact assessment was carried out in summer 2020 analysing the initial impacts of the pandemic in the first few months and focused on 13 core topics. This has supported our recovery plans and ensure our collective partnership focus on the areas we need to support our residents with.

During this difficult time there have been governance and leadership opportunities which we are keen to hold onto, and we are committed to delivering better outcomes for residents by using the opportunities from new ways of working and the efficiency and effectiveness learnt through our emergency response. The pandemic has compounded our financial challenges. The economic impact has reduced the amount of income that the council receives from business rates and council tax in 2020-21 and the forecast income for following years. The council has also incurred significant costs for the pandemic response, a decrease in income from fees and charges and slippage in previously planned savings. In response, we have updated both our Strategic Plan and the Medium-Term Financial Strategy to ensure our budget can support delivery of our priorities and address the significant financial challenges facing the council.

Whilst we have been able to quickly adapt our governance arrangements, there remains significant challenges, in addition to the long term impact of the pandemic, which has included closing our financial accounts, budget management and SEND performance. We recognise that good governance requires a culture of continuous improvement and challenge, we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance. We have put action plans in place to address any issues and regularly report progress via the Corporate Leadership Team and relevant Committees.

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Non-Executive Report of the: Audit Committee Wednesday, 1 December 2021	
Report of: Kevin Bartle Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Risk Management - Corporate and the Place Directorate Risk Registers	

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

Reason for Urgency

Clearances for this report were received later than anticipated which resulted in the publishing deadline being missed. Regularly reviewing the Corporate Risk Register is a key function of the Audit Committee.

Executive Summary

This report presents the Audit Committee with the opportunity to review the Corporate and Place Directorate Risk Registers.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the corporate risks, and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at the next Committee meeting (or separately before the meeting if urgent).
2. Note the Place Directorate risks and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the directorate's objectives at the next Committee meeting (or separately before the meeting if urgent).

1. REASONS FOR THE DECISIONS

- 1.1 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

Corporate Risk Register

- 3.1 The Head of Risk continues to work with Corporate and Divisional Directors to maintain the Corporate Risk Register. The updated register is attached at Appendix A. This register was presented to CLT in November 2021 for their review and agreement.
- 3.2 The Audit Committee should review the Corporate Risks and be satisfied that the risks are appropriate. In doing so the Committee may wish to consider the following questions:
- a. Are these the key, corporate level risks that might prevent the Council from achieving its objectives?
 - b. Are there any key, corporate levels risks missing, bearing in mind there are many more risks being managed at Directorate and Service level?
 - c. Do you want to request any of the risk owner(s) to provide a more detailed update on the treatment and mitigation of their respective risk(s) including impact on the corporate objectives?
 - d. Do you require any independent assurance from Internal Audit or elsewhere that the corporate risks are being appropriately managed?

Recommendation

- 3.3 The Committee is recommended to **note** the corporate risks, and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at the next Committee meeting (or separately before the meeting if urgent).

Place Directorate Risk Register

- 3.4 The Audit Committee should review the directorate risks and be satisfied that the risks are appropriate. In doing so the Committee may wish to consider similar challenge questions as those presented above.

Recommendation

- 3.5 The Committee is recommended to **note** the directorate risks, and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the directorate objectives at the next Committee meeting (or separately before the meeting if urgent).

Future Directorate Risk Register Reviews

3.6 Going forward the Committee will be presented with the other directorates risk registers on a rolling programme as follows:

- Resources and Governance
- Children's and Culture
- Health, Adults and Community

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 The Accounts and Audit Regulations 2015 require authorities to ensure they have 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.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no specific financial implications arising from the content of 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 to evaluate the effectiveness of its risks management, control and governance processes, taking into account public sector internal auditing standards and guidance. This report also demonstrates compliance with these legal duties.
-

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Corporate Risk Register
- Appendix B – Place Directorate Risk Register

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: 07562 431830. Email: paul.rock@towerhamlets.gov.uk

Detailed Risk Report (incl Control Measure Target Date)

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
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 is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm.	Our most recent Ofsted report (June 2019) rates Children's Social Care and Early Help service's as "Good". However, there will be a need to regularly review and scrutinise the quality of services for vulnerable young people. This scrutiny and challenge will need to have a focus on; <ul style="list-style-type: none"> Overall management oversight and quality of supervision. Compliance with core statutory and local requirements. Adherence to key safeguarding thresholds. Regular assessments of cases, and emerging /changing risks. Strong planning for children, with regular reviews to avoid drift and delay. Maintaining strong quality assurance and auditing mechanisms. 	<ul style="list-style-type: none"> Harm to individual 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. Poor Staff development and competence. Poor Quality assurance and Performance Management Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss 	<p>Monthly meeting of the Continuous Improvement Board, chaired by the DCS, and involving the Lead member.</p> <p>The Tower Hamlets Children's Safeguarding Partnership, delivering the statutory multi-agency oversight of safeguarding.</p> <p>The Tower Hamlets Safeguarding Children's Partnership is jointly led by the Council, Police and CCG, and benefits from the support and challenge of an Independent Scrutineer. The Partnership provides routine oversight of multi-agency data and quality assurance findings.</p> <p>Monthly service level performance meetings held by the Divisional Director.</p> <p>An established Audit process which is undertaken 5 x times each year.</p> <p>Practice Week which is held twice a year (May and November) which involves all Corporate Directors and members.</p>	5	5	25	4	4	16	James Thomas	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
RS0056	<p>The Council may significantly overspend its budget, fail to deliver savings and continue to rely on dwindling reserves.</p> <p>As of January 2021 we have a balanced budget for 2021/22, albeit still drawing on reserves to balance and a longer term funding gap of £11m.</p>	<p>COVID-19 Virus outbreak and associated increase in costs.</p> <p>Loss of income in particular council tax, business rates and leisure events.</p> <p>Poor budget management</p> <p>Failure to deliver savings</p>	<p>Significant financial losses, overspent budgets, further drawn down on reserves.</p>	<p>Financial Measures</p> <p>CLT and SLT have prepared savings proposals to deliver savings across 9 themes which were presented Members for their agreement:</p> <ol style="list-style-type: none"> 1. New ways of working from the pandemic 2. Managing demand by enabling people to help themselves 3. Streamlining our back office 4. Greater use of community assets 5. Digital 6. Buildings 7. Non- statutory services 8. Joining up services 9. Headcount reductions <p>Financial Actions</p> <p>Increased focus on budget management. Budget Managers Handbook Issued. All budget</p>	<p>5</p> <p>4</p> <p>20</p>	<p>Monitoring and Control</p> <p>Continual focus on budget management. Closely tracking delivery of savings and identifying alternatives if proposals become undeliverable. Regular budget reporting to CLT, Portfolio Leads, MAB and Cabinet.</p> <p>Allister Bannin</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/03/2022</p>	<p>4</p> <p>3</p> <p>12</p>	Kevin Bartle				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
				managers directed by CLT to remain in budget. High risk budgets reviewed by the Corporate Director Resources or the Divisional Director of Finance, Procurement and Audit. Redoubled efforts to deliver previously agreed savings proposals.					
BCLR0013	Whilst an EU-UK Trade and Cooperation Agreement was reached and ratified by the UK in December 2020, considerable uncertainty remains about the medium to long term impact leaving the EU will have on the Council and it's residents.	Unknown and/or unforeseen impacts of the EU-UK Trade and Cooperation Agreement that have yet to materialise.	The consequences for the Council and the community may include less grant funding, data adequacy/protection, new regulatory services, increased settlement application support, construction, and some supply chain delays whilst business adapt to the new processes.		4 4 16	Brexit Impact Monitoring and Response Each Directorate will be closely monitoring the impact of the EU-UK Trade and Cooperation Agreement and will rapidly put in place appropriate actions to mitigate. CLT is maintaining oversight and receiving regular reports on progress, implications and necessary actions. Sharon Godman <u>Required Control Measure</u> Target Date: 31/12/2021	4 2 8	Will Tuckley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
RSB0023	Statement of Accounts qualified opinion received. Objections to the accounts. Previous years accounts being re-audited.	External audit of the statement of accounts and the subsequent findings/outcome.	Qualified opinion on statement of accounts. Reputational damage to the Council.		4 4 16	Improvement Plan An extensive improvement plan is in place and being actively delivered and monitored. Progress will be reported to CLT and the Audit Committee. Ahsan Khan <u>Required Control Measure</u> Target Date: 31/12/2021	2 2 4	Kevin Bartle	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
ASD0015	Death or serious harm to a vulnerable adult who 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 in place to identify the degree of risk to a vulnerable adult (multi-agency safeguarding procedures) Poor practice, insufficient information sharing and/or 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.	CQC care commission embargo list used. This list is available from the CQC highlighting all providers where the CQC has raised concerns. London ADASS branch circulate any service suspensions or restarts due to safeguarding concerns and these are passed to the Brokerage service. Paul Swindells, Service Manager has oversight of Brokerage Team. Provider Concerns and interface with Adult Safeguarding is a standard agenda item at Joint ASC/IC SMT.	3	5	15	Oversight through management reporting Social workers have 1:1 supervision monthly on their casework includes safeguarding cases. High risk cases are present to the High Risk panel chaired by Shaun Last, Service Manager for Mental Health. The SMT managers are responsible for the review and monitor Adult Safeguarding case in their services in supervision with their Team Managers. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 28/08/2022 Information campaigns to raise awareness of safeguarding with oversight from Safeguarding Adult's Board This is an ongoing priority for the Safeguarding Adults Board and includes the annual 'Safeguarding Month' campaign in November each year. The Independent Chair takes a key role in this and all SAB partners participate. Specific campaigns are run at other times including financial abuse & scams, modern slavery, domestic abuse etc. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 28/08/2022 5 year (2019 – 2024) Safeguarding Adults Board Strategy The actions within the SAB strategy aim to mitigate the risks associated with safeguarding.	2	5	10	Denise Radley	People Are Aspirational, Independent And Have Equal Access To Opportunities.		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>These are linked to the principles of Safeguarding with is Empowerment, Prevention, Proportionality, Partnership, Protection and Accountability. They are also linked to the principles of Making Safeguarding Personal. The SAB will be focusing on 3 key priorities relating to transitions, self neglect and homelessness.</p> <p><i>Katie O'Driscoll</i></p> <p><u>Required Control Measure</u> <i>Target Date:</i> <i>28/08/2022</i></p> <p>Safeguarding issues as part of contract management procedures</p> <p>Status changed to allow review by Joint Director for Integrated Commissioning (last reviewed 2016) - contract management procedures continue to focus on safeguarding.</p> <p><i>Warwick Tomsett</i></p> <p><u>Required Control Measure</u> <i>Target Date:</i> <i>01/12/2021</i></p> <p>Failed visit policy and procedures in place.</p> <p>Responsibility for this policy sits within Commissioning and applies to all commissioned services as well as the Council's own re-ablement service.</p> <p>Safeguarding Adults Reviews have identified problems with compliance to this policy and it is crucial that it is regularly reviewed and forms part of contract monitoring. Status changed back to in progress so that a review can be provided by Joint Director of Integrated Commissioning - policy review to be carried out (policy last</p>							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								updated c18months ago) alongside a review of intelligence from contract monitoring reports. Warwick Tomsett <u>Required Control Measure</u> Target Date: 01/12/2021 Safeguarding Adult Reviews Action Plan - implementation of recommendations of all SARs We have recently overhauled our approach to tracking the implementation of recommendations from Safeguarding Adult Reviews. We now have a single log providing a comprehensive overview of recommendations and the status of action/implementation. This is reported regularly to the Safeguarding Adult Board. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 31/03/2022							
ORG0026	There is a risk the Council will be unable to deliver critical and essential services.	Cyber Security Attack e.g. ransomware, denial of service, phishing, malware or an active attack exploiting network security vulnerabilities. Industrial dispute Pandemic Flu or similar widespread infections/diseases. Natural disasters (fire, flood etc) Failure of critical third party provided services. Loss of regional infrastructure e.g. utilities	Failure to deliver critical services Death of serious injury e.g. to staff, members of the public or service users Failure to comply with statutory duties or other legal responsibilities Financial loss		3	5	15	A fully functioning and embedded Business Continuity Framework The Corporate Leadership Team has adopted a business continuity policy and civil contingencies arrangements. The development & maintenance of these arrangements is managed through the Civil Contingencies Board which is chaired by Denise Radley. The CCB meeting quarterly and more frequently when required. In 2019/20, new business continuity software (Clearview) to support directorates and services to manage key risks was implemented and is being embedded across the Council. A	3	3	9	Will Tuckley	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
						recent audit of Business Continuity and Resilience identified some areas for improvement which are in the process of being actioned. The Council will soon run an exercise to test its preparedness for a cyber attack. Denise Radley <u>Required Control Measure</u> Target Date: 31/12/2021			
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 ability for Tower Hamlets Homes to complete all the Fire Risk Assessment work identified in the new round of	Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations lose 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	Work with MHCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety Officers within the Council, representing Environmental Health, Planning and Building Control and Housing and Regeneration meet weekly at Fire Safety meeting, to discuss progress with the remediation of ACM from tall buildings, this also includes progress on responses to EWS survey. Information from the EWS survey are inputted onto the the Department for Levelling Up's (DfLU) DELTA system and details of information received are sent to a Technical Officer in the Building Control Team for analyses. Council Officers are in weekly contact with the GLA on the progress of each development's individual grant application to remediate ACM from particular buildings and this is reported back to the Fire Safety Meeting. This has now progressed to EWS work and applications to the Department for Levelling Up's (DfLU) BSF fund to remediate	3 5 15	<u>Required Control Measure</u> Target Date:	1 5 5	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>comprehensive Fire Risk Assessments</p> <p>Unable to justify block prioritisation policy for programmes of Fire Risk Assessment works</p> <p>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)</p> <p>Fire safety measures are uncoordinated</p>		<p>materials of concern other than ACM.</p> <p>Likewise Officers are in regular dialogue with DfLU on buildings which are of concern and also to discuss various freeholders and managing agents who are not communicating well or slow in responding for information requests.</p> <p>Monthly meetings are held with DfLU and Council officers to monitor progress on each building of concern.</p> <p>Tower Hamlets Housing Forum , Council Officers and the London Fire Brigade have a close working partnership on resident consultation.</p> <p>LBTH Client Management</p> <p>Fire risk assessments for all buildings are up to date and FRA as fire risk assessor UKAS credited.</p> <p>There are</p> <p>No building categorised as substantial or intolerable level of risk.</p> <p>All high-rise buildings surveyed in early 2020 and none has been identified with High Pressure Laminate (HPL) or Aluminium Composite Material ACM cladding. Cladding on 2 tower blocks (malting & Brewster), where there were concerns, has been removed already.</p> <p>Joint working with THH in preparation of the Building Safety Bill including, a pilot of a building safety case, ICT preparation, and a paper which will spell out the roles and responsibilities including those</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>of the Accountable Person and the Building safety Manager is earmarked for November Cabinet. A leading fire engineering consultancy has reviewed all buildings over 6 storey and identified those that may present a greater level of risk. Subject to approval of LBTH, we will shortly carryout external wall surveys on these buildings (by April 2022). Procurement is underway to appoint more permanently a fire engineering consultant to complete fire strategies, means of escape reports and external wall surveys for all other buildings that require one.</p> <p>THH regularly communicate with residents through newsletters and resident association presentation in conjunction with the London Fire Brigade. We also meet with the LFB on a regular basis.</p> <p>THH/LBTH capital investment programme has been reviewed and refocussed the works programme to accelerate front door replacements and make provision for major works arising from EWS surveys and Type 4 fire risk assessments.</p> <p>THH report progress on major works projects as well as more broadly on compliance at regular liaison meetings with the LBTH client team.</p> <p>Fire Safety is also regularly discussed at QSM and the Mayor's Housing meeting</p> <p>A monthly compliance dashboard is in place that covers a wide range of compliance related KPIs including those relevant to fire.</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
ASD0038	<p>There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems.</p> <p>The Council may also fail to meet the requirements of the Data Protection Act 2018 related to the use and management of video surveillance systems.</p>	<p>A lack of appropriate governance, policy and standard operating procedures.</p> <p>No asset registers for surveillance systems.</p> <p>Out of date or missing Data Processing Impact Assessments</p> <p>No SLAs with major stakeholders such as the Police and Transport for London</p> <p>A lack of compliance with agreed governance, policy and procedures.</p> <p>An inspection by the Surveillance Camera Commissioner.</p> <p>An inspection by the Information Commissioner.</p> <p>A freedom of information request.</p>	Financial, legal and reputational.		3	4	12	<p>Improvement Action Plan Completion</p> <p>SPP have been commissioned by the Senior Responsible Officer to draft an action plan and ensure we are compliant with the regulations. SPP will also draft the Council policies and procedures. All the client departments such as Parks, FM, Parking and CCTV will need to ensure that they implement the action plan, policies and procedures. The action plan will be monitored by the Information Governance Board. Each client department to nominate a lead, a Single Point of Contact (SPOC) who will be responsible for all operational matters relating to surveillance cameras and they will act as the main contact point for anything related to surveillance camera systems. They SPOCs will support the SRO regarding compliance with Protection of Freedoms Act.</p> <p>Ann Corbett</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/12/2021</p> <p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p>	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			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>Ensure DLTs and Directors are appraised of progress and risks. Peter Allnutt</p> <p><u>Required Control Measure</u> Target Date: 31/12/2021 Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Michael Darby</p> <p><u>Required Control Measure</u> Target Date: 31/12/2021 Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Richard Williams</p> <p><u>Required Control Measure</u> Target Date: 31/12/2021 Service Actions</p>							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
									<p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks.</p> <p>Chris Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2021</p> <p>Service Actions</p>						
									<p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks.</p> <p>Sam Brown</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2021</p> <p>Service Actions</p>						
									<p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p>						

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
									Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Raj Chand <u>Required Control Measure</u> Target Date: 31/12/2021						
COVID0001	Risk to essential service delivery, the workforce and public safety as a result of the coronavirus and variants of concern.	Third wave of the virus and/or new variants. Vaccines are ineffective against new strains. Vaccine take up is low. Increase in infection rates. National or local restrictions on movement and/or social contract are re-introduced.	Death of members of the public, service users and staff. NHS and hospitals unable to cater for increase in population requiring hospitalisation and intensive care. Collapse or significant reduction in public services including local government, significant down turn in the economy.	Local Outbreak Management Plan The Council has prepared and successfully implemented a local outbreak management plan (surveillance, testing, vaccination, prevention & outbreak management, equalities, communication & engagement) as well as clear and robust governance made up of CLT Gold, Health Protection Board and Local Engagement Board and workstream groups, effective community mobilisation, visible professional and political leadership, data flow from national system, collaboration with London Coronavirus Response Cell and North East London Incident Management Team, and a communications plan. Separate Gold and Silver risk registers are in operation to ensure there is focus on risks and related to the pandemic and their successful mitigation.	3	4	12	Stepped up Response Should a third wave of the pandemic occur and/or a new variant of the virus emerges and infection rates increases, the Council will step up its local outbreak management plan to manage and mitigate the situation. Will Tuckley <u>Required Control Measure</u> Target Date: 31/03/2022	3	3	9	Will Tuckley	A Borough That Our Residents Are Proud Of And Love To Live In.		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
LPGSE001 2	The Council may fail to deliver the strategic plan's priorities and outcomes and/or meet its responsibilities generally to the community.	COVID-19 virus pandemic including local outbreaks leading to a significant reduction in staffing and financial resources and the diversion of remaining staff/resources to deliver essential/critical services and/or new operational activity such as test and trace.	Failure to meet commitments, achieve strategic objectives and discharge responsibilities to the community.	Strategic Plan Review A revised strategic plan was agreed by Cabinet in July 2020 which included updated high level actions and priorities designed to move the Council forward. Business planning and target setting has been completed to support delivery of the revised strategic plan.	3	4	12	3	3	9	Will Tuckley	
PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill	Lack of leadership Insufficient resources Poor understanding of the requirements and consequences Passage of the bill is faster than anticipated	Potential Injury or death of residents Criminal and/or civil litigation for the Council and/or individual senior leadership Delays in construction Regulatory breaches	Research, Legal Advice and Monitoring Key officers are involved in researching the implications of the bill Legal advice has been sought LBTH/THH Building Safety Bill Group monthly meetings to monitor impact and progress	3	4	12	2	3	6	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
			<p>Financial penalties</p> <p>Poor building safety</p> <p>Reputational damage</p>	<p>Liaise with London wide forums and Federation of ALMOS on implementation</p> <p>Obtain Human Resources advice when required.</p>				<p>Safety Group on 8/11/21 for feedback. THH will start publishing communications regarding the Bill prior to the Bill receiving Royal Assent. 114/10/21 The Government published a "residents voice" factsheet which outlined what should be included in the resident engagement strategy.</p> <p>b. Communicate the likely impact of the Bill to Members, CLT and DLT. In Progress: Presentations have been made to CLT, DLT and discussion with members have taken place. Conversations will continue as the Bill passes through Parliament with updates being shared with the relevant people/groups.</p> <p>c. Working with LBTH, Legal Services, CLT and Members to examine the responsibilities linked to the Bill. In progress: Presentations/discussion are taking place, taking into consideration the changes from the draft Bill to the Bill that was published on 5 July 21.</p> <p>d. Calculate the additional resources required to comply with the Bill when enacted Complete: THH and LBTH have submitted separate growth proposals (one for the Building Safety Manager roles and one for LBTH Building Safety Lead and ICT support) which outlines the budgets requirements to fund the new building safety posts.</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
									<p>e. Consider appointing a building safety lead in the council to undertake the assurance work needed for the council to carry out its Accountable Body role. In Progress: The Shadow Building Safety Framework, includes a Building Safety Lead role, responsible for the preparations for the building safety regime. Once the Bill has received Royal Assent the Building Safety Lead will oversee THH as Building Safety Manager, ensuring the Council is compliant with the new building safety regime and reviewing all statutory returns before submission to the Building Safety Regulator. They will be the named person FAO of the Building Safety Regulator on behalf of the Council, as the Accountable Person (as an entity).</p> <p>f. Consider appointing a specialist advisor for support with the Building Safety Case reviews. In progress: Discussion have taken place with HR with the view of a recruitment agency leading on the appointment of a Building Safety Lead.</p> <p>g. The Council's Building Safety Bill guidance will be updated regularly by Counsel. In progress: Bevan Brittan has provided updated advice since the release of the Building Safety Bill on 5 July 21. A comparison to the draft bill has been provided.</p>						

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>h. Potentially review existing contracts to ensure they comply with the Bill's requirements. In progress: LBTH Legal has been asked to carry out the review.</p> <p>i. Investigating digital storage methods to maintain the "Golden Thread of information". In progress: Initial ICT requirements have been identified to the IT Project Board (ITPB). The ITPB will make recommendations on progressing the investigations.</p> <p>j. Seek Cabinet approval. In progress: A Shadow Building Safety Framework report is going to Cabinet on 27/11/21. Seeking approval for the framework, to appoint to the Building Safety Advisor role, appoint THH as interim Building Safety Manager and make necessary changes to the constitution. Karen Swift <u>Required Control Measure</u> <u>Target Date:</u> <u>31/03/2022</u></p>							
RS0060	There is a risk of deteriorating health and wellbeing in the Council's workforce.	Prolonged impact of the pandemic including ill health (from contracting Covid-19) bereavements, isolation, poor mental health, significantly increased workloads necessitating long working hours, reduced resources, remote and different ways of working and a potential for 'burn out'.	Increases in stress and sickness Financial and physical impact on organisation and workforce. Inability to retain staff. Large backlogs of work. Delays in service delivery.		3	3	9	<p>Health and Wellbeing Support</p> <p>Employee Assistance Programme promoted and available to all staff which provides confidential information, advice and support 24/7.</p> <p>A network of trained Mental Health First Aiders is established and in place.</p> <p>Staff can access the Tower Hamlets Well-being Zone for tips and advice.</p> <p>Financial support and advice is</p>	3	2	6	Kevin Bartle			



Detailed Risk Report

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
DRCPD0057	(New Town Hall Project): That the contingency budget allowance of £5m is not sufficient.	Discoveries that fit outside of the Design and Build contract.	Additional time and money cost to the project.	Design workshops are being held with BYUK, Client side Design Guardians and Cost consultants. Additional works relating to the retained building are being reviewed - the contingency is now committed to the Roof and Façade repairs. Review of the residual risks on the project impacting cost and programme are being worked through with the contractor and Employers agent.	5	5	25	Additional discoveries outside of the Design and Build Contract The team are reviewing all variations and client instructions against the available budget. The contingency needs to be increased from £5m and will be progressed via required governance process - Capital programme Board. <i>Yasmin Ali</i> <u>Required Control Measure Target Date:</u> 29/04/2022 The client held contingency has been exceeded. The £5m risk allowance has been committed and additional contingency is being sought via the capital governance process. <i>Yasmin Ali</i> <u>Required Control Measure Target Date:</u> 31/03/2022	5	5	25	Yasmin Ali	A Borough That Our Residents Are Proud Of And Love To Live In.
HRG0002	Failure to meet the manifesto commitment to build 2,000 new homes.	1. Insufficient capital financing to deliver new homes on available sites. 2. Planning permissions not forthcoming 3. insufficient staff in key teams to deliver 4. availability of sites 5. resident resistance to development 6. Market conditions (labour, price of raw	1. Increase in homelessness 2. Increase in costs for temporary housing e.g. B&Bs 3. Council fails to achieve its targets 4. Reputation damage	Refresh of the approach to supply The delivery and identification of sites has progressed to the point where sufficient sites have been identified. However the build out of these is still subject to viability, planning and the availability of funding. Schemes are more likely to be mixed tenure than wholly affordable housing. The HRA Business Plan can deliver a significant number of the 2,000	5	5	25	<u>Required Control Measure Target Date:</u>	5	5	25	Rupert Brandon	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		materials).		and meet its commitments to major works, fire and building safety and carbon reduction but as non development capital expenditure does not attract subsidy via RTB receipts, GLA grant or S.106 the greater the amount spent on existing stock reduces the amount available for new build. An alternative is to rely on new build sales within development schemes but this reduces the amount of affordable housing within them.								
CLPRCG0051	With the current shortage of HGV drivers across the country, there is a risk that our staff can be lured to other organisations who may be offering better salaries and conditions.	Skills shortage across the country	The service will not perform to its optimum level as there will be no drivers to operate the vehicles.		4	5	20				Oli Kapopo	OLD *** A Great Place To Live
DRCPCD0061	(New Town Hall Project) Failure to secure a technical specification and brief for the proposed relocation of the CCTV service in the new Town Hall Building.	CCTV requirements are not clearly communicated to the Town Hall Delivery Team in a timely manner and as a result the space does not cater to need and the CCTV service is unable to move into the new Town Hall. Changes made to the brief and/or requirements.	Inability to develop a sufficient technical specific leaves the project at risk of escalating abortive costs and inadequate design solution. This will have a negative financial impact on the project and cause significant disruption. If the CCTV service is unable to move to the new town hall, alternative office space must be sought, potentially leading to increased down time for the service and risk of not vacating Mulberry		4	5	20	2	4	8	Sarah Steer	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
			Place by December 2022. This also presents a reputational risk for the council.												
SDBCD0033	If the planning application for South Dock Bridge does not gain planning consent or does not received planning consent in a timely manner, this will significantly delay the project programme and could increase costs. This risk has increased due to the number of comments and objections received on the application. The objection from CRT as a statutory consultee on the loss off moorings has intensified this risk due to their strong stance on the provision of pontoons alongside the bridge. The planning application is currently on hold while a feasibility study into the provision of a pontoon is being considered.	Not gaining planning consent.	Delays to bridge programme / increased project costs / potential re-working of bridge design.		4	5	20	As below Thorough and early pre-application advice Thorough public and stakeholder consultation to avoid objections to the planning application where possible. Generating political and public support for the project. A detailed and good quality planning submission. Thorough responses to comments and objections made on the planning application. Seeking legal advice to mitigate issues. Working closely with the Canal and River Trust (CRT) and other stakeholders to mitigate objections. Undertaking the Stage 4 design and other tasks while waiting for the planning consent to minimise delays to the project.	4	4	16	Jaskaren Mahil-Sandhu	A Borough That Our Residents Are Proud Of And Love To Live In.		
								<u>Jaskaren Mahil-Sandhu</u> <u>Required Control Measure Target</u> <u>Date:</u> 31/01/2022							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
DRD0062	Insufficient resources to deliver the Capital Delivery Service's Work Programme	Client teams do not have sufficient budget to commission the internal Capital Delivery team to deliver work Recruitment and retention (inability to offer adequate remuneration packages in a highly competitive market) Funding uncertainty Lack of capacity in key support services including legal and procurement	Inability to deliver projects on time		4	4	16	3	4	12	Jane Abraham	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
DTLC0003	Local Land Charges section provide information on property being purchased in the borough through 'search requests'. Searches answer a series of legally drafted questions as part of the wider conveyance process. The Local Land Charges search is a small transaction in terms of cost to a prospective purchaser, but is extremely important in informing whether there are any limitations, charges etc. that can impact future living or development potential. The search can allow the purchaser to take on a property having assessed any risk identified. This can include for example details such as planning site constraints which may impact future development/use or plans. Data informing the search is pulled from sources within different parts of the Council. Some services are not aware that information must be provided to LLC department in order that it can be revealed or data is often not updated regularly. Changes to the public realm structure and	System failure- The system is already failing on a regular basis	Compensation claims possible if information, especially that relating to financial charges is not revealed		4	4	16	Review all Sources of Data Review of all source data held spatially and in all other formats. This will involve different departments across Place with project and potential collaboration, where possible to ensure information provided is accurate and up-to-date always. Process reviews likely required. <i>Umbreen Qureshi</i> <i>Required Control Measure Target</i> <i>Date:</i> <i>03/04/2023</i> Acquisition of New database 11/10/21 Work ah commenced on project to acquire new replacement system - full funding yet to be agreed Acolaid database is used for the whole of the P&BC service and holds the Council-wide Local Land and Property Gazetteer. The database is over 30 years old with very little interoperability and API functionality. The dependency on this one out-of-date system, now with limited supplier support and no future development opportunity, must be replaced at the earliest opportunity to enable a timely service providing the correct data. <i>Umbreen Qureshi</i> <i>Required Control Measure Target</i> <i>Date:</i> <i>01/04/2023</i>	4	2	8	Umbreen Qureshi	A Borough That Our Residents Are Proud Of And Love To Live In.		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
	<p>processes has resulted in knowledge loss in this area of work, and highlights need for automation.</p> <p>The current database is hampered by its limitations and data volume. As data continues to accumulate and grow, this results in the system unable to cope. Intermittent results can be given with information that is either missing, partial or false. Additionally GIS functionality is extremely slow impacting on turnaround times and risking property transactions to fall through.</p> <p>This information is pulled through on public browsers where members of the public will view and take information as provided. Again issues with the source data remain and continue to leave exposed</p>											
PLC0024	<p>The Council may fail to adequately discharge its health & safety and/or other statutory compliance responsibilities for its property estate that is outside of the Corporate Landlord Model (CLM) and for property that is inside CLM but excluded from its scope.</p>	<p>Compliance and/or maintenance requirements cannot be passed to occupiers via a lease. The Council has inadequate resources to undertake compliance checks and remedial action.</p>	<p>Potential for death or serious injury to tenants, building occupiers. Failure to meet statutory responsibilities, breach of regulatory framework. Reputational damage. Financial loss from fines and other claims.</p>	<p>Monitoring and Escalation As soon as the risk was identified weekly meetings were set up between asset management and facilities management to address the concerns. The first step has been to identify the properties that are associated with the risk. In parallel, steps are being taken to secure appropriate resource in order to conduct checks of the leases and other arrangements that dictate where responsibility for</p>	4	4	16	2	2	4	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
				compliance lies. The matter has also been raised with the Corporate Director, Place.				Team to undertake compliance activity and coordinate remedial action and/or maintenance. Vicky Clark <u>Required Control Measure Target Date:</u> 31/03/2022							
SDBCD0029	South Dock Bridge - If the contracts for the appointment of consultants and contractors are not awarded in a timely manner then this could have an impact on the overall delivery of the project, as it will hinder the progression of the works and appointment of sub-consultants. This risk has increased slightly due to the Covid-19 procurement changes and delays.	Delays with procurement approvals / signing-off paperwork / issuing contracts.	significant delays with project delivery and bridge opening Project on hold.		4	4	16	As below Building in extra time for the procurement and appointment of consultants and contractors Engaging with the Procurement team and Legal Services to communicate the tight timeframes for the project Looking at other options such as appointing existing corporate suppliers where possible. Jaskaren Mahil-Sandhu <u>Required Control Measure Target Date:</u> 01/06/2023	4	3	12	Jaskaren Mahil-Sandhu	A Borough That Our Residents Are Proud Of And Love To Live In.		
HPHS002	Hanbury Street - Demolished garages contain Asbestos.	R and D Surveys Identify Asbestos.	Asbestos specialists will have to be appointed for removal. Potential programme slippage. Potential Cost implications to undertake works.	R&D Surveys are undertaken. Initial surveys have already identified asbestos in several of the existing garages. Once the R&D Survey of the full site has been completed, the full impact of the asbestos can be assessed. Once the main Contractor has been appointed, they will be notified of the Asbestos and will be instructed to oversee it's removal through a specialist contractor. The contractor will be carrying our the removal and demolition surveys.	5	3	15	<u>Required Control Measure Target Date:</u>	5	1	5	Enamul Goni	A Borough That Our Residents Are Proud Of And Love To Live In.		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
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HPHS0003	Hanbury Street - Works outside of the site boundary for the infill new council housing scheme. Works to public pavement, roads and landscaping.	Contractor approaching and undertaking external works to public realm areas, as proposed in the development.	Interruptions to access for the local community and public. Stoppage of access to one way roads, stopping residents from being able to access their homes. Backlash, complaints, opposition from the local community Failure to deliver a mayoral commitment - the Mayor is committed to the delivery of 1,000 new council homes that are genuinely affordable, being let on social rents or Tower Hamlets Living rents.	Nofity Contractor LBTH are to notify the appointed contractor as soon as possible and ensure they are aware of the risks and potential impacts any disruptions to the public realm will cause. LBTH to work with contractor to assure works are phased in such a way to mitigate any impact on the surrounding communities access.	5	3	15	<u>Required Control Measure Target Date:</u>	5	3	15	Enamul Goni	A Borough That Our Residents Are Proud Of And Love To Live In.
HPSS0001	Sidney Street - Demolished Library contains Asbestos	R and D Surveys identify Asbestos.	Asbestos specialists will have to be appointed for removal. Potential programme slippage. Potential cost implications to undertake works.	The Contractor has been notified of the likelihood to find Asbestos. As included in the Contract, the contractor will undertake R&D Surveys to identify the full extent and impact of Asbestos if found. Once the extent of the Asbestos has been identified the contractor will remove it accordingly, complying with their Risk Assessment and Method Statement.	5	3	15	<u>Required Control Measure Target Date:</u>	5	1	5	Enamul Goni	A Borough That Our Residents Are Proud Of And Love To Live In.
PAR0055	Loss of CIL income from CIL Compliance Project	For the last 12 months and to continue for a further 12 months Infrastructure Planning have been undertaking a compliance exercise to collect CIL from developments who did not comply with the CIL regulations and therefore have outstanding CIL debts. To date this has	Potential loss of CIL income - value to be confirmed., but potentially £2m - £3m, split equally between Mayoral (TfL) CIL and Local (LBTH) CIL.	Establish legal position Secure legal advice from internal and external legal sources, to establish consequences of court case and legal options for pursuing outstanding debt. Assess Case Load Assess case load against legal advice on a case by case basis, establishing cases that: - Can be legally pursued unaffected by the court case	3	5	15	Implement plan for pursuing outstanding debts that are found legally pursuable Based on value and risk profile prioritisation pursue debts. Excluding delays through court proceedings, have pursued / secured payment of all debts by end of June 2022.	2	3	6	Matthew Pullen	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
		<p>been successful in securing outstanding income.</p> <p>A court judgement in April 2020 (Trent vs. Hertsmere Borough Council) has brought into question the legality of collection of historic outstanding CIL in certain circumstances.</p>		<p>- Can be pursued currently but are approaching time limits for doing so and thus require urgent action</p> <p>- Can no longer be pursued and need to be written off.</p> <p>Create plan for pursuing outstanding debts that are found legally pursuable</p> <p>Establish plan to include prioritisation based on value and risk profile.</p> <p>Implement plan for issuing all Liability Notices for 'at risk' cases following Trent Court Case</p> <p>Plan in place states completion by 27th August. To check commencement, measure and issue Liability Notices for all at risk cases following Trent Court case. Check on progress weekly.</p>				<p>Matthew Pullen</p> <p><u>Required Control Measure Target Date:</u></p> <p>30/06/2022</p>							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
Page 78												

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
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 ability for Tower Hamlets Homes to complete all the Fire Risk Assessment work identified in the new round of comprehensive Fire Risk	Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations lose 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	Work with MHCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety Officers within the Council, representing Environmental Health, Planning and Building Control and Housing and Regeneration meet weekly at Fire Safety meeting, to discuss progress with the remediation of ACM from tall buildings, this also includes progress on responses to EWS survey. Information from the EWS survey are inputted onto the the Department for Levelling Up's (DfLU) DELTA system and details of information received are sent to a Technical Officer in the Building Control Team for analyses. Council Officers are in weekly contact with the GLA on the progress of each development's individual grant application to remediate ACM from particular buildings and this is reported back to the Fire Safety Meeting. This has now progressed to EWS work and applications to the Department for Levelling Up's (DfLU) BSF fund to remediate materials of concern other than ACM.	3	5	15	1	5	5	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>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</p>		<p>Likewise Officers are in regular dialogue with DfLU on buildings which are of concern and also to discuss various freeholders and managing agents who are not communicating well or slow in responding for information requests.</p> <p>Monthly meetings are held with DfLU and Council officers to monitor progress on each building of concern.</p> <p>Tower Hamlets Housing Forum , Council Officers and the London Fire Brigade have a close working partnership on resident consultation.</p> <p>LBTH Client Management Fire risk assessments for all buildings are up to date and FRA as fire risk assessor UKAS credited. There are No building categorised as substantial or intolerable level of risk. All high-rise buildings surveyed in early 2020 and none has been identified with High Pressure Laminate (HPL) or Aluminium Composite Material ACM cladding. Cladding on 2 tower blocks (malting & Brewster), where there were concerns, has been removed already. Joint working with THH in preparation of the Building Safety Bill including, a pilot of a building safety case, ICT preparation, and a paper which will spell out the roles and responsibilities including those of the Accountable Person and the Building safety Manager is</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
				<p>earmarked for November Cabinet.</p> <p>A leading fire engineering consultancy has reviewed all buildings over 6 storey and identified those that may present a greater level of risk. Subject to approval of LBTH, we will shortly carryout external wall surveys on these buildings (by April 2022).</p> <p>Procurement is underway to appoint more permanently a fire engineering consultant to complete fire strategies, means of escape reports and external wall surveys for all other buildings that require one.</p> <p>THH regularly communicate with residents through newsletters and resident association presentation in conjunction with the London Fire Brigade. We also meet with the LFB on a regular basis.</p> <p>THH/LBTH capital investment programme has been reviewed and refocussed the works programme to accelerate front door replacements and make provision for major works arising from EWS surveys and Type 4 fire risk assessments.</p> <p>THH report progress on major works projects as well as more broadly on compliance at regular liaison meetings with the LBTH client team.</p> <p>Fire Safety is also regularly discussed at QSM and the Mayor's Housing meeting</p> <p>A monthly compliance dashboard is in place that covers a wide range of compliance related KPIs including those relevant to fire.</p>											

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
PLC0021	No buildings insurance for Chater House	Failure to manage the building Failure to inspect and maintain Shop tenants unidentified	Financial Loss over £12M Reputational loss	<p>Tenant Audit Programme to be implemented Programme to include regular review of tenants fire and safety management - Fire risks, electrical safety, property owners liability guidance, housekeeping, maintenance</p> <p>Protection of unoccupied units Inspection to take place, utilities disconnected, combustible materials removed</p> <p>Cooking extractions cleaned Tenants to be made aware of the risk and their obligations to have cooking extractions cleaned to minimise fire risk.</p> <p>Gas Cylinders removed Tenants to be advised. Use of gas cylinders to cease as this is a fire hazard.</p> <p>Process to be implemented with Legal Action to be taken against shop tenants who fail to adhere to their lease, fail to insure and carry out maintenance relating to health and safety</p>	3	5	15	<p>Buildings Valuation Valuation expected by Friday 19th February Vicky Clark <u>Required Control Measure Target Date:</u> 19/02/2021</p>	1	5	5	Vicky Clark	Risk Corporate Plans
PMP0006	Town Hall delivery - overall delivery of project				3	5	15	<p>Programme Review Monthly progress against programme of works - Extension of Time claimed by Contractor to be robustly challenged. There are programme delays in relation to Covid19 and additional works to the retained building that are in review. End of September 2021 before further clarity is expected. Yasmin Ali <u>Required Control Measure Target Date:</u> 30/11/2021</p>				Yasmin Ali	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
SDBCD0002	If there is not sufficient funding for the whole of the South Dock Bridge Project, the bridge may not be delivered and the £7m SIP grant funding from London Councils will likely be lost. The bridge is estimated to cost circa £20m with additional resources required for its operation and maintenance, the funding is coming from a number of different routes some as yet to be identified. The project costs could increase due to the preparation of a feasibility study for the provision of a pontoon and the potential provision of a pontoon.	Insufficient project budget.	Failure to secure sufficient funding will result in the project being delayed or cancelled.		3	5	15	Funding Ongoing review of funding opportunities, including opportunities for sponsorship and advertising for the bridge and early identification of funding gaps. The successful bid for £7m SIP funding from London Councils has brought the overall risk down by reducing the funding gap. The allocation of an extra £5m funding for the project funding has also helped to lower the risk, giving a total budget of £20m for the project.	2	5	10	Jaskaren Mahil-Sandhu	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
SDBCD0024	<p>If South Dock Bridge is not delivered or not delivered in a timely manner, it may significantly hinder or halt the delivery of housing and commercial development on the Isle of Dogs and will limit pedestrian and cycle access in and around South Quay. This risk has intensified due to the objections/hold on the planning application and delays caused by Covid-19 and other factors.</p> <p>This risk has increased due to the objections on the planning application and delays caused by Covid-19 and other factors.</p>	Election results / funding sources / not getting planning consent / not agreeing land use issues / other project delays.	Scheme is suspended or significantly delayed.		3	5	15	<p>As below</p> <p>Maintain stakeholder, public and political support for the project, including thorough early engagement and positive comms Regularly review and manage project programme Seek external funding opportunities and advertising and sponsorship to secure project delivery.</p> <p><i>Jaskaren Mahil-Sandhu</i> <u>Required Control Measure Target Date:</u> 31/12/2024</p>	3	4	12	Jaskaren Mahil-Sandhu	A Borough That Our Residents Are Proud Of And Love To Live In.
SDBCD0035	<p>There is a risk that findings from surveys and ground investigation at Stage 4 Detailed Design could potentially change the scope of the bridge design or the landscaping works. There is also risk that planning conditions imposed on the bridge could generate significant changes such as an addition of a pontoon. These issues would add significant costs and time delay to the project and may require a variation to the Stage 4 contract.</p>	Outcomes of the Stage 4 Design. Planning outcomes. Outcomes of discussions with the Canal and River Trust.	Cost and time delay.		3	5	15	<p>As below</p> <p>Regularly monitoring of the project programme and budget. The appointment of Arcadis for the Stage 4 works will help manage this risk as they know the project and can deal with any changes efficiently. Consider alternative/back-up options for works such as the landscaping improvements.</p> <p><i>Jaskaren Mahil-Sandhu</i> <u>Required Control Measure Target Date:</u> 31/10/2022</p>	3	4	12	Jaskaren Mahil-Sandhu	A Borough That Our Residents Are Proud Of And Love To Live In.

Non-Executive Report of the: Audit Committee Wednesday, 1 December 2021	
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Internal Audit Progress Report	

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

Reason for Urgency

Clearances for this report were received later than anticipated which resulted in the publishing deadline being missed. It is vital that the Audit Committee receive regular reports from internal audit on progress and outcomes of the audit and anti-fraud activity.

Executive Summary

This report provides an update on progress against the delivery of the 2021/2022 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in October 2021. In addition, an update on anti-fraud work is included.

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. **Approve** the updated annual internal audit plan for 2021/2022.

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

Internal Audit

- 3.1 The Council’s internal audit service is provided by three senior internal auditors and led by an experienced audit manager who is also the Deputy Head of Internal Audit. The service currently has three additional vacancies that we are currently recruiting to which includes a new apprenticeship post. Delivery of the plan is supplemented through a contract with BDO – a professional services and accountancy firm. The Audit Committee is provided with updates at each meeting on progress against the Annual Internal Audit Plan.
- 3.2 In addition, we also deliver internal audit services to Tower Hamlets Homes (THH) via a Service Level Agreement. Progress against their separate plan is reported to the THH Finance and Audit Committee on a quarterly basis. The THH plan include nine audits and follow up activity.

Progress against the 2021/22 Internal Audit Plan

- 3.3 In July 2021 the audit Committee agreed the 2021-2022 Internal Audit and Anti-Fraud plan. In this reporting period October 2021 to December 2021 the following progress has been made:

Audits in Progress (Fieldwork)

Audit Title	Target for Draft Report
Supporting Stronger Families – Monthly Grant Claim Certification	N/A
Delivery of Efficiency Savings	April 2021
IT Security Breaches and Incident Management	November 2021
Control and Monitoring of Agency Workers	December 2021
Management of Failed Visits for Adults	December 2021

Multi Agency Safeguarding Hub	December 2021
Management of Contract Services Improvement Plan	December 2021
New House Building Programme – Contract Audit	January 2022
Adults Safeguarding Board Case Reviews	March 2022

Draft Reports (Issued to Management)

Audit Title	Draft Report First Issued	No. Days Overdue
Asset Management	15/09/2021	>5
NNDR	18/5/2021	>90
Purchase Cards	5/11/2021	N/A
Freedom of Information (Consultancy)	2/11/2021	N/A
Management of Commercial Waste	22/10/2021	<5

Final Reports

Audit Title	Opinion
IT Programme and Project Management	Reasonable
Asset Management	Limited

3.4 Summaries of the finalised audits are included at Appendix A.

Updated Internal Audit and Anti-Fraud Plan for 2021/2022

3.5 The Head of Internal Audit should periodically review the internal audit plan and present any significant changes to senior management and the Audit Committee for approval.

3.6 The plan agreed in July 2021 included 25 priority one audits which were deliverable based on current and anticipated resources, and a further 15 priority two audits that would only be deliverable once vacancies had been filled and a delivery partner sourced. Due to staff sickness and delays in recruiting to the additional vacancies (it's unlikely these vacancies will be filled until January 2022 at the earliest) the plan has been reviewed and updated.

3.7 In summary, most of the priority two audits will not be delivered in 2021/2022. We will review the merit of each of these audits during 2022/2023 planning which will begin in January 2022, and where appropriate will carry them forward into next year's plan. Of the original 25 priority one audits:

- Customer Journey - Adult Social Care, Quality Assurance Systems for Adult Social Care and Client management of Waste Functions have been deferred to 2022/2023 at management's request.
- After discussion with management the planned IT audits for Data Protection and Privacy and Delivery of IT Strategy and Architecture have been cancelled. We will revisit these topics and scope when planning 2022/2023. The audit of Access Control Management planned for 2022/2023 has been brought forward to 2021/2022.
- The planned audit of Recruitment Controls and Pre-Employment Checks will be deferred into 2022/2023 in favour of undertaking higher priority audits of key financial systems.

3.8 In total, we anticipate delivering more than 30 audits to support the 2021/2022 annual opinion. This includes audits carried forward from 2020/2021, six of which have been finalised and were reported in October, two remain ongoing. In addition, approximately 10 to 15 school audits will be completed, although this remains subject to sourcing additional external resource. Funding for this resource is being provided by the Children's and Culture directorate.

3.9 For comparison in previous years, in 2019/20, 30 audits were delivered and in 2020/2021 29 audits were delivered (excluding schools).

3.10 The updated plan is presented at Appendix B for the Committee's review and approval. Audits that have been deferred are shown in dark grey.

Management's Progress in Implementing Agreed Actions

3.11 During the period October 2021 to November 2021, 5 follow-up reviews have been completed which confirmed that 87% of High Priority agreed actions had been fully or partially implemented. In addition, 84% of Medium Priority agreed actions had been fully or partially implemented. The table below provides further details.

3.12 The following audits have been followed up:

- Capital Governance
- Control of Parking Permits
- Control and Monitoring of Electronic Parking Income
- Financial Assessments for Adults
- Payment Control for Temporary Accommodation

3.13 The outcome of these follow up audits is summarised in the table below:

Implementation of Agreed Management Actions for Follow Ups verified by Internal Audit between April 2021 and November 2021

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	26	31
Number of Management Actions Fully Implemented	9	12
Number of Management Actions Partially Implemented	13	15
Number of Management Actions Not Implemented	4	4
% Fully Implemented	35%	39%
% Partially Implemented	50%	48%
% Not Implemented	15%	13%

3.14 Whilst the combined implementation rate is encouraging the overall percentage of fully implemented high priority actions is low. This has been brought to the attention of the Corporate Leadership Team for action.

Fraud Investigation Activity

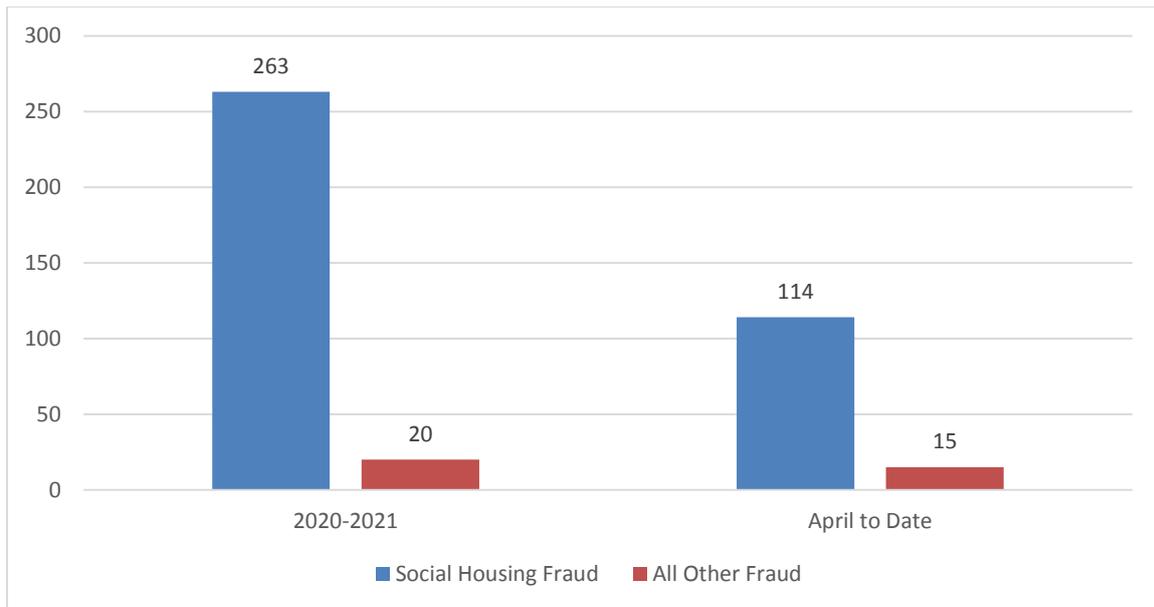
3.15 All investigation activity is now dealt with by one multidisciplinary team, this includes housing fraud, insurance fraud, internal fraud and blue badge fraud. The team consists of five Fraud Investigators, two Social Housing Fraud Investigators (funded by Tower Hamlets Homes) and two Blue Badge Investigators (funded by Parking). The team is supported by an Intelligence Officer and led by an experienced Investigation Manager.

3.16 The investigators continue to diligently investigate allegations of fraud. In line with the Council's strategy during the height of the pandemic, only essential services were in operation. To minimise the risk to the investigators and the public, interviews, foot patrols and visiting were stopped, although desktop investigations continued throughout. It is likely we will see a reduction in outcomes over the coming months until the backlog of investigation and Court work is cleared.

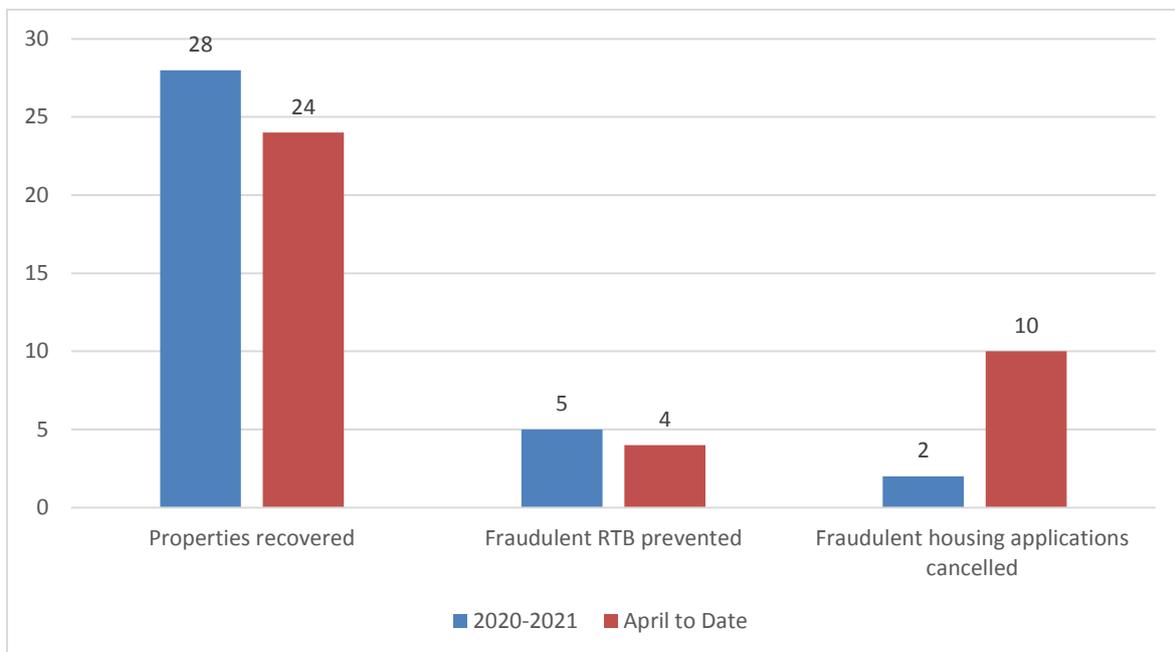
Summary of Caseloads, Referrals and Outcomes for 2021/22

3.17 A summary of referrals and outcomes for 2020/21 is show below:

Referral Activity Comparison 2020/21 to 2021/22 (To date)



Outcome Comparison 2020/21 to 2021/22 (To date)



3.18 In addition to the outcomes above the team have secured two criminal convictions for housing fraud (one further case was lost) and secured unlawful profit orders amounting to £27,000.

Fraud Prevention Activity

3.19 The Internal Audit and Anti-Fraud Service includes a dedicated Fraud Prevention Officer role that reports to the Internal Audit and Fraud Prevention Manager. Work to date has included:

- Updating and publication of Corporate and Anti-Fraud Strategy

- Updating and publication of the Anti-Bribery policy
- Publication of the Fraud Response Plan
- Publication of the Anti-Money Laundering Policy
- Participating in the Direct Payment working group which is currently reviewing the Direct Payment Policy and service user agreements, both will now include anti-fraud measures
- Changing the single person discount application process for Council Tax which now includes an anti-fraud declaration
- Creation and drafting of an NFI monthly report
- Conducted a high-level proactive assurance review of a sample of a closed NFI data set involving Pension payments.
- Ongoing review/update of Intranet and internet fraud prevention information
- Delivery of a Fraud awareness training to Right to Buy Team (THH)
- Exploring options of improving fraud prevention and detection via data analytics with the Head of Intelligence and performance.

National Fraud Initiative

- 3.20 The National Fraud Initiative (NFI) is an exercise led by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies (including all local authorities) are required through the Local Audit and Accountability Act 2014 to submit data to National Fraud Initiative on a regular basis. The Senior Responsible Officer (SRO) is accountable for ensuring the Council meets the statutory requirements. The SRO for the Council is currently the Interim Corporate Director, Resources.
- 3.21 The council submitted 14 data sets from the NFI exercise 2021, and further checks were requested under the NFI “Recheck”. On the NFI main match the council had a total of 11,961 matches. Note the this considers matches that occur across several data sets and are counted individually. An observation of the “fraud risk view” which discounts such matches brings the actual total to about 5,587. The Recheck results for the council tax to electoral register (this match identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet the electoral register suggests another person lives in the property) totalled 7,833.
- 3.22 The latest data matches were released in late January 2021. Individuals from across the Council’s services have been nominated to review the matches and determine what, if any, action is required to resolve and close the match. A summary of the matches and progress is shown in the table below:

Summary of NFI Matches

Report Title	Total No. Matches	Closed	Under Review	Fraud	Error	Awaiting Processing	Outcome
Housing Benefit Claimants to DWP Deceased	33	1	0	0	0	32	Meeting held with the Head of Service to improve progress on matches. Nominees assigned to matches
Pension Gratuity to DWP Deceased	80	66	13	0	0	1	Pension stopped and £14,898.34 has been recovered thus far
Payroll to Payroll	38	33	4	1	0	0	One investigation which has been referred to the investigation team
Blue Badge Parking Permit to DWP Deceased	309	286	0	3	2	18	286 badges have been cancelled leading to a notional saving of £30,475
Resident Permit to DWP Deceased	60	57	1	0	0	2	Ongoing enquiries with nominees to progress matches
Housing Benefit Claims to Student Loan	208	0	0	0	0	208	Meeting held with the Head of Service to improve progress on matches. Nominees assigned to matches
Pensions to Payroll	75	0	0	0	0	75	Ongoing enquiries with nominees to progress matches
Council Tax to Electoral Register	7833	4155	4	399	393	2882	399 individuals have been taken off the single person discount leading to notional revenue of £304,365
Council Tax Reduction Scheme to Payroll	96	0	0	0	0	96	Ongoing correspondence to get the matches progressed
Council Tax Reduction Scheme to Pensions	334	0	0	0	0	334	Ongoing correspondence to get the matches progressed
Council Tax Reduction Scheme to Pensions	24	0	0	0	0	24	Ongoing correspondence to get the matches progressed
Council Tax Reduction Scheme to Council Tax Reduction Scheme	28	0	0	0	0	28	Ongoing correspondence to get the matches progressed
Council Tax Reduction to Housing Tenants	24	0	0	0	0	24	Ongoing correspondence to get the matches progressed
Council Tax Reduction Scheme to Taxi Drivers	748	0	0	0	0	748	Ongoing correspondence to get the matches progressed
Procurement - Payroll to Companies House	56	0	0	0	0	56	Ongoing correspondence to get the matches progressed

- 3.23 As of November 2021, 605 matches have been opened, 87 matches are being actively investigated, 517 matches have been closed, 7 cases of potential fraud have been identified and 82 matches were closed as errors. The council has achieved a notional saving¹ £405,790.
- 3.24 In addition to the main NFI exercise the Council routinely resubmits some data sets though the recheck service provided by the Cabinet Officer. The results as of November 2021 include 4,197 matches opened, 192 undergoing investigation and 3,386 have been closed. Of these close cases 414 have been identified as errors and 397 as potential fraud cases. The council has achieved a notional saving of £304,365.
- 3.25 Internal Audit coordinates the NFI on behalf of the Council and in that capacity we have undertaken random sampling to test closed matches and ensure that enquiries have been conducted to required expectations as well as the integrity of the outcomes recorded.
- 3.26 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 review which may simply reveal an error in the data that needs to be corrected or a more substantial allegation of fraud. Most matches do not reveal a sanctionable fraud and are dealt with entirely by the appropriate service. The matches classified as fraud above are categorised as such using the NFI's definition of fraud, it does not mean that individual incidents are appropriate for investigation and criminal sanction, most matches are resolved by recovering any financial loss.

Policy and Procedural Changes Post Prosecution

- 3.27 At the Audit Committee in October 2021 the Head of Internal Audit was asked to report on changes that may need to be made to policy and procedure in relation to two topics. The first related to managing personal information of people that contact the Council with information about alleged fraud and the second related to better information sharing between departments.
- 3.28 In relation to the first issue, the Council's Intelligence and Fraud Investigation Team have amended the local procedures to ensure that information from informants is acknowledged within 5 working days (not applicable for anonymous information/complaints). Named informants will be advised how their personal information (usually just a name and email or correspondence address) will be used, securely stored and if necessary, revealed during a criminal prosecution.

¹ Notional savings refers to the amount that the council is estimated to have saved because of action taken as a result of the NFI match. Such action may include the cancellation of a scheme e.g. council tax reduction, cancellation of a right to buy application and calculating the discount or the recovery of a blue badge. The calculation is based on internal council tax information and the NFI estimate methodology. Action will be taken to recover potential lost revenues where possible and a percentage of the notional savings may become actual (cashable) savings.

- 3.29 With respect to disclosure during a criminal prosecution, personal information related to informants will be treated as sensitive and confidential and only disclosed in accordance with the Criminal Procedures and Investigation Act. The Act allows for controlled disclosure designed to ensure the safety of informants. If personal information related to informants must be disclosed (usually just a name) the Investigation Manager will contact the informant in advance of the disclosure to provide advice and support.
- 3.30 In relation to the issue of better information sharing between departments and services, this is a much larger issue and will require the Corporate Leadership Team's direction and support. Unfortunately, because of the scope of this improvement it is not possible to provide an update at this stage and we have agreed with the Chair of the Audit Committee to defer an update until the March Audit Committee.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no 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 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 This report is compliant with the Council's legal duties in respect of risk and internal audit. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Summary of Finalised Audits
- Appendix B – Revised Internal Audit and Anti-Fraud Plan 2021/2022

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:

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Summaries of Finalised Internal Audits

Assurance level	Significance	Directorate	Audit title
Reasonable	Extensive	Resources	IT Project Management and Governance
Limited	Extensive	Place	Asset Management

Reasonable Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
IT Project Management and Governance	Nov. 2021	<p>This audit reviewed the control over management and governance of IT Projects. Major large scale IT projects are subject to full programme management requiring approval and funding from Digital Portfolio Board and funded from capital and revenue reserves. Most IT-Only projects, are medium to small scale projects, requiring full project board approval and on-going scrutiny from IT Projects Board and likely to be funded by the relevant Service Area or through IT Revenue budget. The Council's Capital Programme includes an annual rolling programme covering IT assets totalling £10.5m. The 2020/21 - 2023/24 Capital Programme was approved by Cabinet on 27th January 2021.</p> <p>Good practice</p> <p>The audit review found that there were detailed procedures for IT project management. A Project Brief and/or Business Case was developed for each of the 8 IT project we tested. Project Highlight reports were produced which included project risks and status dashboard which was RAG rated. Significant changes to projects were subject to Exception Reports to Project Sponsors.</p> <p>Key findings</p> <ul style="list-style-type: none"> • The Digital Portfolio Board's Terms of Reference have not been updated since 2019, although the requirement is for these to be reviewed annually by the Transformation Board. • At corporate level, our testing highlighted gaps between Corporate Portfolio Management Office (CPMO) and IT PMO in the way business transformation projects involving IT elements 	Extensive	Reasonable

		<p>were being governed, resourced and managed. As the Director of IT is not a member of the Transformation Board, this can present risks of decisions being made at that Board which affect IT project prioritisation, use of resources and the strategic direction of the Council. We, therefore, recommended that the Director of IT is made a permanent member of the Transformation Board. There was risk that different governance arrangements and priorities for CPMO and IT PMO may not drive successful business transformation to achieve the priorities of the Council and opportunities to achieve synergies are lost.</p> <ul style="list-style-type: none"> • There was no performance management system with KPIs and performance targets in place for IT PMO to assess the efficiency and effectiveness of the IT project management activities. • The detailed documented procedures for IT project management have not been formally approved by the Digital Board and not published on the Staff Intranet, which can affect uniform compliance with the procedures. • Testing identified that two projects at delivery phases, did not have their Project Briefs approved. From a review of the DPB Decision Log, we could not confirm that each Major IT project had been categorised and prioritised in accordance with criteria specified and agreed by the DPB. • Project Highlight reports were not signed-off by the Project Manager and Head of Projects to demonstrate that the project's progress in relation to its milestones, outputs, completion, issues and key project risks were subject to project assurance. • Audit testing showed that of the seven projects, where project highlight reporting was completed, the project budget section of the report was completed for two projects only. 		
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		<ul style="list-style-type: none"> Project closure and post completion review procedures needed to be adhered to. A central database of lessons learned needed to be developed. <p>All issues and findings were agreed with the Head of ICT Portfolio and with the Director of IT. Final report was issued to all Corporate Directors.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Asset Management	November 2021	<p>Good Practice</p> <p>During the audit we identified areas of good practice which includes the following:</p> <ul style="list-style-type: none"> The Council has a record of insurance held with regards to its property portfolio for the year 2021/22. The insurance cover was renewed before the existing cover had expired. The Council maintains a list of all properties, leases and condition survey record via tfCloud. The database is comprehensive and contains detailed data that the Asset Management Team should make use of on a daily basis to perform various duties. <p>Key Findings</p> <p>Our key findings from this audit include the following:</p> <ul style="list-style-type: none"> The Council's Asset Management Strategy covers a period of five years from 2015 to 2020, this Strategy has not been reviewed in the last 12 months and does not cover the current period. Progress against the risks and challenges recorded in the Asset Management 	Extensive	Limited

		<p>Strategy is not tracked on a regular basis and an assessment of whether these remain relevant or current has not been undertaken. We also identified that the risks relating to asset management were not recorded on the corporate and departmental risk registers.</p> <ul style="list-style-type: none"> • Our review of the management accounts for December 2020, January and February 2021 identified that the income targets were not met, reported as follows: For Period 9 (December 2020), an adverse income variance of £373,341 against a budget of £781,174. For Period 10 (January 2021), an adverse income variance of £457,518 against a budget of £867,971. For Period 11 (February 2021), an adverse income variance of £500,295 against a budget of £954,76. For 2019/20, an adverse cumulative income variance of £716,385 was reported in the management accounts. • We requested a list of all rent reviews undertaken in the last three years and a full schedule of properties where a rent review is either due or has not been undertaken. We were advised that this could not be provided due to a technical issue. The Interim Head of Asset Management advised that the Council's rent review and lease renewal process is behind schedule, this was due to some of the surveyors within the Asset Management Team not instructing the Legal Team about these due reviews. However, we could not confirm the extent of this. It was further advised that the rent reviews are now being undertaken by the officer recruited for this purpose. The risk of not renewing the leases resides with the Council specifically for the leases that are outside the terms of the Landlord and Tenant Act 1954 where a business tenancy does not have a right to renew on expiry of the lease and subsequently the tenant must vacate. • We reviewed a sample of 15 accounts in arrears (value: £160,431) to assess whether the Council has processes in place to chase income which is due and whether sufficient recovery action has been undertaken. We identified in ten out of 15 accounts (value: £65,000), adequate recovery action was not undertaken on a timely basis 		
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		<p>ranging from 55 to 521 days as at the day of the audit testing.</p> <ul style="list-style-type: none">• We held discussions with the Principal Property and Regeneration Solicitor and Head of Asset Management to assess whether adequate communication is held between the Legal Team and the Asset Management Team and to confirm if the Legal Team retains their own records/documentation related to what has been discussed with the Asset Management Team. We identified that there is a lack of clarity of the roles and responsibilities between the two teams.• We discussed with the Interim Head of Asset Management whether the Council has undertaken an exercise to identify local businesses severely affected due to the Covid-19 pandemic, in addition to having a clear indication as to whether they are trading or not and has plans in place to ensure resumption of trading in the future. We were advised that such an exercise was not conducted due to other priorities and the extended national lockdown at the start of 2021. However, it was advised that there are plans to complete this exercise by early 2022.		
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London Borough of Tower Hamlets Revised 2021/22 Internal Audit Plan

Corporate and Council Wide Reviews

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Control and Monitoring of Agency Staff	20	1	This audit will review the controls and management of agency engagement and expenditure as well as the performance of the new provider (Matrix)	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0056
Corporate Governance Improvement Plan	10	1	We will review and test the implementation of the Council's Corporate Governance improvement plan.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	
Freedom of Information	20	1	We will provide a consultancy piece of work to examine the information governance arrangements for planning, managing, controlling and monitoring the delivery of service for responding to FOI and data requests are sound and secure across the Council to ensure that legal and regulatory requirements are complied with, that corporate oversight is clear and that the quality of FOI advice is sound.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough. People are aspirational, independent and have equal access to opportunities	ASD0038
IT Security Breaches and Incident Management	10	1	To review the arrangements for managing incidents of IT security / data breaches. We will review how incidents are reported, recorded and investigated for corrective action to be taken promptly. IT security / data breaches should follow a clear governance and risk management process. There can be serious implications for the Council if the arrangements are not robust.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	ORG0026

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Covid-19 Government Grants	25	1	This is a provision for examining, investigating and testing various Covid-19 grants received by the Council which are required to be audited and certified by the Head of Internal Audit.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	COVID0001
Dynamic Procurement System (DPS)	15	2	We will review the controls over the DPS system and test a sample of procurements conducted by means of the DPS system to provide assurance that the governance and controls are sound and secure.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0056
Data Quality	20	2	This audit seeks to provide assurance that there are sound systems and processes in place for ensuring and monitoring the quality of data which are used to make operational, tactical and strategic decisions across the organisation and which impact on outcomes to improve the quality of life for all those who live and work in Tower Hamlets.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Management and Monitoring of Council's Contribution to Climate Change Agenda.	15	2	The Council declared a 'Climate Emergency' at Full Council meeting on 20 th March 2019 and has set ambitious targets to be a net zero carbon council by 2025. We will examine how the Council is preparing, monitoring and reporting its climate change and net zero carbon commitments.	A borough that our residents are proud of and love to live in People are aspirational, independent and have equal access to opportunities	
Equality Assessments	15	2	The Council's key policies and procedures are	People are aspirational,	

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
			subject to equality assessments to ensure that the impact of the new policies and procedures or changes to these, are assessed and reported in accordance with the agreed procedures and protocols. We will review the systems and controls for carrying out equality assessments.	independent and have equal access to opportunities.	

Resources and Governance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Finance Improvement Plan and testing	50	1	We will support the Finance Improvement Plan through participating in the board, providing advice, guidance and challenge when creating and updating policy and procedures and then testing how effective and embedded the procedures are in practice.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RSB0023
Financial Systems	60	1	We will carry out audits on key financial systems. Specific audits will be selected on the basis of the results of the 2020/21 audits and the Finance Improvement Plan.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0056 RSB0023
Recruitment Controls and Pre-Employment Checks	20	1	To provide assurance over recruitment and pre-employment checks. This will include an assessment of the adequacy of vetting procedures and checks on employment history, qualifications and identity. This is a regular audit as part of the assurance process. A new IT system has been implemented which will be tested during this audit.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	LPGSE0005
IT Programme and Project Management	15	1	To review the governance and control around management of IT programme and projects to ensure that sound systems are in place for identifying, prioritising and managing cost and programme control to meet the objectives and priorities of the Council.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	ICT0074
Purchase Cards	20	1	This audit will test compliance with the required purchase card procedures at Directorate level. We will select a sample of purchase card transactions	A dynamic, outcomes-based council using digital innovation and partnership working to	RS0056

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
			to test whether the expenditure is properly reviewed and approved as well as, if appropriate, compliance with the non-essential expenditure embargo in operation during the year.	respond to the changing needs of our borough	
NNDR Business Support Grants	20	2	To carry out a post assessment and further investigations of applications for NNDR business support grants to ensure that the applicants were eligible for the grants.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0056
Contract Management and Monitoring	20	2	This will be a compliance review to ensure that a sample of Resources contracts, including various IT contracts have been procured in accordance with procedures and that contract monitoring arrangements for those contracts are sound and secure. Compliance with procurement procedures is a key part of governance and providing assurance that contracts are managed and monitored effectively.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	RS0056
Empty Property Rates and Inspection	15	2	This will be a review of the Council's arrangements for inspecting empty properties to ensure that claims for both empty business and residential premises subject to tax are identified, inspected and investigated before exemptions from tax are applied and processed.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0056
Attendance Management	20	2	This audit will review the systems of control in place for reporting, recording, monitoring and managing sickness absences to achieve the objectives of the Council. We will test compliance with the procedures at Directorate level.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	RS0060

Health, Adults and Community

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Customer Journey - Adult Social Care	20	1	This audit will review the customer journey from the point a service user has requested a service, through to assessment, planning, commissioning, payment and regular review. This audit was deferred in 2020/21 due to the pandemic.	People are aspirational, independent and have equal access to opportunities.	ASD0028 ASD0015 ASD0021
Management of Failed Visits to Service Users	15	1	We will review the failed visit procedures and assess the progress of implementing recommendations made in a previous audit.	People are aspirational, independent and have equal access to opportunities.	ASD0028 ASD0015 ASD0021
Adults Safeguarding Board Case Reviews – Improvement Plan	15	1	This audit will provide assurance that the improvement plans from case reviews by the Adults Safeguarding Board are reviewed and monitored to ensure that the agreed actions are implemented and embedded in social work practice.	People are aspirational, independent and have equal access to opportunities.	ASD0028 ASD0015 ASD0021
Quality Assurance Systems	15	1	To provide assurance over the adequacy and application of the Quality Assurance Framework in place for Adults social care to ensure that it is consistently applied and that any findings from quality reviews are addressed. Quality assurance is a key element of service improvement in provision of social care to vulnerable adults. A review of the QA framework and its application in social care practice will be beneficial.	People are aspirational, independent and have equal access to opportunities.	ASD0028 ASD0015 ASD0021

Children's and Culture

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Commissioning and Management of Placements	20	1	We will review the Council's systems for commissioning fostering and residential placements to provide assurance that the quality of placements meet Council's policy and objectives. The placements commissioned by the Council should be robustly controlled and monitored to ensure that service user's needs are met and value for money is achieved.	People are aspirational, independent and have equal access to opportunities. CSD0016	CSD0016
Multi Agency Safeguarding Hub	20	1	This audit will review the arrangements for multi-agency safeguarding hub and will provide assurance over its operation and effectiveness. Audit requested by Divisional Director of Children's Social Care.	People are aspirational, independent and have equal access to opportunities.	CSD0016
Supporting Stronger Families Grant	20	1	This will be grant certification audit, involving detailed testing of a sample of cases to ensure that the required outcomes for the families have been delivered.	A borough that our residents are proud of and love to live in People are aspirational, independent and have equal access to opportunities.	
SLAs for Traded Services with Schools	15	1	There are a number of SLAs between LBTH and schools (including Academies). We will review the Council's policy and procedures for SLAs, its charging policy and whether these SLAs are reviewed, monitored, delivered effectively, invoiced correctly and recovery action taken as necessary.	People are aspirational, independent and have equal access to opportunities	RS0056
Contract Services	15	1	This audit will examine whether the plans to make	People are aspirational,	RS0056

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
			the services more financially viable and sustainable are working well and necessary actions are taken to achieve the Council's objectives and priorities in this area.	independent and have equal access to opportunities	
Schools Probity Audit	100	2	This audit covers areas of Leadership and Governance; Budget Management; Procurement; Income and Expenditure controls; Payroll and Personnel; Asset Management; and other key areas. This is part of the LAs statutory responsibility to carry out a cyclical audit of maintained schools	A borough that our residents are proud of and love to live in People are aspirational, independent and have equal access to opportunities.	CSD0020

Place

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
New Council House Building Programme contract audit	20	1	This audit commenced in 2020/21 but was deferred to 2021/22 due to operational reasons. This audit will review the procurement and contract administration and capital delivery aspects for a sample of new build projects.	A borough that our residents are proud of and love to live in. People are aspirational, independent and have equal access to opportunities.	DRD0063
Highway Repairs and Maintenance Contract.	15	1	To provide assurance that works are delivered in line with the contract and that the payments made for contracted services are accurate and timely. The contract for Highways repairs and maintenance should be subject to regular independent audit. The last audit in 2017/18 provided limited assurance.	A borough that our residents are proud of and love to live in.	
Client management of waste functions	15	1	This audit will review the arrangements for client monitoring and management of the operational waste team to ensure that adequate controls are in place. From 2020/21, the waste service is being run in-house and so it is important that effective client monitoring functions are implemented.	A borough that our residents are proud of and love to live in	
Management of Commercial Waste	15	1	This audit will examine the systems and controls to ensure that the Council's in-house commercial waste functions are effective and efficient and that systems for marketing, maximising, collecting and recovering income are sound and secure.	A borough that our residents are proud of and love to live in	
Property Disposals	20	1	We will provide assurance that the Council has sound governance, risk management and control arrangements in place for disposal of property which is surplus to requirements.	A borough that our residents are proud of and love to live in.	

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
Management and Contract of s.106 Planning Obligations	20	1	We will review the controls around securing, billing and utilisation of S106 financial and non-financial planning obligations to ensure that the Council has sound governance and accountability arrangements in place to meet with legal, regulatory and policy requirements in this area.	A borough that our residents are proud of and love to live in.	RS0056
Waste Operating Licence	10	2	We will review the Operating licence related to the depot taken on from Veolia and how the central depot and satellite sites are managed. We will scope this audit in consultation with Management.	A borough that our residents are proud of and love to live in	
Preparations for the new Building Safety Legislative Requirements	15	2	We will review the arrangements and plans for preparing and implementing the legislative requirements in order to meet regulatory requirements for the Council's owned buildings managed by itself and also managed by its partners e.g. THH.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	PLC0023

ICT Audits

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Related risk(s)
SQL Database Management	20	2	This will review the SQL Server database infrastructure and will provide an assessment of the effectiveness of internal controls and operating efficiency of the database servers in storing business data, and access to confidential customer data stored on certain servers.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	ICT2122-02
Mobile Device Management	15	2	The purpose of our audit will be to provide assurance that the Council has robust and effective controls in place for building and issuing out mobile devices (laptops and phones) to Council staff, and for enabling remote working. We will also assess the processes for ensuring data security.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	ICT2122-03
Data Protection and Privacy	20	2	The Council changed its data protection impact assessment process recently. Management have also raised concerns regarding business user awareness of data protection and the steps that should be followed.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	ICT2122-04
Delivery of IT Strategy and Architecture	15	2	The IT Strategy is in development and we are assessing the adequacy of controls in developing the strategy in 2019/20. This review will provide an assessment of the controls in managing and monitoring delivery of the IT Strategy and IT Architecture.	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	ICT2122-05
Access control management	15	1	The key aim of this audit will be to reconcile active directory accounts and registered user accounts for a	A dynamic, outcomes-based council using digital innovation	ICT2223-02

		sample of key information systems, to established payroll and HR records using data interrogation schedules on the IDEA program.	and partnership working to respond to the changing needs of our borough.	
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Proactive Anti-Fraud Activity

Initiative	Broad Scope	Days	Council priority and/or outcome	Related risk(s)
Annual Review of Policy Documents.	Good governance is essential for any organisation to achieve its objectives. We will ensure that our policies remain relevant, compliant with good practice and reflective of legislative changes. We will undertake reviews of or key governance documents including the Anti-Fraud and Corruption Strategy, Counter Fraud Manual, Anti-Bribery Policy, Anti-Money Laundering Policy, whistleblowing policy and Prosecution Policy.	20	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	
National Fraud Initiative	We are statutorily required to participate in the National Fraud Initiative. We will act as Key Contact and ensure investigation of matches arising from the 2020 data submissions are managed effectively. We will review the quality of investigations by individual responsible officers and conduct our own review and investigations. We will identify common systems data quality issues that can be factored into the next round of NFI data matching exercise to increase the accuracy of future data matching. Results will be reported to the Audit Committee regularly.	50	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Fraud Awareness	<p>A strong anti-fraud culture is the first line of defence in combatting fraud affecting any organisation. This broad range of activity will improve awareness of the Council's fraud risks and create a deterrent effect. We will deliver at least 12 fraud awareness presentations and/or workshops across the Council.</p> <p>We deliver an internal fraud awareness campaign to coincide with International Fraud Awareness Week in November 2021.</p>	30	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.	

Initiative	Broad Scope	Days	Council priority and/or outcome	Related risk(s)
Implementing an alternative London Counter Fraud Hub	This is a new data sharing/matching initiative in partnership the London Audit Group and London Fraud Investigators Group with the NFI. We will coordinate the Council's participation and investigate the output (subject to agreement of business case). Sharing data more frequently across London Borough will increase fraud detection and latterly fraud prevention	45	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Internal Data matching / Data Analysis/Sample Testing	Data sharing/matching is recognised as a key tool in the fight against fraud. This activity is dependent on the effectiveness of the NFI and London Counter Fraud Hub, as well as our own capability/capacity. We will undertake further data matching and analysis using the Council's data to detect instances of fraud in high risk areas such as Housing, Social Care and Procurement.	40	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Counter Fraud Website	To improve of usability and access to information with the aim of encouraging referrals, we will conduct a review of the counter fraud website in terms of access to information. Liaise with IT and learning hub on plausibility of a restructure.	5	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Fraud Survey	To assess understanding of current fraud related topics, processes, and procedures and to provide guidelines on possible avenues to make improvements, we will design and conduct targeted fraud survey.	5	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	
Fraud Awareness Day	To raise the profile of the council's anti-fraud strategy and promote an anti-fraud culture and to serve as a deterrent to potential fraudulent behaviour, we will organise a fraud awareness day if plausible.	5	A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough	

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Non-Executive Report of the: Audit Committee Wednesday, 1 December 2021	
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Annual Update of the Internal Audit Charter and Anti-Bribery Policy	

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

Reason for Urgency

Clearances for this report were received later than anticipated which resulted in the publishing deadline being missed. The Internal Audit Charter and Anti-Bribery Policy should be reviewed and agreed annually, delaying the review and approval until a later Audit Committee will add additional items and pressure to a future Audit Committee agenda.

Executive Summary

The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee.

This report and appendices provide the Audit Committee with the opportunity to review and approve the updated internal audit charter.

In addition, this report provides the Audit Committee the opportunity to review and approve the Anti-Bribery Policy, which is reviewed and updated annually.

Recommendations:

The Audit Committee is recommended to:

1. Review and approve the Internal Audit Charter.
2. Review and approved the Anti-Bribery Policy

1. REASONS FOR THE DECISIONS

- 1.1 The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee.
- 1.2 The Audit Committee has responsibility to ensure there are sound arrangements in place for governance, risk management and internal control, this includes minimising the opportunity for fraud and corruption. The Committee should be presented annually with key policies for their review and approval which includes the anti-bribery policy.

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

Internal Audit Charter

- 3.1 The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee.
- 3.2 The charter must be consistent with the Mission of Internal Audit and the mandatory elements of the Public Sector Internal Audit Standards (including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The Head of Internal Audit must periodically review the internal audit charter and present it to the Audit Committee for approval.
- 3.3 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the Head of Internal Audits functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 3.4 The internal audit charter must also:
 - Define the terms 'board' and 'senior management' for the purposes of internal audit activity.
 - Cover the arrangements for appropriate resourcing.
 - Define the role of internal audit in any fraud-related work, and
 - Describe safeguards to limit independence or objectivity if internal audit or the Head of Internal Audit undertakes non-audit activities.

3.5 The charter has been reviewed and remains aligned with best practice as recommended by the Chartered Institute of Internal Auditors. Some small changes have been made which are highlighted in the document and summarised below. The charter is presented to the Audit Committee for review and approval.

- Day to day operational reporting has been moved from the Interim Corporate Director, Resources to the Director of Finance, Procurement and Audit (Deputy s.151 Officer)
- A responsibility has been added for the Head of Internal Audit to report progress against fraud prevention activity and the National Fraud Initiative.

Anti-Bribery Policy

3.6 Since the Bribery Act 2010 was introduced the Council has maintained an anti-bribery policy and procedures. The Anti-Bribery Policy is reviewed annually to ensure it remains up to date and fit for purpose. It is then submitted to the Audit Committee for approval. The reviewed and updated policy is attached at Appendix C. Minor changes have been highlighted in the policy and are summarised below.

- Added a clearer commitment to conduct Council business ethically.
- Added further information about the definition of bribery.
- Clarified staff responsibilities.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities implications to consider.

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 to consider.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no specific financial implications to consider.

7. COMMENTS OF LEGAL SERVICES

7.1 This report supports and demonstrates the Council's compliance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards, and the Bribery Act 2010.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Internal Audit Charter.
- Appendix B – 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, Anti-Fraud and Risk
paul.rock@towerhamlets.gov.uk

Internal Audit Charter

Introduction

The Accounts and Audit Regulations 2015 require the Council to have effective internal audit that evaluates the effectiveness of the Council's risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and associated guidance.

In accordance with the Public Sector Internal Audit Standards, this Internal Audit Charter sets out the purpose, authority and responsibility of the Council's internal audit service. The Charter will be reviewed annually and presented to the Audit Committee for approval.

Purpose and Mission

The purpose of the Council's internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations.

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit service will govern itself by adherence to the mandatory elements of the Public Sector Internal Audit Standards, including the Core Principles, the Code of Ethics, the Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Internal Audit will report periodically to the Corporate Leadership Team and the Audit Committee regarding the internal audit service's conformance to the Code of Ethics and the Standards.

Authority

The Head of Internal Audit will report functionally to the Audit Committee on a quarterly basis and administratively (i.e. day-to-day operations) to the Deputy Section 151 Officer. In addition, and to support the independence of the Head of Internal Audit, the Chair of the Audit Committee will be invited, at least annually, to contribute to the annual performance review of the Head of Internal Audit.

To establish, maintain, and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the internal audit charter.

- Approve the risk-based internal audit and anti-fraud plan.
- Approve the internal audit resource plans.
- Receive communications from the Head of Internal Audit on the service's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.
- Ensure and authorise the Head of Internal Audit to have unrestricted access to, and communicate and interact directly with, the Council's statutory officers as well as all other members of the Corporate Leadership Team, the Audit Committee and the Mayor including in private meetings without management present.
- Ensure and authorise officers from internal audit and anti-fraud to have full, free, and unrestricted access to all functions, records (including electronic records), property, assets, and personnel pertinent to carrying out any engagement and/or investigation, subject to accountability for confidentiality, data protection and safeguarding of records and information.
- Ensure internal audit is allocated sufficient resources and is free to select any service, project or topic for audit; set the frequency of audits; determine the scope of its work and issue reports.
- Ensure officers from internal audit and antifraud are able to obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside the Council, in order to complete their engagements and/or investigations.

Independence and Objectivity

The Head of Internal Audit will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties including the Audit Committee.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous 12 months.

- Performing any operational duties for the Council, its companies, partnerships or similar arrangements.
- Initiating or approving transactions external to the internal audit, anti-fraud, risk and/or insurance departments.
- Directing the activities of any Council employee not employed by internal audit, anti-fraud, risk or insurance departments except to the extent that such employees have been appropriately assigned to those departments or to otherwise assist the staff employed within them.

Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Current Additional Responsibilities and Safeguards

The Head of Internal Audit currently holds responsibility for the Anti-Fraud, Risk and Insurance departments. To safeguard independence and objectivity each department will be independently reviewed and/or audited by a third party at least every three years or more frequently if required. Each review/audit will be sponsored by an appropriate Corporate Director and the outcomes will be reported to senior management the Audit Committee.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating the results.

Scope of internal audit activities

The scope of internal audit activities encompasses, but is not unduly limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, senior management, and appropriate outside parties on the adequacy and effectiveness of governance, risk management, and

control processes for the Council including any wholly or part owned/controlled companies, partnerships or similar arrangements.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's members, employees, temporary staff and contractors are in compliance with the Council's policies, procedures, and applicable laws, regulations and governance.
- The results of operations, projects and/or or programmes are consistent with established goals and objectives.
- Operations, projects and/or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- The internal audit service's purpose, authority, and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with the relevant Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

Coordinating Activity

To avoid duplication and maximise assurance for the Council, the Head of Internal Audit will coordinate activities, where appropriate/possible, and will consider relying upon the work of other internal and external assurance and consulting service providers.

Consulting and Advisory Services

The internal audit service may perform consultancy and/or advisory and related client service activities, the nature and scope of which will be agreed with the client,

provided the internal audit service does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. The outcome of consultancy and/or advisory services may be used by the Head of Internal Audit to inform the annual opinion.

Scope of Anti-Fraud, Risk and Insurance activities

The Head of Internal Audit currently holds responsibility for the Anti-Fraud, Risk and Insurance departments. The broad responsibilities of these departments includes, but is not unduly limited to, the following:

- To promote an anti-fraud culture within the Council that aids the prevention and detection of fraud and similar crimes such as theft and corruption.
- To investigate allegations of fraud and similar crimes affecting the Council and its customers and report the outcome of those investigations to senior management and the Audit Committee as required.
- To promote and facilitate effective Risk Management.
- To promote and facilitate adequate insurance arrangements for the Council's employees and assets.

The Head of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- Progress and results of anti-fraud activity and investigations (at least quarterly).
- Progress and results of work on Fraud Prevention and National Fraud Initiative (NFI) activities and co-ordination.
- Risk Management activity including, when appropriate, corporate and divisional risk registers and the Council's risk strategy (at least quarterly).
- Insurance activity (at least annually).

Responsibility

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit and anti-fraud plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the annual plan.
- Review and adjust the annual plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls.

- Present an annual report to senior management and the Audit Committee that provides an overall opinion of the Council's governance, risk management and control processes.
- Communicate to senior management and the Audit Committee any significant changes to the annual plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable observations, conclusions and agreed management actions to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter, annual plan and/or individual engagements.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure the internal audit service's conformance with the Public Sector Internal Audit Standards, with the following qualification:
 - If the internal audit service is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

Quality assurance and improvement programme

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit services conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit service and identify opportunities for improvement.

The Head of Internal Audit will communicate to senior management and the Audit Committee on the internal audit service's quality assurance and improvement programme, including results of annual internal assessments and external assessments which will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

Last approved by the Audit Committee on 7th April 2021

Glossary

Definition of Internal Auditing

Internal auditing is 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.

Assurance services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples may include financial, performance, compliance, system security and due diligence engagements.

Advisory and Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Council's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation and training.

Senior Management

For the purposes of this charter and the Public Sector Internal Audit Standards the Corporate Leadership Team are defined as 'Senior management'.

The Board

For the purposes of this charter and the Public Sector Internal Audit Standards the Audit Committee are defined as 'The Board'.

Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards are mandatory for local authorities. The standards, which are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

Governance

The combination of processes and structures implemented by the Council to inform, direct, manage and monitor the activities of the Council toward the achievement of its objectives

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the Council's objectives.

Control

Any action taken by management and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Code of Ethics

The Code of Ethics of the Institute of Internal Auditors (IIA) are principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing

Overall opinion

The rating, conclusion, and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management, and/or control processes of the organisation. An overall opinion is the professional judgment of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

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Anti-Bribery Policy

Version 3.0
First published September
Last updated November 2021

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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.

The council is committed to conducting business in an ethical and honest manner and is committed to implementing and enforcing systems that ensure bribery is prevented. We will act professionally, fairly, and with integrity in all business dealings and relationships.

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, strategic partners, 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 council operates, in respect of the lawful and responsible conduct of activities.

Scope of this policy

This policy applies to all the council’s operations and 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 prevent, detect and control the risk of bribery occurring resides at all levels of the council .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 bribery
- 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, law enforcement agencies and other appropriate authorities in any resultant prosecution;
- Taking firm and vigorous action against any individual(s) or third parties involved in bribery;
- Where bribery has been discovered, whether perpetrated by Officers, Members or third parties (e.g. suppliers, contractors, service providers), the Head of Internal Audit will consult with the Director of Legal Services as appropriate, to form a view on whether the matter should be reported to the Police or other enforcement entities.
- The final decision whether to refer a case to the Police or other enforcement entities or not will be made by the Monitoring Officer as soon as reasonably practicable. The Monitoring Officer will consider factors such as the nature and seriousness of the offence, as well as the Council's ability to investigate/prosecute itself.
- In all cases where matters are referred to the Police, the Police, and latterly the Crown Prosecution Service, will determine whether an investigation and/or prosecution will be pursued.
- 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

Bribery refers to the act of offering, giving, promising, asking, agreeing, receiving, accepting, or soliciting something of value or of an advantage so to induce or influence an action or decision. Bribery is not limited to the act of offering a bribe. If

an individual is on the receiving end of a bribe and they accept it, they are also breaking the law.

Bribery is a crime, and the council has a zero tolerance, regardless of if bribery is directly, passively or through a third party. The council is strictly against bribery in any form or shape. If you are uncertain about whether something is a bribe or a gift or act of hospitality, you **must** seek further advice from your manager, head of service or the council's monitoring officer.

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 Leadership 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 to review and monitoring within service areas. Regular risk reports will be considered by the Corporate Leadership 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 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 declaration of interest 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:

- ensure they read, understand, and comply with the information contained within this policy, and with any training or other anti-bribery and corruption information provided.
- be responsible for the prevention, detection, and reporting of bribery and other forms of corruption. Staff are required to avoid any activities that could lead to, or imply, a breach of this anti-bribery policy.
- notify their line manager, Head of Service or monitoring officer if they have reason to believe or suspect that an instance of bribery or corruption has occurred or will occur in the future
- 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.

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 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 on The Bridge](#).

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 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. Staff do not have to obtain absolute proof of bribery to raise concerns, if you have a suspicion, raise your concerns.

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 –

Robert Watt. Investigations Manager. Tel: 020 7364 6530.
Email: rob.watt@towerhamlets.gov.uk

Paul Rock, Head of Internal Audit, Anti-Fraud & Risk.
Email: paul.rock@towerhamlets.gov.uk

Janet Fasan, Monitoring Officer 0207 3644 348
Email: monitoring.officer@towerhamlets.gov.uk

Further information

If you have any questions about these procedures, please contact Robert Watt or Paul Rock.

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 Public Concern at Work) <https://protect-advice.org.uk/>

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/@employment/documents/digitalasset/dg_177605.pdf

Non-Executive Report of the: Audit Committee 01 December 2021	 TOWER HAMLETS
Report Of: Kevin Bartle, Interim Corporate Director, Resources	Classification: Unrestricted
Treasury Management Mid-Year Report for 2021-22	

Originating Officer(s)	Pearl Emovon – Interim Treasury Manager Miriam Adams – Interim Head of Pensions & Treasury
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 2021-22 were approved by Council on 4th March 2021 as required by the Local Government Act 2003. This report covers the period 1st April 2021 to 30th September 2021.

Investment returns fluctuate in line with the Bank of England base rate. The base rate has maintained at 0.10%.

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 and inflation. The successful identification, monitoring and control of risk are therefore key to the Council's treasury management strategy.

The revised investment income budget set for 2021-22 is £1.6m and we are broadly on target.

To date £76m has been invested in pooled funds. Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period. FTSE 100 had more modest gains over the period and remains below its pre-crisis peak. The value of pooled funds is at par with its original value at £76m.

From the Benchmarking exercise, a total return 0.72% was achieved for the reporting period, which was 0.41% above the average for similar LAs return and 0.63% lower than the average return for

For this reporting period, the investments portfolio returned 1.72%. This was above the benchmarking average of 1.31%. More information on this can be found in section 3.6.

The average credit worthiness of investments has been maintained at A+ and the average credit score is 4.63 for this reporting period and this signifies a lower portfolio credit risk compared to the benchmarking average of 4.82.

all LAs.

Prudential Indicators (PI) and Treasury Management (TM) indicators have been fully complied with.

Over the reporting period, all treasury management (TM) activities were performed 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 the half year ending 30 September 2021; and
- note the Council's investments as set out in Appendix 1. The balance outstanding as at 30 September 2021 was £328.20m.

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 in scrutinising officer decisions and monitoring progress on the implementation of its investment strategy as approved by 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 was 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 Statement, Investment Strategy and Capital Strategy (incorporating the Minimum Revenue Provision Policy Statement) reports were included in the Budget Pack that was presented to Council on 4th March 2021.

3.4 **ECONOMIC OUTLOOK AND INTEREST RATE FORECAST FROM ARLINGCLOSE**

3.4.1 The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period, over 48m people in the UK had received their first dose of the COVID-19 vaccine and almost 45 million their second

3.4.2 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expects the UK economy to grow at a slower pace than was predicted in August as there were concerns that inflationary pressures may be more persistent. Bank expectations for GDP growth for the 3rd quarter to September were revised down to 2.1% from 2.9% due to a resurgence of demand, and disrupted factors of supply particularly due to the impact of Brexit in the UK. Annual inflation (CPI) rose to 3.2% in August, exceeding expectations for 2.9%. CPI is now expected to rise slightly above 4% in the last three months of 2021.

3.4.3 Government initiatives supporting the economy came to an end on 30th September 2021, with businesses being required to either take back the 1.6 million workers on the furlough scheme or make them redundant. The easing of restrictions boosted activity in the second quarter of the calendar year helping to push GDP up by 5.5%.

3.4.4 Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe. The 5-year UK benchmark gilt started the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% in September. Over the same period, 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%. Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter

3.4.5 Over the period, Fitch and Moody's rating agencies revised upwards the outlook on a number of UK banks and building societies on the approved list of counterparties to stable due to better economic growth prospects in the UK. The successful vaccine rollout and improved economic outlook has enabled some institutions to reduce their provisions for bad loans. While there is still some uncertainty around the full extent of losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

3.4.6 At the end of the period, Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc and the maximum duration for some recommended bank

counterparties was extended from 35 days to 100 days. The counterparty list remains under constant review by Arlingclose.

3.4.7 The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and 6.6% in Q2 as recovery continued. The Federal Reserve maintained interest rate at between 0% and 0.25% over the period. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5.

3.4.8 Arlingclose expects Bank Rate to rise in Q2 2022. Investors have priced in multiple rises in Bank Rate to 1% by 2024. Arlingclose however, believes that the rise will be of a lesser extent than expected by the markets. The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and 6.6% in Q2 as the recovery continued. The Federal Reserve maintained interest rate at between 0% and 0.25% over the period. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

Arlingclose's Economic Outlook for the remainder of 2021/22

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

3.5 TREASURY MANAGEMENT STRATEGY 2021-22

3.5.1 The Treasury Management Strategy Statement was approved on 4th March 2021 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2021-22 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 2021 is shown in table 2 below.

Table 2: Treasury Management Summary

	31.03.21 Balance £m	Movement over the Year £m	30.09.21 Balance £m	30.09.21 Rate %
Long-term borrowing	71.534	-	71.534	3.05
Short-term borrowing	-	-	-	-

	31.03.21 Balance £m	Movement over the Year £m	30.09.21 Balance £m	30.09.21 Rate %
Total Borrowing	71.534		71.534	3.12
Long-term investments	71.000	0.000	71.000	
Short-term investments	107.000	(29.000)	78.000	
Cash and cash equivalents	95.900	83.300	179.200	
Total investments	273.900	54.300	328.200	1.72
Net investments	202.366	54.300	256.666	

Borrowing Strategy during the period

3.5.4 The Council held £71.534m of external loans as at 30th September 2021.

Table 3: Borrowing Position

	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Rate %	30.09.21 WAM* years
Public Works Loan Board	54.034	-	54.034	2.64	27
Banks (fixed-term)	17.500	-	17.500	4.34	57
Total borrowing	71.534	-	71.534	3.05	34

*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.

Borrowing Update

3.5.6 Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose for capital expenditure from the section 151 officer. Authorities planning to do so will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

3.5.7 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

3.5.8 The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is fully able to access the PWLB.

Revised PWLB Guidance

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further details on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8th September 2021

The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

3.5.9 **Municipal Bonds Agency (MBA):** The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

UK Infrastructure Banks: £4bn has been earmarked for lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB Certainty Rate.

3.5.10 The Council will work closely with Arlingclose in future to understand the implications for the Council and its borrowing need.

Investment Activity

- 3.5.11 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.
- 3.5.12 The Council holds a significant amount of 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 £263m and £343m due to timing differences between income and expenditure. The investment position at this reporting period is shown in table 4 below.

Investments Outstanding & Maturity Structure

- 3.5.13 The table below shows the investments outstanding at the end of September 2021, split according to the financial sector.
- 3.5.14 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	31.03.21 Balance £m	Movement over the Year £m	30.09.21 Balance £m	% Portfolio
UK Banks	15.00	0.00	15.00	4.57
UK Building Societies	0.00	0.00	0.00	
Government (incl. local authorities)	112.00	(39.00)	73.00	22.24
Overseas Banks	0.00	15.00	15.00	4.57
Money Market Funds	70.90	78.30	149.20	45.46
Pooled Investment Funds:	76.00	0.00	76.00	23.16
<i>Cash plus funds</i>	<i>20.00</i>	<i>0.00</i>	<i>20.00</i>	
<i>Short-dated bond funds</i>	<i>18.00</i>	<i>0.00</i>	<i>18.00</i>	
<i>Strategic bond funds</i>	<i>9.00</i>	<i>0.00</i>	<i>9.00</i>	
<i>Equity Income funds</i>	<i>13.00</i>	<i>0.00</i>	<i>13.00</i>	
<i>Property funds</i>	<i>5.00</i>	<i>0.00</i>	<i>5.00</i>	
<i>Multi asset income funds</i>	<i>11.00</i>	<i>0.00</i>	<i>11.00</i>	
Total investments	273.90	54.30	328.20	

The objectives of the externally managed pooled funds are regular revenue income and long-term price stability, whilst short-term security and liquidity are lesser considerations.

Performance Report

- 3.5.15 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 2020

Period	LBTH Internal Return	External Fund Return	LBTH Total Return	Benchmark Total Return	Over/(Under) Performance
Q4 2020/2021	0.23%	2.61%	3.47%	1.84%	1.63%
Quarter 1	0.18%	3.71%	1.87%	1.30%	0.57%
Mid-Year 2021/2022	0.13%	3.47%	1.72%	1.31%	0.41%

- 3.5.16 In 2018-19, the Council invested in bond, equity, multi-asset and property funds (£76m) to increase the level of investment income generated, in line with approvals given in the Treasury Management Strategy and Medium-Term Financial Strategy (MTFS). The improved market sentiment in the past 6 months is reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority's equity and multi-asset income funds in the Authority's portfolio. The prospect of higher inflation and rising bond yields resulted in muted bond performance. The risk profile of these investments was discussed with the Committee and since the objective is to achieve higher returns, there is the expectation and need to accept higher levels of risk (market volatility).
- 3.5.17 Ultra-low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers temporarily lowered their fees. At this stage, net negative returns are not the central case for most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, though the possibility cannot be ruled out. Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.
- 3.5.18 In light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council kept more cash available at very short notice than normal. Liquid cash was therefore diversified over a few counterparties and Money Market Funds to manage both credit and liquidity risks.

3.5.19 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down in months, quarters and even years; but with the confidence that over a three to five-year period, total returns will exceed cash interest rates.

3.5.20 Dividends and income received this financial year will ultimately depend on many factors including but not limited to, the duration of Covid-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral. The Council's budgeted investment income has therefore been revised to £1.6m, based on 80 basis points (0.80%) on an average cash balance of £200m. Investment income received year-to-date is £753k.

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 and investment returns against those of similar authorities. The model considers a combination of credit, duration and returns achieved over the duration. It also includes data from 129 local authorities. The progression of risk and return metrics are shown in Table 6 below.

Table 6: Investment Benchmarking

	Tower Hamlets		15 London & Metropolitan Average	129 Local Authorities (LAs) Average
	31.03.2021	30.09.2021		
Internal Investments	£197.90	£252.20	£99.40	£72.70
External Funds	£76.00	£76.00	£13.80	£15.30
Average Credit Score	4.54	4.74	4.83	4.69
Average Credit Rating	A+	A+	A+	A+
Number of Counterparties & Funds	37	34	11	13
Proportion Exposed to Bail-in	43%	65%	79%	69%
Proportion Available within 7 days	30%	48%	68%	56%
Proportion Available within 100 days	53%	69%	85%	75%
Average Days to Maturity	101	48	26	10
Internal Investment Return	0.23%	0.13%	0.09%	0.08%
External Funds - Income Return	2.61%	3.47%	4.07%	4.60%
Total Investments - Total Return	3.47%	1.72%	1.31%	2.35%

3.6.2 In the quarter to 30th September 2021, the LBTH investment portfolio returned 0.13% for internal investment management, outperforming the benchmarking average of

0.09% and the average return for 129 LAs of 0.08%, whilst total return on total investments was 1.72%, outperforming the average return for 15 London and Metropolitan Boroughs of 1.31% by 41bps (0.41%), though underperformed against the average return for 129 LAs with an average return of 2.35% by 63bps (0.63%).

3.6.3 Our investment portfolio average credit score of 4.74 is less than the benchmark average of 4.83, but higher than that of 129 LAs (4.69). This signifies that LBTH's portfolio credit risk is lower than the average score. Our investment portfolio credit worthiness was maintained at A+ and is in line with the benchmark average.

3.6.4 The proportion of the portfolio investments exposed to bail-in is 65%. This level is lower than the benchmark average of 79%. This means we have taken less bail-in risk on our investments compared to the benchmark. 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 at the end of September 2021 was 34, which is about 3 times more than the benchmark average of 11. This demonstrates the Council reduces the counterparty risk and concentration risk of the investment portfolio significantly through diversification, by investing with many quality institutions and local authorities. The lower average credit score compared to others also 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 2021-22 to 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

	31.03.21 Actual £m	2021/22 Forecast £m	30.09.21 Actual £m	2021/22 Operational Boundary £m	2021/22 Authorised Limit £m	Complied ?
Borrowing	71.534	158.85	71.534	569.649	584.649	
PFI & finance leases	53.494	52.469	51.796	52.469	67.469	
Total debt	125.028	211.319	123.330	622.118	652.118	✓

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.

	31.03.21 Actual	30.09.21 Actual	2020/21 Target	Complied ?
Portfolio average credit rating	AA-	A+	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.

	31.03.21 Actual	31.09.21 Actual	2020/21 Target	Complied ?
Total cash available within 3 months	82.08	£183.8m	£50m	✓
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:

	31.03.21 Actual	30.09.21 Actual	Upper Limit	Lower Limit
	£m	£m	%	%
Under 12 months	1.662	1.662	50	0
12 months and within 24 months	1.163	1.163	50	0
24 months and within 5 years	-	-	60	0
5 years and within 10 years	-	-	75	0
10 years and within 20 years	-	-	100	0
20 years and within 30 years	-	-	100	0
30 years and within 40 years	1.209	1.209	100	0
40 years and within 50 years	67.500	67.500	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:

	2021/22 £m	2022/23 £m	2023/24 £m
Actual principal invested beyond year-end	15	0	0
Limit on principal invested beyond year-end	150	125	100
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 include:

- 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.

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 activities.

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 local authorities' treasury issues.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report provides an update on Treasury Management activities from April 2021 to September 2021.
- 6.2 As at the 30th September 2021 the Council had an outstanding investments portfolio of £328.20m. The revised annual investment income budget is £1.6m 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 various CIPFA publications that amount to proper accountancy practices when carrying out capital finance functions.
- 7.3 This noting report of the Corporate Director of Resources advises the Committee of the Council's borrowing and investment activities for the half-year ending 30th September 2021 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director of 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 2021

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 2 2021-22
and Treasury Management Mid-Year Report Template

Brief description of “background papers’

Name and telephone number of holder and address, where open to inspection

Pearl Emovon, x0997, Mulberry Place

Miriam Adams, x 4248, Mulberry Place

Appendix 1: Investments as at 30th September 2021

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	Aberdeen MMF		On demand	23.700	
	Aviva MMF		On demand	24.000	
	BNP Paribas MMF		On demand	8.700	
	BlackRock MMF		On demand	14.300	
	CCLA (PSDF)		On demand	6.000	
	Deutsche MMF		On demand	25.000	
	Federated MMF		On demand	22.500	
	Morgan Stanley MMF		On demand	25.000	
	SUB TOTAL			149.200	
< 1 Month			0.000		
	SUB TOTAL		0.000		
1 - 3 Months	Santander			15.000	0.25%
	Australia & New Zealand Bank	20/10/2021	24/11/2021	15.000	0.04%
	Payden & Rygel Sterling Reserve Fund (POOLED)			10.000	
	Royal London Enhanced Cash Plus (POOLED)			10.000	
	SUB TOTAL			50.000	
3 - 6 Months	Aberdeen City Council	15/07/2021	17/01/2022	5.000	0.04%
	Ashford Borough Council	21/04/2021	21/10/2021	5.000	0.05%
	Lancashire County CC	28/04/2021	27/04/2022	5.000	0.05%
	SUB TOTAL			15.000	
9 - 12 Months	Cambridgeshire County Council	28/04/2021	27/04/2022	10.000	0.18%
	Liverpool Council	07/01/2021	06/01/2022	10.000	0.35%
	Liverpool Council	21/06/2021	21/06/2022	5.000	0.15%
	Mid Suffolk District Council	14/12/2020	10/12/2021	8.000	0.25%
	Plymouth City Council	07/07/2021	06/07/2022	5.000	0.10%
	Wokingham Borough Council	26/02/2021	22/02/2022	5.000	0.14%
	SUB TOTAL			43.000	
> 12 Months	CCLA LAMIT Property Fund (POOLED)			5.000	
	CCLA Diversified Income Fund (POOLED)			5.000	
	Payden Absolute Return Bond Fund (POOLED)			10.000	
	Columbia Threadneedle Global Equity Income Fund Z (POOLED)			3.000	
	Columbia Threadneedle Strategic Bond Fund Z (POOLED)			5.000	
	Columbia Threadneedle Sterling Short-Dated Corporate Bond Fund (POOLED)			8.000	
	Investec Fund Series I Diversified Income (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	
	Middlesbrough Council	26/01/2018	27/01/2022	10.000	1.35%
	Doncaster Metropolitan Borough Council	13/11/2020	14/11/2022	5.000	0.60%
	SUB TOTAL			71.000	
	GRAND TOTAL			328.200	

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 MMF.
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 & Retail	The main inflation rate used in the UK is the CPI. The

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 programs 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.
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 normally are the cheapest source of long - term borrowing for LAs.
SONIA	Sterling Overnight Indexed Average
Specified Investments	Investments that meet the Council's high credit quality criteria and 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 is 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; they are instead, 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.

<p>Audit Committee</p> <p>1st December 2021</p>	
<p>Report of: Ann Sutcliffe</p>	<p>Classification: [Unrestricted or Exempt]</p>
<p>Local Government and Social Care Ombudsman (LGSCO) Complaints</p>	

Lead Member	Councillor Sabina Akhtar Cabinet Member for Culture Arts and Brexit
Originating Officer(s)	Raj Chand – Director of Customer Services
Wards affected	All Wards

Reasons for Urgency

The report was not published five clear days in advance of the meeting due to information being collated and staff absence. Therefore, before this report can be considered at this meeting, the Chair would need to be satisfied that it is necessary to consider this report without that consideration being delayed to a later meeting. If the Chair's decision is to delay the report to the next Audit Committee meeting it will not be detrimental to any decisions or recommendations as it is an information only report.

1. Executive Summary

The Local Government Act 1974, as amended, established the Local Government and Social Care Ombudsman (LGSCO) and gave it the power to investigate complaints by members of the public against councils where there are allegations of maladministration or service failure which have caused injustice.

As Requested by the Audit Committee the purpose of the report is to provide an update on:

1. Complaints referred to the Local Government and Social Care Ombudsman (LGSCO)
2. The LGSCO Annual Review Letter
3. Lessons learnt/ service improvements made to the complaints process

2. Details of the Report

Complaints process

2.1 Once a complainant has exhausted the Council's Complaints Procedure and if dissatisfied with the outcome, they may request the LGSCO to investigate their complaint. In such instances, the LGSCO contacts a Senior Manager within the council, known as the Link Officer, and requests information and supporting evidence. These are used as part of the LGSCO investigative process which lead to a Final Decision.

Number of Cases

2.2 The number of LGSCO cases received by the council and the performance rate for the last three financial years is illustrated in the table below:

	2018/19 Number & percentage on time	2019/20 Number & percentage on time	2020/21 Number & percentage on time
LGSCO Cases	47 34%	36 53%	39 69%

2.3 The reducing number of LGSCO cases is reassuring as the numbers are less than most of our neighbouring councils. The performance rate of percentage of cases responded to on time has also continued to increase year on year, it is however, accepted the performance rate of 69% needs to improve further.

Historic Issues and Annual Review Letter

2.4 There have been historical weaknesses in the council's handling of LGSCO cases and in 2019/20, the LGSCO assigned a Relationship Manager to the council in order to advise and support staff from all services in appropriately and speedily managing the enquiries.

2.5 As part of this work, there were a series of training sessions presented by the Relationship Manager in 2020 to frontline staff dealing with complaints and Senior Management, which were well attended and received.

2.6 In its annual letter, relating to 2020/21, the LGSCO stated some positive elements relating to its interaction with the council such as its satisfaction that the Council complied with 95% of recommendations within a set timeframe. However, the LGSCO also highlighted some negative elements such as 83% of complaints against the Council it investigated resulted in the complaints being upheld and in only 4% of upheld complaints, it found the Council had provided a satisfactory remedy before the complaint reached the LGSCO.

- 2.7 It needs to be noted the negative elements within the annual letter, whether statistically or in tone, are similar to those sent by the LGSCO to all six neighbouring Councils except the City of London. These are available in the public domain on local authority web-sites.
- 2.8 Although the LGSCO has acknowledged that the Pandemic has affected services in all Councils, the general view is that the review letter should have been more positive. For example, in 2020/21, the Council processed around 3100 Stage 1 complaints and only 237 went to Stage 2 and of those, only 39 went on to be investigated by the LGSCO. This is a very small escalation rate. Furthermore, information shows that the council's performance since October 2020 has stabilised, which was not reflected in the annual letter. Nevertheless, the LGSCO has some justified reasons to raise some negative elements, which the Council has sought to address and continues to do so through service improvements.

Service Improvements initiated by the Information Governance (IG) Service

- 2.9 A programme of service improvements was initiated for LGSCO complaints by the Head of IG and the newly recruited IG and Complaints Manager in 2020. Since October 2020, a new LGSCO Process has been established by the IG Service and delays in responding to the LGSCO have ceased. The IG Service has also implemented the following improvements to the LGSCO Protocol:
- Better use of technology: the IG Service has initiated an automated daily report from iCasework (the system in place) which is circulated on a daily basis to the IG Head of Service, the IG and Complaints Manager and to all Senior IG and Complaints Officers. This has enables case officers to keep up to date with their LGSCO cases on a daily basis.
 - Staff across the Council, with guidance from the IG Service, have started to use the "Tag System" on iCasework which enables task reminders and tracking within individual cases. This triggers iCasework to flag a task such as an outstanding LGSCO response or an LGSCO Action Point to ensure it can be dealt with promptly.
 - The IG Service has actively encouraged all services to set up their own reporting mechanisms from iCasework to enable monitoring of LGSCO cases and to ensure compliance with performance, tracking cases and improve services.
 - A new Outcomes Based LGSCO Protocol has been initiated by the IG Service, which revolves around proactively resolving complaints as soon as the LGSCO indicates an intention to investigate. This is standard practice by the LGSCO to provide a further opportunity to resolve the complaint before it is escalated.
 - In conjunction with the Strategy and Intelligence Service, the IG Service is liaising with services in order to capture relevant LGSCO information in

Directorate Leadership Team reports, which can be assessed and scrutinised by Corporate and Divisional Directors.

- The IG Service is leading on a Focus Group to analyse iCasework, in order to improve its functionality and set up structure, which will lead to better case management by all services.

Training

2.10 In assessing LGSCO cases, the IG Service identified weaknesses in LGSCO complaints handling in some services. Consequently, there have been targeted internal training programmes delivered by the IG Service to particular services where there is a lack of early intervention complaints culture. The training programme has included, but not limited to, intense team training sessions, meetings with frontline staff and senior managers, one to one training sessions and mentoring by IG staff. The IG Service is pleased to report this has resulted in a culture of engagement and proactive complaints handling in services which is demonstrated by a reduction in complaints. The IG Service is actively promoting the LGSCOs Website to staff and encouraging staff through communications and training sessions to book a place on the LGSCOs courses.

Service Improvements in other Council Services

2.11 The LGSCO is an independent, statutory organisation and the outcomes of complaints it investigates are useful for the council in terms of service delivery, improvements, and intelligence. Examples of some of the service improvements made as a results of LGSCO cases and lessons learnt include the following:

Case One –

- Council agreed to complete a review of its existing procedures relating to allotments and liaised with Allotment Societies to ensure that Allotment Societies are briefed on the LGSCOs jurisdiction to investigate allotments complaints which fall under their remit, that Allotment Societies provide signposting to the LGSCO and that appropriate staff are briefed to ensure they provide appropriate signposting if contacted by a resident who wishes to complain about a matter pertaining to the management of allotments in its ownership

Case Two –

- Council agreed to put the complainant back into the position he would have been without the council's fault in wrongly processing the complainant's Right to Buy application, and therefore the council issued the complainant with an offer to purchase his property at the original valuation. The LGSCO also requested the council to remind its officers of the importance of issuing reminder letters in line with Government Guidance in these matters. Officers were reminded of this and relevant processes are in place

Case Three –

- Council agreed to remind staff in Housing Options to inform applicants of the process to make an application to join the Housing Register if the Council makes a homelessness decision so it can award the correct priority banding. An additional check was also put in place to remind staff to review the existing applicants banding on the Housing Register when the council has made a homelessness decision in the applicants' favour. This ensures applicants are given all the information they need to process their application correctly and also reminds officers to update the system to ensure applicants have the correct banding priority.

Moving Forward

- 2.12 Although there has been an improvement in performance over the past three financial years, work is still ongoing with services to ensure cases are dealt with sensitively and effectively. The improvement work mentioned above will continue at pace with individuals, teams and services. More emphasis has been put on the fact that if the Council wishes to challenge the LGSCO, extensions must be agreed with the LGSCO and appropriate reasons given for the challenge in consultation with Senior Management.
- 2.13 All services have been encouraged to comply with deadlines and send appropriate responses and information to the IG Service within set timeframes.
- 2.14 The Council is heading in the right direction in terms of LGSCO case handling, performance and learning lessons but there is no room for complacency and improvements must continue at pace.
- 2.15 Discussions have now started by the newly recruited Director of Customer Services with regards to the structure and work of the IG Service moving forward. The review has been logged with the Support Services Board Chaired by Corporate Director Denise Radley and will be reporting back on progress to the board on a regular basis until completed. It is intended the outcome of the review will help deliver a more fit for purpose structure covering all elements of IG and furthermore continue to facilitate service improvements.

3. EQUALITIES IMPLICATIONS

- 3.1 There are no Equality Implications to this report.

4. OTHER STATUTORY IMPLICATIONS

- 4.1 There are no other Statutory implications.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

- 5.1 There are no financial implications for the report

6. COMMENTS OF LEGAL SERVICES

- 6.1 The Local Government Act 1974 established the Local Government and Social Care Ombudsman and gives the Ombudsman wide powers to investigate complaints about the actions of local government.
 - 6.2 The matters in this report comply with the above legislation.
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Appendices – Local Government and Social Care Ombudsman Annual Review Letter 2021

21 July 2021

By email

Mr Tuckley
Chief Executive
London Borough of Tower Hamlets

Dear Mr Tuckley

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

During the year, we issued a public report about your Council's refusal to install a disabled parking bay outside the home of a family whose child has autism, severe behavioural difficulties, and muscle weakness.

Our investigation found the Council had not properly considered whether the boy should have been treated as an exception under its policy, or the implications of the boy's award of Higher Rate Disability Living Allowance. We concluded that any reasonable consideration of these factors would have resulted in the installation of a disabled parking bay. We asked the Council to install the bay and to pay the family £1,000 to reflect the distress and inconvenience caused. We also asked the Council to ensure that officers were made aware of our findings in this case, to review its parking bay policy in relation to hidden disabilities and inform other applicants refused a bay of those changes.

It was disappointing the Council took over four weeks to place public notices of the report in newspapers, failing to meet the two-week statutory requirement. I was, however, pleased the Council accepted our recommendations and implemented them quickly.

I was satisfied with your Council's compliance with our recommendations in 95% of cases during the year. However, it is disappointing that in one case the Council did not comply with the remedy we recommended, which led to us opening a new complaint. I am pleased to say the remedy has now been satisfied but over a year later than it should have been.

It is also concerning that in nine of the 22 cases where we recorded a remedy, your Council was late in completing the agreed remedy. In three cases your Council was late by more than a month. I also note my investigators were required to chase the Council on four occasions for responses to enquiries and, in one case, we resorted to threatening to issue a witness summons before the information we had requested was provided.

While I acknowledge the pressures councils are under, such delays add to the injustice already suffered by complainants. Additionally, the actions you agree to take, and your performance in implementing them, are reported publicly on our website, so are likely to generate increased public and media scrutiny in future. I reported my concerns about delays in the remedy process last year and it is concerning that the issues persist.

Overall, your Council's complaint handling and responses to this office have fallen below the standards we expect. The concerns I have are indicative of corporate, systemic issues and I ask that you urgently consider your Council's approach to all aspects of its complaint handling, prioritising good standards of administrative practice, and seeking to improve the process and outcomes for people who complain to you. It is encouraging that you contacted us in the last year to discuss possible solutions to some of these issues and if there is any further support we can provide, please do get in touch.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

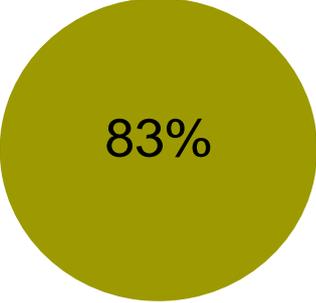
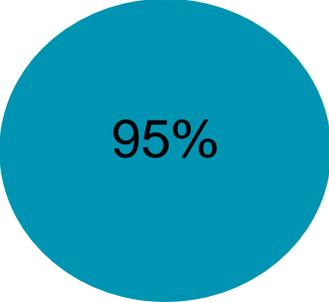
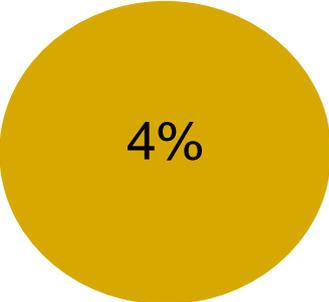
With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld		
	<p>83% of complaints we investigated were upheld.</p> <p>This compares to an average of 72% in similar authorities.</p>	<p>25 upheld decisions</p> <p>Statistics are based on a total of 30 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>
Compliance with Ombudsman recommendations		
	<p>In 95% of cases we were satisfied the authority had successfully implemented our recommendations.</p> <p>This compares to an average of 99% in similar authorities.</p>	<p>Statistics are based on a total of 22 compliance outcomes for the period between 1 April 2020 to 31 March 2021</p>
<ul style="list-style-type: none">• Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.		
Satisfactory remedy provided by the authority		
	<p>In 4% of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.</p> <p>This compares to an average of 12% in similar authorities.</p>	<p>1 satisfactory remedy decision</p> <p>Statistics are based on a total of 30 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>

NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.