

Audit Committee



Thursday, 29 July 2021 at 6.30 p.m.

C1 and Council Chamber, Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG

Agenda

Chair: Councillor Val Whitehead

Members

Vice-Chair:

Councillor Kevin Brady, Councillor David Edgar, Councillor James King, Councillor Ayas Miah, Councillor Kyrsten Perry, Councillor Leema Qureshi and Councillor Andrew Wood

Observers (Independent Persons):

Charlotte Webster (Independent Person)

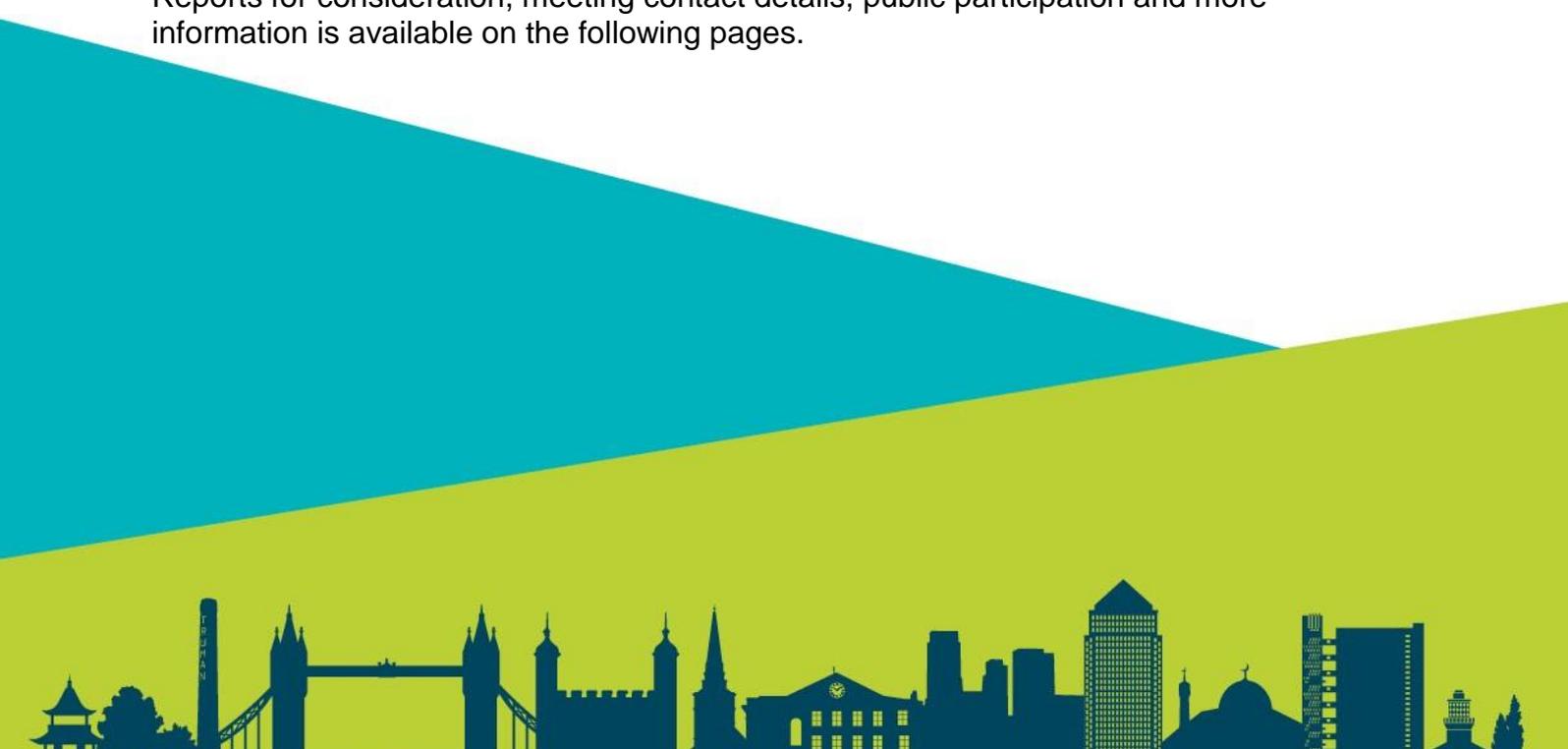
Substitutes:

Councillor Bex White, Councillor Tarik Khan, Councillor Abdal Ullah and Councillor Peter Golds

[The quorum for the Audit Committee is 3 Members]

Further Information

Reports for consideration, meeting contact details, public participation and more information is available on the following pages.



Public Information

Viewing or Participating in Committee Meetings

The meeting will be broadcast live on the Council's website. A link to the website is detailed below. The press and public are encouraged to watch this meeting on-line. Please note: Whilst the meeting is open to the public, the public seating in the meeting room for observers will be extremely limited due to the Covid19 pandemic restrictions. You must contact the Democratic Services Officer to reserve a place, this will be allocated on a first come first served basis. No one will be admitted unless they have registered in advance.

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The meeting is being webcast for viewing through the Council's webcast system.

<http://towerhamlets.public-i.tv/core/portal/home>

Contact for further enquiries:

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Audit Committee

Thursday, 29 July 2021

6.30 p.m.

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NUMBER(S)

APOLOGIES FOR ABSENCE

1. DECLARATIONS OF INTEREST

5 - 6

Members are reminded to consider the categories of interest, identified in the Code of Conduct for Members to determine: whether they have an interest in any agenda item and any action they should take. For further details, see the attached note from the Monitoring Officer.

Members are also reminded to declare the nature of the interest at the earliest opportunity and the agenda item it relates to. Please note that ultimately it is the Members' responsibility to identify any interests and also update their register of interest form as required by the Code.

If in doubt as to the nature of an interest, you are advised to seek advice prior the meeting by contacting the Monitoring Officer or Democratic Services.

2. APPOINTMENT OF VICE-CHAIR

2.1 Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings

7 - 18

3. MINUTES OF THE PREVIOUS MEETING(S)

19 - 38

To confirm the minutes of the Audit Committee held on 7th April 2021.

4. DELOITTE ITEMS FOR CONSIDERATION

5. TOWER HAMLETS ITEMS FOR CONSIDERATION

5.1 Progress update on the completion of the accounts and an update on the Finance Improvement Programme

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5 .2	Treasury Management Outturn Report for 2020-21	61 - 82
5 .3	Internal Audit Strategy and Annual Plan for 2021-2022	83 - 112
5 .4	Head of Internal Audit Annual Report 2020-2021	113 - 150
5 .5	Annual Risk Report 2020-2021	151 - 196
5 .6	Corporate Risk Register and Children's Directorate Risk Register	197 - 218
5 .7	Anti-Money Laundering Policy	219 - 258
5 .8	Code of Corporate Governance	259 - 292
6.	AUDIT COMMITTEE WORK PLAN	293 - 298
7.	ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT	

Next Meeting of the Committee:

Tuesday, 28 September 2021 at 6.30 p.m. to be held in the C1 and Council Chamber,
Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG

Agenda Item 1

DECLARATIONS OF INTERESTS AT MEETINGS– NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Code of Conduct for Members at Part C, Section 31 of the Council's Constitution

(i) Disclosable Pecuniary Interests (DPI)

You have a DPI in any item of business on the agenda where it relates to the categories listed in **Appendix A** to this guidance. Please note that a DPI includes: (i) Your own relevant interests; (ii) Those of your spouse or civil partner; (iii) A person with whom the Member is living as husband/wife/civil partners. Other individuals, e.g. Children, siblings and flatmates do not need to be considered. Failure to disclose or register a DPI (within 28 days) is a criminal offence.

Members with a DPI, (unless granted a dispensation) must not seek to improperly influence the decision, must declare the nature of the interest and leave the meeting room (including the public gallery) during the consideration and decision on the item – unless exercising their right to address the Committee.

DPI Dispensations and Sensitive Interests. In certain circumstances, Members may make a request to the Monitoring Officer for a dispensation or for an interest to be treated as sensitive.

(ii) Non - DPI Interests that the Council has decided should be registered – (Non - DPIs)

You will have 'Non DPI Interest' in any item on the agenda, where it relates to (i) the offer of gifts or hospitality, (with an estimated value of at least £25) (ii) Council Appointments or nominations to bodies (iii) Membership of any body exercising a function of a public nature, a charitable purpose or aimed at influencing public opinion.

Members must declare the nature of the interest, but may stay in the meeting room and participate in the consideration of the matter and vote on it **unless:**

- A reasonable person would think that your interest is so significant that it would be likely to impair your judgement of the public interest. **If so, you must withdraw and take no part in the consideration or discussion of the matter.**

(iii) Declarations of Interests not included in the Register of Members' Interest.

Occasions may arise where a matter under consideration would, or would be likely to, **affect the wellbeing of you, your family, or close associate(s) more than it would anyone else living in the local area** but which is not required to be included in the Register of Members' Interests. In such matters, Members must consider the information set out in paragraph (ii) above regarding Non DPI - interests and apply the test, set out in this paragraph.

Guidance on Predetermination and Bias

Member's attention is drawn to the guidance on predetermination and bias, particularly the need to consider the merits of the case with an open mind, as set out in the Planning and Licensing Codes of Conduct, (Part C, Section 34 and 35 of the Constitution). For further advice on the possibility of bias or predetermination, you are advised to seek advice prior to the meeting.

Section 106 of the Local Government Finance Act, 1992 - Declarations which restrict Members in Council Tax arrears, for at least a two months from voting

In such circumstances the member may not vote on any reports and motions with respect to the matter.

Further Advice contact: Janet Fasan, Director of Legal and Monitoring Officer, Tel: 0207 364 4800.

APPENDIX A: Definition of a Disclosable Pecuniary Interest

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

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

Non-Executive Report of the: Audit Committee Thursday, 29 July 2021	 TOWER HAMLETS
Report of: Janet Fasan, Director of Legal and Monitoring Officer	Classification: Open (Unrestricted)
Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings	

Originating Officer(s)	Farhana Zia
Wards affected	All Wards

Executive Summary

This report sets out the Terms of Reference, Membership, Quorum and Dates of meetings of the Audit Committee for the Municipal Year of 2021/22 for the information of members of the Audit Committee.

Recommendations:

The Audit Committee is recommended to:

1. Note its Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1, 2 and 3 to this report.
2. Determine the preferred time at which the scheduled meetings will start

1. REASONS FOR THE DECISIONS

- 1.1 The report is brought annually to assist new and returning Members by informing them of the framework of the Committee set out in the Council's Constitution.

2. ALTERNATIVE OPTIONS

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

3. DETAILS OF THE REPORT

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

Audit Committee Arrangements

- 3.2 At the Annual General Meeting of the full Council held on 19th May 2021, the Authority approved proportionality, establishment of the Committees and Panels of the Council and appointment of Members thereto. The membership of Audit Committee for the municipal year 2021/22 was among the committees' memberships approved and these details are set out at Appendix 2 to the report.
- 3.3 Having been established by Council, it is customary that the committee (at its first meeting of the municipal year) note its terms of reference, and quorum. These are set out in Appendix 1 to the report.
- 3.4 The Committee's meetings for the remainder of the year, as agreed at the same meeting of the Council, are also provided at Appendix 3.
- 3.5 Meetings are scheduled to take place at 6:30 p.m. except where the meeting falls within the month of Ramadan where they will aim to take place at 5:30 p.m. The Committee may wish to discuss an appropriate start time that suits its Members at the first meeting of the Committee.
- 3.6 It may be necessary to convene additional meetings of the Committee should urgent business arise. Officers will consult with the Chair and Members as appropriate.

4. EQUALITIES IMPLICATIONS

- 4.1 When drawing up the schedule of dates, consideration was given to avoiding school holiday dates and known dates of religious holidays and other important dates where at all possible.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,

- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 Not applicable to this report.

6. **COMMENTS OF THE CHIEF FINANCE OFFICER**

This report recommends that the Audit Committee note its Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1 – 3. There are no direct financial implications arising from this report.

7. **COMMENTS OF LEGAL SERVICES**

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE
-

Appendices

- Appendix 1 – Audit Committee Terms of Reference
- Appendix 2 – Membership
- Appendix 3 – Scheduled meetings for the Municipal Year

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

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

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

N/A

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1. Audit Committee

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

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

support the statement. b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.	
19.To consider summaries of specific internal audit reports as requested.	None
20.To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	None
21.To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.	None
22.To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.	None
23.To provide free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.	None
24.To commission work from internal audit.	None
25.To consider the Council's RIPA policy under the Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016	None
26.To consider the Council's use of surveillance in accordance with the Regulation of Investigators Powers Act 2000 and the Investigatory Powers Act 2016.	None
<u>External audit</u> 25.To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.	None
26.To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	None
27.To consider specific reports as agreed with the external auditor.	None
28.To comment on the scope and depth of external audit work and to ensure it gives value for money.	None
29.To commission work from external audit.	None
30.To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	None
<u>Financial reporting</u>	None

31. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	
32. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	None
<u>Accountability arrangements</u>	None
33. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	
34. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	None
35. To publish an annual report on the work of the committee.	None
Quorum: 3 Members of the Committee	

LONDON BOROUGH OF TOWER HAMLETS

COMMITTEE MEMBERSHIPS 2021- 2022

NOMINATIONS SUBMITTED TO THE ANNUAL COUNCIL MEETING ON 19TH MAY 2021

AUDIT COMMITTEE (Eight members of the Council)		
<i>Labour Group (7)</i>	<i>Conservative Group (1)</i>	<i>Ungrouped (0)</i>
Cllr Ayas Miah Cllr David Edgar Cllr James King Cllr Kevin Brady Cllr Kyrsten Perry Cllr Leema Qureshi Cllr Val Whitehead Substitutes:- Cllr Bex White Cllr Abdal Ullah Cllr Tarik Khan	Cllr Andrew Wood Substitutes:- Cllr Peter Golds	N/A

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AUDIT COMMITTEE

SCHEDULE OF MEETING DATES 2021 - 22

Thursday, 29th July 2021

Tuesday, 28th September 2021

Wednesday, 1st December 2021

Thursday, 24th March 2021

Note:

All meetings will start at 6:30 p.m. unless otherwise determined by the Chair.

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 5.30 P.M. ON WEDNESDAY, 7 APRIL 2021

ONLINE 'VIRTUAL' MEETING - [HTTPS://TOWERHAMLETS.PUBLIC-I.TV/CORE/PORTAL/HOME](https://towerhamlets.public-i.tv/core/portal/home)

Members Present:

Councillor Val Whitehead (Chair)
Councillor David Edgar (Vice-Chair)
Councillor Marc Francis
Councillor Ayas Miah
Councillor Puru Miah
Councillor Kyrsten Perry
Councillor Dan Tomlinson
Councillor Andrew Wood
Charlotte Webster

Other Councillors Present:

Mayor John Biggs
Councillor Candida Ronald

Apologies:

Others Present:

Angus Fish – Deloitte
Jonathan Gooding – Deloitte

Officers Present:

Agnes Adrien – (Head of Litigation, Legal Services)
Ahsan Khan – (Chief Accountant)
Kevin Bartle – (Interim Corporate Director, Resources and Section 151 Officer)
Amanda Harcus – (Director of HR, Workforce Development & Business Support Services)
Tim Harlock – Interim Chief Accountant
Rafiqul Hoque – Head of Housing Options
Hitesh Jolapara – (Interim Divisional Director, Finance, Procurement & Audit)
Marion Kelly – (Finance Improvement Team - Programme Director)
Rachel Mckoy – (Head of Commercial & Contracts, Legal Services Governance)
Bharat Mehta – (Audit Manager)
Mark Norman – (Legal Adviser & Deputy Monitoring Officer)
Denise Radley – (Corporate Director, Health, Adults & Community)

Paul Rock	– (Head of Internal Audit, Anti-Fraud and Risk)
Ann Sutcliffe	– (Corporate Director, Place)
Craig Tucker	– Interim Chief Accountant
Will Tuckley	– (Chief Executive)
Farhana Zia	– (Democratic Services Officer, Committees, Governance)
Matthew Mannion	– (Head of Democratic Services, Governance)

APOLOGIES FOR ABSENCE

Councillor Ayas Miah and Councillor Puru Miah joined the meeting late and gave apologies for their lateness.

Ms Janet Fasan, Director of Legal and Monitoring Officer also gave her apologies.

1. DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interest were made by the members.

For the record, Councillor Marc Francis stated his wife Councillor Blake was a member of the Cabinet. Councillor Kyrsten Perry stated she is the Chair of the Pensions Committee.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the previous meeting of 28th January 2021 were agreed as an accurate record of the meeting and were signed off by the Audit Committee.

3. DELOITTE ITEMS FOR CONSIDERATION

3.1 Update report to the Audit Committee on the audits for the years ended 31 March 2019 and 31 March 2020

Mr Jonathan Gooding, external auditor from Deloitte presented their external audit report. Mr Gooding said the report provided an update on the audit years 2018/19 and 2019/20. The information within the report commented on various aspects of the audit, some of which was required under the standards. He said the report provided an update on the issues reported to the Committee in July 2019. It identified other issues that had arisen since and the significant risk areas that had been identified as part of the audit plan. Mr Gooding said the report also reported on the progress made, despite the pandemic, on the control recommendations and findings to date in terms of the status of the work in progress.

He said since the last meeting the more complex and challenging areas had been focused on and a great deal of work had been done by the authority in those areas, with the number of resolved issues and adjustments being made to the accounts. Mr Gooding said that through a 'sprint' approach, in the next few months it was hoped other outstanding areas would also be addressed and said the timetable for this was being developed with the authority. Mr Gooding added the report provided an update on the value for money conclusion and said he was expecting this to be a qualified value for money conclusion which specifically reported on the challenges and issues faced with financial reporting and weaknesses identified. Mr Gooding stated icons had been used in his report to identify any misstatements that had been corrected, uncorrected material items and areas of uncertainty.

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

- Mr Jonathan Gooding stated the prospect of achieving the July deadline for the accounts was still possible however the timetable had slipped from when the Committee last met. He said the complex and challenging areas had been addressed however more issues had been identified. He said it was difficult to predict if the new issues were not going to impact on the final accounts, so there remained a risk to meeting the deadline.
- Regarding the adjustments made to prior year accounts and the figures involved, Mr Gooding referred members to page 39 of the agenda and said some big numbers were involved, the largest being in relation to property valuations. He said some adjustments would not impact the General Fund however some would have an impact on the balance sheet.
- Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer commented that the finance team had done its best to assist members in understanding the difference between matters that won't impact the bottom line and those that will. He referred members to pages seven and eight of the supplementary agenda and stated the team had set out the impact on the bottom line in the report. He said some numbers were significant, but information was provided in the supplement agenda.
- In response to the value for money work, which was on-going, Councillor Wood asked if the work also included property acquisitions that were made during those years. Mr Gooding said this work was progressing and that they'd be focussing more on the accounts audit by performing procedures and checking the arrangements particularly financial sustainability and governance. Councillor Wood stated he'd be interested in the value for money conclusion in the final report.
- Councillor Edgar thanked Deloitte for a thorough report and stated that he found the report useful in understanding the impact on the general fund and reserves and whilst some large numbers were involved, it was important to ensure the accounts were correct as they impact on decisions made about services provided.

- Ms Webster, Independent Person asked if there had been a change in the council's approach in preparing the accounts and what might be required in future years. Mr Gooding responded stating there had been a great deal of change over the past two years, with the expansion of the team, the focus on particular years of accounts and the learning that had come from the process as well as the leadership.
- Mr Bartle thanked Mr Gooding for his comments and added there was a separate report on the Finance Improvement Plan later in the meeting.

The Chair thanked Mr Gooding for his presentation.

The Audit Committee **RESOLVED** to:

1. Note the observations made within the report from Deloitte; and
2. Note the comments made by Committee Members

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Audit of the Council's Accounts 2018/19 & 2019/20

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer presented the update on the progress made with the 2018/19 and 2019/20 accounts and the audit of the accounts. Mr Bartle said the report should be read in conjunction with the update report from Deloitte, the appointed external auditor.

Mr Bartle said he was pleased to bring forth the latest version of the accounts which should be considered as the 'provisional' final version but not the final version per se, as there was still work on-going before the accounts could be finalised and signed off. Mr Bartle said the Committee would hear from the Interim Chief Accountants on the changes made to the accounts and said this was an opportunity for the members to examine the accounts over the next few months before they are presented at the July 2021 meeting. He said the timetable to deliver the changes had slipped however it was the intention of Officers to continue to stick to the plan and prepare the final accounts for 2018/19 and 2019/20.

The Committee then heard from Mr Tim Harlock, Interim Chief Accountant for the account year 2019/20. Mr Harlock highlighted the changes made to this set of accounts and said one of the biggest changes was to the Property, Plant and Equipment (PPE) valuations. He said this did not impact on the bottom line however a lot of work had been undertaken to rectify the errors. He said this related to schools' floor space measurements which had not been undertaken over the last ten years but had come to light over the past eighteen months. He said the school buildings had been revalued and as such this was a significant adjustment.

Another area that required reclassification were long-term investments which related to pooled funds of about £50m. Mr Harlock said these had to be

reclassified and had been adjusted through profit and loss so would stay in the same place on the balance sheet. The presentation of cash on the balance sheet had also been adjusted, with an increase in cash assets of £20M and an increase in the cash liability of £20M. Mr Harlock said, this being the same amount, results in a net zero impact however it was important to get the presentation correct as it impacted on resources. In addition to this, a considerable amount of work had been done to the Community Infrastructure Levy (CIL) plus errors in accounting for VAT, with a reclaim of £3M from HMRC.

Mr Craig Tucker, Interim Chief Accountant for the account year 2018/19 said the issues highlighted above also effected the 2018/19 accounts and therefore these had been worked through. He added another technical accounting adjustment which related to the 2018/19 accounts was the adjustment to the pensions reserve relating to early repayment. Mr Tucker said this related to spreading the repayment over the different years and as such had a zero impact on the General Fund.

Mr Bartle concluded the presentation and asked members to peruse the accounts and let him know of any questions they had. He said the finance team would continue to aim to meet the July deadline for the accounts and to assist Deloitte with their work.

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

- The Chair, on behalf of the Audit Committee expressed her thanks to the officers involved in the production of the accounts and said the Committee appreciated the huge amount of work that had been undertaken to rectify the accounts and the focus brought to them, under Mr Bartle's leadership.
- Councillor Wood queried how the accounts were to be presented to residents and the public. He suggested a summary be provided which explained the changes, as the table on pages 7-8, at first glance looked too many but on closer inspection were amendments to the gains and losses relating to timing issues which net off. Mr Bartle concurred a readable summary could be presented to the residents and said he'd be happy to work with members on how this can be achieved.
- Councillor Edgar expressed his thanks for the extraordinary work undertaken by officers and said the report from Deloitte identified things which still needed completing. However, what was clear was the focus to get the accounts over the finish line and the adjustments made were necessary. He said he believed it was good to get to as clear a point as was possible and hoped this could be achieved by the July deadline. Councillor Edgar also stated he would think about how information could be best presented to members of the public and would let Mr Bartle know his thoughts on this.

The Audit Committee **RESOLVED** to:

1. Note the revised Statements of Accounts for 2018/19 and 2019/20 as presented in the appendices;
2. Note the continuing progress on, and plans for completion of, the audits for both the 2018/19 and the 2019/20 financial years.

4.2 Finance and Governance Improvement Plans

Mr Will Tuckley, Chief Executive introduced the report stating plans had been drawn up in response to the Independent Review of the 2018/19 year-end closure of accounts. Mr Tuckley said it was heartening to hear from Deloitte's the progress which had been made and thanked Mr Bartle and his team for their continued efforts in producing the 2018/19 and 2019/20 set of accounts, which were appended to the supplement agenda.

Mr Tuckley said clearly there had been huge difficulties experienced in relation to the accounts which were unacceptable and disappointing. He said the 2020/21 accounts were progressing well and significant improvements had been made to processes and procedures plus the recruitment of additional staff.

Mr Tuckley said the report by Mr Worth had led to a detailed improvement plan being developed which was phased into immediate improvements and those which would take a longer time to achieve. He said the Grant Thornton report from June 2018 and the CIPFA report from 2017 were also attached for information. Mr Tuckley said it was clear the issues highlighted in the previous reports were still issues that the Council needed to address. Mr Tuckley commented that several internal audit reports had stated that not enough progress had been made regarding key governance issues including the Grant Thornton review which was commissioned by a former Corporate Director of Resources. He said this report had neither been to the Corporate Leadership Team (CLT) board or to the Executive i.e. Council or Cabinet or indeed the Audit Committee. Mr Tuckley said clearly this ought to have been the case. He said the recommendations within these reports plus the recent report looking at the year-end accounts had been worked into an improvement plan with the assistance of Internal Audit. He said the improvement plan was designed to ensure there was a sustainable and focussed attention to the key governance issues that had been highlighted in the reports. He said issues such as the declarations of officer interests, issues relating to hospitality registers and policy reviews that go towards the core set of ethics and culture of the council plus the implementation of internal audit recommendations and application of risk management had been discussed by the CLT board in recent weeks.

Mr Tuckley said work relating to the financial recovery had been prioritised as well as the governance issues that had been highlighted in the reports. Mr Tuckley said there was a strong commitment across the council to address this and said he believed progress had been made, especially regarding the 2020/21 accounts. In relation to the previous reports Mr Tuckley said he was at a loss as to why the reports had not been made available to the CLT Board

or Executive and said he had investigated the passage of the reports. He said the reports had not been to the Resources Directorate's DLT (Directorate Leadership Team) board either and other than stating the facts, he could not add anything further to this.

Lastly, Mr Tuckley said the Council had made a journey of improvement and this ought to be contextualised. He said the Council had come out of intervention and overall had made good progress on the trajectory of improvement. He said this had been recognised by third parties such as the MHCLG, by peer reviews and the Investors in People accreditation scheme. Mr Tuckley said the progress had not been linear with some services areas digressing and others improving; for example, the finance reorganisation had not gone as well as was intended, in terms of performance and as such there was a refocussed attention to get this right. Mr Tuckley said the improvement plan was part of a wider set of improvement initiatives that the Council was taking forward, and he hoped there would be a continued trajectory of improvement, overtime.

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

- The Chief Executive, Mr Tuckley clarified the CIPFA report was also commissioned by the former Corporate Director for Resources. He said the report looked in detail at the financial functions of the council, with a heatmap showing areas for significant improvement and areas of good performance. He said it was clear the report was produced but did not follow the normal governance arrangements both for officer and member scrutiny of the report. He said the weaknesses identified in the report need to be fed into the improvement plan if the Council was to progress and strengthen its finance processes and procedures. Mr Tuckley added that he believed some of the areas identified were being addressed by the former Resources Director however the report ought to have been shared widely and exposed at the time. Mr Tuckley said this applied to the Grant Thornton report too.
- In relation to Officer DPI's, the Chair Councillor Whitehead said this had been raised several times at previous Audit Committee meetings and asked why managers were failing to ensure DPI's were up to date and correct. Mr Tuckley said this was particularly disappointing especially as substantial progress had been made previously, with a 95% return rate. He said initially the council didn't have an electronic system in place and as such this involved a considerable amount of manual work to collate the information. He said the infrastructure to enable DPI inputs had been resolved but work was required to embed the completion and review of DPI's within the culture of the organisation. He said one of the issues had been the system's failure to preserve the previous year's declaration and for staff to simply confirm it was correct. He said this was a technicality, but staff needed to be conscious of knowing and keeping up to date their DPI declarations.

- Councillor Wood stated that it was clear improvements had been made but the starting point, for some of the issues unearthed in the reports, was perhaps far worse than originally thought. He recommended that the Council invite external organisations and/or auditors to review the actual progress made when appropriate. Mr Tuckley thanked Councillor Wood for his suggestion and said the Council needed to become a self-aware organisation, where it could spot things and be conscious of that. He said he believed this was happening and said a peer review in the autumn was scheduled to take place.
- Mr Tuckley said it was vital that the Council learnt from the weaknesses that have been identified, within the finance and accounting structures. He drew parallel to the work done in Children Services and said the Council needed to be careful not to rest on its laurels and get to a place where it was continuing to strive for improvement in services, by being more self-aware.
- Councillor Edgar commented that he welcomed the publication of the two reports and the improvement plan. He said it was vital to justify the cost relating to the recruitment of staff and resources allocated to solving the problems faced within the accounting and finance function especially given the pressures on budgets elsewhere in the Council.
- Mr Tuckley stated that he did not wish to give the impression that upgrading to a new accounting system, with the replacement of Agresso, would solve the issues identified within the reports. He said the Council had to prioritise other areas such as the Mosaic and Customer Relationship systems and as a result this had had an impact on other systems which required replacement. He said the Finance Improvement Team plan was to implement changes to Agresso, with a reset but phase two of the improvement plan would look at the other options available.
- Councillor Francis asked if the Grant Thornton and CIPFA reports would be reported to the Overview and Scrutiny Committee. He asked when the reports had come to the attention of senior officers. Mr Tuckley said the reports had recently come to the attention of senior officers and the CLT board. He explained the Grant Thornton report had been commissioned in 2017 and reported in 2018 and went through a different route of reporting. He said some of the preliminary findings had been discussed briefly however the report did not follow the governance process of being reported to the CLT Board, the Executive and the Audit Committee. Mr Tuckley said he believed the Grant Thornton report's remit was slightly different to the CIPFA report in that it drew together whole streams of activity that was and should have been occurring in relation to finance. He said the report had been reviewed and a wide breadth of activity had been addressed. In relation to the report being presented to the Overview and Scrutiny Committee, Mr Tuckley stated he would attend a future meeting of the Committee.

Mr Kevin Bartle, Interim Corporate Director of Resources and Section 151 Officer addressed the Committee and highlighted the ongoing improvements

that had been made, since the development of the improvement plan. He said some of the recommendations from the reports discussed had been delivered, whilst others would take time to implement. He said his focus had been on the completion of the 2018/19 and 2019/20 accounts, which was a corporate priority and as such he was pleased these had been presented to the Committee, in draft format at the meeting. He said the improvement plan had been phased into phases one and two, to ensure the quick wins could happen before March 2021 and for the long-term changes to occur in phase two.

Ms Marion Kelly, the Improvement Plan Programme Director, then presented the key changes that had been made. She referred Members to sections A and B of the report, on pages 70-71 of the agenda and said changes had been made in terms of the leadership, resourcing and planning as well as to systems and processes in place. She gave an example of this and said CLT had agreed for finance officers to place an 'out of office' message for a two-week period in early April, so that they could solely concentrate on delivering the accounts. She said communication between everyone was clear and the progress made had been reported to the CLT Board and Chief Executive. She said specific training had been provided to finance officers and the timetable for closedown had been fully reviewed, with a council wide communication plan that directly channels Agresso users highlighting the accounts and the actions that are needed, so that budget holders and finance administrators can effectively monitor activity. She said one of the successes had been the rollover process, which should take place at the end of each financial year, had been completed for the first time, since the Agresso system had been implemented back in 2013. Ms Kelly said it was now possible to interrogate the trial balance sheet for each year independently, which is a significant improvement. She continued to say there were still many challenges to overcome, however the leadership, governance and communication was clear and with a phased approach improvement was being achieved.

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

- Councillor Wood thanked the Finance Improvement Team for its work and said it was clear the improvements being made were in a transition phase. He gave an example of the Fixed Asset register being in Excel and asked how the completion of the transition would be reported. Mr Bartle responded saying it was crucial for the Finance Improvement team to keep members abreast of the changes being made and said the Finance Improvement Board, which he chaired, would continue to meet regularly and report improvements to the CLT Board and the Audit Committee. Mr Bartle said they would also attend Executive meetings to do the same.
- Councillor Francis expressed his concern in relation to the Grant Thornton report and said he wanted to understand why this report had not been in the public domain prior to the meeting. He said he felt Members ought to have sight of this beforehand and to enable them to comment and input into the Improvement Plan. He reiterated that the

Overview and Scrutiny Committee should be notified of this and that the Committee ought to examine this further.

The Chair thanked officers for their presentation.

The Audit Committee **RESOVLED** to:

1. Review the actions set out in the detailed improvement plan for Phase 1 of the improvement plan;
2. Note the resource plan for Phase 1;
3. Note the proposed content of Phase 2; and
4. Note the recommendations, current position and improvement plans related to the Grant Thornton and CIPFA reports.

4.3 2020-21 Accounting Policies

Mr Ahsan Khan, Chief Accountant presented the accounting policies in relation to 2020-21. He said the Committee was required to review and note the accounting policies in readiness of the review of the 2020-21 Statement of Accounts.

Mr Khan said this was a technical document looking at accounting standards to be applied across the board. He said no major changes had been made to the accounting policies appended at Appendix A, expect to add clarity and updates.

- Members had no questions for Mr Khan.

The Audit Committee **RESOLVED** to:

1. Review and note the draft accounting policies for 2020-2021 as appended at Appendix A.

4.4 Internal Audit and Anti-Fraud Progress Report

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Internal Audit and Anti-Fraud progress report. Mr Rock said the report provided an update on the progress made against the delivery of the 2020/21 Annual Internal Audit Plan and highlighted any significant issues since the last report to the Audit Committee in January 2021. He said an update on anti-fraud activity was also included.

Mr Rock referred Members to the tables at paragraph 3.1 and said several reports had moved to the draft stage and were being discussed with management. He said (1) the Place Directorate Governance (2) the Contract Monitoring of Children's Commissioned Services (3) Private Sector Compliance with Fire Risk assessments and (4) the Drugs and Alcohol Service – contract monitoring, audits had all been completed. Mr Rock said of the two reports where management responses were awaited, management responses had been received and reports were being finalised. He said he

was pleased the Treasury Management audit had achieved a substantial rating and said significant improvement and strong controls were now in place.

Mr Rock said presently he'd be inclined to give an overall 'limited assurance' opinion for this year however there were a total of fifteen reports in the pipeline which could sway his opinion, when he presented his final opinion report to the Audit Committee in July 2021.

In reference to Anti-Fraud activity, Mr Rock said this had been hindered by the pandemic however a further property had been recovered bringing the total to twenty. In relation to the Governance report, Mr Rock said Internal Audit had supported management with advice and guidance pertaining to the improvement plan and the reviewing of financial procedures. Mr Rock said he had attended the Finance Improvement Board and had observed the Board, providing challenge and advice to them.

The Chair thanked Mr Rock for his report before inviting the Officers to address their individual reports which had received 'limited' assurance following Internal Audit's assessments.

Staff Declaration of Interests

Ms Amanda Harcus, Divisional Director for Human Resources and OD said the Chief Executive had touched on the issues experienced with automation of systems. She said the switch to providing an online platform had significantly made a difference in the service's ability to report and monitor declaration of interest returns from officers in the organisation.

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

- Councillor Wood asked if the system evidenced an employee's secondary employment, as direct level authorisation was required from managers. He asked if employees were not declaring secondary employment and how many employees had outside interests that maybe of concern to the Council? Ms Harcus responded stating when using the paper-based system a 95% completion rate had been achieved, however this required a lot of manual resource. She said with automation, the declaration was part of the annual review process and therefore prompted employees to complete it. She said thorough checks were undertaken when new employees joined the organisation with responsibility to complete the declaration being with the employee. Ms Harcus said reminders had been sent over the last six months and HR were beginning to see the number of declarations go up.
- In relation to reporting on how many employees have secondary jobs, she said HR system could be manipulated to produce a report if desired. She said it was common for junior staff to hold secondary

employment elsewhere, especially in London. Ms Harcus continued saying that more senior staff knew and understood their responsibilities and accountabilities in completing the declaration.

- Mr Paul Rock added that through the National Fraud Initiative, Internal Audit were able to run reports of payroll against Company House records to see if there was a match; whereby someone who was on the payroll but also had a company. Mr Rock said checks could be done to see if the declaration of interest had been made and if the Council had traded with that company. Mr Rock also added that it would be helpful if HMRC shared their data for secondary employment matches, however HMRC were hesitant in doing so and therefore they were working with the Cabinet Office to increase awareness.
- Councillor Edgar asked if the system showed the number of rejections and the reasons for this. He said the mandatory training on declarations was a positive step and should be encouraged. Ms Harcus responded saying qualitative and quantitative measuring was essential to achieve a balanced view. She said she was working with Internal Audit so dip sampling could take place, to test the whole system and to see how robust it is.
- In response to if there were consequences for not completing the declaration of interest, Ms Harcus said HR's role was not to police the organisation but to support and enable employees to complete and submit their form. Ms Harcus said CLT had discussed consequences for not declaring and said remedial action such as warnings would only be considered on a case by case basis.
- Ms Harcus said she would be reporting to CLT, on a quarterly basis as part of her dashboard, the performance on the completion of the declarations and would work with Strategy, Policy and Performance team to see how many declarations have been made, the status of them and how many have been rejected.

Pensions Administration

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 officer provided an update on the Pension Administration assessment of 'limited assurance'. He said whilst this rating had been given, he was pleased with the progress that had been made in pensions administration. He said processes had been improved and weaknesses referred to regarding contributions and payroll had been fixed but required further testing before it could be fully asserted to be the case. He said the issues identified had been picked up by internal and external auditors and considerable work had been undertaken to resolve them. Pensions administration had its own improvement plan, with regular updates provided to the Pensions Committee and Pensions Board on the progress being made.

- Members had no questions for Mr Bartle.

The Chair on behalf of the Committee, acknowledged the positive outcome of the Treasury Management audit, which had achieved substantial assurance and thanked Mr Bartle and his team for their work and achievement.

Housing Allocations and Lettings

Ms Ann Sutcliffe, Corporate Director for Place thanked internal audit for undertaking the review and said although the report made a total of six recommendations there were areas of good practice which had been acknowledged in the main report. She said work had started on the recommendations and asked Mr Rafiqul Hoque, Head of Housing Options to explain the action being taken.

Mr Hoque provided an analysis of the recommendations made within the internal audit report and said some of the issues identified stemmed from various software systems being used for data storage. He said the Registered Providers managed their own applications, which meant not all the data was on one system. Mr Hoque said they were looking to introduce a checklist so applications made could be verified, with managers undertaking random checks to ensure the application had been correctly processed. Mr Hoque said they were working with Internal Audit on income, evictions and owner occupation checks and would be updating their website to warn applicants their applications would be credit checked and further verified against the death list, to ensure they had been notified of anyone who had passed away.

Mr Hoque said IT solutions were being explored to automate reviews once the back-office integration had occurred on housing applications. He said they were looking to automate the review process so to avoid duplications and manual input.

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

- Councillor Wood stated he was surprised to find there were 19,000 people on the housing waiting list. He said the report implied that this may not be a true figure and asked if the actual number of applicants was known. He asked why homeowners could be on the waiting list when they were owned their own home? Mr Hoque explained that in exceptional circumstances, the housing policy allowed for people to be added. He said of the two cases referred to, one related to an elderly gentleman who needed sheltered accommodation however had died before this could be actioned and the other related to an elderly couple, where one spouse had died. Mr Hoque said they'd be looking to provide an exceptions report in the future, to explain additions and anomalies.
- In respect to the number of applicants on the waiting list, Mr Hoque said work was underway to cross-reference data from the NFI with a high number of cases being closed off.
- Councillor Edgar commented that systems and processes had to be strong especially as housing was a scarce resource which everyone

was interested in. He said a well working system was required with clear steps outlining the process.

- In reference to page 265, Councillor Edgar asked if the mandatory checklist had been reinstated. Mr Hoque confirmed the checklist would be reinstated. Mr Hoque explained why and how various software systems meant the checklist had been overlooked but said this would be rectified.
- Ms Ann Sutcliffe said the Housing Options team had been in the queue for IT improvements for some time but was now at the front of that queue. She said Karen Swift, Divisional Director for Housing and Regeneration would be leading the project team on the IT changes required and improving the customer journey by working with stakeholders and residents. She said the service was moving in the right direction with performance data being provided to the lead Cabinet Member.

The Chair thanked Officers for their contributions and said she hoped individual services would strive to improve their areas of responsibility.

The Audit Committee **RESOVLED** to:

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

4.5 Risk Management

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Corporate and Resources Directorate Risk Registers. He said the Corporate Risk Register had been updated to include a reference to the Building Safety Bill which was referenced as PLC0023. Mr Rock said this was an important piece of legislation, with significant consequences for everyone at the Council as well as occupiers, particularly if appropriate action isn't taken. He said there was a lot of preparation to do and as such this had been included onto the corporate register.

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

- Councillor Edgar asked for an explanation regarding risk CSD0016, on page 283 of the agenda and asked why the current risk score of 25 and the target risk score 16 were red rated and how the control measure could remain so high. In response Mr Rock stated the target date in the required control measures column referred to the date the control measure should be delivered by. The colouring in the target risk column was simply the colouring of the 1 to 25 rating. Mr Rock said it did not present how likely the risk would be achieved.
- Ms Charlotte Webster raised the same query regarding this control and said this had been asked about at a previous meeting of the Audit

Committee. She said it was important understand how the impact could be reduced, if possible.

- **ACTION:** Following further discussion, it was agreed the Corporate Director for Children and Culture Directorate, Mr James Thomas be invited to a future meeting of the Committee to discuss this risk.
- In reference to page 297 and 298, and risk RS0061 and RSB0007, Councillor Wood commented that these were big risks, considering the future loss of income from offices, shops and restaurants. He said this would have a significant impact on Tower Hamlets and said Councillors needed to play an active part in the changes as other East London boroughs had. He said it was important to attract new businesses to the area as well retain existing ones.

The Audit Committee **RESOLVED** 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 Resources 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 directorates objectives at the next Committee meeting (or separately before the meeting if urgent).
3. Note the progress made against the Annual Action Plan for Risk Management.

4.6 Internal Audit Charter

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Internal Audit Charter report and said the Public Sector Internal Audit Standards required him to set out the purpose, authority and responsibility of the internal audit activity that had been undertaken. Mr Rock said this was a key document which had been reviewed and which remained fit for purpose, other than a few typo's that had been pointed out to him. He asked the Committee to review and approve the updated internal audit charter.

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

- Councillor Wood commented that further to a letter written to the former Corporate Director for Resources, in 2017 it was positive to see senior officers from the Corporate Leadership Team, the Mayor and the Chief Executive attend Audit Committee meetings.
- Mr Tuckley said he would continue to attend future meetings of the Committee, when invited to do so.

The Audit Committee **RESOVLED** to:

1. Review and approve the Internal Audit Charter.

4.7 Code of Corporate Governance - annual review

Mr Matthew Mannion, Head of Democratic Services presented the Code of Corporate Governance Annual Review. He said the code set out the Council's commitment to uphold the highest standards of good governance and was annually reviewed as part of a suite of documents which sit under the Annual Governance Statement. He said the code was split into various themes and had been updated in consultation with officers from across the council. He asked members to review and comment on the code presented to them.

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

- Councillor Francis stated that he did not agree with the contents of the report particularly paragraph 3.1 and questioned the 'effectiveness' of the Council's corporate governance arrangements. He said he did not believe it was effective and felt the council needed to strive harder to achieve this, with evidence showing how the seven core principles appended to the report were being met.
- He questioned if Principle B of 'ensuring openness and comprehensive stakeholder engagement' had been demonstrated adequately. He said he did not believe this to be the case and cited member enquiries as an example. He said his request for information were often delayed by the need to demonstrate why it was needed. Councillor Francis said whilst steps had been taken to improve stakeholder engagement, he did not feel the Council had achieved this principle.
- Regarding the other principles, Councillor Francis said the list of documents cited in the report did not say how the Council had achieved them. For example, referring to Principle D and performance management at senior and political level, he questioned if challenge was robust i.e. were chairs of committees challenged sufficiently. He said he believed more work was required on performance.
- Councillor Francis added that praise of Overview and Scrutiny did not reflect his experience and said there was a distinct separation between the Executive and Overview and Scrutiny. He said there should be more recognition of the work of Overview and Scrutiny as well as backbenchers and the value that others can bring to the political structure of the council.
- Councillor Francis said he'd encourage senior managers and CLT to re-examine the code and reflect on if the council was achieving the principles as well as look at ways to improve the governance of the Council.
- Ms Charlotte Webster, Independent Person referred to the Foreword and said the sentence saying the council continued to 'uphold the highest possible standards of good governance' was incorrect,

especially following the discussions that had taken place at this meeting and at previous meetings. She said it was important to move forward and be candid about the challenges facing the Council.

- Councillor Wood referred to the Croydon and Liverpool reports and asked if something similar happened at Tower Hamlets would the Council's governance structures, be able to recognise and stop it? He said in his opinion he did not think this to be the case. Councillor Wood cited an example of £140m spent in 2017 in relation to affordable housing and said he did not know what had happened to this.
- In response to comments made by Members, Mr Will Tuckley, Chief Executive said that he needed to reflect on the contributions made by members of the committee and said he agreed with what had been said. A more considered view was needed which reflected the ups and downs of the current governance arrangement.
- With respect to the Foreword, Mr Tuckley said it ought to say, 'that we aspire to continue to uphold the highest possible standards of good governance' and agreed with Ms Webster that this was not always achieved.
- Mr Tuckley acknowledged the points made by Councillor Francis and said these had been debated in the past. He said it was fair to say that systems did not always work. However, he disagreed with the points made about the power of Overview and Scrutiny. He said he respected members views that they did not feel they were influential in respect to the Executive however Overview and Scrutiny did exert influence in respect to policies and practices of the Council. He said he was respectful that this may not be as extensive as some members wanted it to be.
- Regarding the Croydon and Liverpool reports, Mr Tuckley said this was a key concern, not just because of the failings the reports had identified at those local authorities but also because of the history at Tower Hamlets. He said it was imperative that the mechanisms of governance are strengthened and that the Council continuously questions itself, as to if the correct procedures are being followed both by officers and members so to ensure that the organisation isn't at risk and what the consequences would be. Mr Tuckley said this would be the test that requires constant answering.
- Lastly, Mr Tuckley said he would be happy to bring back the Code of Corporate Governance and come back to the committee with an amended version.

The Audit Committee **RESOLVED** to:

1. Note the comments made by Members; and
2. To receive a revised and updated Code for Corporate Governance report at a future meeting of the Audit Committee.

4.8 Annual Review of the London Borough of Tower Hamlets Anti-Money Laundering Policy and Guidance

The Chair Councillor Val Whitehead deferred this report. She said she had previewed the report with Mr Paul Rock, Head of Internal Audit, Fraud and Risk and had agreed the report was over-long and contained inaccuracies which required further attention. Councillor Whitehead said Mr Rock would confer with Legal for their input and would bring the report back to the Committee once it had been amended.

The Audit Committee **RESOLVED** to:

1. Defer the Anti-money Laundering policy report to a future meeting of the Audit Committee, once it had been redrafted.

4.9 RIPA Policy 2021 & Report of Investigations under the Regulation of Investigatory Powers Act (RIPA)

Ms Agnes Adrien, Head of Litigation, Legal Services said there were two reports attached to the agenda. The RIPA Policy 2021 and the RIPA authorisations reports. Ms Adrien explained the RIPA policy allowed for surveillance to be conducted using covert human intelligence and as such the policy set out what those powers were. She said it was proposed that a RIPA social media policy be introduced and said this was appended to the report.

Ms Adrien referred to the authorisation report and informed members no RIPA authorisations had been applied or approved since 2017. No authorisations had been granted under CHIS – Covert Human Intelligence sources. However there had been one authorisation under the interception of communication, since 2017 and this was granted in 2019 in relation to a Trading Standards matter.

Ms Adrien continued saying Members maybe wondering why the powers have not been used and said RIPA was a policy and process which could only be used as a last resort. It could only be used for crimes where the sentencing would be more than six months and could not be used for minor offences. She said the policy had had the desired effect.

She informed Members the policy recommended the reporting of authorisations be on a quarterly basis and if none were granted then to report to the Committee on a half-yearly basis, as well as the annually review of the policy.

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

- The RIPA policy is inspected every three years and the last inspection was in 2020. At the time, Tower Hamlets use of RIPA powers was comparable with other local authorities. With respect to social housing fraud cases, investigation and enforcement is often undertaken without the need to use RIPA.
- **ACTION:** Ms Adrien to provide clarification with respect to what the term 'spiritual counselling' refers to in the policy.

- Councillor Francis commented that the report was clearly presented and said he'd be uneasy if the powers were being overused. He said it was reassuring they were infrequently used as they are intrusive. He said it was sensible to have a social media policy as part of the RIPA policy.

The Audit Committee **RESOLVED** to:

1. Consider and comment on the proposed amendments to the RIPA policy and the introduction of the Social Media policies as appended at appendix 3; and
2. Note the authorisations and information provided in the authorisations report.

4.10 Whistleblowing Annual Report

Mr Mark Norman, Legal Adviser and Deputy Monitoring Officer presented the Whistleblowing annual report. He said the report provided Members with an update on the Council's whistleblowing arrangements in accordance with paragraph 6.1 of the Council's Whistleblowing Policy.

He said the appended report ought to show the track changes of where the policy had been amended however it appeared the report attached to the agenda did not show these changes. Mr Norman proposed to circulate the track changed document via email and said he would welcome any comments in relation to this.

Regarding the report, Mr Norman said the report provided an update on the number of Whistleblowing cases received and investigated since the last report to the Audit Committee.

In response to questions from members the following was noted:

- Councillor Whitehead asked why issues were raised by residents when the policy was aimed at staff? Mr Norman responded stating all complaints are logged via the Council's Website and then filtered according to if the complaint required a direct response from the service area or if the complaint was a whistleblow. Mr Norman said under the whistleblowing policy, access to lodging a complaint had to be available to all – residents, staff, contractors etc and as such whistleblow cases were filtered out. He said the number identified as whistleblow cases had reduced substantially since changes made in July 2020.
- In reference to paragraph 3.5, Mr Norman said the investigation was undertaken by the directorate however he had oversight of the whistleblow.
- **ACTION:** The Whistleblowing Policy showing the track changes to be circulated to members for comment.

The Audit Committee **RESOVLED** to

1. Consider and note the content of the report; and
2. That the Whistleblowing Policy be approved and that the Corporate Director for Legal be delegated authority to make minor changes to the policy, following consultation with the Chair of the Audit Committee, should there be any final comment by Audit Committee Members before publication.

4.11 Annual Self-Assessment and report of the Audit Committee

The Chair, Councillor Whitehead presented the Audit Committee Annual Report for 2020/21. She said the report reflected on the achievement of the Committee and would be reported to Council. She said the report related to the activity of the Committee in 2020/21.

Councillor Whitehead said the report assumed the draft accounts of 2018/19 and 2019/20, considered at this meeting, would be presented and approved in July. However, should the accounts not be approved the Chair's report would be amended accordingly.

There were no questions from Members.

The Audit Committee **RESOLVED** to:

1. Note and approve the Chair's Annual Report, before this is presented to Council.

5. AUDIT COMMITTEE WORK PLAN

The Chair asked if there were any suggestions for the 2021/22 work plan for the Audit Committee. She said the Committee's work plan would be drafted and circulated to members for comment.

Mr Kevin Bartle, Interim Corporate Director for Resources asked for the Annual Financial Accounts for 2018/19 and 2019/20 be added to the July 2021 meeting along with the Deloitte report.

Councillor Wood suggested that the Committee receive a briefing on the Croydon and Liverpool reports plus some feedback on the £140m spent in 2017 in relation to social housing, from a value for money perspective.

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There were no urgent business to be discussed.

The meeting ended at 8.30 p.m.

Chair, Councillor Val Whitehead
Audit Committee

Non-Executive Report of the: AUDIT COMMITTEE] 29 th July 2021	 TOWER HAMLETS
Report of: Will Tuckley, Chief Executive and Kevin Bartle, Interim Corporate Director of Resources (s151 officer)	Classification: Unrestricted
Tower Hamlets' response to the Independent Review of Accounts	

Originating Officer(s)	Marion Kelly – Programme Director Finance Improvement Team
Wards affected	[All wards or state wards]

Executive Summary

This report outlines progress against Tower Hamlets' Improvement Plan (IP) which was drawn up in response to the Independent Review of the 2018/19 year-end closure of accounts. The Independent Review was carried out by Worth Technical Accounting Solutions Ltd and reported to the Audit Committee in January 2021.

Recommendations:

The Audit Committee is recommended to:

1. Note the progress with the 2018/19 and 2019/20 Accounts' Audit
2. Review the actions set out in the detailed IP for Phase 1 of the IP;and,
3. Note the content and timelines of Phase 2;

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations 2015 require that each Local Authority approve its audited financial statements by the statutory deadline of 31st July each year. Since that target deadline was missed for 2018/19, the former Corporate Director of Resources commissioned an Independent Review into the reasons for that and to review why the quality of the draft accounts did not meet the required standards and to recommend actions that would ensure that the Accounts are delivered on time and of the right quality in future. Former Audit Committee reports set out the context and background in more detail.

2. DETAILS OF THE REPORT

2.1 The Independent Review was reported to the January Audit Committee. The summary of the review contains 2 sets of key recommendations, one for sustainable improvement, the other specifically relating to the 2018/19 accounts. These are set out below:

- A) Recommendations for sustainable Improvement (please see section 2.4 onwards); and
- B) Recommendations for the 2018/19 Statement of Accounts. The Council should now treat completing the 2018/19 audit as a corporate priority, by:
 - identifying the key barriers to audit sign-off;
 - implementing clear project plans to address each outstanding issue effectively;
 - securing Deloitte's commitment to completing the audit by an agreed date which is both realistic and achievable; and,
 - providing additional staff resources if necessary.

2018/19 and 2019/20 Accounts

2.2 The Council continues to work through the queries raised by the External Audits for the 2018/19 and 2019/20 Accounts and the Council's actions which were set out in previous Audit Committee reports can be summarised by stating that Deloitte and the Council have worked together to produce an agreed plan to restate the Accounts and for Deloitte to be able to deliver an opinion for each year. It was agreed that each area of the accounts such as creditors, debtors, payroll and assets should be addressed in turn and both years' queries reviewed at the same time with a concentrated effort on each account area in turn, known as a "sprint". After the last report to 7th April Audit Committee, 7 "sprints" remained, with a small number of lesser "sprints". Since that date, 3 of these "sprints" have been completed, 2 are almost complete and the final 2 are underway. Work is just about to commence on some lesser "sprints" that contain a smaller number of minor queries; that will complete the Council's work in response to queries before Deloitte follows its internal processes to deliver an audit opinion for each year.

2.3 The Interim Corporate Director of Resources will give a verbal update as to the latest position and the degree of confidence that the Accounts will be restated for the September Audit Committee Meeting. In addition, there will be a verbal update regarding the issues relating to the 2016/17 and 2017/18 Accounts which were audited by KPMG and for which certificates remain outstanding. Please note that Deloitte will not be in attendance at this Committee meeting.

Improvement Plan

- 2.4 The IP which meets the other Independent Review recommendations is set out in Appendix A. It lists each of the recommendations set out in the Independent Review and sets out the Council's response. It is split into 4 sections, which are summarised below.
- 2.5 The Council has split the IP into Phases, with Phase 1 ending in May 2021 and Phase 2 ending in November 2021. All the actions for Phase 1 excluding Pensions which is considered in 2.13 – 2.17 have been met or are ongoing apart from:
- 5 recommendations where the actions have not been completed in Phase 1 and are red 'ragged' and 2 amber actions. These 7 actions are set out below and they are being taken into Phase 2;
 - 1 recommendation where a change in the action is proposed; and
 - 2 recommendations where the subject area will be carried into Phase 2 but the actions will be in addition to those in Phase 1.

Section A – Independent Review Leadership, resourcing, planning and closedown delivery

- 2.6 Actions to meet the recommendations in this section have largely been delivered or the actions identified are ongoing throughout the accounts production process. This has been reported to the April Audit Committee. Key achievements include: -
- Internal Governance has been significantly improved with weekly meetings taking place with Deloitte and the Chief Accountant, fortnightly meetings with the Interim Corporate Director of Resources and the Deloitte partner and quarterly meetings with the Statutory Officers Group which includes the Chief Executive. There is a weekly meeting led by the Interim Corporate Director of Resources with the Finance team to review progress;
 - A corporate approach has been established to producing the Accounts with clear Chief Executive leadership, including CLT verbal reports and regular Council wide communications;
 - DLT ownership of producing the accounts has been improved, with DLT reports;
 - The Plans for producing the 2020/21 Accounts were reconfigured; and,
 - Detailed guidance was produced and training/briefing sessions were held for Finance staff and key targeted directorate staff.
- 2.7 There are 3 recommendations where the work required by Tower Hamlets has not yet been completed and will be taken into Phase 2 of the IP
- *A2iv - A standard objective for PDRs relating to the responsibility that service staff carry, whether a budget holder or a budget administrator has been made available, but this should be tailored to each staff member's responsibilities.*
The standard objective will be developed for the next round of My Annual Reviews (MAR).

- *A3ii - A wider training needs analysis (TNA) will be carried out for Finance staff as well as budget holders and administrators to identify gaps and develop a suite of training sessions and online content.*
This work is now in hand and will be carried into Phase 2. The TNA will be carried out in the late summer/early autumn, with training sessions to be held across the Council.
- *A4iii - MARs to be clear about individual training needs so staff have the opportunities to be upskilled where individual needs are identified.*
This will be developed for the next round of MARs.

Section B – Systems and Processes

- 2.8 The actions required in this section have largely been completed or are in hand. Significant achievements include:
- Capital Budgets loaded on to Agresso, capital training delivered to circa 100 staff, new capital reports designed and forecasts have been made online and this will be done monthly;
 - System improvements made such as “rollovers” (which simplify the reporting and analysis of the Trial Balance to the specific years’ activity) for Tower Hamlets (these changes will be made for Client Affairs, Pensions and Tower Hamlet Homes in Phase 2) and the introduction of additional accounting periods at the end of the financial year which will assist in the transparency of the final accounts process and a technical Agresso upgrade has taken place;
 - Monthly dashboard reporting of key areas such as Bank Accounts’ Reconciliations and key processes have been documented and are with Internal Audit for Review; and,
 - Key causes of major errors in previous years such as the process for valuing assets have been reviewed, action plans drawn up and implemented and the draft process document is now with Internal Audit for review.
- 2.9 There are 3 exceptions:
- *B1a ii - Planned improvements delivered to Agresso and other systems.*
There some uncompleted improvements and these are being carried into Phase 2 such as new standard revenue reports and easier forecasting. There were some unexpected technical issues which have required more work to be carried out than originally planned.
 - *B2a iii - The accounting processes for the Collection Fund will be reviewed and documented by an external resource; LGF and training delivered for relevant staff.*
This will be carried forward into Phase 2 due to capacity issues and the need to complete the 2020/21 accounting entries.
 - *B4b - Actuaries’ reports and correspondence should confirm how they have taken account of recent legal cases and other current developments when assessing year end pension liabilities.*
These reports have only just been received as there were unexpected difficulties in producing the employee data required for the reports and this action will be taken into Phase 2.

In addition, 1 change has been made to the actions set out to meet a recommendation and there is 1 critical area where upon further work, the classification of the subject area needs to be amended:

- *B1a iii - A strategic review of corporate systems to be carried out to decide what financial system should be used. An external analysis of opportunities will be commissioned externally as part of the Review*
It has been recognised that Tower Hamlets does need to review what corporate systems it requires, so a review of whether an Enterprise Resources Planning system is a better solution rather than current best of breed systems is needed. It has been decided that in the Council does not have the capacity to carry out that review in Phase 2, but that an independent review (a “Health check”) of Agresso only will be carried out in preparation for the wider review.
- *B2a – Regular reconciliations*
Payroll reconciliations formed part of Phase 1 as these had caused delays in producing the 2019/20 accounts. It was previously reported that the reconciliations were not up to date and that the procedure note had not yet been developed due to resource constraints. Subsequent work has shown that there are significant issues with payroll reconciliations that date back to 2012 and that there are a number of reports that need to be made to provide the correct data and that the process itself will need to be reconfigured. A write off of £0.811m needs to be made that dates back to 2012 (a correction of income coded and recognised incorrectly to a revenue cost centre in previous years that should have been applied to the balance sheet). The payroll reconciliations are now a very high priority and form part of Phase 2.

Section C – Errors identified - all income to the Council is accurately and promptly invoiced, collected and recorded.

- 2.10 The actions required in this section have largely been completed or are in hand. Significant achievements include: -
- Key causes of major errors in previous years such as accounting for the Community Infrastructure Levy and accounting for leaseholders have been reviewed, action plans drawn up and implemented and processed document, now with Internal Audit for Review;
 - Schools payments and accounting process have been reviewed and significant changes made to prevent errors, including school payments now being made through the Council’s standard processes, not individually on the day (CHAPS);
 - Areas of delays were identified such as accounting for S106 and actions plans developed, delivered and processes documented (now with Internal Audit for validation); and,
 - A grants register was established, to facilitate easier reconciliations, reduce delays and reduce the risk of errors.
- 2.11 There is 1 recommendation that is amber and one area where different actions will take place in Phase 2:

- *C6b - An “accruals team” should be established to check all accruals over an agreed threshold (say £250,000) and 10% - 15% of accruals below this threshold on a sample basis to confirm the accuracy of the entries in the Statement of Accounts.*
This action is amber as the accruals are being checked but the substantive recommended action will be carried forward to Phase 2
- *C1c - Documented line by line review of the Balance Sheet has taken place and any uncertainties addressed with an action plan.*
This will be taken into Phase 2 as the action plan still needs to be developed given that the actions need to be undertaken at a granular level.

Section D - External Audit

- 2.12 These recommendations are completed or ongoing do not require additional resource but are now being absorbed as business as usual. The restated accounts for 2018/19 and 2019/20 are elsewhere on this agenda.

Section E – Pensions

- 2.13 The Pensions workstream did not form part of the scope of the Independent Review, but the issues are of such importance that it was decided that they should form part of the IP.
- 2.14 Whilst the Pensions work stream did not form part of the Independent Review, the areas of improvement are of fundamental importance to meeting Local Government Pensions Scheme (LGPS) legislative requirements, the Pensions Regulator (tPR) requirements, the Fund’s ability to provide scheme members with statutory documents like Annual Benefit Statements and Pensions Savings Statements and preparation of accounts for Deloitte to be able to deliver an opinion for each year.
- 2.15 Improvements were split into two sections:
- Pensions Finance
 - Pensions Administration
- 2.16 7 areas of improvements were identified under pensions finance covering:
- LGPS and tPR Regulatory requirements for all employers to provide monthly employee and employer contributions as well as payroll data on a monthly basis to the pension fund.
Over the years, the pensions administration team had taken on the employer function of uploading monthly payroll and contribution data for scheme members contrary to LGPS 2013 Regulation 69 which clearly states this an employer function.

The team extracted payroll data from the payroll/HR system Resource Link in addition to undertaking data uploading function. Over the years, records with problems, errors or warnings are excluded each month from upload, in some cases auto enrolment difficulties have meant that some records

are incorrect. In other instances, basic structure changes within council establishments have resulted in duplicate records.

At the time of writing this report 29 employers in the pension fund now upload monthly payroll data to the pension portal 'iconnect'. The following employers; Tower Hamlets Council, Tower Hamlets Homes, Mulberry Academy, East End Homes, St Pauls Way School Trust have yet to onboard (these organisations also use Tower Hamlets as a payroll provider).

- Review and implementation of a new pension fund chart of accounts. Currently the pension fund accounts have been produced using a less than adequate chart of accounts with payments of expenditure being made from the council's own bank account and income received in the pension fund accounts resulting in comingling of funds contrary to LGPS Regulations 2016 (6) (3) which requires Funds not to off-set with other accounts of the authority. In January 2020 as part of ongoing improvement, all payments of the pension fund are no longer paid out of the council's bank account.

Since then it has become necessary for the pension fund to operate within the confines of its own ledger. A draft chart of accounts has been prepared which, at this time, requires a little more work. The completion of this improvement will take place as part of phase 2 improvements referred to in this report.

- Work on automation of daily pension fund bank account files and direct posting to the ledger is also ongoing.
- Setting up of pension fund budgets has been moved to phase 2 due to resource constraints.
- The improvement around having in place standard financial system reports for use in producing the pension fund accounts will take place in phase 2, priority has been given to completing the actual chart of accounts.
- Review of coding of payroll elements for pensioners payroll to align with new chart of accounts is also rescheduled.

Although most are nearing completion for reasons mentioned within paragraphs 2.14 to 2.16 of this report, all 7 have been moved to phase 2 for completion.

2.17 The 9 improvements below were put forward under pensions administration:

- Implementation of a service provider to process monthly pension payments to overseas pensioners. There are over 250 overseas pensioners who reside in various countries around the world. Equiniti, the

Fund's previous provider was unable to make payments to pensioners who resided in countries like Thailand, this meant such pensioners had to be paid by cheque each month. In addition, confirmation of payments was not immediate and the council's plan to stop the use of cheques in 2019 meant an alternative means of payment was necessary. A new provider Western Union has now been sourced and all overseas pensioners are paid by the same provider.

- Establishing dialogue with scheme employers by way of an employer forum. The Fund's first employer forum has taken place with the expectation that this will continue annually and provide the opportunity to discuss current issues and improvements with employers in the scheme.
- Review of HMRC returns. This review brought to light a host of outstanding statutory returns (annual and quarterly) dating back to 2014/15 which had yet to be completed.

To date all quarterly returns 2014/15 to June 2021 in respect of tax on refund of employee contributions made by the Fund have been completed and payments of outstanding tax paid to HMRC. A process is now in place to ensure this takes place on a quarterly basis.

The processing of ill health annual returns 2014/15 to 2020/21 has been completed and returns submitted to HMRC.

Work is ongoing in respect of annual returns for scheme members tax charges on Annual Allowances; for 2014/15 to 2017/18 returns have been completed while completion of returns for 2018/19, 2019/20 and 2020 is due by the end of phase 2.

- Review of the Pension Fund Risk Register was completed. On the recommendation of the Pensions Board, review of updates and amendments to the Risk Register is now a standing agenda item in every Pensions Board meeting.
- Also completed is the incorporation of the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended KPI's in performance reporting. The new reports will form part of September updates to the Pensions Committee and Pensions Board.
- The roll out of iconnect (pensions portal) to all scheme employers to facilitate the uploading of payroll data is expected to complete once the council and other employers mentioned above have commenced with monthly data upload. The target completion of this improvement has therefore been moved to phase 2.
- With the successful completion of producing 2018/19 and 2019/20 Annual Allowance and Life Time Allowance pension statements to affected scheme members, work has commenced on producing 2020/21 although

statutory deadlines may be affected by data issues highlighted in this report. This is expected to complete in Phase 2.

Programme Approach.

2.18 As previously reported to the Audit Committee, a programme approach has been taken to manage the IP, which has now been developed to encompass the wider recommendations made as part of the CIPFA review and other work deemed essential. All unmet actions from Phase 1 are being carried into Phase 2, which has been agreed by CLT as follows:

- A Budget Management
 - In depth realignment of all Council wide budgets (income and expenditure) to enable more robust monitoring
 - Review of the way in which Tower Hamlets accounts for recharges
 - Agresso Health Check
 - A Council Wide Learning and Development Training offer for Budget Holders and Finance staff and MAR Finance objectives
 - A new intranet page designed as a 'one stop shop' for Budget Holder information and guidance.
- B Pensions Administration and Finance
- C Corporate and wider Finance Workstream
 - Enhancements to the Tech Forge system (Finance Asset Register)
 - Core Process Reviews
 - Review of journals
 - Further review of control accounts and reconciliations
 - VAT review
 - Payroll review
 - Review of frequency of schools' accounts (currently quarterly)
 - Systems enhancements
- D Legacy Phase 1 - Agresso
- E Legacy Phase 1 – closure of 3 years accounts (2018/19, 2019/20 & 2020/21), the Audit opinion and the KPMG certificate for years 2017/18 (and 16/17?)
- F Legacy Phase 1 – other unmet Phase 1 recommendations

Resource Implications

2.19 The resource plan has been reviewed and agreed by CLT. Phase 2 funding from the Transformation Reserve is estimated at £1.045m, which is funding 3 interims to support the Accounts production for 2020/21 and the Audits of previous years, along with 4 interims to carry out the Budget Realignment and Recharges Reviews and 1 interim to lead the work for Resources and

Governance and the central IP team of 3 interims. This budget does not cover the cost of a Council wide Budget Holder training programme or new training and reference materials to support Agresso users.

- 2.20 The costs referred to above are one off, but the S151 officer will have to consider, in consultation with CLT and Cabinet, ongoing resourcing following the completion of the 2020/21 accounts. The cost of the specific Agresso enhancements is expected to be minimal but yet to be confirmed.

Risks

- 2.21 A Risk Register has been drawn up and is planned to be reviewed at the FIB.

IP Governance

- 2.22 Due to the comprehensive and complex nature of the recommendations, it was decided that the IP should form part of the Corporate Leadership Team (CLT) Transformation Board suite of programmes. The IP is being governed by a Finance Improvement Board (FIB), chaired by the Interim Corporate Director of Resources and the membership of the FIB has been updated to reflect the work being carried out in Phase 2:

- Chair – S151 Officer, currently the Interim Corporate Director of Resources;
- Interim Divisional Director for Finance, Procurement and Audit
- The 5 Strategic Heads of Finance
- The Divisional Director for IT
- The Divisional Director for HR – NEW
- The Corporate Director of Place
- Interim support to the IP
- Along with the Head of Internal Audit and the Interim Head of the Portfolio Management Office as observers.

- 2.23 The Board reports monthly to the CLT Transformation Board and a progress report will continue to be made to each Audit Committee.

Conclusions

- 2.24 The IP represents a major step towards the objective of the Accounts being sustainably produced with the required quality and on time. There have been significant achievements but some element of Phase 1 still need to be completed.
- 2.25 The Plan will need to be reviewed again once the 2020/21 Accounts have been published to take account of any further improvements that have been identified during the 2020/21 process and when the external auditor has made their final assessment of the Council's accounts (ISA 260 report) after they have concluded their audit of the 2 outstanding years accounts.

3. EQUALITIES IMPLICATIONS

- 3.1 The Equality Act 2010 requires the Council in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 3.2 There are no equalities implications arising from this report.

4. OTHER STATUTORY IMPLICATIONS

- 4.1 Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom. There are no other statutory implications within this report.

5 COMMENTS OF THE CHIEF FINANCE OFFICER

- 5.1 The comments of the Chief Finance Officer have been incorporated throughout this report.

6 COMMENTS OF LEGAL SERVICES

- 6.1 The Accounts and Audit Regulations 2015 ("the Regulations") require a local authority to have a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, and ensures that the financial and operational management of the authority is effective. The Regulations also require a local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Regulations set out the timescale within which the annual statement of accounts must be published. As stated in the report, this timescale has been missed and the report sets out the proposals to publish the audited accounts as soon as possible, albeit late.
- 6.2 The effective management of the Council's finances 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.

Linked Reports, Appendices and Background Documents

Linked Report

Tower Hamlets' response to the Independent Review of Accounts and reports produced by the Chartered Institute of Public Finance and Accountancy and Grant Thornton

<https://democracy.towerhamlets.gov.uk/documents/s183532/Finance%20and%20Governance%20Improvement%20Plans.pdf>

Appendices

A Finance Improvement Plan

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
A	Leadership, resourcing, planning and closedown delivery					
A1	Regular and visible input from the Council's s151 officer is necessary to reinforce the fact that closedown is a corporate priority, enable key judgements to be documented and ensure any problems or slippage are promptly identified and resolved.	A1 i	Weekly Accounts meetings to be led by S151 to show a visible presence, allow speedier decision making, oversee documentation and support informed feedback to CLT.	S151	Complete	
		A1 ii	S151 to hold an Accounts launch session in week beg 1st Feb; this will launch the I.P., feedback on lessons learned and focus on the timetable for 20/21, as well as update on technical changes.	S151	05/01/2021	
		A1 iii	Fortnightly e mail from the S151 to all key staff, including 3rd parties such as THH and identified departmental staff at all levels to brief on progress, celebrate success and identify where more actions are required to remedy delays or address problems.	S151	12/02/2021	
A2	Culturally the Council should recognise that year-end close and audit is a corporate priority, and all Corporate Directors should support the Corporate Finance team by: <ul style="list-style-type: none"> making staff time available as necessary to assist with closedown work ensuring that in-year financial information is accurate and up to date adhering to corporate timetables and guidance on year-end close, especially in key areas such as accruals, cut-off, reconciliation work and the use of reserves responding promptly to audit queries and internal requests for further information 	A2 i	Finance to take regular reports to CLT, starting with the Accounts timetable and fortnightly from week ending Feb 26th so that the CEO and CLT are aware of progress and specifically, what is needed to ensure that the timetable is on track. It should be noted that these reports were mainly verbal and become less frequent after directorate involvement has become less significant. Reports are now made on an as and when needed basis.	CEO	Timetable 26/01/2021 and fortnightly from 26/2/21	
		A2 ii	Heads of Strategic Finance (HoSFs) to attend DLTs with a regular report to highlight progress and what is needed and from whom both in terms of their own data and specific actions required for the Accounts such as valuations. DLTs to include Accounts related content in newsletters and staff cascades. These reports are now made on an as and when basis as directorate involvement has largely been finished.	CDs/SHOFs	26/02/2021	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
		A2 iii	Readiness report for each Division to be prepared including a review of what is required for the Accounts and remedial action identified for financial information being accurate and up to date; this to be discussed at DD DLTS reported to Directorates DLTS. Generic template to be provided by Finance.	DDs	12/02/2021	
		A2 iv	PDRs (now My Annual Review MARs) to contain an objective on finance to cover budget development, monitoring and the accounts for all relevant staff. This will be carried into Phase 2.	CEOs/CDs	Apr-21	
		A2 v	A Council wide coms plan to be developed in conjunction with Coms so that awareness is heightened and colleagues across the Council understand progress.	DS151	29/01/2021	
A3	All Finance staff should expect to be involved in year-end work and should be provided with adequate and up-to-date training in this regard. Local authorities who do this most successfully have a programme of short, but regular, training events throughout the year.	A3 i	A series of mandatory briefings and training sessions to be drawn up and diarised in all Finance Calendars. All staff to attend, including S151, except for those detailed briefing sessions centering on one specific subject such as schools accounting.	DS151	Between 1/02/2021 - 28/02/2021	
		A3 ii	A wider training needs analysis will be carried out for Finance staff as well as budget holders and administrators to identify gaps and develop a suite of training sessions and on line content. This will be carried into Phase 2	DS151	31/5/21	
		A3 iii	A wider training plan to be developed including one off and ongoing training for BH, along with a BH webpage with training content and link to relevant documentation such as the BH Handbook. The training should be mandatory.	DS151	Phase 2	
A4	Closedown planning should clarify accountability for all tasks identified and ensure that detailed working papers are prepared to support all core statement and disclosure notes.	A4 i	Review allocation of tasks as part of the timetable review.	CA	29/1/21	
		A4 ii	Templates for detailed working papers to be drawn up eg for accruals	CA	05/02/2021	
		A4 iii	PDRs to be clear about individual training needs so staff have the opportunities to be upskilled where individual needs are identified.	DD HR	PDR Deadline	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
A5a	Closedown work should be scheduled to avoid bottlenecks and to ensure that all disclosure notes are completed and reviewed before core statements are prepared.	A5a i	Lessons learned sessions to be held with all staff including an assessment of where bottlenecks occurred and why this was the case. The key bottlenecks experienced for 2019/20 accounts such as schools, the Collection Fund, Leaseholders, payroll reconciliations, bank accounts, energy holding account, suspense and other key reconciliations such as Housing Rents all to have specific plans to avoid a reoccurrence.	DS151	15/1/21	
		A5a ii	A review of strategic priorities and resourcing for Finance to be held to allow more focus on the Accounts. CLT agreed that Finance staff could post a virtual 2 week "out of office" to focus on the Audit.	S151	29/1/21	
		A5a iii	Closing timetable and plan being reviewed for early cut off opportunities where they will add value, where more estimates can be used.	CA	29/1/21	
		A5a iv	A review of who uploads accrual bulk journals and manual journals (service finance team or business support team) to be carried out to avoid bottlenecks	CA	29/1/21	
		A5a v	The Council's current Asset Register is on a spreadsheet. This needs to be put on a system for control purposes and avoid bottlenecks.	CA	Phase 2	
A5b	The closedown plan includes columns for actual completion dates and a "traffic light" risk assessment system, which should be used to monitor progress and highlight delays.	A5b	The closedown plan for 19/20 had these columns built in.	CA	Complete	
A6	The Council should aim to complete as much closedown work as possible prior to 1 April each year, using budget and Quarter 3 information where possible to draft disclosure notes.	A6	The Timetable will be reviewed to ensure that as many tasks as possible will be completed prior to 31/3/21, including seeking further opportunities to use estimates.	CA	Ongoing to 31/03/21	
A7	The Prepared By Client (PBC, information requirements) is one of the key drivers for the audit and the contents of this list should be discussed and agreed well in advance with a view to ensuring that all working papers requested are available at the start of the audit. Checklists, templates and proformas should also be introduced to ensure that working papers are prepared to a consistent standard which meets external audit needs.	A7 i	Earliest sight of PBC requested to discuss with Deloitte and a workshop to be set up to review requirements with them.	CA	05/02/2021	
		A7 ii	Detailed briefing sessions on the PBC to be set up with all responsible officers (as in 19/20)	CA	26/02/2021	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
		A7 iii	Checklists, templates and proformas to be reviewed as part of the Accounts suite of documentation.	CA	05/02/2021	
A8	Closedown work should include detailed checks on the draft financial statements, and a full review of year-end working papers, at the pre-audit stage.	A8	To be included as part of the Accounts Timetable (this was in place for 19/20)	CA	29/1/2021	
B	Systems and processes					
B1a	The Council should, as a priority, address the shortcomings in the current ledger system highlighted by CIPFA in 2017. A project plan should be established to deliver the required improvements within achievable timescales, and subject to regular monitoring by the Audit Committee.	B1a i	A Development Plan is being devised in conjunction with IT that has identified development priorities that will take place before and after a planned upgrade to Agresso before June 21. Benefits include "Rollovers" carried out for the Council, capital budgets loaded to Agresso with new capital reports.	DS151	Costed plan completed	
		B1a ii	Planned improvements delivered. Items not complete and being carried into Phase 2 are new standard revenue reports.	Chair Agresso Board	31/5/21	
		B1a iii	A strategic review of corporate systems was to be carried out to decide what financial system should be used. An external analysis of opportunities will be commissioned externally as part of the Review. This has been deferred to a later Phase of the IP, due to capacity.	S151	Later Phase	
B1b	The Council should simplify the current coding structure so that it reflects, with minimal re-analysis, the required layout and format of the Statement of Accounts.	B1b	This has been completed for the 19/20 set of accounts and is in place.	DS151	Complete	
B1c	Arrangements should also be put in place to manage the appropriate roll-forward, reversal or re-start of specified ledger codes each year end.	B1c	This forms part of the Agresso Development Plan and has been completed for the Council's Accounts (NB a similar approach will be taken for THH, Client Affairs and the Pensions Fund)	CA	21/02/2021	
B1d	The Council should also simplify the presentation of the CIES and underlying processes for the accounting and management of overheads, governance and corporate service costs.	B1d	An initial review of Corporate recharges was completed and budgets centralised. A review of accounting for and the management of overheads, governance and corporate service costs to be commissioned, with the objective of making these fit for purpose whilst being as simple to execute as possible. The Accounts impact will be year 21/22.	DS151	Phase 2	
B1e	Action should be taken to minimise journal mispostings and coding adjustments, through a combination of staff training and by restricting who can initiate and authorise such transactions.	B1e	A review of the 100,000 plus journals a year will be commissioned to reduce the volumes and secondly, make recommendations on staff that can post journals; currently, departmental staff can post journals as well as Finance staff.	DS151	Phase 2	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
B2a	The Council should confirm that all Agresso ledger codes and disclosure notes are supported by ongoing financial systems and/or year-end work. Arrangements should be put in place to carry out and evidence regular reconciliation work which confirms the accuracy of these balances on a monthly basis rather than relying on year-end work.	B2a i	A review of all ledger codes and disclosure notes to take place to establish that each balance/disclosure note has an owner and that a reconciliation is taking place. Where they are key, those to form part of the Technical Plan - Phase 1, so arrangements for those will be put in place to ensure that regular reconciliations processes are documented, carried out and reviewed	DS151	31/03/2021	
		B2a ii	All other codes and disclosure notes; arrangements for those will be put in place to ensure that regular reconciliations processes are documented, carried out and reviewed	DS151/CA	Phase 2	
		B2a iii	The accounting processes for the Collection Fund will be reviewed and documented by an external resource, LGF and training delivered for relevant staff. This will be carried forward into Phase 2	DS151	31/03/2021	
B2b	Good practice is to operate a "dashboard" approach with regular (i.e. monthly) reports to the s.151 officer to provide assurance to him/her that all reconciliations are occurring on time and to identify where they are not so that corrective action can be undertaken in a timely manner.	B2b	The first monthly dashboard has been produced in July.	CA	31/03/2021	
B3a	Given the significance of asset valuations to the audit process, tenders and contracts for external valuers should emphasise that all work is carried out to a standard that meets Code and RICS Red Book requirements in full. Contracts should only be awarded to valuers who can demonstrate a proven track record in meeting external audit requirements.	B3a	TH already mandates that all companies used have surveyors that are RICS registered valuers as a condition of the contract, as per RICS requirements https://www.rics.org/uk/upholding-professional-standards/regulation/valuer-registration/ Tower Hamlets' current valuer is RICS registered https://www.wilks-head.co.uk/the-firm/meet-the-team/guy-harbord/ The track record of surveyors is a key factor in contract award; our current contractor is one of the most widely used companies in this field and provides a similar service to over 100 local authorities. NB The Council is in the final year of this contract (The Contract is for 5 years from 1st September 2017 and expires on 31st August 2022, although it can be extended for one or more further periods). A meeting has been diarised for early 2022 to commission a new tender process ensuring that the surveyors have RICS Registered Valuers.	CA/Place DD	26/01/2021	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
B3b	Valuation processes, including all key estimates and assumptions, should be fully documented with officers undertaking, and evidencing, adequate review and challenge of all valuation reports received	B3b	Tower Hamlets will confirm all the required assumptions with WHE before the valuation is carried out and document this process and ensure that the valuation reports are reviewed, challenged and that process will be documented. The valuation will be reviewed by the Capital Accountant and nominated member of Asset Management prior to being signed off by The Chief Accountant and Head of Asset Management or Divisional Director of Place.	CA/Place DD	28/02/2021	
B4a	The Council should liaise with its actuaries each year end to ensure that officers understand and agree with all key assumptions underpinning IAS 19 valuations and reports, and that evidence can be provided, if necessary, to support the judgements, estimates and assumptions arrived at.		This will be included in the Closedown timetable	DS151	Ongoing to 31/3/21	
B4b	Actuaries' reports and correspondence should confirm how they have taken account of recent legal cases and other current developments when assessing year end pension liabilities.		This will be included in the Closedown timetable; this is amber as the reports have only just been delivered - this has been taken into Phase 2	DS151	Ongoing to 31/3/21	
B4c	Working papers provided for audit should demonstrate how the accounting implications of any prepayments or deficit funding arrangements have been considered and applied		The working papers to be reviewed and the accounting implications clearly set out	DS151	Ongoing to 31/3/21	
B5a	Discussions should be held with the external audit team early in the New Year to identify and agree the basis for: • exercising and disclosing key management judgements and material estimation techniques • implementing new Code requirements and other significant changes to the Statement of Accounts • dealing with any other complex or contentious accounting issues.		A meeting to be set up for this purpose with all key parties.	CA	05/02/2021	
B5b	Particular attention should be given to the implementation of IFRS 16 for 2020/21, and project plans for successful implementation put in place as soon as possible. Arrangements should then be made to obtain any additional information from external experts, (e.g. valuation reports, legal advice or formal accounting views) and for officers to prepare briefing papers or Council reports on material items as required.		This implementation has now been deferred nationally to 21/22 - the work on this will be carried out during calendar year 2021.	CA	31/11/2021	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
B5c	The template Statement of Accounts should be re-drafted to include updated disclosure notes and revised accounting policies by 31 January, then be presented to auditors and Those Charged with Governance in advance of 31 March each year.		The template will drafted for CLT review, Deloitte and the Audit Committee.	CA	CLT 26/1/21, Deloitte 5/2/21 and Audit Committee 7/4/21	
C	Errors identified to date					
C1a	The Council should: <ul style="list-style-type: none"> • update its approach to revenue recognition in the light of IFRS 15 		The approach has been updated and a working paper shared with Deloitte	CA	31/12/2020	
C1b	<ul style="list-style-type: none"> • improve processes for controlling year end cut-off 		To be reviewed as part of the closedown timetable.	CA	16/1/2021	
C1c	<ul style="list-style-type: none"> • ensure that items are not carried forward on the Balance Sheet without a detailed review to confirm accuracy and completeness of audit trail 		Documented line by line review of the Balance Sheet has taken place and any uncertainties addressed with an action plan. This will be taken into Phase 2 as the action plans need to be developed as it is high level and needs to be taken to a granular level.	Ds151/CA	ongoing to 31/03/21	
C1d	<ul style="list-style-type: none"> • ensure that land and buildings valuations meet Code and RICS requirements • improve liaison with spending departments to ensure that the Fixed Asset Register is accurate and up to date. 		All land and buildings are valued using Code and RICS requirements. A monthly Assets Group meeting was established in the Autumn of 2020 to jointly review the list of potential surplus assets and assets that are being disposed by a range of stakeholders from Finance and Place. A list of all the assets that will come into operational use and the anticipated year that they will become operational will be drawn up using the Capital Programme and reviewed in detail quarterly by the Assets Group and then reported to the Capital Delivery Board which governs the Capital programme, to further ensure that the fixed asset register can be kept up to date.	CA/Place	ongoing to 31/03/21	
C2	Feeder systems and regular reconciliation processes should be established to ensure that all income due to the Council is accurately and promptly invoiced, collected and recorded.	C2a	All income sources need to be documented and reconciliation processes reviewed and documented. Particular focus for Phase 1 is on CIL, S106 and Leaseholders. Action Plans were agreed and largely delivered and processes have been documented and are now with Internal Audit for Review.	DS151	31/3/2021	
		C2b	All other income sources to be documented and reconciliation processes reviewed and documented on a prioritised basis.	DS151	Phase 2	
C3	A consistent approach to accounting for DSG funding deficits should be decided upon, taking account of current DfE and CIPFA guidance, and disclosed as a key management judgement in the Statement of Accounts.		This will be reviewed and the DSG funding deficits accounting treatment disclosed in the Statement of Accounts	CA/Childrens HOSF	12/02/2021	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
C4	The Council should aim to set up a monthly monitoring process whereby all schools provide copies of bank reconciliations and budget monitoring statements within 10 days of each month-end, and this information is used to confirm each schools' cash balances, reserves balances and spend to date against DSG allocation. Journal postings can then be made on a regular basis throughout the year to eliminate internal transactions and recharges and post accurate figures for schools' cash balances and reserves to the Balance Sheet.		The decision for the need to move to monthly monitoring for schools will be taken at the end of October 2021. A more robust quarterly monitoring process has been implemented as well as further improvements planned in for 2020/21. These include ensuring that DSG budget allocations are made through a monthly BACs payment set up at the beginning of the school year, internal payroll is posted directly, rather than as a year end process which can then be checked and monitored regularly. There is also a consideration to make service level agreement charges an annual in advance invoiced amount and for other school income payments to be made on a quarterly rather than monthly basis. There is a plan in place to record the bank balance more transparently on the ledger to ensure the bank account reconciliation is possible for the council in a simple form.	HOSF - children's	Phase 2	
C5	Grant income is one of the most significant items in the Statement of Accounts therefore a comprehensive grant claims register should be put in place as soon as possible, and reconciled to ledger records on a monthly basis to better inform budget management and year-end financial reporting		A comprehensive grants register for both capital and revenue to be put in place; the grants register for 2021/22 has been taken into Phase 2	CA	31/03/2021	
C6a	More detailed guidance and training on year-end cut off should be provided to spending departments. In order to minimize the number of year-end postings the Council should implement a de-minimis policy for accruals, say £20-25,000, and suspend payroll and creditor payment runs for 7-10 days over the year end date		More detailed guidance will be sent out to Directorates as per the Closedown plan and it will include the policy on accruals, which is a revenue de minimus of £10,000, unless grants related and a de minimus for capital of £50,000. The closedown timetable does not contain a suspension of payroll and creditor payments. Decision has been made that there is no cut off for 2020/21 closure as there were issues with the use of estimates in 19/20.	CA	12/02/2021	
C6b	An "accruals team" should be established to check all accruals over an agreed threshold (say £250,000) and 10% - 15% of accruals below this threshold on a sample basis to confirm the accuracy of the entries in the Statement of Accounts. Alternatively, additional testing of year-end accruals could be provided by Internal Audit.		A review of the resources has taken place, bearing in mind that the Chief Accountant and his team are now permanently staffed. It is proposed that 3 short term interims are secured with a start date of February. Part of the role will be to review all accruals; the team will also provide additional capacity, troubleshoot and support the audit process. Once the 20/21 Accounts have been audited, a review will take place to see what if any short term resource needs to be secured annually. This is work in progress and will be taken through to Phase 2	CA	12/02/2021	
D	External Audit					

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
D1	Detailed meetings between the Council and their auditors at the planning stage should have covered not just the logistical arrangements for the audit but also current Code and FRC requirements, the overall approach to the audit and working paper requirements.		A separate meeting will be set up for this purpose with Deloitte.	DS151/CA	12/02/2021	
D2a	Processes recently put in place to manage the audit process and to treat completion of the 2018/19 audit as a corporate priority need to be maintained and developed.		The daily updates on timetables and outstanding queries will be continued, as will the weekly minuted meetings with Deloitte. The corporate nature of the Accounts will be further emphasised by the actions identified elsewhere in the I.P.	S151	Completed	
D2b	Discussions with Deloitte should clarify how best to prioritise outstanding queries and complete the audit of the revised 2018/19 Statement of Accounts by an agreed date which is both realistic and achievable.		Joint Deloitte / CEO meeting took place in January and a joint plan has been agreed.	CEO/Deloitte	Completed	
D2c	The s151 officer should reinforce this process by regularly attending progress meetings with the external audit team, providing visible encouragement and leadership and closely monitoring progress against plan.		The S151 meets Deloitte every 2 weeks and in between as required. TH CEO is meeting with Deloitte formally on a quarterly basis.	S151/CEO	29/01/2021	
D2d	Reports to Those Charged with Governance should be more detailed and cover audit processes as well as proposed changes to the Statement of Accounts.		More detailed reports will be made to the Audit Committee at each cycle.	DS151	28/1/21 and ongoing	
E	Other workstreams					
E	Pensions					
E1	Implement proposed staffing structure		Fill vacant positions.	DS151	Ongoing to 31/7/2021	
E2	Ensure 90% of member records are accurate		Improvement in tPR score and Aquila Heywood Annual Data Quality Report in line with guidance notes set out by tPR Audit results - separate detailed action plan. This is ongoing. Missing records receive from council payroll and other employers have been created. This work stream will be completed once zellis amendments to HR/Payroll system is completed. This will ensure receipt of correct and complete records.	DS151	ongoing to 30/06/22	

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	Comments
E3	To ensure 98% of member records are accurate		Improvement in tPR score and Aquila Heywood Annual Data Quality Report in line with guidance notes set out by tPR Audit results - separate detailed action plan. This is ongoing. Missing records receive from council payroll and other employers have been created. This work stream will be completed once zellis amendments to HR/Payroll system is completed. This will ensure receipt of correct and complete records.	DS151	ongoing to 30/06/23	
E4	Complete all existing backlog tasks		Performance reports - separate detailed action plan. Clearing of backlog for active members and pensioners has been the initial priority to avoid further breach of regulation or Ombudsman complaint. Average age of backlog in this group has improved from over 24 months to under 6 months. Work is ongoing to continue to clear outstanding backlog. Delay in clearing back log has been mainly due to resource constraints within the team and difficulty in recruiting experienced agency staffs in the interim.	DS151	31/12/2020	
E5a	Developing technology to improve data quality		100% of employers submitting data via i-Connect and taking full ownership of process - separate detailed action plan. Employers forum was held in October 2020 during employers where informed of the need to adhere to the LGPS and TPR regulations. Since then All employers apart from Tower Hamlets council, Tower Hamlets Homes, Mulberry Academy, St Pauls Way Trust School and East End Homes now submit data via i-Connect.	DS151	31/3/2021 and ongoing	
E5b	Developing technology to streamline process & reduce errors		Implement workflow - searate action plan.	DS151	Completed	
Eb6	Developing technology to streamline process & reduce errors		Implement system generated letters	DS151	Completed	

Non-Executive Report of the: Audit Committee 29 July 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources	Classification: Unrestricted
Treasury Management Outturn Report for 2020-21	

Originating Officer(s)	Pearl Emovon – Interim Treasury Manager
Wards affected	All Wards

Summary

This report is produced in accordance with the CIPFA Treasury Management Code of Practice The Treasury Management Strategy Statement and the Treasury Prudential Indicators for 2020-21 were approved by Council on 19th February 2020, as required by the Local Government Act 2003. This report covers the period 1st April 2020 to 31st March 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 risks are therefore key to the Council's treasury management strategy.

The revised investment income budget for 2020-21 was £2.3m, with actual income received of £2.4m. To date £76m has been invested in pooled funds. Equity markets fell very sharply at the end of 2019-20 due to the impact of Covid-19 on the economy, resulting in a significant fall in value of pooled funds. However, the value of pooled funds recovered from £69.4m back to the purchase price of £76m by the end of 2020-21.

From the benchmarking exercise a total return of 3.47% was achieved in 2020-21, which was 1.63% above the average for similar LAs, and 1.21% higher than the average return for all LAs. The Sterling Overnight Index Average (SONIA) has replaced the London Interbank Bid Rate (LIBID) as the performance measure for the Council's investment returns. For 2020-21, SONIA was 0.05%. The investments portfolio returned 3.47% compared to -0.73% last financial year; this was also above the benchmarking average of 1.84%. More information on this can be found in section 3.6 of this report.

The average credit worthiness of investments is A+ in line with the LA benchmarking average. The average credit score has improved from 3.65 (2019-20) to 4.54 (2020-21)

however this is lower than the benchmarking average of 4.78.

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 year ending 31 March 2021.
- note the Council's investments as set out in Appendix 1. The balance as at 31 March 2021 was £273.9m.

1. REASONS FOR THE DECISIONS

- 1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.
- 1.2 This report updates members on both the borrowing and investment decisions made by the Corporate Director, Resources under delegated authority in the context of prevailing economic conditions and considers the Council's treasury management performance.
- 1.3 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its investment strategy as approved by 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 19th February 2020.

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

3.4.1 **Economic background:** The year 2020/21 was dominated by the coronavirus pandemic leading to various lockdowns. Many central banks cut interest rates at the start of the financial year as lockdowns drastically slowed down economic activities. The Bank of England cut Bank Rate to 0.1% with UK government providing a large range of fiscal stimulus including the furlough coronavirus job retention scheme.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare Products Regulatory Agency (HMRA) and over 31 million people had received their first dose by 31 March 2021. A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England maintained Bank Rate at 0.1% throughout the year but extended Quantitative Easing. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Inflation has remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target.

The US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4 after collapsing in Q2. This was as a result of three major pandemic relief stimulus packages. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and has remained at the same level. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which was in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020, increased the size of the asset purchase scheme and extended it until March 2022.

3.4.2 **Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period. The FTSE indices performed reasonably well during the period April to November 2020. However, they remain lower than their pre-pandemic levels. Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early 2021, the improved economic outlook due to the new various stimulus packages together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

3.4.3 **Credit review:** Credit Default Swap spreads declined in 2020 after spiking in March to broadly pre-pandemic levels. Moody's downgrade of the UK sovereign rating to Aa3 with a stable outlook impacted a number of UK institutions, banks and local government. The vaccine approval and subsequent rollout programme have had a positive impact on financial services in general but there remains so much uncertainty around the extent of losses banks and building societies will suffer due to the economic slowdown resulting from the pandemic lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended therefore remain under constant review. At the end of the period, no changes had been made to the names on the counterparty list or the recommended maximum duration of 35 days.

3.5 **TREASURY MANAGEMENT STRATEGY 2020-21**

3.5.1 The Treasury Management Strategy Statement was approved on 19th February 2020 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2020-21 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 At 31st March 2021, the Council had net investments of £202.4m arising from its revenue and capital income and expenditure, an increase on 2020 of £16.905m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31 st March 2020 Restated* Actual £m	Movement over the Year £m	31 st March 2021 Provisional** Actual £m
General Fund CFR	303.597	29.576	333.173
HRA CFR	108.394	24.885	133.279
Total CFR	411.991	54.461	466.452
Less: Other debt liabilities ***	(55.639)	2.353	(53.286)
Borrowing CFR:	356.352	56.814	413.166
<i>Less: External borrowing</i>	(72.289)	0.755	(71.534)
<i>Internal borrowing</i>	284.063	57.569	341.632
Usable reserves	(516.623)	(61.503)	(578.126)
Working capital	(25.190)	(12.216)	(37.406)
Investments	257.750	16.150	273.900
Net investments	185.461	16.905	202.366

* Restated for 2020-21 opening balances to reflect April 2021 audit committee 2019-20 statement of accounts and subject to completion of audit of accounts.

** 2020-21 closing figures are provisional and subject to the completion of the council's 2020-21 closure of accounts process and audit of accounts.

*** finance leases, PFI liabilities and transferred debt that form part of the Council's total debt.

3.5.3 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. The balance sheet summary position at 31st March 2021 is shown in Table 1 above, with the treasury management position at 31st March 2021 shown in Table 2 below. The extent of internal borrowing which stood at £341.632m at the end of 2020-21, is the difference between the Borrowing CFR (£413.166m) and the level of external borrowing (£71.534m).

Table 2: Treasury Management Summary

	31.03.20 Balance £m	Movement over the Year £m	31.03.21 Balance £m	31.03.21 Rate %
Long-term borrowing	72.289	(0.755)	71.534	3.05
Short-term borrowing	-	-	-	-
Total borrowing	72.289	(0.755)	71.534	3.05
Long-term investments	66.000	5.000	71.000	
Short-term investments	105.000	2.000	107.000	

Cash and cash equivalents	86.750	9.150	95.900	
Total investments	257.750	16.150	273.900	3.47
Net investments	185.461	16.905	202.366	

The net investments figure (£202.366m) is the difference between the total of Usable reserves & working capital (£615.532m) and the Borrowing CFR (£413.166m). It is also the level of investments (£273.9m) less external borrowing (£71.534m).

Borrowing Update

In November 2020, the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced by 1% from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB loan facility except to refinance existing loans or externalise internal borrowing. As part of the borrowing process, authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the section 151 officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that the Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

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.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020. In both instances, Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December after the reduction in PWLB borrowing rates.

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 Bank: In his March 2021 budget, the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, which is 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However, other “high value and complex economic infrastructure projects” may also be considered.

Borrowing Strategy for the year ending 31st March 2021

- 3.5.4 The Council held £71.534m of external loans at 31st March 2021 which is £0.755m lower than the 31st March 2020 position of £72.289m. The borrowing position as at 31st March 2021 is shown in Table 3 below.

Table 3: External Borrowing Position

	31.03.21 Balance £m	31.03.21 Rate %
Public Works Loan Board	54.034	2.64
Banks (fixed term)	17.500	4.34
Total external borrowing	71.534	3.05

- 3.5.5 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing is 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 is to have flexibility to renegotiate loans should the Council’s long-term plans change. No new borrowing was undertaken in keeping with these objectives in 2020-21.
- 3.5.6 PWLB funding margins have changed substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%, i.e. the PWLB HRA borrowing rate. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Investment Activity

- 3.5.7 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the financial year, the Authority received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. These monies were temporarily invested in short-dated, liquid instruments such as Notice Accounts and Money Market Funds. Investment balances during the year ranged between £181m and £344m due to timing

differences between income and expenditure. The investment position at the year-end is shown in Table 4 below.

- 3.5.8 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. 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. In 2018, the Council diversified into more secure and/or higher yielding asset classes by allocating £100m for strategic pooled investments and £76m has been invested to date as shown in Table 4 below.

Investments Outstanding & Maturity Structure

- 3.5.9 The table below shows the amount of investments outstanding at the end of March 2021, categorised according to the financial sector.

Table 4: Outstanding Investments by Financial Sector

Financial Sector	31.03.20 Balance £m	Movement over the Year £m	31.03.21 Balance £m	% Portfolio
UK Banks	20.000	(5.000)	15.000	5.48
UK Building Societies	-	-	-	-
Government (incl. local authorities)	104.000	8.000	112.000	40.89
Oversea Banks	-	-	-	-
Money Market Funds	57.750	13.150	70.900	25.89
Pooled Investment Funds:	76.000	-	76.000	27.75
<i>Cash plus funds</i>	20.000	-	20.000	
<i>Short-dated bond funds</i>	18.000	-	18.000	
<i>Strategic bond funds</i>	9.000	-	9.000	
<i>Equity Income funds</i>	13.000	-	13.000	
<i>Property funds</i>	5.000	-	5.000	
<i>Multi asset income funds</i>	11.000	-	11.000	
Total investments	257.750	16.150	273.900	

Performance Report

- 3.5.10 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. The Council's original budgeted investment return for 2020-21 is 1.01% on an average cash balance of £228m.

- 3.5.11 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

The return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.

- 3.5.12 **Externally Managed Pooled Funds:** £76m of the Authority's investments are invested in externally managed strategic pooled funds [bond, equity, multi-asset and property], where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 3.47%, comprising a 2.61% income only return which is used to support services in year, and 9.31% of capital growth / (unrealised capital loss).

During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations with funds registering negative capital returns over a 12-month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these short-dated, strategic bond, equity and multi-asset income funds in the Authority's portfolio. The recovery in UK equities has lagged those of US and European markets.

Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities' Property Fund and the Columbia Threadneedle Property Fund was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions. The capital values of the property funds are shown in Table 4, above.

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

Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Authority had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020-21, as rates on cash investments are close to zero percent. Income from most of the Authority's externally managed funds will also be lower than in 2019-20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities.

Table 5: Investment performance for financial year to 31st March 2021

Period	LBTH Internal Return	External Fund Return	LBTH Total Return	Benchmark Return	Over/(Under) Performance
Quarter 4 2019-20	0.87%	(4.90%)	(0.73%)	(0.41%)	(0.32%)
Quarter 1	0.56%	(1.03%)	0.07%	(0.02%)	0.09%
Quarter 2	0.60%	(0.09%)	(0.01%)	0.00%	(0.01%)
Quarter 3	0.27%	1.30%	0.60%	0.15%	0.45%
Quarter 4 2020-21	0.23%	11.92%	3.47%	1.84%	1.63%

Note: Q4 2019-20 performance was due to the pandemic.

3.6 INVESTMENT BENCHMARKING

3.6.1 LBTH participates in a benchmarking club being run by Arlingclose to enable officers 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, and it includes data from 128 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	128 Local Authorities (LAs) Average
	31.03.2020	31.03.2021		
Internal Investments	£181.8m	£197.90m	£81.60m	£74.30m
External Funds	£69.40m	£75.70m	£12.20m	£14.30m
Average Credit Score	3.65	4.54	4.78	4.63
Average Credit Rating	AA-	A+	A+	A+
Number of Counterparties & Funds	30	37	12	13
Proportion Exposed to Bail-in	40%	43%	69%	63%

	Tower Hamlets		15 London & Metropolitan Average	128 Local Authorities (LAs) Average
	31.03.2020	31.03.2021		
Proportion Available within 7 days	35%	30%	63%	51%
Proportion Available within 100 days	62%	53%	63%	51%
Average Days to Maturity	108	101	33	14
Internal Investment Return	0.87%	0.23%	0.21%	0.15%
External Funds - Income Return	2.75%	2.61%	3.36%	3.85%
Total Investments - Total Return	-0.73%	3.47%	1.84%	2.26%

- 3.6.2 It can be seen that as at 31st March 2021 LBTH investment portfolio delivered 0.23%, outperforming the benchmarking average of 0.21% and the average return for 128 LAs of 0.15%, whilst total return for total investments LBTH generated 3.47%, thereby outperforming by 1.63% against the average return for 15 London and Metropolitan Boroughs of 1.84%, and also outperforming by 1.21% against the average return for 128 LAs of 2.26%.
- 3.6.3 The total return in Table 6 shows that the externally managed investment returns had drastically improved from the March 2020 position. External pooled funds had a capital loss of £0.1m compared with a loss in capital value of £6.6m the previous year.
- 3.6.4 The investment portfolio's credit worthiness remains stable at A+. The proportion of investments exposed to bail-in marginally increased from 40% to 43%, though it remains less than the benchmark average of 69%. Bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings.
- 3.6.5 It can also be seen from the above table that the number of counterparties the Council had as at 31st March 2021 was 37, this was more than double the benchmarking average of 12. This shows the Council is managing the counterparty risk and concentration risk of the investments portfolio by investing with many quality grade institutions and local authorities.

3.7 COMPLIANCE REPORT

- 3.7.1 All treasury management activities undertaken from the beginning of the financial year 2020-21 to the current 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

	31.03.20 Actual £m	31.03.21 Actual £m	2020-21 Operational Boundary £m	2020-21 Authorised Limit £m	Complied
Borrowing	72.289	71.534	420.871	435.871	✓
PFI & finance leases	55.639	53.286	55.838	70.838	✓
Total debt	127.928	124.820	476.709	506.709	✓

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.

	31.03.20 Actual	31.03.21 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.

	31.03.20 Actual	31.03.21 Actual	2020-21 Target	Complied
Total cash available within 3 months	£156m	£82m	£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 as follows:

	31.03.20 Actual £m	31.03.21 Actual £m	Upper Limit	Lower Limit	Complied
Under 12 months	0.755	1.662	50%	0%	✓
12 months and within 24 months	1.662	1.163	50%	0%	✓
24 months and within 5 years	1.163	-	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%	✓

3.8 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.

3.9 OTHER

CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee’s recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that “local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”. Other proposed changes include the sustainability of capital expenditure in accordance with an authority’s corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the “gross debt and the CFR” with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and “knowledge and skills” schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022-23.

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 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 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 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 FINANCIAL OFFICER

- 6.1 This report provides an update on Treasury Management activities for the 2020-21 financial year.
- 6.2 The Council held an investment portfolio of £273.9m at 31st March 2021. This portfolio earned an income only average rate of return of 0.89% and a total return on investments (including capital gains & losses) of 3.47%.
- 6.3 The Council's approach to investment activities includes the use of pooled fund investments to increase the level of investment income generated, in line with approvals given in the Treasury Management Strategy. The Council had a revised investment income target of £2.3m for 2020-21 and generated investment income of £2.4m.

7. LEGAL COMMENTS

- 7.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
- 7.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003.
- 7.3 This noting report of the Corporate Director, Resources advises the Committee of the Council's borrowing and investment activities for the year ending 31st March 2021 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director, Resources has responsibility for overseeing the proper administration of the Council's financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
- 7.4 When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty).

APPENDICES

Appendix 1 – Investments Outstanding at 31st March 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 4 2020-21 and
Treasury Management Outturn Report Template

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

Pearl Emovon, x0997, Mulberry Place

Appendix 1: Investments Outstanding at 31st March 2021

Time to Maturity	Counterparty	Start Date	Maturity Date	Amount £m	Rate
Overnight	Aberdeen MMF		On demand	19.000	
	Aviva MMF		On demand	10.100	
	Federated MMF		On demand	22.300	
	Invesco MMF		On demand	0.200	
	Morgan Stanley MMF		On demand	19.300	
	SUB TOTAL			70.900	
< 1 Month	NIL			0.000	
	SUB TOTAL			0.000	
1 - 3 Months	Santander		35-day notice account	15.000	0.25%
	Payden & Rygel Sterling Reserve Fund (POOLED)			10.000	
	Royal London Enhanced Cash Plus (POOLED)			10.000	
	SUB TOTAL			35.000	
3 - 6 Months	Southwark Borough Council	31/03/2021	30/06/2021	10.000	0.06%
	SUB TOTAL			10.000	
6 - 9 Months	Birmingham City Council	23/10/2020	23/04/2021	5.000	0.15%
	Eastleigh Borough Council	15/12/2020	15/06/2021	5.000	0.10%
	Maidstone Borough Council	20/11/2020	20/05/2021	4.000	0.10%
	Aberdeen City Council	15/12/2020	15/07/2021	5.000	0.15%
	Luton Borough Council	03/12/2020	03/06/2021	10.000	0.10%
	Trafford Council	21/01/2021	21/07/2021	5.000	0.07%
	SUB TOTAL			34.000	
9 - 12 Months	Dumfries & Galloway Council (last leg of structured deal)	20/08/2020	20/08/2021	5.000	1.50%
	Guildford Borough Council	10/07/2020	28/05/2020	5.000	0.30%
	Slough Borough Council	14/08/2020	13/08/2021	5.000	0.35%
	Police & Crime Commissioner for West Mercia	28/09/2020	12/07/2021	10.000	0.30%
	Liverpool City Council	07/01/2021	06/01/2021	10.000	0.35%
	Monmouthshire County Council	21/12/2020	21/09/2021	5.000	0.18%
	Mid Suffolk District Council	14/12/2020	10/12/2021	8.000	0.25%
	Wokingham Borough Council	26/02/2021	25/02/2022	5.000	0.14%
	SUB TOTAL			53.000	
	> 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	27/01/2020	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			273.900	

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 Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The 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; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.

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Non-Executive Report of the: Audit Committee 29 July 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Internal Audit Strategy & the Internal Audit & Anti-Fraud Annual Plan 2021/22	

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

Executive Summary

The following report presents the updated Internal Audit Strategy for 2020 to 2023 and the annual Internal Audit and Anti-Fraud Plan for 2021/22 for the Audit Committee’s review and agreement.

Recommendations:

The Audit Committee is recommended to:

1. Agree the updated Internal Audit Strategy for 2020 to 2023
2. Agree the Internal Audit and Anti-Fraud plan for 2021/22.
3. Note the current level of internal audit resource and the plans to increase resources and subsequently the internal audit plan.

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 Strategy 2020 to 2023

- 3.1 Whilst not a requirement of the Public Sector Internal Audit Standards, it is considered good practice for Internal Audit to adopt a more strategic approach to achieving its vision and mission, thereby positioning itself to better meet the expectations of its internal and external stakeholders. A three-year strategy was prepared and agreed with the Audit Committee in 2020.
- 3.2 The Internal Audit Strategy sets out the medium-term direction of the Internal Audit service. The strategy outlines what the priorities of the service will be going forward.
- 3.3 The strategy is supported by the Internal Audit Charter, the annual internal audit and anti-fraud plan, as well as the Quality Assurance and Improvement Programme which outlines service development actions.
- 3.4 In keeping with our previous intention, this strategy has been reviewed, updated and presented to the Corporate Leadership Team (CLT). The strategy is presented to the Audit Committee for review and agreement. There are separate organisational strategies for risk and counter fraud.
- 3.5 The priorities we have identified will support us in achieving our vision:

“To be a high performing internal audit service that supports the organisation in achieving its objectives, meets the expectations of our internal and external stakeholders, and is recognised as a critical friend and trusted advisor helping to unlock organisational improvement through better governance, risk management and internal control.”
- 3.6 In summary, our priorities and actions in year one were focussed on the internal audit service itself and areas to improve, as well as raising our profile with the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Council’s Members.
- 3.7 In years two and three we will be aiming to increasing our added value activity by supporting the Council to map assurance against its key risks, introducing a structured approach for sharing good practice and integrating fraud prevention activating into our work.
- 3.8 A copy of the Internal Audit Strategy is attached at Appendix A. The strategy was reviewed and agreed by CLT in June 2021.

Recommendation

3.9 The Audit Committee to review and agree the Internal Audit Strategy.

Internal Audit and Anti-Fraud Plan 2021/22

3.10 The Public Sector Internal Audit Standards require the Head of Internal Audit to establish a risk-based plan that sets out the priorities of the internal audit activity which should be consistent with the Council's strategies and outcomes.

3.11 Preparation of the plan began in April 2021 and continued through to June when it was presented to CLT for their agreement in principle. In preparing the plan we:

- Consulted with Members, Corporate and Divisional Directors and the Chief Executive to understand the Council's current strategies, key business objectives, the associated risks and assurance requirements.
- Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers.
- Considered national and local risks through research and discussion with peers.
- Considered the outcomes of our previous internal audit and anti-fraud activity.
- Reviewed and updated our audit universe (a record of all auditable activities).
- Considered what other assurance providers (if any) will be inspecting the Council in the coming year and whether we can place reliance on their work.
- Ensured each assurance or consultancy activity was aligned to the Council's priorities, outcomes and whenever possible its risks.

Resources and Limitations

3.12 The plan has been designed around the current and planned level of internal audit and fraud prevention resources likely to be available over the course of 2021/2022. The internal audit resources are currently below establishment due to the freeze on recruitment during 2020/21 and a restructure of the whole service (internal audit, anti-fraud, risk and insurance). The restructuring was completed in June 2021 and we are now free to recruit to the remaining vacancies.

3.13 To manage the reduced resources, the internal audit section of the plan is split into Priority 1 and Priority 2 audits. We have sufficient capability and capacity to deliver Priority 1 audits. The Priority 2 audits will be delivered when additional resources are sourced including an internal audit delivery partner (previously BDO) and recruitment to the vacancies post restructure (2

Internal Auditors and 1 Internal Audit Practitioner). We are currently seeking quotes from delivery partners via the Council's procurement process and recruitment for the vacancies began in early July 2021. Should we be unable to source a delivery partner or successfully recruit to the vacancies we will be unable to deliver any priority 2 audits. This may result in the annual internal audit opinion being narrower in its scope. We will provide regular updates to CLT and the Audit Committee on progress with additional resources and delivery/outcomes from the planned internal audits.

- 3.14 A copy of the proposed audit plan that was reviewed and agreed in principle by CLT in June 2021 is attached at Appendix B. A summary description of the risks referenced in the plan is attached at Appendix C.

Recommendation

- 3.15 The Audit Committee to agree the internal audit and anti-fraud annual plan for 2021-22 and note the currently internal audit resource and plans to increase resources and subsequently the internal audit plan.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory equality implications.

5. OTHER STATUTORY IMPLICATIONS

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

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no direct 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 Internal Audit Strategy for 2020 to 2023
- Appendix B Draft Internal Audit and Anti Fraud Plan for 2021/22
- Appendix C Summary description of risks referenced in the annual plan

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

List of “Background Papers” used in the preparation of this report

- NONE

Officer contact details for documents:

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Internal Audit Strategy 2020 to 2023

Introduction

It is a requirement of the Accounts and Audit Regulations 2015 for the Council to maintain effective internal audit that is compliant with the Public Sector Internal Audit Standards. The internal audit team currently provides audit and advisory services to the Council and Tower Hamlets Homes.

The Internal Audit Strategy sets out the medium term direction of the Internal Audit service. This three year strategy outlines what the priorities of the service will be going forward and what actions we will be taking. This strategy and the priorities we have identified will support the Council in achieving its own Strategic Plan, more specifically Priority 3, Outcome 11 – People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

The strategy is supported by the Internal Audit Charter, which sets out the roles and responsibilities of internal audit, the annual Internal Audit and Fraud Prevention Plan, which details the internal audit and fraud prevention work which will be undertaken each year, as well as the Quality Assurance and Improvement Programme which outlines service development actions.

This strategy will be reviewed annually and presented to the Corporate Leadership Team and the Audit Committee for review and agreement. There are separate strategies for risk and anti-fraud.

Our Vision

To be a high performing internal audit service that supports the organisation in achieving its objectives, meets the expectations of our internal and external stakeholders, and is recognised as a critical friend and trusted advisor helping to unlock organisational improvement through better governance, risk management and internal control.

Our Mission

In line with the Public Sector Internal Audit Standards, internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Adding Value

Internal audit primarily adds value through its unique position in the organisation to provide independent assurance, advice and insight over any and all areas of operation. To ensure we add maximum value internal audit will:

- Be proactive and ensure that our activity is fully aligned to the Council's and Tower Hamlet's Home's strategic and operational objectives and their associated risks.
- Adhere to the Public Sector Internal Audit Standards and support the Council in maintaining compliance with the Accounts and Audit Regulations 2015.
- Identify notable practice, opportunities for efficiencies and lessons learned from across our audit work, and use the audit service as a means to communicate, share, and implement improvements more widely across the Council and its companies, including Tower Hamlets Homes.
- Promote and strengthen our approach to consultancy and advisory work to enable the Council and Tower Hamlets Homes to get greater benefit and insight from our expertise in governance, risk management and control.

Key Priorities

To deliver our vision and mission we have identified the following priorities:

On an annual basis we will:

- Prepare and deliver an internal audit and anti-fraud plan that is compliant with the Public Sector Internal Audit Standards and focussed on supporting the Council, Tower Hamlets Homes and the other companies in achieving their objectives and managing the associated risks.
- Provide an annual report that includes an overall opinion on the governance, risk management and control processes that both informs management and Members and supports the required Annual Governance Statement.

During 2020/21 we achieved the following:

- Ensured that internal audit generally conforms to the Public Sector Internal Audit Standards.

- Reviewed our use of audit management software and moved to paperless auditing.
- Reviewed our report template and adopted a new assurance opinion scale and risk ratings.
- Reviewed the internal audit structure, identified improvements and contributed to the Council's savings targets.
- Raised the profile and impact of internal audit with the Corporate Leadership Team, the senior management at Tower Hamlets Homes and the Council's Members.
- Provided support to the Council's Audit Committee to help the Committee discharge its responsibilities.

By the end of 2021/22 we will:

- Embed the new structure, integrating fraud prevention activity into our work, ensuring there is an appropriate and adequate level of resource and that we maximise opportunities for staff development and succession planning.
- Reduce the overall cost of the internal audit service by relying less on third parties to co-source delivery of the annual internal audit plan.
- Produce an assurance map for the Council, and where requested its companies, that identifies all substantial sources of assurance against the corporate risks.
- Implement a structured approach for sharing good practice and experience across the Council.
- Review our communications including the annual plan, individual engagement plans and reports, seek feedback and implement improvement where needed.
- Embed the new process that enables management to track the implementation of agreed management actions and report progress to the Audit Committee.
- Improve our ability to identify and respond to emerging risks that may impact on the Council, Tower Hamlet's Homes and the Council's other companies.

By the end of 2022/23 we will:

- Ensure we have been subject to an External Quality Assessment with the results reported to the Corporate Leadership Team, senior management at Tower Hamlets Homes and the Audit Committee.

Performance and Reporting

Reporting

Internal Audit currently sits within the Resources directorate reporting to the Corporate Director, Resources (Section 151 Officer). The Head of Internal Audit formally reports progress against the annual plan and other matters on a quarterly basis to the Corporate Leadership Team and the Audit Committee. In addition, the Head of Internal Audit attends the Statutory Officers meeting and informally reports progress against the internal audit annual plan as well as anti-fraud activity and investigations.

Performance

There are a number of measures internal audit utilises to measure and report performance which includes:

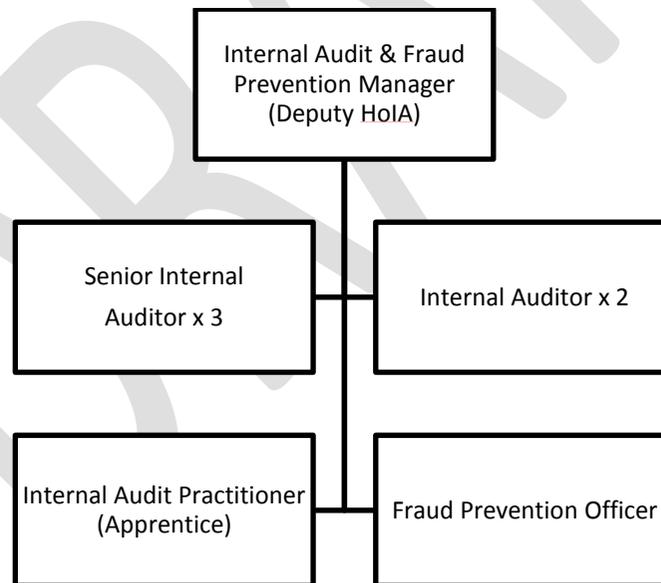
- An internal Quality Assurance and Improvement Programme that is compliant with the Public Sector Internal Audit Standards and covers every stage of an audit or advisory work.
- Annual self-assessments against the Public Sector Internal Audit Standards which, along with any resulting action plans, are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee.
- External Quality Assessments against the Public Sector Internal Audit Standards undertaken every five years by an appropriately qualified, independent assessor. Outcomes are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee. The next assessment is due 2022-2023.
- Key performance indicators which are reported to the Audit Committee on a quarterly basis and include:
 - % of audit plan delivered by year end.
 - % of draft reports issued within 10 days of concluding fieldwork.
 - % of final reports issued within 10 days following receipt of management's responses.
 - % of positive audit feedback
- An annual perception survey issued to the Corporate Leadership Team and Senior Management which is used to gauge the level of satisfaction and confidence in the services provided. The results are reported to the Corporate Leadership Team and the Audit Committee.

- Individual feedback forms which are issued at the end of each internal audit or advisory activity. Outcomes are reported through key performance indicators to the Audit Committee.
- Benchmarking against comparator organisations both through the Chartered Institute of Public Finance and Accountancy and/or the London Audit Group. Outcomes are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee.

Resourcing

Internal audit resources must be appropriate (a good mix of knowledge, skills and competencies) sufficient (in quantity) and effectively deployed to achieve the agreed annual internal audit plan.

The current structure of the internal audit team is shown below. Led by the Head of Internal Audit, the team is comprised of a mix of experienced and professionally qualified accountants, auditors and a Fraud Prevention Officer. The team maintains its professional competency through a programme of continuous professional development.



Internal audit resources will be reviewed annually and where any resource gaps are identified a range of solutions will be considered including co-sourcing with a third-party provider, shared services and recruitment. The assessment of resources will be reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and Audit Committees annually.

In addition, we will undertake a full skills and competency assessment, identifying any gaps in knowledge and experience and utilise the Council's Personal Development Review process to support the continued professional development of our team.

Our Key Risks

There are risks to the success of any strategy. We will manage our risks in accordance with the Council's Risk Management Strategy. All risks will be recorded on the Council's risk management software and monitored by the Head of Internal Audit. For transparency, the significant risks facing internal audit over the coming year are:

- **Resourcing** (including succession planning). Recruiting and retaining an appropriately experienced/qualified team continues to be challenging. The current team, whilst very experienced, is mature and within the next 3 years the service may experience several retirements.
- **Budget pressure.** The Council is facing significant financial pressure and increasing demand for services. In 2020/21 delivery of the audit plan has been supplemented by a third party provider which has resulted in significantly increased cost. This level of expenditure cannot continue in the long term.
- **Loss of confidence/reputational damage.** Internal audit cannot offer absolute assurance over any service or function and therefore only offers reasonable assurance. Should a material error or fraud occur in an area previously audited it is possible that internal audit's reputation may suffer as a result.

London Borough of Tower Hamlets 2021/22 Internal Audit Plan

	Priority 1 Audits	Priority 2 Audits	Total Audit Days
Corporate and Council-Wide Reviews	85	65	150
Resources and Governance	165	75	240
Health, Adults and Community	65	0	65
Children and Culture (Including 100 days of school audits)	90	100	190
Place	105	25	130
Tower Hamlets Homes	120	0	120
Information Technology	0	70	70
Provision for Follow-up and Management Requests	0	75	75
Total	630	410	1040

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 Page 97	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.	

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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

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	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	

Future Audit Topics for Consideration

<p>Corporate and Council-Wide Reviews</p> <ul style="list-style-type: none"> • Prevent Strategy • Advertising and Commercial Income • Control and Monitoring of DBS checks • Regeneration Programme • Management of Transformation Programme and Projects • Performance Management • Management of Leavers • Management of Members Enquiries • Website Document Accessibility • Effectiveness of Council's Digital Offer 	<p>Governance</p> <ul style="list-style-type: none"> • Legal Planning Meetings for Children's Social Care Cases • Tower Hamlets Strategic Partnerships • Communications Strategy and Protocols • Transparency Code - Compliance • Charging for Legal Services • Procurement of Solicitors, Barristers and Legal Advice • Strategic Information Governance • Contract Signing and Sealing
<p>Resources</p> <ul style="list-style-type: none"> • Cash and Deposits • Medium Term Financial Strategy • CHAPS Payments • Financial Regulations and Waiver • Acting up and Honoraria Payments • Travel Cards and Allowances • Interface Reconciliations • HR Case management • Housing Benefit Quality Assurance 	<p>Health Adults and Community</p> <ul style="list-style-type: none"> • Prevent • Brokerage • Re-ablement Service • Annual Reviews of Care Plans • Occupation Therapy • Mosaic Migration • Commissioning • CIPFA/SCIE Improvement Plan • THEOS and FPNs • Direct Payments • Transition to Adult services • Pandemic Flu Plan
<p>Place</p> <ul style="list-style-type: none"> • Penalty Charge Notices • Compliance with CDM Regulations • Passenger Transport Recharges • Building Contract Administration and Standard Contract Documentation 	

- Compliance with CDM requirements
- In-house Temporary Resourcing services -ITRES
- Procurement and Monitoring of Technical Consultants (e.g. Architects)
- Markets Management
- Repairs and Maintenance of Administrative and other Buildings
- Checking of Use of Temporary Accommodation
- Disabled Facilities Grants
- Planning and Building Control fees and charges
- Contract Management and Monitoring
- Client Monitoring of the THH Management Agreement

Children and Culture

- Home to School Transport
- Youth Offending Team - Case Management
- Children's Centres Establishment Visits
- Management of School Cleaning
- Management of School Catering
- Holiday Schemes
- Children's Commissioning - Service Review

Risk Reference	Risk description
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 focus on safeguarding and a prevention of harm.
RS0056	The Council may significantly overspend its budget, fail to deliver savings and continue to rely on dwindling reserves. 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.
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 its residents.
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.
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
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.
ASD0038	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. 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.
COVID0001	Risk to essential service delivery including the protection of staff, stakeholders and continued service delivery (critical) as a result of the coronavirus pandemic.
LPGSE0012	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

Risk Reference	Risk description
	test and trace.
PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill
RS0060	There is a risk of deteriorating health and wellbeing of the Council's workforce.
RSB0023	Qualified opinion received for the Statement of Accounts. Objections to the accounts. Previous years accounts being re-audited.
ASD0028	Overspend in adult social care services due to demographic changes and demand led pressure for services.
ASD0021	Poor social work practice resulting in a missed opportunity to safeguard an vulnerable adult against negative form of harm (e.g. physical, psychological, social, financial or even death).
ASD0022	Failure to meet our duties under the Civil Contingencies Act. This would become evident if a major incident occurred and the council failed to implement an effective response.
DRD0063	There is a risk that uncoordinated processes within Capital Programme delivery and Client Teams will lead to delays in achieving outputs as set by the Strategic Plan and Mayors priorities covering housing and mixed site developments.
PAR0054	The P and BC team is now heavily reliant on income - DM and Infrastructure planning are wholly income reliant and the restructured DMS/TST team and DC&IU will be largely funded by income. The income sources range from pre-app fees, PPAs, CIL and S106 admin fees, Land Charges, SN and N and planning application fees. Each of the different sources have their own rules and regulations about what the income can be used for etc. All are reliant on the continuation of development in the borough at similar levels to that we have seen in the last few years and also the system of income generation staying largely the same as at the moment. There are a number of reasons this may not be the case - explored in the triggers.
ICT0074	Failure to deliver IT transformation that enables the council's vision, target operating model, MTFS.
LPGSE0005	Staffing - Recruitment/Retention/Right skills.
HRT0015	There is a risk that HR/OD have insufficient capacity to support the necessary service changes.

Non-Executive Report of the: Audit Committee 29 July 2021	
Report of: Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Head of Internal Audit Annual Report 2020/21	

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

Executive Summary

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

Recommendations:

The Audit Committee is recommended to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2020/21.

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

- 3.1 Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2015 for English local authorities (including police and fire bodies). The regulations state that a local authority shall maintain an adequate and effective system of internal audit and recognise the need to follow public sector internal audit standards.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks. The annual opinion supports the Annual Governance Statement, which is required under Regulation 6 of the Accounts and Audit Regulations 2015.
- 3.3 The attached report summarises the planned and ad-hoc internal audit and anti-fraud work undertaken by Internal Audit during the 2020/21 financial year. It focusses on the outcomes of audit reviews, management actions, anti-fraud activities and service performance.
- 3.4 The regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The annual audit opinion together with the review of conformance with the Public Sector Internal Audit Standards provides this assurance.
- 3.5 The annual assurance opinion provided within the annual internal audit report informs and forms part of the 2020/21 Annual Governance Statement (AGS), which will be presented to the Audit Committee separately and included in the accounts.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific equality implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

5.2 There are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

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

7. COMMENTS OF LEGAL SERVICES

7.1 This report and the appendices comply with the Council's legal obligations in respect of auditing and the management of risk. It also demonstrates that the Council has appropriate systems in place to manage its financial affairs in compliance with the Corporate Director Resources' duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Head of Internal Audit Annual Report 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:

Paul Rock

Head of Internal Audit, Anti-Fraud and Risk

Tel: 0207 364 7662

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Head of Internal Audit Annual Report and Opinion 2020-2021



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1. Introduction

1.1 The Annual Reporting Process

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

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

2. Head of Internal Audit Annual Opinion 2020/21

2.1 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.

2.2 Head of Internal Audit Annual Opinion 2020/21

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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 including the significant issues with the closure of the Council's accounts, it is my opinion that I can provide **Limited** assurance that the Council has adequate systems of governance, risk management and internal control.

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Considering the opinion readers should note the following

- This opinion is based solely upon the areas taken into consideration and identified above.
- Assurance can never be absolute, neither can internal audit's work be designed to identify or address all weaknesses that might exist.
- Responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the Council's management and not internal audit.

3. The Basis of the Annual Opinion

- 3.1 The outcome of the audits undertaken during the year by Internal Audit form the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk and control framework.
- 3.2 As agreed at the May 2020 Audit Committee, a revised opinion scale has been utilised from the 1 April 2020. The scale is as follows:

Table 1 - 2020/21 Audit Opinion Definitions

Opinion	Definition
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	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 in the areas audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the areas audited.

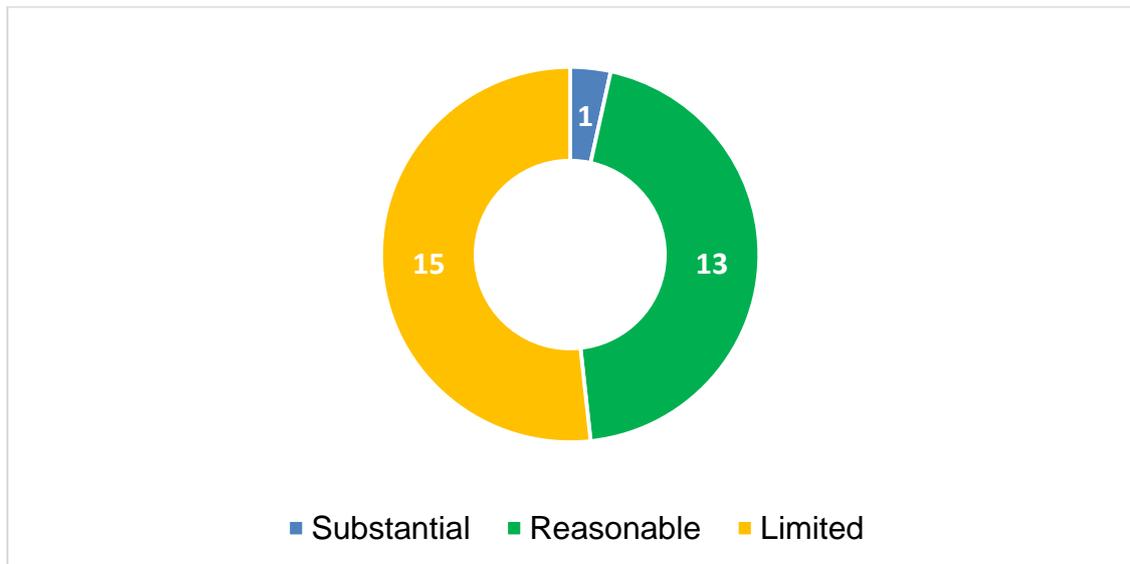
- 3.3 A risk-based internal audit plan was agreed with the Audit Committee in July 2020. The changing public sector environment and emergence of new risks necessitates re-evaluation of the audit plan throughout the year. During 2020/21, regular reports have been presented to the Audit Committee to highlight progress made towards the delivery of the audit

plan, along with details of any significant amendments to the plan. Whilst there were no significant amendments, several planned audits were deferred at management’s request or because of resourcing challenges and these audits may be moved into the 2021/22 internal audit plan

4. Internal Audit 2020/21

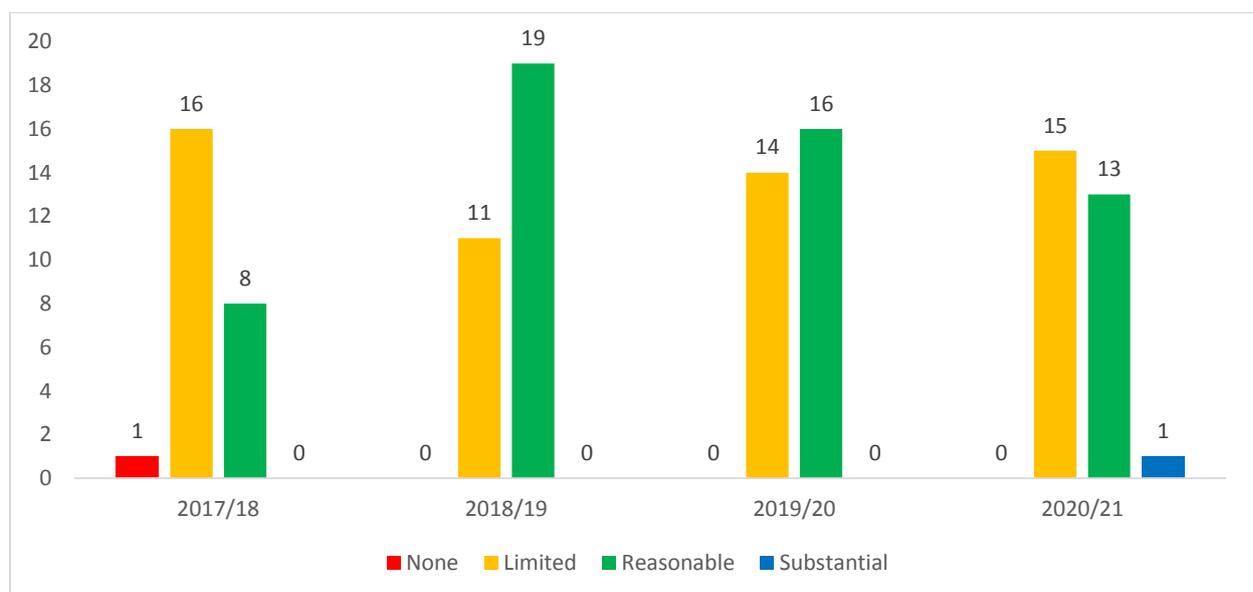
4.1 The following chart and table summarise the outcomes of the internal audit assurance reviews completed in 2020/21:

Chart 1 – Balance of Assurance Opinions for 2021/22



4.2 To provide some comparison the following chart includes data from the previous 3 years (excluding schools):

Chart 2 –Comparison of Assurance Opinions from 2017/18 to 2020/21



- 4.3 This chart does show that there has been a decline in reasonable assurance opinions (-6) and an increase in limited assurance opinions (+4) since 2018/19. However, opinion comparisons across years should be treated with some caution as internal audit must select its audit activity based on risk and therefore it does not examine the same systems each year making comparison between years more challenging.

Table 2 - Summary of Internal Audit Outcomes for 2020/21.

Audit Title	Assurance Opinion
Treasury Management	Substantial
DSP Tool Kit	Reasonable
Payment Controls for Temporary Accommodation	Reasonable
Creditors	Reasonable
IT Remote Working	Reasonable
Debtors and Income Recovery	Reasonable
Local Community Fund	Reasonable
New Town Hall Contract	Reasonable
Management of Complaints	Reasonable
General Ledger	Reasonable
Discretionary Housing Payments	Reasonable
Overview and Scrutiny functions	Reasonable
Drugs and Alcohol Services – Contract Monitoring	Reasonable
Emergency Hardship Payments (Resident Support Scheme)	Reasonable
IR35 Off Payroll Engagements	Limited
Back up Schedules and Protection (IT Audit)	Limited
Control and Monitoring of Parking Permits	Limited
Acquisition of Properties for Temporary Accommodation	Limited
Capital Programme Governance	Limited
Financial Assessments of Contributions to Social Care	Limited
PCI DSS Governance	Limited
Corporate Governance	Limited
Cyber and Network Security (IT Audit)	Limited
Deputyships and Appointeeships	Limited
Pensions Administration	Limited
Staff Declarations of Interest	Limited
Housing Allocations and Lettings	Limited
Contract Monitoring of Grouped Schools PFI Contract	Limited
Place Directorate Governance	Limited

- 4.4 In total, 1 substantial assurance opinion, 13 reasonable assurance opinions and 15 limited assurance opinions have been given. Summaries of the finalised reports with limited assurance opinions up to April 2021

have previously been provided to the Audit Committee. Summaries of finalised reports issued since the April 2021 Audit Committee are shown at Appendix A.

- 4.5 It is pleasing to report that Treasury Management has achieved the highest assurance opinion and is the first area of the Council to achieve this rating in four years. Reasonable assurance opinions have also been offered in other key areas for the Council including the management of the new Town Hall build, the overview and scrutiny function, creditors, debtors and income recovery. It's also positive that the Council has not received a 'No assurance' opinion since 2017/18. There are areas for improvement including some governance arrangements, pension administration, cyber & network security and housing allocations. The Council has responded to internal audit's recommendations and provided updates to the Audit Committee on progress made to rectify the issues identified in areas that received limited assurance.
- 4.6 In addition to assurance activity the internal audit team have delivered some advisory work including multiple grant certifications related to the supporting families programme and Covid-19 activity and an advisory review of the ethical culture framework. A summary of the outcome of the ethical culture framework advisory review follows.

Ethical Culture Framework

- 4.7 During 2020/21 Internal Audit reviewed the framework the Council has in place to build and maintain a strong ethical culture. During the review we identified good practice which included a strong tone from the top articulated through Tower Values; a good framework for training and development such as the introduction of a new appraisal process and an e-learning package for all staff, and the introduction of performance reporting for the Divisional and Corporate Leadership Teams. Areas for development included improved compliance with the mandatory learning programme and My Annual Reviews; more staff need to complete their annual declarations of interest; key policies and procedures were not regularly reviewed; the staff code of conduct was not aligned to Tower Values and key milestones and success measures needed to be more clearly defined to support the achievement of the desired culture.
- 4.8 The levels of maturity for each area were assessed in accordance with five agreed categories (Immature (low) to Continuous Improvement (high)):
- Immature
 - Aware
 - Defined
 - Mature
 - Continuous Improvement
- 4.9 Based upon our work, interviews and review of evidence provided we concluded the following:

Tone from the Top	Defined - Values and ethics are addressed at Cabinet and Corporate Leadership Team level, and the organisation has begun to identify actions to proactively address ethics and organisational culture.
Policies and Procedures	Defined - The organisation has begun to outline a framework of key policies and procedures relevant to its ethical objectives, but key policies are out of date.
Training and Development	Aware - Some appropriate ethical training has been identified, however, there are also gaps that the organisation has identified. Compliance with training is inconsistent.
Measurement, accountability & continuous improvement	Aware - Some measurement of data is collected, with limited management information and analysis produced. Some key assurance functions may provide reports to an appropriate level in the organisation. There is inconsistency in the implementation of recommendations. However, this is may be largely aligned to meeting legislative standards rather than defined organisational ethical objectives.

4.10 Management have received the report and have responded appropriately.

5. Other Sources of Assurance and Relevant Matters

External Audit and the Statement of Accounts

- 5.1 At the time of drafting this report (June 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.
- 5.2 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.

- 5.3 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.
- 5.4 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.

Investors in People – Silver Award

- 5.5 In December 2020, 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 development plans, if implemented as intended, would enable the Council to achieve Gold in the future.
- 5.6 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 December 2023.

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

- 5.7 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.

- 5.8 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 is being developed, although its delivery is reliant on additional resources being made available.

Risk Management

- 5.9 During 2020/21 risk management has been a key feature of the Council's response to the Covid-19 pandemic. Bespoke risk registers were created and actively managed by the Bronze, Silver and Gold command groups with the frequency of activity stepped up or down as the risks fluctuated. These registers provided clear operational and strategic oversight of risks and their mitigating actions.

- 5.10 In addition to the bespoke risk registers, a concerted effort was made by all directorates to update their respective business as usual risks, remove out of date and immaterial risks, and review the registers on a more regular basis (at least quarterly).
- 5.11 A summary of other activities that have taken place during 2020-2021 follows:
- The Risk Management Strategy was updated and approved by the Audit Committee in July 2020.
 - Each Directorate nominated a Risk Champion to lead on risk in their respective Directorates. The Risk Champions meetings were reconstituted.
 - The Corporate Leadership Team were requested to ensure risk management features at least quarterly on their Divisional Leadership Team meeting agendas.
 - The Directorate Risk Registers for Place, Health Adults and Community, Children's and Culture, Governance and Resources have all been reviewed and actions identified to update and/or close out of date active risks.
 - Training has been provided to Senior Business Support Officers enabling them to support Directorates in updating risks on JCAD (the Council's risk management software).
 - Both the Joint Health and Safety Committee and the Civil Contingencies Board have received regular risk reports in their respective areas.
 - The Audit Committee has been regularly presented with the Corporate Risk Register as well as the Place and the Resources directorate risk registers and a rolling timetable to review the other directorates has been agreed.
- 5.12 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.

6. Implementation of Agreed Management Actions

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

6.2 As a result of the pandemic, and a freeze on recruitment, internal audit resources were limited during the year and therefore only a sample of audits were followed up. Of the 10 follow up audits that were completed we were able to confirm that of the 61 high priority issues/recommendations raised 42 were fully implemented, 17 were partially implemented and 2 had not been implemented. Of the 34 medium priority issues/recommendations raised, 18 were fully implemented, 13 were partially implemented and 3 had not been implemented. Further details are available in Table 2.

Table 2 – Implementation of Agreed Management Actions

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	61	34
Number of Management Actions Fully Implemented	42	18
Number of Management Actions Partially Implemented	17	13
Number of Management Actions Not Implemented	2	3
% Fully Implemented	69%	53%
% Partially Implemented	28%	38%
% Not Implemented	3%	9%

6.3 Overall, this shows a good response to agreed actions and a significant improvement on previous years. 97% of the high priority actions and 91% of the medium priority actions we reviewed have either been fully or partially implemented. This is a significant improvement in comparison to previous years; in November 2019 we reported implementation rates of 66% for high priority and 60% for medium priority actions.

7. Anti-Fraud and Corruption

7.1 During 2020/21 the Corporate Anti-Fraud Team consists of the following sub teams:

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge

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

- 7.3 In addition to investigating referred cases, the Corporate Anti-Fraud Team undertakes activity to support the Council in reducing its fraud and corruption risks, this includes coordinating the Council's participation in the National Fraud Initiative, a biennial proactive data matching exercise run by the Cabinet Office in which each local authority must participate, along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture. Progress on this activity has been regularly reported to the Audit Committee.
- 7.4 The Covid-19 pandemic significantly impacted on the 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.
- 7.5 During 2020/21, 20 corporate/internal referrals in respect of alleged fraud or code of conduct breaches were received. This included referrals received via the Council's whistleblowing procedure. 263 referrals were received in respect of suspected social housing fraud matters, and 222 cases were reviewed as part of a Pro Active data match in respect of Parking / Blue Badge fraud. In addition, 64 insurance claims have been investigated.
- 7.6 The positive outcomes achieved following the investigation of the above matters includes the following:
- £17,000 has been awarded to the Council in costs and compensation
 - 21 insurance claims were repudiated or discontinued with a reserve value of £196,041
 - 22 Social Housing properties were recovered.
 - 4 Right to Buy applications have been stopped.
 - 212 Blue Badges were cancelled.
 - 22 Blue Badges were seized.
- 7.7 Initial matches from the biennial National Fraud Initiative (NFI 2020) data matching exercise were received by the Council in February 2021. The 'potential' fraud matches have been reviewed using the recommended prioritisation filters. For the NFI 2020 exercise the total number of matches received so far is 11,653, of these 2,890 were considered high or medium risk. To date, a total of 331 have been reviewed and resolved. Detailed reports about the current NFI arrangements and progress made have regularly been provided to the Audit Committee.
- 7.8 The Corporate Anti-Fraud team also included detailed reviews of No Recourse to Public Funds applications, and the Corporate Anti-Fraud

Manager has been an active member of the London Borough's Fraud Investigation Group.

8. Schools

- 8.1 During 2020/21, due to the Covid-19 pandemic and the resulting impact on schools, we did not complete our normal school audit programme. We will reinstate our programme of school audits in 2021/22.

9. Scope limitations

- 9.1 Internal Audit does not audit the Council's annual statement of accounts and this opinion does not cover the associated financial statements and disclosures. The Council's external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council. At the time of preparing this report neither the 2018/19, 2019/20 nor 2020/21 accounts have been audited.
- 9.2 The internal audit plan cannot address all risks across the Council and the plan represents our best use of the available resources. The annual opinion draws on the work carried out by Internal Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit plan. Not all risks fall within our audit plan.

10. Internal Audit Performance

- 10.1 During the year the Internal Audit service carried three vacancies. We were unable to recruit to these vacancies due to a freeze on recruitment. As a result, the audit plan first agreed with the Council in July 2020 has not been delivered in full. In total 14 audits have not been delivered or were deferred into 21/22 at management's request. As part of the planning process for 2021/22 we have considered which of the undelivered audits can be carried forward into 2021/22 but resource limitations remain. We will increase the size of the 2021/22 plan as more resources are made available through recruitment and sourcing an external delivery partner.
- 10.2 The Internal Audit plan for 2020/21 was agreed with the Audit Committee in July 2020. We aim to achieve 90% completion of the plan to draft report stage by 30th May 2021. As at 30th June 2021, 69% of the audit plan was complete to at least draft report stage (after deferrals and additions have been taken into account).
- 10.3 Continuous development in the quality of the internal audit service remains a key objective. In order to obtain feedback from the organisation, when final reports are issued a 'Customer Satisfaction Survey' is issued to all officers who receive the report. Respondents are requested to provide an opinion as to the effectiveness of the audit and the relevancy of the audit recommendations provided.

- 10.4 For 2020/21, out of the 22 satisfaction surveys sent out for final reports (including Tower Hamlets Homes) 18 completed surveys were received. All 18 surveys have reported back positive outcomes indicating that the recommendations made in the internal audit report will lead to improvement in the control environment.
- 10.5 To further improve the internal audit service, we sought the views of management across the Council through a short perception survey. Recipients were asked to grade internal audit (using a 4-point scale ranging from strongly disagree to strongly agree) on the following statements:
1. I understand the role and importance of Internal Audit and how it helps the Council accomplish its objectives?
 2. Internal Audit activity is aligned with the strategies, objectives and risks of the Council?
 3. Internal Audit consistently demonstrates competence and due professional care?
 4. Internal Audit is objective and independent?
 5. Internal Audit adds value with the work they deliver?
 6. Internal Audit is insightful, proactive and future focussed?
 7. Internal Audit promotes and supports organisational improvement and transformation?
 8. Internal Audit provides accurate, objective, clear, concise, constructive, complete and timely reports that meet your needs?
 9. Internal Audit consistently demonstrates integrity?
 10. Internal Audit enables the sharing of good practice and experience across the Council?
 11. Internal Audit demonstrates quality and continuous improvement in internal audit practice?
 12. Internal Audit has provided an effective service for the Council in the last 12 months?
- 10.6 There were 35 responses in total. The results were reported in detail to the Audit Committee in January 2021. In summary I am pleased to report the following:
- 80% or more of respondents 'strongly agreed' or 'agreed' with statements 1, 2, 3, 4, 5, 7 & 9.
 - 74% to 77% of respondents 'strongly agreed' or 'agreed' with statements 6, 8, 11 and 12; around 20% of respondents disagreed with these statements or did not respond.

- The lowest percentage of ‘strongly agreed’ and ‘agreed’ was for statement 10 which scored 63%, 34% disagreed and 3% did not respond.

10.7 Whilst most responses were positive there remains room for improvement. In 2021/2022 we will seek to improve how insightful, future focused and proactive we are, our reporting, how we share good practice and our Quality Assurance and Improve Programme. We will also deliver a series of workshops and update our Intranet content to better explain the role of Internal Audit and how we support the organisation in achieving its objectives.

10.8 This is the first time such a survey has been undertaken and we will repeat this survey each year to measure our performance and progress and report the results to the Corporate Leadership Team and the Audit Committee.

11. Internal Audit’s Independence

11.1 During the year the Head of Internal Audit was also responsible for the Council’s Risk Management and Insurance services. To manage the risk to organisational independence both the Risk Management and Insurance functions have been previously audited by the audit contractor and each audit was sponsored by the Divisional Director for Finance, Procurement and Audit; the outcomes of these audits have been reported to the Audit Committee. These services will be separately audited again in 2022/23. In all other respects Internal Audit has operated independently of the organisation and there were no compromises of Internal Audit’s independence in its operation this year.

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

12.1 During 2020, a self-assessment of Internal Audit’s compliance with the Public Sector Internal Audit Standards was undertaken. The self-assessment concluded that out of the 56 areas of compliance, there were two standards where the current internal audit practices were only partially conforming; in all other respects, the service was compliant with the Public Sector Internal Audit Standards.

Areas of partial conformance	Planned action
Adequacy of resources.	Resources remain a challenge but will be supplemented through a contract with an external provider.
Coordination with other assurance providers.	We have committed to coordination with other assurance providers where applicable. Assurance Mapping to be conducted in 2021/22 to develop this

approach further.

- 12.2 An action plan has been developed to address the areas of partial conformance and progress against this plan will be reported to the Audit Committee.
- 12.3 The self-assessment confirmed that we are fully complying with the Code of Ethics. A further self-assessment against the standards will be undertaken during 2021/22 and the service will be subject to an independent External Quality Assessment in 2022/23. The results of which will be reported to the Corporate Leadership Team and the Audit Committee.
- 12.4 Some work is required to be fully compliant with the standards. Whilst there are standards that require further work, I am of the view that the level of compliance does not impact on my ability to provide an annual opinion over the Council's arrangements for governance, risk management and control.

Summaries of Finalised Internal Audits

Assurance level	Significance	Directorate	Audit title
Limited	Extensive	Resources and Children and Culture	Grouped Schools PFI – Contract Monitoring
Limited	Extensive	Place	Place Directorate Governance
Reasonable	Extensive	Governance	Management of Complaints
Reasonable	Extensive	Governance	Overview and Scrutiny Functions
Reasonable	Extensive	Resources	Management of Discretionary Housing Payments
Reasonable	Extensive	Health, Adults and Community	Management of Drugs and Alcohol Services Contracts
Reasonable	Moderate	Place	Contract Monitoring of Resident Support Scheme Administration

Limited / Reasonable Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Grouped Schools PFI – Contract Monitoring	June 2021	<p>This audit provided assurance that there are robust client side policies and procedures in place for an effective monitoring of the Grouped PFI contract. The following good practices and issues were reported:</p> <ul style="list-style-type: none"> • An independent company was appointed by the main contractor to carry out regular health and safety reviews of PFI schools. Monthly performance meetings are held between the Council, the main contractor and its sub-contractors to cover the statutory matters. Regular contract monitoring meetings are also occurring and a system of raising contract payments is in place that ensures that regular invoices are generated, issued and paid. The following exceptions were also reported. <p>Procedural guidance and clarity of roles and responsibilities</p> <ul style="list-style-type: none"> • The Grouped Schools PFI Contract is a self-monitoring contract which requires the contractor to monitor various aspects delivered by its subcontractors, to rectify these issues and report them to the Council. The Council retains overall responsibility to monitor the contract and also to ensure that the provider have robust monitoring processes in place. During our review we were able to find clear Council guidance (Toolkit and Handbook) for its contract managers to assist and support them in fulfilling their duties, however no procedures had been produced for the Groups School PFI contract which was an area of weakness acknowledged by the Council’s Contract Management team. <p>Financial Planning and Engagement</p> <ul style="list-style-type: none"> • The Council’s Finance team adopt a Business Partner model in supporting all its budget holders. During our interviews and review of evidence, we identified that there is a lack of financial planning and modelling with regards to the Schools PFI contract, 	Extensive	Limited

		<p>for example we were provided with evidence that previous calculations of funding allocations and cost liabilities were based on out of date and inaccurate information regarding pupil numbers and hours of use. There was an acknowledgement from the Finance team that they needed to become more engaged with the Contract Management team and to improve the financial management arrangements of the contract to ensure accurate and complete information is available to aid the annual agreement exercise on future funding allocation and expenditure commitments.</p> <p>Annual Survey Scores</p> <ul style="list-style-type: none"> • While the annual survey with schools received a response rate of 100% and we found that there is monthly reporting of the issues raised, no year on year comparison or analysis is completed to highlight areas of improvement or concern. The survey provides valuable feedback from the schools that should be fully utilised in producing clear, measurable action plans aimed at improving the service delivery and performance of the contractor. <p>Funding</p> <ul style="list-style-type: none"> • We attempted to review the robustness of the audit trail of two funding remittance advices c£5m from the Department for Education (DfE), but limited evidence was provided to us in order to complete this test. Through discussions with the Finance team, we are aware that they have experienced a number of staff changes and resource issues in recent months and the need to increase level of support and engagement on all finance matters regarding the Grouped Schools PFI Contract monitoring arrangements was recognised. <p>Internal Management Reporting</p> <ul style="list-style-type: none"> • There was no evidence that any internal management reporting withing the Council's governance structure occurs to provide information on the service performance and delivery of the PFI 		
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		<p>Schools Contract to those charged with governance.</p> <p>Timeliness of Invoicing Schools</p> <ul style="list-style-type: none"> • There is regular invoicing for additional expenditure outside the normal contract terms, which requires more scrutiny and supporting documentation prior to payment. We reviewed a sample of eleven Authority Change Requests (ACRs) for evidence of accuracy, supporting documentation, approval and payment. Our results showed that all were completed correctly and accurately with costs and appropriate signatures in place. At the time the audit testing was performed in February, these ACRs had not yet been issued to the schools for payment, however this was completed by year end in March. <p>Health and Safety Follow Up</p> <ul style="list-style-type: none"> • As at March 2021, the current follow up position on Health and Safety recommendations made by the company appointed and information from the Head of School Building and Development indicated that action was being taken to address long standing recommendations, although some actions remain open from audits completed in 2019 and were dated for completion in October 2020, yet were still outstanding with no revised completion date agreed. <p>All findings and recommendations were discussed and agreed with the Head of Finance, Children and Culture and the Head of School Buildings and Development in April 2021, and the final report was issued in June 2021 to Corporate Directors, Children and Culture and Interim Corporate Director, Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Place Directorate Level Governance	June 2021	<p>This audit sought to provide assurance that there is a robust governance structure in place within the Place Directorate to support effective decision making. The following good practices and issues were reported:</p> <ul style="list-style-type: none"> • Performance is routinely reported and monitored at both CLT and DLT meetings. Finance and HR related performance is discussed routinely. The Place Structure Chart is clear and appropriately documented. However, the following exceptions were reported. • We interviewed four senior management team members (Heads of Service and a Divisional Director) and found that there is a lack of understanding of key decision making amongst senior management, and the Officer Key Decision process is not formally documented within any guidance. The Scheme of Delegation for Place Directorate also does not state who can sign/authorise FP1s for key decisions and Officer Authority forms for key officer decisions. There is a risk that Key Decisions and Key Officer Decisions will not be identified and the correct process followed, and appropriate approval will not be sought. • There are no opportunities to raise a Declaration of Interest (DoI) at Place operational level or Directorate Leadership[Team (DLT) meetings, and compliance with the submission of annual Dols is low, therefore there is an increased risk of decisions being made by individuals where there is a conflict of interest. • We were advised that divisional management meetings attended by the Heads of Service and the Divisional Director we interviewed are not adequately documented; minutes and actions are not consistently being recorded and there is a lack of understanding amongst some Divisional Directors of governance 	Extensive	Limited

		<p>arrangements, structure and reporting. This results in poor governance and oversight of operational performance.</p> <ul style="list-style-type: none">• Key Place Directorate Board meetings (Lower Lea Valley Area Board, Quarterly Strategic Meeting and the Regeneration Board) do not specify the quorum, or document whether quorate, Dols are not made at the start of meetings and meetings and actions are not always adequately documented resulting in an increased risk of actions not being followed up or completed. Furthermore the appropriate members of a board meeting as set out in the ToR are not always in attendance.• Dols are not made at the start of Corporate Leadership Team (CLT) and Divisional Leadership Team (DLT) meetings, and these meetings and the actions from meetings are not adequately documented. <p>All findings and recommendations were discussed and agreed with the Corporate Director (Place) and the Senior Executive Support Officer (Place) in February 2021, and the final report was issued in June 2021.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Complaints	June 2021	<p>This audit reviewed systems for recording, investigating, responding, controlling and monitoring customer complaints in line with the Council's current policies and procedures. The Council has two stage complaints policy – stage 1 is investigated by the service directorate and stage 2 by the corporate complaints officers. During 2019/20, the Council received 4,071 stage 1, and 348 stage 2 complaints. For the first six months of 2020/21 there were 1,218 stage 1 and 37 stage 2 complaints. The following good practices and issues were reported:-</p> <ul style="list-style-type: none"> • The Council has a clear Complaints Policy which was approved by the CLT in August 2018. Clear policies and procedures were in place to guide both officers and members of the general public. A dedicated electronic system is in place for the recording and management of complaints. • An annual report was presented to CLT on key issues raised from complaints management process highlighting any service improvements required to avoid repetitive complaints in the same service areas. • All complaints recorded in the complaints management system have completion data recorded and a completion target date for monitoring purposes. Testing of Stage 1 complaints covering the period April 2019 to September 2020 showed that in 38 Stage 1 cases, there were no completion dates or completion data recorded. This was due to staff from different parts of the Council, who have not used the IT system properly. • In order to ensure that targets set for completing stage 1 and stage 2 Complaints are met, the monitoring control needed to be improved. Testing confirmed that in one case, the Stage 1 process was 	Extensive	Reasonable

		<p>undertaken outside of iCasework system.</p> <p>It was noted that 6 out 20 Stage 1 complaints and 8 out of 10 Stage 2 complaints were not acknowledged within 2 working days of receipt of complaint. In one case, the date of receipt for Stage 2 request recorded on the system did not match the date of receipt set out in the acknowledgement email and only 2 out of 10 Stage 2 acknowledgement emails included a target date for the response.</p> <ul style="list-style-type: none"> • Audit noted that four Stage 1 responses were not signed-off by the relevant Divisional Directors (or Heads of Service) as required by procedures. Therefore, the Divisional Director may not have an opportunity to review and quality check the responses before they had been sent out. • A review of 10 Stage 2 complaints which had not been upheld at stage 1, but subsequently upheld at stage 2, showed that in 6 cases, the initial investigation had not been adequately undertaken by the responsible service area as the corrective actions had not been followed-up, the response did not address all of the issues raised or the correct assessment procedures were not followed resulting in Ombudsman investigation. • It was noted the Ombudsman, in his Annual Review letter 2020 (dated 22/07/2020), confirmed 100% compliance with Ombudsman recommendations. However, the Ombudsman reported that in six cases, remedies were not completed within the agreed timescales, requiring the Ombudsman to chase the Council on several occasions in order to record compliance. Four of these cases included personal remedies for complainants, of which three were over 30 days late. <p>All findings and recommendations were agreed with the Divisional Director Customer Services and final report was issued to all Corporate Directors.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Overview and Scrutiny Functions	June 2021	<p>This audit reviewed the systems and controls for management of the Overview and Scrutiny (O&S) functions of the Council. The requirement for local authorities in England to establish Overview and Scrutiny committees is set out in sections 9F to 9FI of the Local Government Act 2000 as amended by the Localism Act 2011. Our review found that the Divisional Director Strategy, Policy and Performance was the officer designated by the local authority under this section to be known as the authority's "scrutiny officer". The following good practices and issues were reported:-</p> <ul style="list-style-type: none"> • The Council has defined clear roles and responsibilities for the Overview & Scrutiny Committee, which are included within the Council's Constitution. A revised version of the O&S Toolkit was issued in 2020. The purpose of this toolkit is to support Members, Council officers and partner agencies in getting involved with the O&S functions. Scrutiny members have also been provided with a copy of the Councillors workbook on Scrutiny written by the LGA that has been designed as a learning aid for elected councillor's and serves as good practice. • In March 2019 the Centre for Public Scrutiny was commissioned to undertake a Taking Stock Reflection and Review session of O&S. Following that review several improvements were suggested to the way that O&S operated and how the service could make a difference and improve their performance. • A detailed Checklist and process map for prioritising Scrutiny Topics has been developed and is included within the O&S Toolkit. The O&S chair, its three Sub-Committee chairs and scrutiny leads attended a virtual workshop on 08/10/2020 to discuss the work programme for the 	Extensive	Reasonable

		<p>2020/21.</p> <ul style="list-style-type: none"> Members of the Executive with key responsibilities as well as report authors are requested to attend O&S in order that members can directly raise questions or seek points of clarification on any of the issues contained within their reports being presented. <p>The following issues were highlighted:-</p> <ul style="list-style-type: none"> O&S is a critical governance function and often complex topics are discussed, the Committee's effectiveness may be improved if a comprehensive skills analysis was undertaken and appropriate development opportunities are identified in order to better support committee members, particularly for topics such as Treasury Management, budgets and the Council's Accounts. Management indicated that due to the pandemic, a different approach was taken to plan the work programme for 2020/21 for the O&S of the committee and its sub-committees to manage the uncertainty in membership this created, and the reduced number of committee meetings. Our testing showed that although a Scrutiny work plan had been developed at a virtual Scrutiny away day, there was insufficient evidence that the Scrutiny work programme for 2020/21 had been developed in accordance with statutory guidance and the topic prioritisation process map contained within the Scrutiny Toolkit. During 2020/21, amid the pandemic, recommendations made and agreed for challenge sessions were not formally tracked or followed up to ensure they have been implemented. <p>All findings and recommendations were greed with the Divisional Director of Strategy, Policy and Performance and final report was issued to the Chief Executive.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Discretionary Housing Payments	June 2021	<p>This audit sought to provide assurance that systems for managing the DHP Grants were sound and secure. The Child Support, Pension and Social Security Act 2000 makes provision for relevant authorities to make payments by way of financial assistance (“discretionary housing payments”) to person’s housing who: i) are entitled to housing benefit or council tax benefit, or to both; and, ii) who appear to such an authority to require some further financial assistance (in addition to benefits to which they are entitled) in order to meet housing costs.</p> <p>These additional payments are discretionary and do not fall under the normal housing benefit rules. The current total grant budget for Discretionary Housing Payment (DHP) for 2020/21 is £1,927,869 with grant expenditure of £1,927,445,69. During the audit we identified following areas of good practice and issues:-</p> <ul style="list-style-type: none"> • The DHP Strategy Guide 2020 sets out the basis for all decision making and considers the impacts resulting from the Covid-19 Pandemic. A standard DHP application form and the Financial statement are available on the Tower Hamlets website. Our testing confirmed that in line with policy, DHPs were awarded where there was entitlement. In all 20 cases tested, the DHP payment set-up on Northgate system was in accordance with the DHP award amount set out in the DHP Award letter. • However, the DHP Policy document did not sufficiently detail all key stages, processes, procedures and approval requirements e.g. how does the delegated officer approve the DHP within the HB system and the level of management checks, quality reviews and monitoring undertaken to check the accuracy of payments. In addition, the DHP 	Extensive	Reasonable

		Policy document required updating.		
		<ul style="list-style-type: none"> • Our testing showed that in 1 of the 20 DHP application forms reviewed, the declaration had not been signed and dated by the applicant. For applications submitted digitally, the system of obtaining consent from applicants to share personal data for prevention and detection of fraud needed to be reviewed by Management and Information Governance. • Testing confirmed that in 4 out of 10 cases sampled, the reason for DHP payment was not specified in the Award Letter and hence in these cases there was no clear audit trail. • Audit testing had shown that the current approved Scheme of Delegation for the Resources Directorate delegates the approval of DHPs either to the Corporate Director, Resources or to the Benefits Manager. We noted that none of the DHPs awarded in our audit sample could be confirmed as approved by one of these two officers. We were informed that approval by these two officers will not be practical and hence the Scheme of Delegation needed to be reviewed to reflect the practicality of the function. • Testing confirmed that where overpayments had occurred there was no evidence of quality checks/reviews by senior officers/managers of the DHP awards. • Testing confirmed that the Benefits Risk Register requires updating as a number of documented risks did not have the required control measures in place. <p>All findings and issues were agreed with the Head of Revenues and final report was issued to the Corporate Director, Resources.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Drugs and Alcohol Services Contracts	April 2021	<p>This audit was designed to provide assurance that the systems and controls for monitoring the three contracts for Treatment, Recovery and Outreach work were sound and secure. The total contract value over 7 years is £29m. The total annual value of the 3 contracts is £4.1m and included Performance By Results (PBR) element. During the audit we identified the following areas of good practice and issues:-</p> <ol style="list-style-type: none"> 1. Contract specifications reflected Council objectives and outcomes. Specifications contained a suite of key performance indicators. The method for monitoring the performance of the contract delivery was clearly set out in the specifications. Quarterly contract review meetings were held with each provider. The meetings were minuted, followed a pre-set agenda and included clearly marked decisions and action points. Actions were followed up at the next meeting. 2. The providers submitted performance reports in advance of each quarterly review meeting. The reports were analysed and reviewed by the client team prior to the meeting with the providers. The contract included measures for addressing poor contract performance. The quarterly performance reports were RAG rated and in cases, where the KPIs were not achieved, clear explanations of the lag was given, and remedial action documented. 3. However, the existing contract monitoring and management can be made more effective by completing the Council's contract management handbook and by drawing up a risk register. Due to Covid-19 situation annual monitoring visits/audits to the providers were not carried out, neither was there any checking/monitoring remotely. 	Extensive	Reasonable

		<ol style="list-style-type: none">4. In order to ensure that all necessary issues are reported , the Commissioning manager needed to specify the headings and format for the quarterly narrative reports from the providers.5. A decision by the Interim Head of Service in consultation with the Divisional Director to pay the full PBR element for quarter 1 in light of the problems achieving targets under pandemic restrictions had not been documented.6. Contract overpayment was made as incorrect invoices totalling £48,804 were received from the provider delivering the treatment and recovery contracts in respect of the payment by results element for quarter 1. The control mechanism did not pick up these incorrect invoices for return to the provider and invoices were receipted and paid. The overpayment now requires to be recouped. <p>All findings and issues were reported to the Divisional Director Community Safety and final report was issued to the Corporate Director, Health, Adults and Community.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Administration of Resident Support Scheme – Contract Monitoring	May 2021	<p>This review tested the systems for monitoring the Resident Support Scheme service delivered under a Deed of Variation to the Council's Welfare Resilience Framework contract awarded in August 2017. The main framework contract is a call off arrangement for the processing of Housing Benefits and Council Tax reduction claims when employed Council staff are at capacity. The Deed of Variation was entered into in December 2018, total value being £124,931. During the audit we identified the following areas of good practice and issues:-</p> <ol style="list-style-type: none"> 1. The contract (Deed of Variation) has been signed and sealed and has Key Performance Indicators. Regular monthly management reports are provided by the contractor, which show the number, type and value of awards made in the previous month. Various other details of the awards are also included. Monthly reports also include performance on some agreed KPIs. 2. However, in accordance with Council procedures, in procuring this service, there should have been advice sought from the Head of Procurement to ensure that the variation to the existing contract was the correct method to follow to demonstrate good value for money. Instead a variation was agreed by the then officers within Resources where this service was then provided without advice from Head of Procurement. It should be noted that the current Management Team within Place Directorate where this scheme is now managed, did not have any input in this procurement. 3. Testing showed that orders were raised retrospectively when invoices from the supplier were received. This negates the control a purchase order affords, namely approval to spend has been obtained, future financial commitment is recognised, risk of duplicate payment is reduced. The Council's procurement rules require that an official purchase order be raised once a contract has been awarded. 	Moderate	Reasonable

		<p>4. The contract has been running for 2 years, but there has been no contract monitoring. We were informed that this is partly due to the new priorities arising from the pandemic and the fact that recruitment to project officer roles in the summer of 2020 was unsuccessful. Even so, there is no evidence of any contract monitoring between December 2018 and March 2020, the start of the pandemic. Therefore there is risk that not all contract objectives are being achieved or that the contractual arrangement provides value for money.</p> <p>All findings and issues were discussed with the Divisional Director and final report was issued to the Corporate Director, Place and Head of Revenues.</p>		
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Non-Executive Report of the: Audit Committee Thursday, 29 July 2021	 TOWER HAMLETS
Report of: Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Annual Risk Report 2020-2021	

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

Executive Summary

The following report summarises the risk management activity during the course of 2020/21, provides an update on progress made against the previously agreed actions and proposes an action plan for 2021/22.

Recommendations:

The Audit Committee is recommended to:

1. Note the annual risk management report and agree the proposed risk management action plan for 2021/22.

1. REASONS FOR THE DECISIONS

- 1.1 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which:
 - a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and
 - c) includes effective arrangements for the management of risk.
- 1.2 The terms of reference of the Audit Committee state the committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the internal control environment. It is responsible for monitoring the effective development and

operation of risk management in the Council and progress in addressing risk-related issues reported to the committee.

- 1.3 This report summarises the risk management activity undertaken during 2020-2021 and supports the Audit Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

- 3.1 The attached report and associated appendices summarise the risk management activity during the course of 2020/21, provides an update on progress made against the previously agreed actions and proposes an action plan for 2021/22.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no equalities implications 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 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

- Annual Risk Management report for 2020/2021.
- Summary of progress against previously agreed actions.
- Summary report of risks rated as severe (or red)
- Proposed risk management action plan for 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:

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

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Risk Management Annual Report 2020-2021



1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and
 - c) includes effective arrangements for the management of risk.
- 1.2 The terms of reference of the Audit Committee state the committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the internal control environment. It is responsible for monitoring the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee.
- 1.3 This report summarises the risk management activity undertaken during 2020-2021 and supports the Audit Committee in discharging its responsibilities.

2. Risk Management Strategy

- 2.1 Management has articulated a 5-year risk management strategy that was updated and ratified by CLT and the Audit Committee during 2020-2021. The strategy sets out a formal and structured approach to identifying, assessing, managing, and reporting risk within the Council and describes six objectives:
- 1) Ensure that risk management effectively supports corporate governance arrangements in the Council.
 - 2) Maintain and Improve leadership and collaboration of risk management activity across the Council.
 - 3) Integrate risk management into the culture of the Council as well as into its key management processes, programmes, projects, performance and financial management.
 - 4) Ensure that the risk management process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the Council is in line with best practice, consistently applied, understood and owned by all staff.
 - 5) Ensure that the Corporate leadership team, Directorate leadership teams, Audit Committee, Mayors Advisory Board, external regulators

and other stakeholders obtain necessary assurance that the Council is managing and mitigating its risks effectively.

- 6) Continuously improve risk management through learning and experience and actively communicate LBTH risk management approach to all employees and stakeholders.

3. Roles and Responsibilities

- 3.1 Effective risk management is a key responsibility of staff and managers across the Council. Group and individual responsibilities are summarised below:

Audit Committee

- Provide independent assurance for Members over the adequacy of the risk management framework.
- Monitor the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee

Corporate Leadership Team

- Overall accountability for risk management and the risk appetite across the Council including ensuring the corporate risk register is a live and up to date record of the current risk exposure.
- Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework.
- Owns individual corporate risks (as delegated by the Chief Executive) and approves corporate risks when escalated from directorate management teams.

Directorate Leadership Teams

- Ensures the directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively.
- Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate.
- Champions the benefits of effective risk management.

Risk Champions (One in each directorate)

- Promote, steer and monitor risk management for their directorates.
- Regularly discuss and review the corporate and directorate risk registers and associated risk reports.

Risk Management Team (Part of Internal Audit, Risk & Anti-Fraud)

- Supports the Corporate and Directorate Leadership Teams to implement the risk management strategy, policies and guidance.
- Develops and agrees plans with management to improve risk management across the Council.
- Develops risk management guidance and training and supports risk and control owners in delivering their role.
- Carries out ongoing reviews of risk management process, benchmarking, scrutiny and challenge.
- Provides administration for the Council's risk management software (JCAD).

4. Risk Management Audit and Action Plan

- 4.1 Council's approach to risk management was audited in early 2020, the outcome was reported to CLT and the Audit Committee. The audit resulted in a split assurance opinion. The auditors assessed the design of the Council's approach to risk management as substantial but its application/operation as limited. Whilst the framework, strategy and procedures are well documented, compliance with these was variable across the Council and review and engagement with risk management by directorates required improvement. The report was presented to CLT in March 2020 and CLT gave a firm commitment to improve risk management across the Council.
- 4.2 The recommendations arising from the audit were accepted on behalf of CLT by the Head of Internal Audit and an action plan was developed (see Appendix A for progress). Progress has been slower than anticipated due to a lack of resource, however 50% of the actions have been completed and the outstanding actions will be carried forward in 2021–2022. These can be summarised as:
- Provide annual risk management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks.

- On at least a biannual basis, in conjunction with the Directorate Risk Champions, coordinate and facilitate a new risk identification exercise with each Directorate.
- Review JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed.
- Develop a desk top aide for recording, updating and withdrawing risks on JCAD.

5. Risk Management Activity During 2020-2021

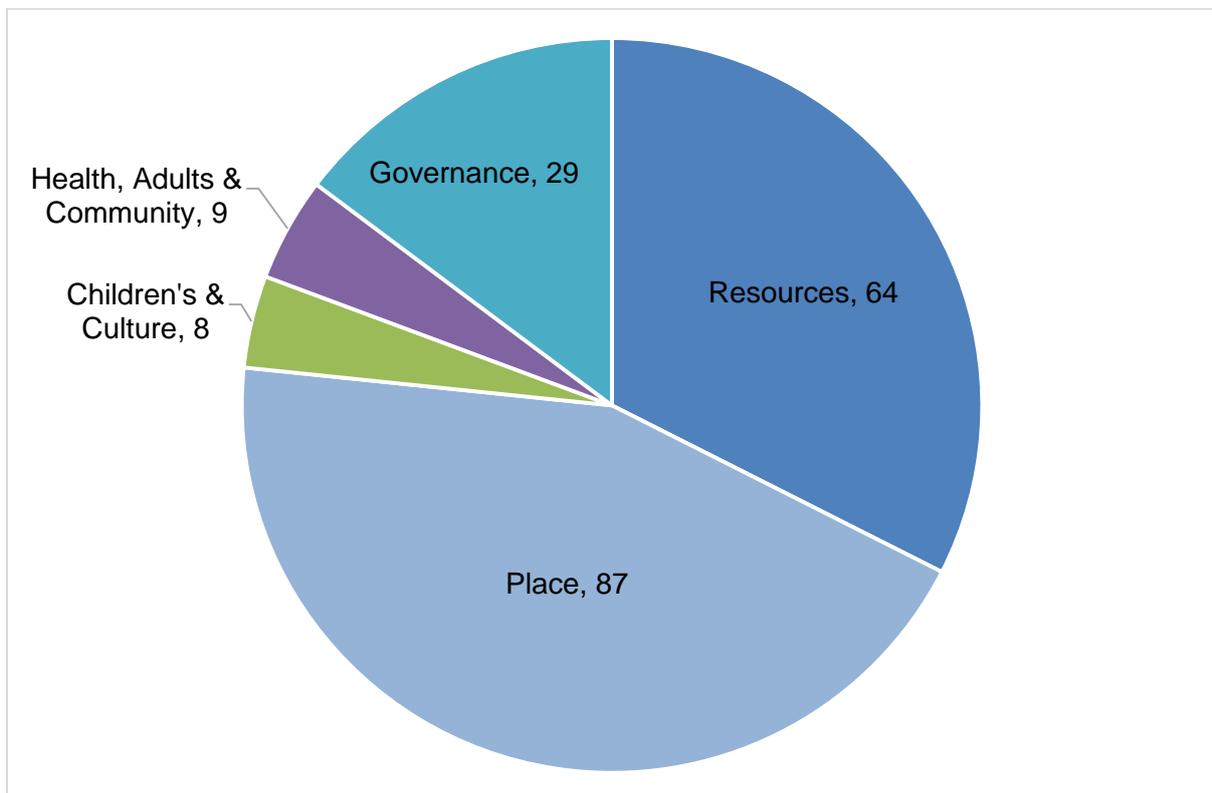
- 5.1 During 2020-2021 risk management has been a key feature of the Council's response to the Covid-19 pandemic. Bespoke risk registers were created and actively managed by the Bronze, Silver and Gold command groups with the frequency of activity stepped up or down as the risks fluctuated. These registers provided clear operational and strategic oversight of risks and their mitigating actions.
- 5.2 In addition to the bespoke risk registers, a concerted effort was made by all directorates to update their respective business as usual risks, remove out of date and immaterial risks, and review the registers on a more regular basis (at least quarterly).
- 5.3 A summary of other activities that have taken place during 2020-2021 follows:
- The Risk Management Strategy was updated and approved by the Audit Committee in July 2020.
 - Each Directorate nominated a Risk Champion to lead on risk in their respective Directorates. The Risk Champions meetings were reconstituted.
 - The Corporate Leadership Team were requested to ensure risk management features at least quarterly on their Divisional Leadership Team meeting agendas.
 - The Directorate Risk Registers for Place, Health Adults and Community, Children's and Culture, Governance and Resources have all been reviewed and actions identified to update and/or close out of date active risks.
 - Training has been provided to Senior Business Support Officers enabling them to support Directorates in updating risks on JCAD (the Council's risk management software).
 - Both the Joint Health and Safety Committee and the Civil Contingencies Board have received regular risk reports in their respective areas.
 - The Audit Committee has been regularly presented with the Corporate Risk Register as well as the Place and the Resources directorate risk

registers and a rolling timetable to review the other directorates has been agreed.

6. Current Risk Profile

- 6.1 The Council's risks are primarily recorded, managed and monitored using JCAD (our risk management software). The system allows risk registers to be produced as well as individual risks to be managed.
- 6.2 There are currently (as of 25 June 2021) 217 active risks recorded across the directorates and they can be further analysed as follows:

Chart 1 – Risks by Directorate



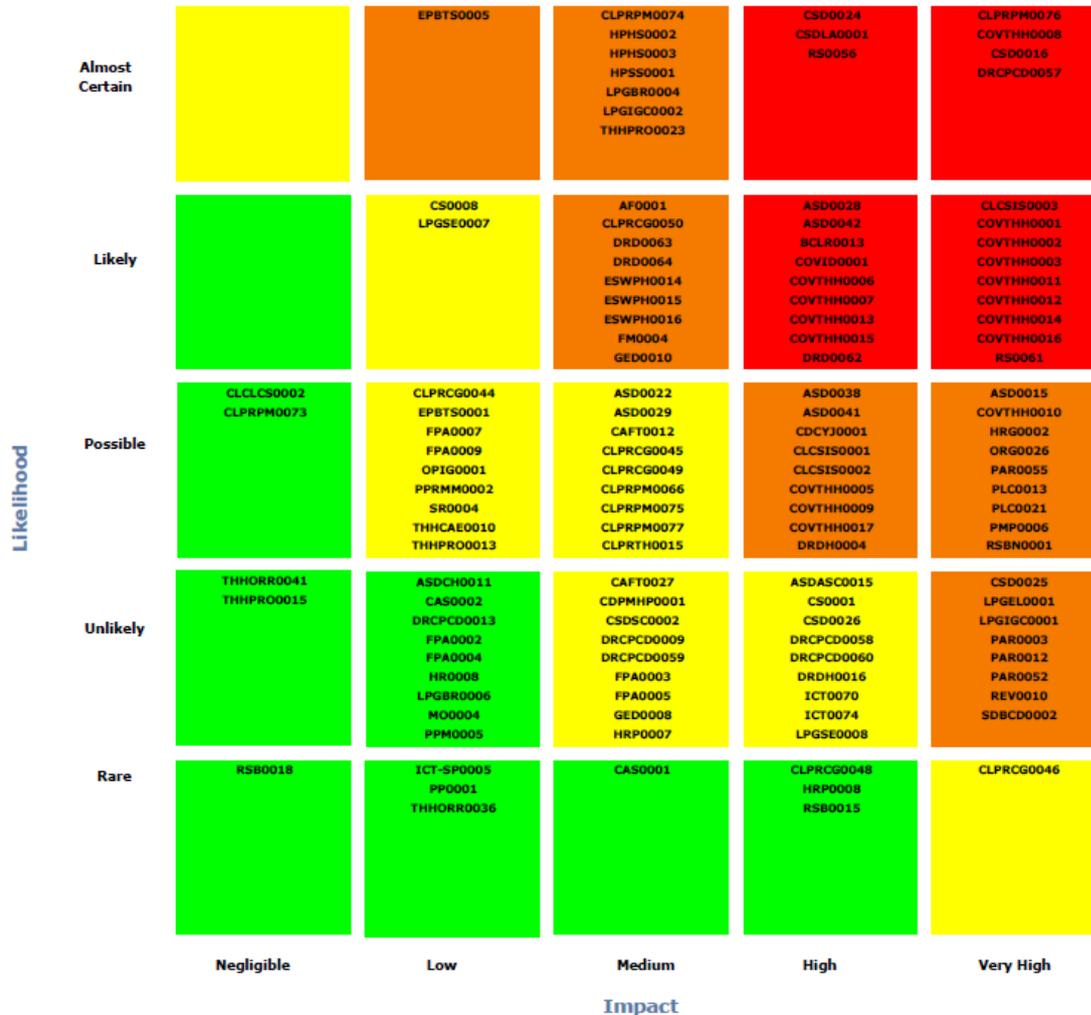
- 6.3 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

Table 1 – Average Risk Rating by Directorate

Directorate	Average risk rating
Children's & Culture	14
Place	11
Health, Adults and Community	11
Governance	10
Resources	9

6.4 The following heatmap shows a summary distribution of risks across the Council. More details of the top-rated risks (red) are provided at Appendix B.

Chart 2 – Heatmap of Risk Profile



6.5 The most significant risks faced by Directorates and the Council as a whole feature on the Directorate and Corporate Risk Registers which are reviewed regularly by DLT, CLT and the Audit Committee.

6.6 Each risk and the associated actions to mitigate the risks, referred to as 'Controls' on JCAD should be reviewed regularly. The following charts show the distribution of risks and control review activity.

Chart 3 – Risk Review Profile

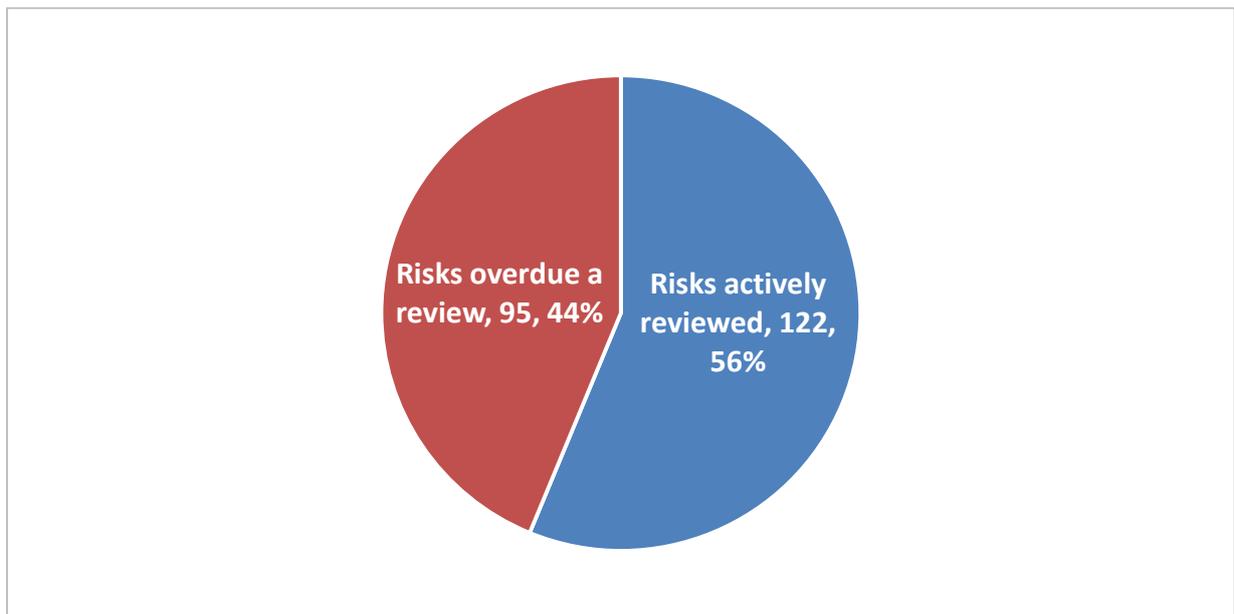
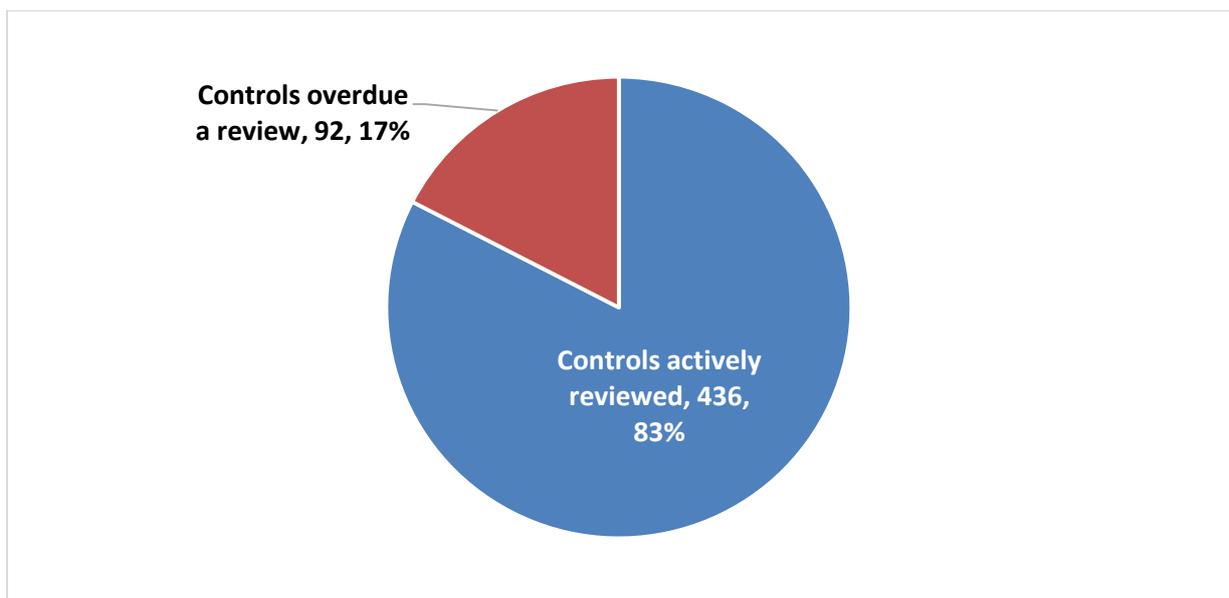


Chart 4 – Control Review Profile



6.7 It's clear from the above charts that some work is required to review risks more regularly and to a lesser extent the mitigating actions. This information will feature in risk reports for DLT's throughout 2021-2022 to support oversight and increase the frequency of risk reviews.

7. Risk Management Annual Plan 2021-2022

- 7.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve risk management. The plan is attached at Appendix C for the committees review and agreement. Completion of the plan is subject to the successful recruitment of both a Risk & Insurance Manager and a Risk Officer.

8. Conclusion

- 8.1 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.

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Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ June 2021)
1a	Risk register review should be a standing agenda item (at least quarterly) at directorate and divisional meetings, and discussions and actions should be adequately documented to evidence what was discussed.	The risk strategy and approach to its implementation are currently being reviewed. A revised strategy will be discussed and agreed/endorsed by CLT with the aim of launching the strategy by May 2020. The strategy, or accompanying guidance, will include requirements for each Directorate/Division to have at least quarterly, documented risk register reviews and bi-annual risk identification exercises. In addition, the role and number of Risk Champions is being evaluated. As a minimum, each Directorate will be requested to re-nominate a Risk Champion and a deputy that are appropriately positioned and adequately resourced to fulfil the requirements role.	Paul Rock supported by the Interim Strategic Risk Advisor	May 2020	Risk registers now regularly feature on Directorate Leadership Team qgendaw. Actions are recorded at the meetings.
1b	New risk identification should be a standing agenda item (at least bi-annually) at directorate and divisional meetings, or other appropriate forums/workshops and discussions and actions should be adequately documented to evidence what was discussed and new risks identified.				Some risk identification exercises have been run at the request of a specific service or directorate, but this action will be carried forward into 2021-2022.
2a	The Council should ensure that all	The risk strategy and approach to its	Paul Rock	May 2020	Risk reports are provided to

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ June 2021)
	risks and actions for risks, including review dates, are adhered to and that action progress is updated on the JCAD system, including whether the control is in place and percentage completion. Where controls are fully implemented the risk should be reviewed to ensure the risk score remains appropriate.	implementation are currently being reviewed. A revised strategy will be discussed and agreed/endorsed by CLT with the aim of launching the strategy by May 2020. The strategy, or accompanying guidance, will include requirements for each Directorate/Division to record and manage their risks (as currently stated in the Risk Management Strategy) on JCAD in line with the recommendations described above. The Risk Champions will be expected to encourage the use of JCAD and provide support where needed. In addition, we will explore alternatives for JCAD that may be more intuitive, provide desk top guides to using JCAD, an e-learning module for Risk Management and provide an annual programme of risk management awareness/training for each Directorate/Division.	supported by the Interim Strategic Risk Advisor		CLT, DLT and specific boards e.g. H&S regularly. These reports provide an opportunity to challenge the accuracy and completeness of entries on JCAD. Actions are recorded by DLT's to improve entries where needed. The quality of risk entries is improving but further work is required; more regular quality sampling will be introduced in 2021-2022.
2b Page 166	Risks should include the description, the trigger and the consequence and controls should be described more clearly to include how an action will be carried out, and the frequency where relevant (e.g. monitoring). All actions should be SMART (Specific, Measurable, Attainable, Relevant and Time-bound)				Due to resources and the pandemic the work to evaluate JCAD and explore alternatives was suspended and will begin again in 2021-2022.
2c	The Council should ensure that controlled risk scores fall within the risk appetite as detailed within the Strategy				Training was also delayed due to resources and the pandemic. Some training was provided to Business Support Officers, more training and support materials (e-learning module, desktop guides) will be developed and delivered in 2021-2022.

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ June 2021)
3a	<p>The Council should identify who has not received risk management training, to include;</p> <ul style="list-style-type: none"> the Corporate Leadership Team and Directorate Leadership Team members who have not attended the mandatory risk management training risk Champions who have not received risk management training other managers who would benefit from risk management training, who have risk management responsibilities i.e. identifying risks, owning risks, reviewing risks etc. 	<p>The risk strategy and approach to its implementation are currently being reviewed. A revised strategy will be discussed and agreed/endorsed by CLT with the aim of launching the strategy by May 2020.</p> <p>Risk Management training will be refreshed, and an annual programme instigated. Records of attendance for key roles (described above) will be established and maintained by Risk Management. Risk Management training will be mandated for Risk Champions. In addition, Risk Management will be launching a desk top guide to JCAD and an e-learning module for Risk Management.</p>	Paul Rock supported by the Interim Strategic Risk Advisor	May 2020	Most training was delayed due to resources and the pandemic. Some training was provided to Business Support Officers and specific individuals on request, more training and support materials (e-learning module, desktop guides etc) will be developed and delivered in 2021-2022.
3b	The Council should then ensure that all of the above receive the relevant risk management training, and that this is recorded on a risk management training database (e.g. spreadsheet),				

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ June 2021)
	with the dates of when individuals have completed training				
3c	Risk management training should be made mandatory for Risk Champions.				
4a	If Risk Champions are unable to attend the meeting, the meeting should still proceed but an alternate sent in their place. This should be used sparingly and only if there is a valid reason why the risk champion is unable to attend. CLT members should ensure directorate members of the risk champions group attend group meetings by requesting feedback at directorate leadership team meetings.	The risk strategy and approach to its implementation are currently being reviewed. A revised strategy will be discussed and agreed/endorsed by CLT with the aim of launching the strategy by May 2020. The review will include the role and number of Risk Champions and the Terms of Reference for the Risk Champions Group. As a minimum each Directorate will be required to re-nominate their Risk Management Champion and a deputy that is appropriate positioned and adequately resourced to fulfil the requirements of the role. Meetings are currently scheduled a year in advance, and this will continue. Risk Champions and their management will be encouraged to incorporate the role into the PDR process.	Paul Rock supported by the Interim Strategic Risk Advisor	May 2020	The roles and terms of reference for Risk Champions was reviewed. Each Directorate nominated a Risk Champion to lead on risk in their respective Directorates. The Risk Champions meetings were reconstituted.
4b	The requirement to attend and actively participate in the Risk Champions Group should be included in Risk Champions appraisal objectives.				
5a	Discussion of the quarterly Risk Management Update report should be	The Corporate Risk Register will be	Head of Internal Audit, Fraud and	May 2020	The corporate risk register and risk management update

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ June 2021)
	adequately documented within minutes, making it clear which challenges have been made, and outcomes of decisions to include any actions.	addressed and presented to CLT on at least a quarterly basis and in advance of the Audit Committee to allow enough time for amendments and updates to be incorporated. Risk Management will request this is reflected in the CLT forward plan. The updated Corporate Risk Register will then be addressed and presented to the Audit Committee. Risk Management will request (and confirm) that reviews and any decisions are adequately documented and actions are completed.	Risk supported by the Interim Strategic Risk Advisor		is presented regularly to CLT and in advance of the Audit Committee. Decisions and actions related to the update are recorded and followed up by CLT. Actions arising from the Audit Committee are recorded and followed up by the Audit Committee clerk.
5b	Actions should be tracked, followed up and outcomes also documented within minutes of the Audit Committee meetings.				

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Detailed Risk Report (incl Control Measure Target Date)

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
CLPRPM00 76	Parking Services to ensure that the Enforcement Agents contract meets its expected annual income; revenue expectations now managed by Revenue Services	Parking Services have no control over the enforcement debt collection Loss of revenue in comparison to previous years	Loss of revenue over 2 years Revenue services have collected approx. £50k over 2 years		5	5	25	Senior management intervention Senior management intervention required to agree an action plan to ensure the income expectation is met. Regular meeting to take place between the Head of Revenue and Parking. Michael Darby <u>Required Control Measure</u> Target Date: 31/03/2022	3	3	9	Michael Darby	A Borough That Our Residents Are Proud Of And Love To Live In.
CSD000 Page 171	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; • 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.	<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>	5	5	25	<p>Increased level of Quality Auditing.</p> <p>From May 2021 the quality assurance programme will move to monthly quality audits and be positioned as a core activity for all managers to ensure consistent and improving standards of casework across Children's Social Care. All audits are moderated.</p> <p>Richard Baldwin <u>Required Control Measure</u> Target Date: 30/09/2021</p> <p>External peer scrutiny of our safeguarding practice.</p> <p>Two Directors of Children's Social Care from other East London boroughs will be joining the Continuing Improvement Board to provide external peer support and challenge. We are also planning with the East London</p>	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		
		<ul style="list-style-type: none"> Strong planning for children, with regular reviews to avoid drift and delay. Maintaining strong quality assurance and auditing mechanisms. 		Practice Week which is held twice a year (May and November) which involves all Corporate Directors and members.				sub-region to initiate peer scrutiny and moderation of our quality auditing. Richard Baldwin <u>Required Control Measure</u> Target Date: 30/09/2021 Inspection by the regulator, Ofsted Tower Hamlets is due a Focused Visit as part of the ILACS inspection framework later in 21/22, which will provide external scrutiny of our safeguarding practice against the national inspection benchmarks. Richard Baldwin <u>Required Control Measure</u> Target Date: 31/03/2022 Tower Hamlets Safeguarding Children's Partnership and increased quality assurance. The THSCP has planned for 21/22 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews. James Thomas <u>Required Control Measure</u> Target Date: 31/03/2022				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
DRPCD00 57	(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. 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 - Asset Management and Capital Delivery Board.	5	5	25	5	5	25	Yasmin Ali	A Borough That Our Residents Are Proud Of And Love To Live In.
CLCS00 03	Unique or rare heritage collections preserved by Tower Hamlets Local History Library & Archives are degrading and are at risk of damage or theft due to poor environmental conditions and insufficient space. The building in which the service operates is Grade 2 listed and in need of modernisation of its infrastructure. The archive houses the corporate memory of LBTH and its predecessors, as well as many collections donated by local community groups and businesses.	Changeable weather and/or extremes of weather compromise the structural integrity of the Bancroft Library building (built 1860) in which the service is housed. Regular monitoring of temperature and humidity has provided more than 2 years worth of evidence that the building cannot maintain the stable range of temperature and humidity in its storerooms as required by the standard EN 16893 which governs the environmental conditions required for permanent preservation	If the collections are lost in part or in whole, it is more or less impossible to replace them. An insurance valuation of £4.5m has been obtained which covers the estimated cost of sending materials damaged by fire or flood to a specialist salvage company for restoration. However, the corporate memory of the council, and significantly the wider borough and all its residents would be lost or hugely damaged if such a disaster were to occur. There would be substantial reputational damage to LBTH plus	Environmental monitoring in overspill storage rooms All vacant offices within the building which are currently being used to store collections are being monitored daily for their temperature and humidity. Results are analysed quarterly and actions taken as needed (such as introduction of dehumidifiers)	4	5	20	1	1	1	Tamsin Bookey	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>of historic documents. Furthermore, due to the lack of space, many boxes of material are stored in vacant offices which lack the required 4hr fire protection. There is also insufficient access control of the collections storage areas to give confidence that the risk of theft is minimised. A report has been written by a preservation consultant summarising the high risks to the collections presented by their current accommodation.</p>	<p>financial claims from depositors who donated their precious heirlooms to the archives in good faith. The history of London's East End is a popular visitor attraction for tourists as well as a source of pride for residents and this would be undermined by the loss of the collections. Finally, this risk has been well documented by the service's officers (who have been seeking senior management and political support to address it since 2009), and so the fact that the underlying cause of any disaster is ultimately ascribable to corporate negligence will become apparent to the public.</p>							<p>Tamsin Bookey <u>Required Control Measure</u> Target Date: 31/03/2020</p> <p>Improvements to packaging of collections</p> <p>Archival documents are their most vulnerable when exposed to atmospheric fluctuations. Though most collections are boxed on arrival, one large deposit from LBTH comprised thousands of rolled architectural plans on paper which were delivered in cages open to the elements. This collection is therefore at high risk of damage as it cannot be easily boxed. It was decided to apply for external funding to assist the service in prioritising the processing of the collection as ideally boxing and cataloguing would happen at the same time. A funding application submitted in Dec 18 was successful in securing a scoping grant to develop detailed plans, and a further application will be submitted later in 2019.</p> <p>Tamsin Bookey <u>Required Control Measure</u> Target Date: 31/03/2020</p> <p>Capital project to construct a new strongroom with room for 40 years growth of the collections</p> <p>Since 2009 the service has been exploring options to extend its storage capacity. Two detailed options for capital redevelopment of the Bancroft Library site have been progressed but subsequently abandoned, due to the high cost of adapting the listed building and there being</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		
								insufficient space within the footprint. Following a direction by the Mayor in April 2018, a business case is now being prepared to relocate the entire THLHLA service to the site of the PDC at 227 Bethnal Green Road, constructing a new, expanded, fit-for-purpose, energy efficient strongroom on the vacant car park adjacent. The service would be repositioned as a heritage centre for the East End benefitting from close proximity to Brick Lane and Columbia Road and its profile boosted by a high street shopfront. A new Idea Store for Bethnal Green would be co-located with it. Tamsin Bookey <u>Required Control Measure</u> Target Date: 31/03/2020							
CSD0024	Negative OFSTED rating for SEND.	Areas of significant weakness identified as a result of a Local area SEND inspection Current performance: Failure to meet the 20-week statutory requirement for EHCP completion Quality of EHCP below expected standards Annual reviews not completed within statutory timelines. Insufficient capacity within SEN Caseworkers Insufficient funding to meet increasing demand for EHCP Negative feedback from parents/carers and	Risk of a negative inspection outcome Local area required to respond to identified areas for improvement through a formal Written Statement of Action (WSoA) to the Department for Education (DfE) Local area unable to meet the needs of children and young people with SEND Increased pressure on the DSG Statutory deadlines not met and poor response times to communications from parents/carers	Recovery plans Recovery plan in place to address known weakness: EHCP and timeliness and quality Annual reviews DSG recovery plan in place Send Improvement Action Plan with oversight from SEND Improvement Board DSG Recovery plan in place	5	4	20	Action owners - John O'Shea, Lewis Teasdale, Emma Shelton Increase the number of SEN Caseworkers. Implement EHCP and Annual review workflow tracking through Synergy. Implement quality Assurance process for EHCPs and annual reviews and associated workforce training and development. Signpost available support to parents/carers prior to requesting an EHCP needs assessment. John O'Shea <u>Required Control Measure</u> Target Date: 31/12/2021	4	3	12	Steve Nyakatawa			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
		children and young people Lack of data for local area to have shared understanding of outcomes for children and young people with SEND	Lack of confidence and trust in SEND provision in the local area No oversight of overall performance for children and young people with SEND across Education, Health and Care						
CSDLA0001	Special Educational Needs (SEN) Budgets over-spend including transport costs. There remains a significant deficit in the High Needs Funding block subject to a Management Plan monitored by the DFE – which will be updated for October 2021.	Local population growth along with the numbers of children with very complex needs. Significant influx of children with complex needs move into the borough from abroad. New legal framework extends Council duties to children 0-25. Not enough special school places locally. The quality of data held on the system produces inconsistent data reports and a lack of clarity in terms of the real picture for SEN.	Pressure on service resources and budgets Over stretched staff can't complete statutory duties in a timely fashion. Parents take out tribunals against the Council who award them expensive placements Data does not accurately reflect the correct numbers and the finance module is ineffective in tracking spending.	Monthly monitoring of budgets in place. Monthly monitoring of budgets in place. New budget codes set up to separate different elements of funding and improve tracking of spending. New requests of assessment tracked. SEN Grant funds ceased in 2017 and so the current additions to capacity within the service are being sourced by the Children's Finance Team – who are also working on the DSG Recovery plan above. New IT system to be procured though implementation has been delayed. Present IT system modified to accommodate new reporting requirements. New budget codes set up to separate different elements of funding and improve tracking of spending. New requests for EHCP assessment tracked. all new requests for EHCP assessments are now tracked. Improved SEN IT system in place and compliant with all aspects of new legal framework Improved dedicated SEN IT system in place and compliant with all aspects of new legal framework	5 4 20	Children's Digital Steering Board The MIS for SEN, Synergy is undergoing a full review from the Children's Digital Steering Board and the data issues are currently scrutinised by the SEND Improvement Board. John O'Shea <u>Required Control Measure</u> Target Date: 31/12/2021 Further training Further training and work on quality assurance and tracking systems is being put in place with the Strategy and Performance team - This work is being scrutinised and monitored by the SEND Improvement Board. John O'Shea <u>Required Control Measure</u> Target Date: 31/12/2021	4 4 16	John O'Shea	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>Training Service Staff have undergone recent training (May 2021).</p> <p>Funding The use of the Government capital funding for SEND has meant that 3 special schools have been expanded to meet current capacity and additional resource bases have been set up in 2 primary schools. A further £2.8million pounds of funding has been received and working with the Schools Sufficiency team and schools we will continue to expand resource provision in local schools.</p>								
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. Loss of income in particular council tax, business rates and leisure events. Poor budget management Failure to deliver savings</p>	<p>Significant financial losses, overspent budgets, further drawn down on reserves.</p>	<p>Financial Measures 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 Increased focus on budget management. Budget Managers Handbook Issued. All budget 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</p>	5	4	20	4	3	12	Kevin Bartle	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				previously agreed savings proposals.								

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		
RS0061	<p>Office accommodation has largely been left out of any business rates reliefs during 2020/2021 and Businesses/MHCLG/VOA /Rating Agents are in discussion to try and achieve a reduction in rateable values through the Material Change in Circumstances provisions (MCC). This was reported by the BBC as a 25% reduction although there has been no communication from central government to confirm this.</p> <p>There has also been no clear guidance from central government regarding the Expanded Retail Scheme under which we currently receive over £100m and whether this will continue into 2021/2022. If it does not it is likely that that will further MCC appeals for Retail, Hospitality and Leisure businesses.</p> <p>There is a 75% compensation scheme in place for losses in the current year but it is not clear whether this will continue into 2021/2022. All of the above make it extremely difficult to know what to do for the NNDR1 return and how to estimate the impact on the councils income for 2021/2022</p>	<p>A reduction in rateable values of 25% (or more) for offices.</p> <p>Retail Hospitality and Leisure could follow if reliefs are not extended into 2021/2022</p>	<p>Using the VOA SCAT codes for offices codes: CO, COC, COO, COS and COW: Total RV: £604,112,975 No. of props: 6531. We currently receive over £100m in Retail Hospitality and Leisure Relieve which could be lost</p>	<p>Working with VOA and MHCLG We will continue to work with the VOA and MHCLG to look at whether this will be funded either through S31grant or other means, and consider whether this should be accounted for in the NNDR 1 and 3 Working with all London Councils Working with all London Councils to present a united approach to MHCLG and how NNDR1's are being completed. Letter to be sent with completed NNDR1's from all London Councils Working with all London councils to present a united response to MHCLG Waiting for central government announcements on reliefs and RV changes. Annual billing delayed until budget statement on 3rd March. May need to consider changing 1st instalment date to allow for changes in software and testing before bills being sent out. Reviewing the current Check Challenge Appeal Data CCA data has been reviewed and updated estimates on current year provisions have been submitted in the NNDR2 return to London pool for March</p>	<p>4 5 20</p>	<p>Estimates on MCC changes will be worked for the NNDR3 return due 20th June 2021</p> <p>Further analysis will be carried out on Check Challenge Appeal data and the Rating List will be broken down into categories to estimate the impact of unknown MCC's that may come through in the future for Offices, Retail Hospitality and Leisure, and other types of hereditament in the local list.</p> <p>Roger Jones</p> <p><u>Required Control Measure</u> <u>Target Date:</u> <u>31/08/2021</u> Retail Relief has been extended</p> <p>We are now waiting to award the extended relief for retail hospitality and leisure 100% to 30/6/21 and then 66% for the rest of the year. New bills will need to be issued by mid June in time for the 1st July instalment date.</p> <p>The government has made it clear that market-wide economic changes to property values, such as from COVID-19, can only be properly considered at general rates revaluations, and will therefore be legislating to rule out COVID-19 related MCC appeals. Further work needs to be done to establish the effect of this decision and whether an increase in provisions is still necessary</p> <p>Roger Jones</p> <p><u>Required Control Measure</u> <u>Target Date:</u> <u>31/08/2021</u> New provisions for appeals and revised bad debt provisions</p>	<p>2 2 4</p>	Roger Jones	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
						Working with LG Futures we have now revised appeals provisions and bad debt provisions which have been included in the NNDR3 for sign off 28th June and due back to MHCLG 30th June 2021. These revisions will have a significant impact on the MTFS if they materialise and will be monitored. Meeting with Finance Team scheduled for 28th June to discuss implications and understand changes needed to MTFS. These changes reduce income by around £135m. Roger Jones <u>Required Control Measure</u> Target Date: 31/08/2021			
ASD0008	Overspend in adult social care services due to demographic changes and demand led pressure for services.	Lack of a national proposal on the long-term funding for adult social care Short-term funding mechanisms which do not provide stability Increasingly complex needs Growing demand Changing demographic High cost of care and support services in the borough	Pressures on care package budgets across client groups. Pressures on staffing budget. Cost pressures on other areas of the Directorate. Non-delivery of savings targets	Robust budget management, BCF spend review and restructure Regular budget monitoring meetings held across the service. Project Board implemented to monitor saving project. BCF spend reviewed to make best use of income on ASC staff who are focused on discharge to assess model and admission avoidance. Restructure of service implemented in September 2020 to align establishment to staffing budget. Implementing strategies and commissioning services which are focused on community support Commissioning effective preventative services including advice and information Ensuring sufficient community support services and accommodation options which minimise the need to use expensive	4 4 16	Restructure review, preventative and strength based practice Review of this restructure currently being undertaken with findings published August 2021. Continued focus on preventative practice to reduce dependency on ASC. Ongoing work planned to further embed Strength Based Practice following recommendations from Social Care Institute for Excellence following the finance and practice review. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 31/03/2022	3 4 12	Katie O'Driscoll	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
				residential care					
ASD0042	Upgrade of Telecare Jontek equipment does not progress.	Delay in Open Reach work to install ISDN30 lines at Frizlands Depot in LBBB	If the upgrade cannot progress, there is greater risk day-by-day of the current Jontek equipment which is no longer serviceable, falling over. This has happened twice already and each time there is a risk we may not be able to get it working again. This puts our most vulnerable service users at risk.		4 4 16	<p>Contract Novation and Temporary Arrangements</p> <p>ICT colleagues are working hard to ensure novation happens by the 31/03/21. This risk has also been escalated to Adrian Gorst.</p> <p>Ensure the phone lines are not terminated, by having an agreement in place to ensure that in case of delays beyond 31/03/21, the contract for phone lines continues to be extended, on a month by month basis, as a temporary measure until contract novation is completed and confirmed.</p> <p>Melanie Rose</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 30/07/2021</p>	1 4 4	G.Beadlephelps	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
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	<p>Brexit Impact Monitoring and Response</p> <p>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.</p> <p>Sharon Godman</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/12/2021</p>	4 2 8	Will Tuckley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
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. 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 Plan The Council has prepared and successfully implemented a local outbreak plan which along with the national response and vaccination programme has results in a dramatic drop in infections and deaths as a result of COVID-19.	4	4	16	3	3	9	Will Tuckley	A Borough That Our Residents Are Proud Of And Love To Live In.
DRD00062	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		
DTLC0003	<p>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</p>	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	<p>Review of all source data.</p> <p>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.</p> <p>Umbreen Qureshi</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p> <p>Acquisition of New database</p> <p>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.</p> <p>Umbreen Qureshi</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p> <p>30/09/2022</p>	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		
Page 185	<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.</p> <p>Additionally GIS functionality is extremely slow impacting on turnaround times and risking property transactions to fall through.</p>											

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
ICT-SP0017	<p>Failure to run a secure service - Non-compliance with Cyber security principles</p> <p>The likelihood is defined solely on the grounds of exposure to threats (medium/high), the (15/7/2014) assertion of PCI auditor about insufficient partner capabilities to run LBTH ICT services, and the lack of understanding of Agilisys managers of compliance requirements and current state of affairs/compliance of LBTH ICT operations during the PSN gap analysis.</p>	<p>Social Engineering - phishing</p> <p>Denial of Service (DDOS)</p> <p>Mis sent email</p> <p>inappropriate sharing</p> <p>Insecure design</p> <p>inappropriate access</p> <p>Introduction of malware to the network</p> <p>Introduction of unauthorized software to the network (intellectual property issues and loss of configuration control capabilities)</p> <p>Introduction of acceptable usage policy (AUP) breaching content to the network.</p> <p>Combined with significantly low levels of defence in depth.</p> <p>Successful Phishing attack.</p> <p>ropriate content read and transferred from user devices plugged in to LBTH systems (~3000 occurrences per month).</p> <p>User clicking on phishing scam email link, and or divulging sensitive information</p>	<p>Propagation of malware in LBTH network, with adverse impact to the network's confidentiality, integrity and availability.</p> <p>Breach of copyright laws</p> <p>Breach of AUP in mass.</p> <p>Potential unauthorised intrusion in our network resulting in loss of data, and possible damage due to successful phishing attack.</p>		4	4	16	<p>Independent review external and internal</p> <p>Internal Audits</p> <p>External Penetration tests</p> <p>This is an on going measure. Next independent penetration tests to be commissioned as soon as transition to the new service providers have been completed. This is expected to be sometime in June 2021.</p> <p>Internal vulnerability scanning is on-going, occurring every two week and the critical / high vulnerabilities discovered continue to be escalated for urgent remediation</p> <p>RFQs for the independent penetration tests for 2021 has been published. Expected date for the tests is August 2021. This is an on-going exercise with no end dates as the threat landscape changes</p> <p>Mary Umoh</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2021</p> <p>Implementation of a SIEM solution</p> <p>Project has been initiated to look into this</p> <p>Project overview has be released</p> <p>The project has been completed and now live, but open to review. We are also now recruiting additional specialist resources to support the SIEM</p>	3	4	12	Mary Umoh	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		
								Mary Umoh <u>Required Control Measure</u> Target Date: 31/12/2021							
ICT-SP005 2	Infrastructure not consistently patched	Not Patching	Compatibility issues Performance issues 3rd party support issues Non-compliant with PSN, Health, PCI DSS Disruption to service - lose connection - e.g NHS		4	4	16	Remediation plan for pen test plan - Get monthly reports from MOM Request patch reports from MOM Compare with pen test to ensure patching quarterly vulnerability scans are being done and results used to independently monitor Agilisys patch scheduling Extended support bought for high priority external facing servers and need to ensure that this is patched. To Agree a process to allow for exceptions. This is an on-going risk as patching is an on-going process and the list of unsupported applications is dynamic as its a revolving door. The weekly Nessus scan is being used to assess the patch status of the environment and make adequate remediation plans On-going risk. Nessus scans is run weekly to identify the vulnerabilities and our service provider ANS, who looks after the servers in Azure is asked to remediate any critical / high vulnerabilities identified. The Head of IT service is responsible for the End User Devices patching activities.			3	3	9	Mary Umoh	Risk Corporate Plans

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		
									Mary Umoh <u>Required Control Measure</u> Target Date: 31/12/2021						
ICT0076	The IT service is unable to maintain or recover essential services following an incident or event.	Hardware failure Software failure Connectivity failure Environment failure (power, aircon) Physical failure (fire, flood, theft) Service failure (cloud provider) Provider failure (business disruption or failure)	Degradation or interruption to public services delivered by the council.		4	4	16	Backup Measures Unix systems covered by tape backup and offsite storage, -being decommissioned as apps migrated to cloud Selected systems covered by Agilisys Backup-As-A-Service, untested -being moved to ANS, Azure or IaaS by end of March SAN to SAN copy of home and shared drives, data migrated to cloud storage and teams Melanie Rose <u>Required Control Measure</u> Target Date: 31/07/2021 New policies, procedures, guidelines and audit points covering IT backup/restore, disaster recovery and BCP. New policies, procedures, guidelines and audit points covering IT backup/restore, disaster recovery, business continuity and resilience covering all IT applications and services. Achievable RTCs and RTOs being loaded onto clearview. IT Disaster recovery guidance updated. Register of applications and services updated to include IT backup/restore, disaster recovery, business continuity and resilience covering all IT applications and services. Technical solutions to implement policy and procedure			1	4	4	Melanie Rose	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						Test plan to ensure technical solutions perform as designed and meet requirements set out in policy and procedure. Melanie Rose <u>Required Control Measure</u> Target Date: 31/07/2021			
LPGSE0006	Poor or inadequate ICT infrastructure and core application	Hinders development work on new/better systems, tools/software Disruptions to work processes as a result unreliable ICT	Inability to implement enterprise BIA solutions and architecture Failure to deliver on work programme Poor service delivery and service failure		4 4 16	Work with IT colleagues to improve the systems, and their reliability through representing service interests at Digital Board Thorsten Dreyer <u>Required Control Measure</u> Target Date: 31/03/2022	3 4 12	Thorsten Dreyer	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
PLC004	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.	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.	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.	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 compliance lies. The matter has also been raised with the Corporate Director, Place.	4 4 16	Legal Advice and Resource Requirements We need to take legal advice on the extent to which we can pass on responsibility to the occupiers of our buildings even though they may not be aware and may not have adequate knowledge, experience and capacity. Increase resources for the in-house Facilities Management Team to undertake compliance activity and coordinate remedial action and/or maintenance. Vicky Clark <u>Required Control Measure</u> Target Date: 31/03/2022	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		
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: 30/09/2021	2	2	4	Kevin Bartle	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		
RSBR0007	A significant reduction in the councils income across all income streams due to COVID-19 and economic downturn as a result of government initiatives coming to and end, businesses not opening, and further spikes in infections.	COVID - temporary shut down of all collection and enforcement processes. Government funding coming to an end for furloughing schemes. Fees and charges not being raised. Decreased revenues and changes in demand for business premises - businesses moving out of Canary Wharf leading to a reduction in business rates, Landlords not being able to let large assessments and stripping them out which reduces the RV to Zero producing no yield. Office accommodation potentially being exempt. Local economy slow to restart, businesses failing	Significant loss of income for all income areas across the council Financial Pressure on the Councils finances	Income Recovery Plan being set up A recovery plan is being put together to look at restarting the collection and enforcement processes across all income streams Looking at the arrears position, bad debts, provisions and what increases in provisions will be needed. How quickly the courts will fully reopen to hold bulk hearings. When EA's can return to their usual working practices. Setting up extended arrangements and looking at the effect of furlough schemes coming to an end	4	4	16	Monitor losses in RV due to Zero RV's being given to large assessments by the Valuation Office Agency Reducing RV's to zero have seen rating income impacted significantly with landlords choosing to carry out significant structural alterations while new tenants cannot be found. Consider whether further funds need to be set aside to increase provisions to cover the loss in income Collection Rates are monitored weekly Data collected and reported monthly on estimated losses Growth targets for both Council Tax base and ratebase are monitored monthly Roger Jones <u>Required Control Measure</u> Target Date: 31/08/2021 Engaging with Central Government Work with central government to ensure we are reporting accurate levels of losses and all claims for additional funding are	3	2	6	Roger Jones	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		
								completed correctly to maximise the claim and mitigate any losses Roger Jones <u>Required Control Measure</u> Target Date: 30/09/2021							
STCCP003 5	Failure to engage with managers and staff directly will lead to dis-engagement from the process Anthony Walters - Keep - need to re-word to reflect this relates to the Corporate Enabling Functions Project.	Activity analysis survey Re-designing an effective model for the future delivery of these functions	£1.5m savings to be made in 21/22 not realised Low staff morale		4	4	16	Implement communications strategy to support the engagement of staff and managers Strong support from the leadership to ensure its success Anthony Walters <u>Required Control Measure</u> Target Date: 31/03/2022	3	3	9	Anthony Walters	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		

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2021-2022 Action Plan for Risk Management

Objective	Action	Responsible Officer and Target Dates	Outcome / Progress
Maximise the contribution and impact of Risk Champions.	Hold Regular Risk Champion meetings throughout 2021-2022 and keep the role and number of Champions under review and adapt/improve where needed.	Risk and Insurance Manager 31 March 2022	
Improve the use of JCAD and the quality of the risks and controls recorded.	In consultation with the Risk Champions group, develop a desk top aide for recording, updating and withdrawing risks on JCAD.	Risk Manager and Risk Champions 30 September 2020	
Review JCAD.	<p>Review JCAD and whether it remains fit for purpose and useful in supporting the Council in managing its risks.</p> <p>Undertake soft market testing to explore alternatives systems, including those already owned by the Council such as Pentana Risk.</p> <p>If appropriate, produce a business case to purchase and new Corporate Risk Management System or move to an alternative provider such as Pentana Risk.</p>	<p>Risk and Insurance Manager 31 December 2021</p> <p>Risk and Insurance Manager 31 December 2021</p> <p>Risk and Insurance Manager 31 December 2021</p>	

Objective	Action	Responsible Officer and Target Dates	Outcome / Progress
<p>Promote effective risk management.</p>	<p>Provide annual risk management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks.</p> <p>At least one training session to be provided at each DLT and one optional session for CLT. Quarterly drop in sessions to be provided for any other staff involved in Risk Management. Risk Management Team to maintain records of attendance.</p> <p>Launch Risk Management e-learning module.</p>	<p>Risk and Insurance Manager 31 March 2022</p> <p>Risk and Insurance Manager 31 March 2022</p> <p>Risk and Insurance Manager 31 March 2022</p>	
<p>Improved Risk Reporting</p>	<p>On a quarterly basis, in consultation with members of CLT, ensure the Corporate Risk Register is reviewed and updated and presented at CLT before subsequent presentation to the Audit Committee.</p> <p>On a quarterly basis support the appropriate Directorate to review its</p>	<p>Head of Risk 31 March 2022.</p> <p>To align with reporting timetables for CLT and the Audit Committee.</p> <p>Risk and Insurance Manager 31 March 2022</p>	

Objective	Action	Responsible Officer and Target Dates	Outcome / Progress
	Directorate Risk Register for presentation at the Audit Committee.	To align with reporting timetables the Audit Committee.	
New Risk Identification	On at least a biannual basis, in conjunction with the Directorate Risk Champions, coordinate and facilitate a new risk identification exercise with each Directorate.	Risk and Insurance Manager and Directorate Risk Champions Biannually.	
Quality Review of Risk Entries	On a quarterly basis select a sample of individual risks and review the entries on Council's Risk Management System to ensure they are complete, accurate, up-to-date and reflective of the Council's risk appetite. Provide feedback to the Risk and Control owners so they can take appropriate action to rectify any deficiencies.	Risk and Insurance Manager 31 March 2022. Quarterly.	

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Non-Executive Report of the: Audit Committee Thursday, 29 July 2021	 TOWER HAMLETS
Report of: Kevin Bartle Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Risk Management - Corporate and Resources Directorate Risk Register	

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

Executive Summary

This report presents the Audit Committee with the opportunity to review the Corporate and Children’s 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 Children’s and Culture 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 directorates 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 July 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).

Children's and Culture 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:

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

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 – Children's and Culture 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		
RS004	<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 managers directed by CLT to remain in budget. High risk budgets reviewed by the Corporate Director</p>	5	4	20	4	3	12	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
				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
COVID001	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. 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 Plan The Council has prepared and successfully implemented a local outbreak plan which along with the national response and vaccination programme has results in a dramatic drop in infections and deaths as a result of COVID-19.	4 4 16	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 plan to manage and mitigate the risks. This will include effective community mobilisation, visible professional and political leadership, collaboration with London Coronavirus Cell, a communications plan, surge testing and positively promoting the vaccination programme. 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			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
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> <u>Target Date:</u> <u>30/09/2021</u>	2	2	4	Kevin Bartle	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
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. this control measure passed to Claudia Brown 28/1/21 as Brokerage function now sits within Adult Social Care - Claudia to review and then pass to Paul Swindells, Service Manager if appropriate. Paul Swindells has recently reviewed the arrangements for this protocol.	3	5	15	Oversight through management reporting Social workers have 1:1 supervision monthly on their casework includes safeguarding cases. Hi risk cases are present to the High Risk panel chaired by Shaun Last The SMT managers are to review and monitor Adult Safeguarding case in their services monthly Katie O'Driscoll <u>Required Control Measure</u> <u>Target Date:</u> <u>31/08/2021</u> 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. Status	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>changed to in progress to allow review by Divisional Director .This control measure is to be allocated to Katie O'Driscoll principal social worker Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 31/08/2021 5 year (2019 – 2024) Safeguarding Adults Board Strategy</p> <p>The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. Please articulate key actions implemented and priorities for next six months when this control measure is next reviewed. this measure should be allocate to Katie O'Driscoll Principal Social work to update Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 31/08/2021 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. Warwick Tomsett</p> <p><u>Required Control Measure</u> Target Date: 01/11/2021 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>							

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		

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 updated c18months ago) alongside a review of intelligence from contract monitoring reports.
Warwick Tomsett

Required Control Measure
Target Date:
30/09/2021

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. New control measure added by Corporate Director and discussed with Claudia Brown, Divisional Director - control measure to be overseen by Principal Social Worker. No change, this measure is to be assigned to Katie O'Driscoll
Katie O'Driscoll

Required Control Measure
Target Date:
31/03/2022

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
					L	I	Total		L	I	Total		
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 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> <u>Target Date:</u> <u>30/09/2021</u>	3	3	9	Will Tuckley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
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	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	Tower Hamlets Homes (THH) Fire Safety Programme progress reported to and monitored by THH and Council Bi-Monthly Operational Meeting - Standing Agenda Item Quarterly Strategic Meeting - Standing Agenda Item Quarterly Mayoral Meeting - Standing Agenda Item Capital Programme Board Council client team to review and agree timetable for publishing	3	5	15	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	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>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 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>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</p>	<p>remaining Fire Risks Assessments Ensure Fire Risk Assessments are carried out annually or (after works) on ALL council owned housing blocks Capital Programme Board - This is specifically to include blocks who have not yet had programmed work completed</p>								

includes progress on responses to EWS survey. Information from the EWS survey are inputted onto the MHCLG's 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. Likewise Officers are in regular dialogue with MHCLG on buildings which are of concern and also to discuss various freeholders and managing agents who are not communicating well or slow in making progress in supplying information and we work together in bringing pressure on the freeholder/managing agent to improve their performance.

Jen Pepper

Required Control Measure
Target Date:
31/08/2021

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	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. 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.	A lack of appropriate governance, policy and standard operating procedures. No asset registers for surveillance systems. Out of date or missing Data Processing Impact Assessments No SLAs with major stakeholders such as the Police and Transport for London A lack of compliance with agreed governance, policy and procedures. An inspection by the Surveillance Camera Commissioner. An inspection by the Information Commissioner. A freedom of information request.	Financial, legal and reputational.		3	4	12	Improvement Action Plan Completion 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. Ann Corbett <u>Required Control Measure</u> <u>Target Date:</u> <u>31/08/2021</u>	2	2	4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		
LPGSE0012	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	Budget Management and Resource Monitoring 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	3	3	9	Will Tuckley			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill	<p>Lack of leadership</p> <p>Insufficient resources</p> <p>Poor understanding of the requirements and consequences</p> <p>Passage of the bill is faster than anticipated</p>	<p>Potential Injury or death of residents</p> <p>Criminal and/or civil litigation for the Council and/or individual senior leadership</p> <p>Delays in construction</p> <p>Regulatory breaches</p> <p>Financial penalties</p> <p>Poor building safety</p> <p>Reputational damage</p>	<p>Research, Legal Advice and Monitoring</p> <p>Key officers are involved in researching the implications of the bill</p> <p>Legal advice has been sought</p> <p>LBTH/THH Building Safety Bill Group monthly meetings to monitor impact and progress</p> <p>Liaise with London wide forums and Federation of ALMOS on implementation</p> <p>Obtain Human Resources advice when required.</p>	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			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								its Accountable Body role. Consider appointing a specialist advisor for support with the Building Safety Case reviews. The Council's Building Safety Bill guidance will be updated regularly by Counsel. Potentially review existing contracts to ensure they comply with the Bill's requirements. Investigating digital storage methods to maintain the "Golden Thread of information". Seek Cabinet approval. Karen Swift <u>Required Control Measure</u> <u>Target Date:</u> 31/03/2022							
RS006 211	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	Health and Wellbeing Support Employee Assistance Programme promoted and available to all staff which provides confidential information, advice and support 24/7. A network of trained Mental Health First Aiders is established and in place. Staff can access the Tower Hamlets Well-being Zone for tips and advice. Financial support and advice is available if needed. Regular team meetings held with frequent updates and 'check ins' for staff. Wellbeing staff surveys and action plans. 1:1's held regularly with staff.	3	2	6	Amanda Harcus			

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		
								Management encouraging regular breaks. Amanda Harcus <u>Required Control Measure</u> Target Date: 30/09/2021							

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		
CSD0034	Negative OFSTED rating for SEND.	<p>Areas of significant weakness identified as a result of a Local area SEND inspection Current performance: Failure to meet the 20-week statutory requirement for EHCP completion Quality of EHCP below expected standards</p> <p>Annual reviews not completed within statutory timelines. Insufficient capacity within SEN Caseworkers Insufficient funding to meet increasing demand for EHCP Negative feedback from parents/carers and children and young people</p> <p>Lack of data for local area to have shared</p>	<p>Risk of a negative inspection outcome</p> <p>Local area required to respond to identified areas for improvement through a formal Written Statement of Action (WSoA) to the Department for Education (DfE)</p> <p>Local area unable to meet the needs of children and young people with SEND Increased pressure on the DSG</p> <p>Statutory deadlines not met and poor response times to communications from parents/carers</p> <p>Lack of confidence and trust in SEND provision in the local area</p> <p>No oversight of overall</p>	<p>Recovery plans</p> <p>Recovery plan in place to address known weakness: EHCP and timeliness and quality Annual reviews</p> <p>DSG recovery plan in place</p> <p>Send Improvement Action Plan with oversight from SEND Improvement Board</p> <p>DSG Recovery plan in place</p>	5	4	20	4	3	12	Steve Nyakatawa	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		understanding of outcomes for children and young people with SEND	performance for children and young people with SEND across Education, Health and Care									
CSDLA0001	Special Educational Needs (SEN) Budgets over-spend including transport costs. There remains a significant deficit in the High Needs Funding block subject to a Management Plan monitored by the DFE – which will be updated for October 2021.	<p>Local population growth along with the numbers of children with very complex needs.</p> <p>Significant influx of children with complex needs move into the borough from abroad.</p> <p>New legal framework extends Council duties to children 0-25.</p> <p>Not enough special school places locally.</p> <p>The quality of data held on the system produces inconsistent data reports and a lack of clarity in terms of the real picture for SEN.</p>	<p>Pressure on service resources and budgets</p> <p>Over stretched staff can't complete statutory duties in a timely fashion.</p> <p>Parents take out tribunals against the Council who award them expensive placements</p> <p>Data does not accurately reflect the correct numbers and the finance module is ineffective in tracking spending.</p>	<p>Monthly monitoring of budgets in place.</p> <p>Monthly monitoring of budgets in place.</p> <p>New budget codes set up to separate different elements of funding and improve tracking of spending.</p> <p>New requests of assessment tracked.</p> <p>SEN Grant funds ceased in 2017 and so the current additions to capacity within the service are being sourced by the Children's Finance Team – who are also working on the DSG Recovery plan above.</p> <p>New IT system to be procured though implementation has been delayed. Present IT system modified to accommodate new reporting requirements.</p> <p>New budget codes set up to separate different elements of funding and improve tracking of spending.</p> <p>New requests for EHCP assessment tracked.</p> <p>all new requests for EHCP assessments are now tracked.</p> <p>Improved SEN IT system in place and compliant with all aspects of new legal framework</p> <p>Improved dedicated SEN IT system in place and compliant with all aspects of new legal framework</p> <p>Training</p> <p>Service Staff have undergone recent training (May 2021).</p>	5	4	20	4	4	16	John O'Shea	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>Funding</p> <p>The use of the Government capital funding for SEND has meant that 3 special schools have been expanded to meet current capacity and additional resource bases have been set up in 2 primary schools. A further £2.8million pounds of funding has been received and working with the Schools Sufficiency team and schools we will continue to expand resource provision in local schools.</p>								
CDCYJ0001	<p>Incidents of serious violence where children/young people are simultaneously open to YJS and CSC (current CIN, CP, CLA, or Care Leavers) have perpetrated harm or been victims of harm. Since the last update on this Risk Register (which ran until 31/01/2020), there have been 3 Serious Incident Alert notifications concerning young people open/previously known to YJS who had either been the victims of serious violence or perpetrated harm (01/02/2020 to 17/08/2020).</p>	<p>Tensions between different groups of young people who consider themselves to be aligned to a particular area or peer network. Revenge attacks by friends or family of young people who have been targeted for violence or humiliation (eg. via social media). In recent months (July 2021) there has been a rise in such incidents. All have been dealt with appropriately and have been responded to through use of safeguarding processes and involved all appropriate agencies. Increased use of knives and other weapons Increased tensions during lockdown (COVID-19) if bored/NEET/ASB and coming to attention of police more.</p>	<p>Risk of serious harm or death to the young people concerned. Risk of harm to community members who may inadvertently become caught up in the incident. Reputational risk to Local Authority and poor media coverage. LBTH still ranks in the top 30 YOT's across the country for youth violence in London .</p>	<p>Better co-ordination of intelligence through the appointment of a data analyst</p> <p>A Data Manager has been appointed in the YJS in 2018. An Exploitation Team was set up in Children's Social Care in 2018. A Data Analyst was appointed in the Exploitation Team in January 2020. Partnership working between YJS, Exploitation, Police, MAPPa and through the monthly multi-agency MARP meetings will monitor and control this risk.</p>	3	4	12	3	3	9	Richard Baldwin	<p>People Are Aspirational, Independent And Have Equal Access To Opportunities.</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		
CSD0025	Poor pupil placement planning.	Surplus places above expected limits -schools not full to capacity Lack planning and future projection of school places based on birth rate and demographic data	Schools with deficit budgets as per pupil funding declines or Schools full to capacity and no places for additional pupils in the Borough Transport costs increase if pupils go out of Borough	Planning and Oversight SEND School Sufficiency Plan 2021 – 2023 Primary Review School Organisation Changes Plan Sustaining Church of England Provision in Tower Hamlets Oversight from Capital Programme Board	2	5	10	Data analysis More precise data on demographics considering the impact of the pandemic and Brexit Families moving out of the Borough/London as a result of Brexit and/or more flexible working arrangements – working from home Terry Bryan <u>Required Control Measure</u> <u>Target Date:</u> <u>31/12/2021</u>	1	5	5	Steve Nyakatawa			
CSDSC0003	Quality of practice could be impacted negatively by an increased staff churn as a result of high caseloads, poor service offer and ineffective management. currently case-loads remain at an acceptable level, although with the increased demand they are currently higher than previously. These are reviewed regularly by the DD and CD.	The combined impact of Covid, austerity and Brexit.	Inability to meet statutory responsibilities to expected standards. Poor decision-making for children and ineffective impact of professional practice on children's outcomes. Increase in escalations by QA staff as well as partners. Increase in staff leaving, exit interview and other feedback indicating ineffective practice system; SW health Checks; complaints; JR/legal challenges.	Monitoring Staff recruitment and retention data is reviewed monthly at the divisional improvement board.	3	3	9	Recruitment and Retention On going recruitment campaign, online and within the media. We ensure high levels of retention through maintain low caseload and staff support. Richard Baldwin <u>Required Control Measure</u> <u>Target Date:</u> <u>31/03/2022</u>	2	3	6	Richard Baldwin	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		
CSD0026	Failure to provide sufficient childcare.	Insufficient places to support the provision of the free early education entitlements (FEEE) due to closure of PVI settings because of falling demand or other financial challenges for settings during and post-pandemic. Historically, a low take up has been attributed to Cultural factors of the	Eligible parents may not be able to access a FEEE place (or a place near enough to their home). This would be especially true for Early Learning for 2-year olds and/ or 30 Hours Childcare. Could lead to LBTH failing in statutory duties; "Local authorities are required to ensure sufficient childcare."	Funding, planning and publicity So far funding of FEEE has remained at "normal" level, however since Spring 2021, funding is to be paid based on actual numbers attending; income may not now cover expenditure for providers. Currently planning business support for providers towards recovery. Increased publicity and outreach, introduction of 'parent portal' to make application easier	2	4	8	Communication Promotion and publicity of FEEE to encourage eligible parents to take up their place. Specific work with providers to help them to promote themselves and to maximise their occupancy. Update information to dispel Covid myths. (exploring co- production with HV)	2	3	6	Steve Nyakatawa			

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		
		large BAME population	Community perception of increased Covid risk to BAME may see providers reduce funded places in favour of paid if business is struggling												
CSDSC0002	There is a continued risk of rising demand which places pressure on current staffing levels and resources. Since the return of schools to full time "on-site" curriculum, referral levels have gradually risen as school staff have identified concerns for young people. At present we have sufficient staff to manage this increase on demand in Children In Need cases and Child Protection cases.	A potential cumulative affect of Brexit, austerity and Covid-19.	Inability to meet demand/statutory responsibilities within budget leaving risk and poor morale. Overspend on General Fund . Increased threat of JR leading to insurance/legal costs as well as adverse media attention and poor findings from audits/ reviews. Impacts on staff retention. At present the levels of demand remain within capacity, but are regularly reviewed by both the DD and CD.		2	3	6	Demand Management and Monitoring DLT will review demand regularly and demand will be managed through supervision. Richard Baldwin <u>Required Control Measure</u> Target Date: 31/03/2022	2	3	6	Richard Baldwin	People Are Aspirational, Independent And Have Equal Access To Opportunities.		

Non-Executive Report of the: Audit Committee Thursday, 29 July 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer) and Janet Fasan, Divisional Director of Legal Services (Interim Monitoring Officer)	Classification: Open (Unrestricted)
Annual Review of the London Borough of Tower Hamlets Anti-Money Laundering Policy and Guidance	

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

Executive Summary

This report recommends that the Audit Committee notes and approves the attached Council Anti-Money Laundering Policy and Guidance ('the AML Policy') that all Council employees are expected to comply with.

The Council views compliance with the money laundering legislation as a high priority and aims to develop a robust and vigilant anti-money laundering culture.

The AML Policy sets out the: - statutory provisions on money laundering; - procedures that must be followed to enable both the Council and its employees to comply with their legal duties to prevent and address suspected money laundering; and - role of the Council's Money Laundering Reporting Officer ('MLRO') in facilitating compliance with the AML Policy.

Recommendations:

The Audit Committee is recommended to:

1. Note and approve the Council's AMP policy
2. Note the equalities impact assessment / specific equalities considerations as set out in paragraph 4.

1. REASONS FOR THE DECISIONS

- 1.1 The Audit Committee is responsible for Anti-Fraud and Corruption arrangements as part of its Terms of Reference. The AML Policy is reviewed on a regular basis in order to provide assurance that the Council's approach to anti-money laundering complies with relevant statutory provisions, best practice requirements and professional guidance and is approved by the Audit

Committee.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1 The Council is required to ensure that appropriate arrangements and processes are in place for the monitoring and reporting of any instances of suspected money laundering operations and that Council employees are both aware of these arrangements and their duties to prevent money laundering in the course of their employment.

3.2 The AML Policy sets out these arrangements and processes so that all employees are clearly aware of their statutory duties and obligations in this regard and the potential legal consequences of a failure to comply with the law as set out in the AML Policy.

3.3 The AML Policy sets out the: -

- Context of money laundering and how money launderers may target local councils in any money laundering operations.
- Statutory provisions on money laundering, including the Proceeds of Crime Act 2002, the Terrorism Act 2000, and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- Procedures that must be followed to enable both the Council and its employees to comply with their legal duties to prevent and address suspected money laundering in terms of disclosing any suspected money laundering;
- Role of the Council's Money Laundering Reporting Officer ('MLRO') in facilitating compliance with the AML Policy.
- Amendments to the previous reference to the Serious Organised Crime Agency ('SOCA') to what is now the National Crime Agency ('NCA') for the purpose of disclosing knowledge or suspicion of money laundering.
- The Policy also includes reference to the General Data Protection Regulation 2016 ('GDPR') and the Data Protection Act 2018 to cover the right of access by the data subject and request for information by external customers.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities implications to consider. The approval of the AML Policy will have no adverse implications for groups who share protected characteristics as defined in section 4 of the Equality Act 2010. Officers are also satisfied that s149 of the Equality Act that sets out the Public Sector

Equality Duty has been duly considered and complied with in the drafting of the AML Policy and that approval of the AML Policy by the Audit Committee will also satisfy the relevant requirements of the Equality Act 2010 in this regard.

5. OTHER STATUTORY IMPLICATIONS

5.1 There are no other statutory implications to consider.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

7.1 This report is presented for the purpose of noting and approving the Council's proposed updated policy and guidance on anti-money laundering and sets out the relevant law and procedures in place for employees to be able to address suspected cases of money laundering in the course of their employment. There are no immediate legal implications arising from the recommendations proposed in this report.

7.2 The Terrorism Act 2000, Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place the Council under a duty to take reasonable steps to minimise the risk of becoming involved in money laundering and to have in place safeguards and reporting arrangements for those purposes.

7.3 The proposed policy and guidance on anti-money laundering correctly notes the current statutory provisions and is subject to further review by the Audit Team to align the policy with the council's current corporate risk profile.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Anti-Money Laundering 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

LONDON BOROUGH OF TOWER HAMLETS

ANTI-MONEY LAUNDERING POLICY AND GUIDANCE

Version	Date Reviewed	Reviewed by	Next review	Approved by (incl. date)
1.1	June 2021	Legal Services & Internal Audit	March 2022	
Policy Owner: Corporate Director, Resources				

POLICY STATEMENT

It is our policy to ensure that the Council and its officers and employees are committed to complying with the all legislation and appropriate guidance designed to combat money laundering and terrorism activities.

1 THE SCOPE OF THIS POLICY

- 1.1 This Policy applies to all officers and employees of London Borough of Tower Hamlets (the Council). The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations and the consequences of not doing so. Within this policy the term 'persons' shall be used to refer to all officers and employees, both permanent and temporary, of the Council.
- 1.2 All persons must be familiar with their legal responsibilities. Failure to comply may be a criminal offence and disciplinary matter.
- 1.3 The Council views compliance with the money laundering legislation as a high priority and aims to develop a robust and vigilant anti-money laundering culture. Money launderers are seeking to infiltrate reputable organisations including local authorities. Organisations perceived as having weak controls will be targeted first. Significant damage will be caused to the Council's reputation if it were to be associated, however innocently, with laundering the proceeds of crime, particularly if a person working within the Council was subsequently prosecuted.
- 1.4 Even if the Council is used as an innocent vehicle for money laundering, the cost of being involved in an investigation, both in terms of legal monetary fees, business disruption and overall reputational damage would be considerable.
- 1.5 It is therefore essential that all persons follow the Council's money laundering procedures in this document to ensure compliance with the relevant statutory regulations.
- 1.6 Failure by any person to comply with the procedures set out in this Policy may also lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

- 1.7 The Money Laundering Reporting Officer (MLRO) is the Corporate Director of Resources (s.151 Officer) and they are responsible for the day to day implementation and monitoring of this policy. However, all senior officers recognise that they are ultimately responsible for ensuring that the Council's control processes and procedures are appropriately designed and implemented and effectively operated to reduce the risk of the Council being used in connection with money laundering or terrorist financing.
- 1.8 This Policy should be read in conjunction with the Council's Anti-fraud and Corruption strategy.
- 1.9 This Policy and guidance has been updated incorporating amendments made to the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as a result of the European Union's (EU) 5th Money Laundering Directive (Directive (EU) 2018/843) which came into force on 30 May 2018 and the exit of the United Kingdom from the European Union on 31 December 2020. These amendments were made by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 SI 2019 No 1511 and the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 SI 2020 No 991 respectively.

2 INTRODUCTION - WHAT IS MONEY LAUNDERING?

- 2.1 The phrase 'money laundering' means the process by which the identity and true ownership of 'dirty money', i.e. the proceeds of any crime, is changed so that these proceeds appear to originate from a legitimate source.
- 2.2 Most crime, for example the drugs trade, is almost wholly cash driven. For many years, the most common means of laundering money was to deposit large sums of cash at banks. However, as the high street banks have tightened their controls in this area, the launderers have turned to more obscure methods, frequently involving buying and selling assets, property and businesses, often via complex transactions, sometimes across geographical boundaries, to achieve their aims. This has made it much more difficult for the enforcement authorities to detect and prevent money laundering.

- 2.3 If you are involved, in any way, in dealing with or facilitating an arrangement with regard to 'criminal property', you are engaged in the offence of money laundering. 'Criminal property' is the proceeds of *any* crime under UK law. It is not limited to dealing in cash. If you handle the benefit of acquisitive crimes such as theft, fraud and tax evasion, or are involved in handling or processing stolen goods or assets purchased with the proceeds of crime, from cars to paintings and antiques, you are money laundering.
- 2.4 Terrorists also need to launder money to fund their criminal enterprises. The acts of terrorism that have occurred over the years in the UK have focused attention on the need to enforce anti-money laundering rules to combat terrorists, as well as drug dealers and organised crime.
- 2.5 As well as changes to how we live our lives, COVID-19 is also changing the economy. An economic downturn may make individuals and businesses more susceptible to financial difficulties or other pressures, which creates risk and potential weaknesses for criminals to exploit. As the UK economy enters a period of uncertainty, employees must be particularly alert to the dangers of money laundering.

3 THE LAUNDERING PROCESS

- 3.1 The money launderer will seek to launder 'dirty money' via a series of transactions to separate the direct (usually cash) proceeds of an offence from the final bank account. Passing the funds through different accounts/investments and transferring it into different guises helps to muddy the audit trail.
- 3.2 There are three distinct, recognised phases to the laundering process:-
- 3.2.1 **Placement** - the initial disposal of cash representing the proceeds of crime into the system by deposit at a bank or similar but increasingly likely to involve the purchase of property, or other assets such as a business.
 - 3.2.2 **Layering** - to break any link back to the direct proceeds of the crime. This is done by a variety of routes, including buying and selling properties, companies or assets (such as shares, antiques and art) back to back and transferring funds around the world via various accounts in many institutions. Often launderers will use a front company, carrying on legitimate business, to hide their illegal activities.

3.2.3 **Integration** – having gone through the transaction merry-go-round, the funds can come back to the individual criminal or their organisation, to finance a luxurious lifestyle, purchasing property, expensive cars, income-generating securities etc. and perhaps to fund further criminal activity.

4 HOW THE COUNCIL COULD BECOME INVOLVED IN MONEY LAUNDERING

- 4.1 The Council carries out transactions for a variety of purposes during which it handles money from customers. These transactions include (but are not limited to), dealings with leaseholders, payments for Council Tax and Business Rates, income from disposal of Council assets, right to buy deposits and financial contributions from planning legal agreements.
- 4.2 It is feasible for the Council to become unwittingly involved in the money laundering process via customers and others who are carrying out apparently normal transactions, if the money, property or other assets they bring to the transactions are from the proceeds of crime.
- 4.3 As set out above, because the definition of money laundering is very wide, any contact with the proceeds of any offence, from petty theft to tax evasion, extortion and murder, is likely to constitute money laundering.
- 4.4 Any member of staff who deals with cash paid in by external parties must be alert to the possibility of council financial systems being used to launder "cash" (which is defined as "notes, coins or travellers' cheques in any currency").
- 4.5 Risk assessments should also be regularly to consider the changes to the business environment and the economy. The Local Authority should be alert to financial scams and business relationships with those susceptible to monetary difficulties or other pressures, which could create risk and potential weaknesses for criminals to exploit.
- 4.6 Accountants, registered auditors and legal officers must be especially alert to the possibility of council financial systems being used to launder cash, particularly if significant sums are involved, such as the purchase price for council property.
- 4.7 As the UK economy enters a period of uncertainty, employees should be particularly alert to the following risks in new or prospective customers. For example,

- being asked to work with unusual types of client or on unusual types of matter,
- resistance from a client regarding compliance with due diligence checks,
- being pressured to forego necessary due diligence checks or to “speed up” the process,
- becoming involved in work that is outside of their normal area of experience/expertise (without full understanding of the money laundering and counter terrorism risks associated with the new area of work)
- transactions where the business rationale for the transaction is not clear

4.8 Right to Buy transactions, procurement and commercial agreements are also susceptible to money laundering. Therefore, stringent checks are required to ascertain identity, the source of funds, the legitimacy of transactions (as a minimum), together with obtaining management authorisations and complying with other requirements.

5 CONSEQUENCES

- 5.1 Involvement in money laundering is a criminal offence, punishable by up to 14 years imprisonment. Not only the Council but also its officers and employees may face criminal prosecution if the Council is found to have been involved, even entirely innocently, in a deal involving the proceeds of a crime.
- 5.2 Therefore, it is important that all persons understand this policy and apply it at all times.
- 5.3 The remainder of this policy document sets out the law concerning money laundering and the rules you must follow to protect yourself and the Council from prosecution. The policy includes some technical information, but it has been drafted carefully to be as user-friendly as possible.
- 5.4 If there is anything you do not understand, please ask your manager or direct queries to the Deputy MLRO, Rob Watt at rob.watt@towerhamlets.gov.uk.

6 THE RELEVANT LAW

6.1 The Proceeds of Crime Act 2002 (POCA)

6.1.1 This sets out the money laundering offences which apply generally to all UK citizens. These are;

- (i) concealing, disguising, converting or transferring criminal property or removing criminal property from the UK (section 327);
- (ii) entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property (section 328);
- (iii) acquiring, using or having possession of criminal property (section 329) (however, it is a defence to this charge if it can be shown that there were no grounds on which to suspect money laundering and the property was acquired for adequate consideration);
- (iv) failing, in the case of the 'regulated sector'¹, to disclose knowledge or suspicion of money laundering to the **MLRO** or the failure by the **MLRO** (in the regulated sector and otherwise) to disclose such knowledge or suspicion to the National Crime Agency (**NCA** (sections 330, 331 and 332);

6.1.2 'Criminal property' means anything which is, or which represents, a direct or indirect benefit from any UK offence, no matter how minor.

6.1.3 If you are found guilty of any of the offences in paragraphs 5.1.1(i), 5.1.1(ii) or 5.1.1(iii) the maximum penalty on conviction in the Magistrates Court is up to 6 months imprisonment or a an unlimited fine or both a fine and imprisonment. The maximum penalty on summary conviction at the Crown Court is up to 14 years imprisonment or a fine or both a fine and imprisonment.

¹ Schedule 9, *The Proceeds of Crime Act (2002)* defines 'Regulated Sector' as including firms conducting business in the banking, financial and credit and insurance sectors, accountants, tax advisers and solicitors

- 6.1.4 If you are found guilty of any of the offences in paragraphs 5.1.1(iv) the maximum penalty on conviction in the Magistrates Court is up to 6 months imprisonment or an unlimited fine or both a fine and imprisonment. The maximum penalty on summary conviction at the Crown Court is up to 5 years imprisonment or a fine or both a fine and imprisonment.
- 6.1.5 As shown above, these offences are very broad in scope. If the Council or its officers or employees receive criminal property, even if in payment for an apparently legitimate commercial transaction, they may commit the offence of acquiring or having possession of it, and therefore be guilty of money laundering. However, you will have a defence if you make a formal written report in any case where you suspect money laundering (an authorised disclosure). All persons should make authorised disclosures internally, to the MLRO who can then decide whether to make a formal report to the authorities. Further details on how to make a disclosure are at section 10.

6.2 **The Terrorism Act 2000**

- 6.2.1 This Act establishes offences in relation to involvement in facilitating, raising, possessing or using funds for terrorism purposes that are similar to those under POCA. There are further parallels with POCA in relation to failing to report suspicious transactions.² HM Treasury maintains and updates a financial sanctions list which records individuals and organisations with whom it is prohibited to enter into any business relationship. The list can be viewed at http://www.hm-treasury.gov.uk/fin_sanctions_index.htm
- 6.2.2 As well as relying upon this list each person should consider whether there is a risk of terrorist financing in each transaction which takes place. This will involve considering the source and destination of funds.

6.3 **The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) (“the 2017 Regulations) (as amended).**

² Sections 18-22, *The Terrorism Act (2000)*

6.3.1 These Regulations introduced significant changes to the anti-money laundering regime, such that regulated businesses are obliged to adopt a more risk-based approach towards AML, particularly regarding conducting due diligence and averting terrorist financing as follows:

- (a) by extending the scope of due diligence checks, so that identity is fully checked. This includes a list of high-risk jurisdictions, which if involved in a transaction makes enhanced due diligence and additional risk assessments compulsory;
- (b) introduction of enhanced due diligence, which includes extra checks to confirm identity, checking financial information, involving senior management with stricter ongoing monitoring of transactions and client relationships;
- (c) enhanced restrictions on the reliance of a third party to carry out customer due diligence. Where an organisation relies on a third party, they are required to obtain copies of all documentation and ensure that there is a written agreement in place with the third party who must be compliant with the regulations;
- (d) the introduction of Transparency of Ownership, so in addition to the UK Companies register, the regulations require a new Trust Register, requiring Trustees to register and report all Trusts that generate tax consequences;
- (e) regulated business to apply stringent due diligence checks to business relationships with political exposed persons (PEPs), their family members and their known close associates,
- (f) a requirement for regulated businesses to carry out an initial and periodic screening of relevant employees. This means an assessment of integrity, conduct, skills, knowledge and expertise of the individuals to carry out their functions effectively;

- (g) introducing a new criminal offence: any individual who recklessly makes a statement in the context of money laundering which is false or misleading commits an offence punishable by a fine and/or up to 2 years imprisonment.

7 RELEVANT GUIDANCE – ASSESSING RISK

- 7.1 The Council has adopted a risk-based approach to anti-money laundering in accordance with guidance set down by the Joint Money Laundering Steering Group (available at www.jmlsg.org.uk). This recognises that most customers and contacts are not money launderers or terrorist financiers and that the systems and controls in place to combat the risk of money laundering should focus on identifying higher risk customers/contacts and situations and responding to them proportionately.
- 7.2 Generally, the Council's business will pose a low-to-moderate risk of being used as a vehicle for money laundering. It is involved in relatively few transactions (compared to say, a law firm, a bank or building society) and the nature of these is such that the participants are likely to come under scrutiny as to their bona fides, as well as their financial status. So opportunities for would-be money launderers to pass money through the Council with relative anonymity are limited.
- 7.3 Having reviewed its risk profile, the senior management of the Council have approved a policy which embodies appropriate controls to manage and mitigate those risks. A minimum standard of identification is required for all. This is known as "simplified customer due diligence". Where a transaction or individual is considered to pose a higher risk, additional checks are required. This is known as "enhanced customer due diligence". See 8.2 for more details. If in doubt with regard to the level of risk in individual situations, you must seek advice from the MLRO.

8 CUSTOMER DUE DILIGENCE PROCEDURES

8.1 The legal requirement

8.1.1 The term 'Customer Due Diligence Measures' is derived from the 2017 Regulations³ and used to describe the measures that need to be taken to obtain information including the customer's identity, the background to the customer's business, the source of funds and the destinations of funds. The application of these measures should be reviewed regularly and in each transaction an analysis should be undertaken to consider the risk of money laundering or terrorist financing. The procedures below which are adopted by the policy set the minimum standards expected by the Council. Each person should be aware of the potential risks. Customer due diligence is more than just a box ticking exercise; it is each person's responsibility to risk assess each transaction.

8.1.2 The procedures must be applied wherever the Council forms a business relationship, or carries out a one-off transaction involving a payment of €15,000 (currently approximately £13,400) or more, with an external individual or company (a 'customer'), it must obtain satisfactory evidence of identity. A business relationship is formed between the Council and another party where there is a business, professional or commercial relationship between them in relation to the provision of accountancy, registered audit or legal services, and where the Council expect, at the time when contact is established, that the relationship will have an element of duration. A one-off transaction is any transaction other than a transaction carried out during an established business relationship.

8.1.3 Council officers in other service areas who require accountancy, internal audit or legal services are internal customers and are not subject to the anti-money laundering provisions.

8.1.4 External customers to whom the Council may provide accountancy, registered audit or legal services include:

- (a) Any person or body for which the Council has power, in exercise of its power to trade, to carry out or provide any services or work or provide any facilities or supplies under statutory powers, including under the well-being power.

³ Regulations 28 and where relevant regulation 29 and regulations 33-37 inclusive of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

(b) The bodies or organisations designated as "public bodies" for the purposes of the Local Authorities (Goods and Services) Act 1970.

(c) Partnership undertakings including the third sector.

8.1.5 The identity evidence must:

(a) Objectively viewed, be reasonably capable of establishing the identity of the individual or company, ("identification").

(b) In fact, establish to the satisfaction of the person who obtains it, that the person/company is who he/it claims to be ("verification").

8.1.6 If such evidence of identity is not obtained the business relationship or the one-off transaction in question must not proceed any further. The Regulations require the verification of identity as soon as reasonably practicable after the first contact. The Council's policy is that the requisite identification check(s) should take place within a minimum of **five working days** of the first business contact. If there is an unjustifiable delay in the evidence of identity being obtained from the customer or where the customer is deliberately failing to provide the information, a disclosure will have to be made.

8.1.7 Money laundering prevention is not simply a matter of box ticking, however. Remember that knowing enough about the people and businesses with whom we deal is just as important as confirming identity.

8.2 **The identification and verification process**

8.2.1 Identifying a customer is a two-part process. First, the individual or company is identified, by obtaining the following;

(a) Individual

(i) full name

(ii) current residential address

(iii) previous address if the customer has changed address in the last three months

(iv) date of birth

- (v) nationality
 - (vi) country of residence
 - (vii) whether they constitute a Politically Exposed Person
- (b) Companies (most of the following should be available on their letterhead)
- (i) full name of business
 - (ii) registered number
 - (iii) registered office
 - (iv) business address
 - (v) country of incorporation
 - (vi) (for private companies only) the names of all directors (or equivalent) and the names of all beneficial owners holding over 25% of the shares or voting rights.
- (c) Trusts
- (i) full name of the Trust
 - (ii) nature of trust (discretionary, bare, etc)
 - (iii) donor of the funds
 - (iv) nature of business or activity
 - (v) location of business or activity
 - (vi) country of establishment
 - (vii) names of all trustees
 - (viii) name of any protector or controller
 - (ix) names or classes of beneficiaries
- (d) Charities (most of the following should be available from the Central Register of Charities)

- (i) registered name
- (ii) registration number
- (iii) address of the Charity Commission's correspondent for the charity.

- 8.2.2 Second, the identification information should be **verified** using reliable, independent source documents, data or information. This may be produced by the customer or be obtained via electronic systems of identification (for example a credit reference bureau check).
- 8.2.3 For face to face identification of individuals, production of a valid passport or photo card driving licence should be sufficient (simplified due diligence). However, if there are any unusual circumstances which would indicate a higher than normal risk (e.g. a foreign national, or a discrepancy in the details given and those recorded) then further checks will be required (enhanced due diligence).
- 8.2.4 For corporations, verification requires a search of the relevant company registry, a copy of the certificate of incorporation or confirmation of the company's listing on a regulated market. You must also take steps to be reasonably satisfied that the person you are dealing with is authorised to represent the company and is who he/she says they are. For private companies, it may be appropriate to verify the identity of one or more directors in accordance with the rules for identifying individuals. Verification may be limited to the individual giving instructions or someone who appears to be in active management or control of the company. Similarly, where the risk posed by a company is considered sufficient to warrant it, or the principal owner of a private company is another corporate entity or trust, it may be appropriate to verify the identity of beneficial owners.
- 8.2.5 Partnerships (including LLPs) and unincorporated businesses, if very well known, (e.g. law and accountancy firms) may be treated as publicly quoted companies (see 8.7.4(a)). Otherwise they may be verified by checking their regulated status by reference to membership of the relevant professional body (the Law Society or accountancy body). If neither of these is applicable, they should be treated as private companies.

- 8.2.6 Charities can take a number of legal forms. Some may be companies limited by guarantee, and should be treated as private companies. Other charities take the form of trusts. Details of registered charities are kept by the Charity Commission in a Central Register of Charities and information can be obtained from the website [The Charity Commission - GOV.UK \(www.gov.uk\)](http://www.gov.uk).
- 8.2.7 Churches are in general exempted by law from registering as charities and may not therefore have a registered number. Their identity can be verified by reference to the appropriate headquarters or regional organisation of the denomination.
- 8.2.8 The standard identification may be used for clubs and societies that serve a limited social or regional purpose. Following an assessment of the money laundering risk presented by the club or society, it may be appropriate to verify the identity of additional trustees (or equivalent).
- 8.2.9 **In most cases simplified due diligence will be sufficient.** In circumstances which present a higher than normal risk of money laundering, however, either because of the nature of the customer or the transaction, or perhaps because the standard check gives rise to concern or uncertainty over identity, enhanced verification checks are likely to be appropriate, this is known as "enhanced customer due diligence" (see 8.3 for further information)
- 8.2.10 Banks and building societies are generally exempt from the verification requirements (see 8.5 below), and much less stringent requirements apply where the company is listed or is FSA regulated.
- 8.2.11 Unless otherwise specified, all documents examined should be originals and as recent as possible. Having inspected the original, you must take a copy for the Council's records. Always consider whether the documents provided appear genuine or may be forged. Where you are dealing with an agent, the identity and address of the actual principal should also be verified.
- 8.2.12 As well as obtaining satisfactory evidence of the identity and address, all persons must complete an appropriate Identity Verification Form.

- 8.2.13 Once completed the Identity Verification Form must be sent to the MLRO to check compliance with the Regulations. Only once the MLRO has approved this and related documents, will identity be considered to have been verified. No money or property should be received or transferred before identity has been verified. Once verified the forms and supporting documents will be kept by the MLRO in a central file.
- 8.2.14 For future instructions/transactions, customers who have already been identified, where the Identity Verification Form is centrally filed, do not normally have to be identified again. However, where changes in their business set up have occurred, it may be necessary to do so (for example, if an individual has moved from one limited company to another).
- 8.2.15 In addition to the steps mentioned above, additional steps should be taken where appropriate to:
- (a) establish the customer's circumstances and business, including, where appropriate, the customer's source of funds, and the purpose of specific transactions and the expected nature and level of those transactions;
 - (b) update information held on the customer to ensure the information held is valid;
 - (c) review information held on the customer to ensure it is current and valid; and
 - (d) monitor the customer's business activity and business transactions to ensure that the Council is not being used as a vehicle for money laundering.

8.3 **Enhanced customer due diligence**

8.3.1 In the circumstances outlined below and pursuant to regulation 33 of the 2017 Regulations, the Council will be required to apply enhanced customer due diligence measures and enhanced ongoing monitoring on a risk-sensitive basis.

8.3.2 **Non face to face transactions**

There is a greater likelihood of impersonation fraud and money laundering activity in non-face-to-face transactions. In most cases, this will warrant an additional verification check, which may involve seeing a separate document or, for example;

- (a) requiring transactions to be carried out through an account in the person's name with a UK or an EU regulated credit institution;
- (b) making telephone contact on a verified home or business land line; and
- (c) communicating at an address which has been verified.

7.3.2 **EDD - Red Flag Transactions**

Changes to existing Enhanced Due Diligence (EDD) requirements mean that you must apply EDD in all the following circumstances (formerly it was only necessary if all the listed elements were met):

- (a) where the transaction is complex;
- (b) where the transaction is unusually large or
- (c) where there is an unusual pattern of transactions, **or** the transaction or transactions have no apparent economic or legal purpose (formerly both conditions had to be satisfied).
- (d) Whether a transaction is “complex” or “unusually large” should be judged in relation to the normal activity of the practice and the normal activity of the client.

8.4 **Politically Exposed Persons (PEPS)**

8.4.1 If the customer is a PEP it is necessary to:

- (a) obtain approval from the MLRO to proceed with establishing a business relationship with such a customer;
- (b) establish the source of wealth and source of funds which are involved in the business relationship or occasional transaction; and
- (c) conduct enhanced ongoing monitoring of the business relationship.

8.5 **High risk transactions/customers**

8.5.1 High risk transactions or customers – if the customer or transaction appears high risk then further verification should be taken to verify the identity of that customer in order to ascertain whether the transaction is suspicious and whether disclosure is to be made. In addition, the source of the funds to be transferred should be ascertained.

8.6 Ongoing monitoring

8.6.1 It is the duty of the Council to monitor transactions or customers and to assess each transaction with respect to the risk it poses of money laundering activity or terrorist financing.⁴

8.6.2 Each employee should assess each transaction as to its complexity, suspiciousness, and legal purpose as well as the magnitude, sums, frequency of transactions or any other special characteristics to ensure that they correspond with regular activities of that particular customer.

8.6.3 The documents, data or information obtained by the Council for the purpose of applying customer due diligence measures must be kept up to date.

8.7 Exemptions from the identification process

8.7.1 The identification and record keeping requirements do not apply in respect of any one-off transaction where payment is to be made by or to an individual or company of less than €15,000 or in respect of two or more linked one-off transactions, the total amount in respect of which is less than €15,000 and where there is no suspicion of money laundering.⁵ In the absence of evidence to the contrary, transactions which are separated by an interval of six months or more need not be treated as linked.

8.7.2 Financial institutions regulated by the FSA, or in the EU or comparable jurisdiction by an equivalent regulator, do not need to be verified. This will encompass banks and building societies. However, for smaller firms, if there is any doubt as to their regulated status, this should be checked before proceeding without verification (www.fsa.gov.uk).

⁴ Regulation 40, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

⁵ Regulation 27(2), 2017 Regulations

8.7.3 Where a one-off transaction is carried out (but not where there is a business relationship) pursuant to an introduction effected by an FSA-regulated firm or individual, and that firm or individual has provided written assurance that satisfactory evidence of individual identity of the contact introduced by him has been obtained and recorded, evidence of identity is not required.

8.7.4 Where the customer is;

- (a) a publicly quoted company
- (b) a majority-owned and consolidated subsidiary of a publicly quoted company
- (c) subject to the licensing and prudential regulatory regime of a statutory regulator (e.g. OFGEM, OFWAT, OFCOM)

nothing is required beyond the standard identification.

8.7.5 It is important to note that **the above exemptions only apply where there is no suspicion of money laundering**. So even if you are dealing with a bank, or have written assurance from another regulated service provider in the financial services sector that it has obtained satisfactory evidence of identity - if you still have a suspicion you have to undertake the checks and make a disclosure to the MLRO.

9 INFORMATION MANAGEMENT ISSUES

9.1 Data Protection

9.1.1 Under the Data Protection Act 2018 (**the 2018 Act**) and the General Data Protection Regulation 2016 (as amended) (**the GDPR**) an external customer may request in writing:⁶

- (a) a copy of all the personal data of which that person is the data subject and any information available to the Council on the source of that data; and

⁶ Article 15, GDPR

- (b) information on the processing of any personal data by the Council, a description of that data, the purpose for which the data are being processed and to whom the personal data has or may be disclosed
- (c) members of the public can also seek to find out how their data is being used, have incorrect data updated, have data erased and also to object to how their data is processed in certain circumstances.

9.1.2 The Council must respond to a request for information promptly and in any event not more than one month from the date on which the request is received.

9.1.3 The 2018 Act contains certain exemptions from the right of access to personal data. One such exemption is where the right of access would be likely to prejudice the prevention or detection of crime or apprehension or prosecution of offenders.⁷

9.1.4 The exemption from the right of access to personal data will apply where the disclosure of personal data would result in the commission of the tipping-off offence under POCA.⁸

9.1.5 The exemption is not automatic and each case should be considered on its merits to ensure that the exemption applies. Always take advice from the MLRO.

9.1.6 The Council's Data Protection Policy can be viewed on the Council's intranet, <http://www.towerhamlets.gov.uk/data/your-council/data/data-protection-act.cfm> and in the Council's Data Protection Manual. Guidance on the application of the policy and the 2018 Act can be obtained from the Council's Data Protection Officer, Darren Thomas.

9.2 **Freedom of Information**

9.2.1 The Freedom of Information Act 2000 (the 2000 Act) gives members of the public a general right of access to all types of recorded information held by public authorities, which includes the Council. The general right of access is however subject to exemptions.

⁷ Schedule 2, part 1 of the Data Protection Act 2018

⁸ Schedule 1, part 2 of the Data Protection Act 2018

- 9.2.2 Information held by a public authority is exempt information:
- (a) if it was directly or indirectly supplied to a public authority by, or relates to various government bodies, which includes NCA (section 23);
 - (b) if its disclosure would, or would be likely to, prejudice the prevention or detection of crime or apprehension or prosecution of offenders (section 31).
- 9.2.3 These exemptions should not be applied without taking advice from the MLRO.
- 9.2.4 Details on Freedom of Information can be viewed on the Council's Intranet at <http://www.towerhamlets.gov.uk/data/your-council/data/foi/index.cfm>
- 9.2.5 Details about the how the Council manages records can be found in the Council's Information Management and Governance Policy.
- 9.2.6 Advice about Freedom of Information can be obtained from the Information Governance Manager.

9.3 **Making A Disclosure**

9.4 **How to make an authorised disclosure – internal reporting procedures**

- 9.4.1 If you are involved in any transaction – for example the sale or purchase of shares or property - where you either know or suspect that the money or property concerned is the proceeds of any crime, you risk being found personally guilty of money laundering unless you make an **authorised disclosure**. This is a disclosure, in the prescribed form, to the designated Money Laundering Reporting Officer (MLRO), Kevin Bartle. It must be made as soon as is reasonably practicable; i.e. within hours of the relevant information coming to your attention, or the very next day at the latest. What is likely to constitute suspicion is dealt with in section 13.
- 9.4.2 Where any person is aware of, or has reason to suspect, money laundering, they must complete a Money Laundering Disclosure Form (**Disclosure Form**) indicating the reason for their suspicions. Please see **Appendix A** for a pro-forma of this form. In no circumstances should a copy of the Disclosure Form be put on the file or otherwise disclosed to anyone other than the MLRO.

9.5 The Council requires all disclosures be made to the MLRO, **Corporate Director, Resources.**

9.5.1 If the MLRO is not available at the time you want to make a disclosure, the disclosure should be made to the MLRO's Deputy, Rob Watt, Investigation Manager, telephone 07908 130194.

9.5.2 The MLRO will acknowledge receipt and decide whether it is appropriate to make a formal disclosure, known as a Suspicious Activity Report (**SAR**), to one of the external authorities mentioned.

9.5.3 Please note that it does not matter whether the suspected crimes, or the proceeds of it, are extremely minor. The law is very strict – everything must be reported.

9.6 **The offence of failing to disclose**

9.6.1 If you;

(a) know or;

(b) suspect or;

(c) have **reasonable grounds** for knowing or suspecting

that another person is engaged in money laundering, you commit an offence if you do not disclose it to the MLRO as soon as practicable after you receive the information (POCA section 330).

9.6.2 It is important to note that this is an objective test. Even if you genuinely do not know or suspect that someone is engaged in money laundering, you may commit an offence if there are reasonable grounds for knowing or suspecting money laundering. So if you deliberately shut your mind to the obvious, you may be culpable. To protect yourself, you must think very carefully whether, in any given transaction, there is anything slightly odd or 'iffy'. If so, you must make a disclosure to the MLRO. Please read section 133 below, which will give you some pointers as to behaviour or circumstances which may appear unusual. Whilst this clearly cannot be exhaustive, as no two situations are identical, it should help you develop an enquiring approach.

9.6.3 If the disclosure is made after the prohibited act, the disclosure defence will not apply unless there is a reasonable excuse for not having disclosed in advance.

9.6.4 If the MLRO receives a disclosure report on the basis of which he knows or suspects, or has reasonable grounds for knowing or suspecting, that someone is engaged in money laundering, he commits an offence if he fails to disclose it as soon as possible to NCA.

9.6.5 The failure to report offences are punishable by up to 5 years imprisonment.

9.7 **The role of the MLRO**

9.7.1 Upon receipt of a Disclosure Form, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it.⁹ He should also advise you of the timescale within which he expects to respond to you.

9.7.2 The MLRO will then consider the report and any other relevant information to decide whether the information gives rise to a knowledge or suspicion of money laundering.¹⁰ Relevant information will include;

- (a) reviewing other transaction patterns and volumes;
- (b) the length of any business relationship involved;
- (c) the number of any one-off transactions and linked one-off transactions; and
- (d) any identification evidence held.

9.7.3 The MLRO must undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved).

9.7.4 The MLRO may also need to discuss the report with you. All persons are required to cooperate with the MLRO and the authorities during any subsequent investigation.

9.7.5 Once the MLRO has evaluated the Disclosure Form and any other relevant information, he must make a timely determination as to whether:

- (a) there is actual or suspected money laundering taking place; or

⁹ Regulations 18-24 of the 2017 Regulations, see in particular Regulation 18(4).

¹⁰ Regulation 21(5) of the 2017 Regulations.

- (b) there are reasonable grounds to know or suspect that is the case; and
- (c) whether he needs to seek consent from NCA for a transaction to proceed.

The decision must be recorded on part two of the Disclosure Form.

- 9.7.6 If the MLRO decides that the information does give rise to a suspicion of money laundering, he is required to make a SAR to the law enforcement authorities as soon as practicable, unless he has a reasonable excuse for non-disclosure. If he concludes that such a reasonable excuse exists (after taking legal advice if appropriate), the MLRO must mark the report accordingly before giving his consent for any ongoing or imminent transactions to proceed.
- 9.7.7 Any material which it is concluded should be disclosed may be subject to legal privilege. Please refer to section 11 below.
- 9.7.8 If there is no reasonable excuse for not reporting to NCA, the MLRO must make his report on the standard report form and submit it in hard copy or electronically in accordance with the procedure set out on the NCA website (www.NCA.gov.uk). This website also includes helpful guidance for MLROs on how to complete an SAR.
- 9.7.9 In the absence of a reasonable excuse for not reporting to the authorities, the MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, (because of a disclosure made to him), that another person is engaged in money laundering and he does not disclose this as soon as practicable to NCA.
- 9.7.10 Once a report has been made, no further action should be taken about the matter until it is expressly or impliedly permitted by NCA (see 11.2 below).

10 LEGAL PROFESSIONAL PRIVILEGE

- 10.1 Solicitors and all other legal staff and legal services' support staff will be handling material subject to legal professional privilege. There are two categories of legal professional privilege; legal advice privilege and litigation privilege.

10.2 The broad outline of the type of communication which attract privilege are set out below. The existence of legal privilege may affect the basis of a money laundering disclosure. Always take evidence from the MLRO if you believe privilege attaches to relevant information.

10.3 **Legal Advice Privilege**

10.3.1 Legal advice privilege applies to;

- (a) confidential communications;
- (b) which pass between members of the Council or other council staff and solicitors and other legal services' staff; and
- (c) which have come into existence for the purpose of obtaining legal advice in relation to the business of the Council.

10.3.2 Confidential communications are limited to those that directly seek or provide legal advice. Communications which merely pass information between legal services' staff to members of the Council or other council staff **should not contain legal advice** as this could lead to loss of privilege to the whole document.

10.3.3 Legal advice privilege does not attach to communications prepared for the purpose of or which form part of a criminal act, or to communications seeking legal advice for the purpose of furthering a criminal act, even if the legal adviser is not aware of the true purpose of preparing the documents or seeking legal advice. Consequently, documents and communications known to have been made for the purpose of furthering money laundering do not benefit from legal advice privilege.

10.3.4 Where there is only a suspicion of money laundering and the documents involved are subject to privilege, section 338 of POCA 2002 provides that an "authorised disclosure" may be made without breaching legal privilege.

Litigation Privilege

10.3.5 Ligation privilege applies to;

- (a) confidential communications when litigation is pending or contemplated;

- (b) which pass between members of the Council or other council staff and solicitors and other legal services' staff; and
- (c) which pass between the council's solicitors or legal services' staff and the solicitors or legal advisers of the other party or parties to the proceedings.

10.3.6 A solicitor or legal adviser may be in contempt of court if he discloses information to NCA that is protected by litigation privilege.

10.4 **Checks for Lawyers**

- (a) Consider any unusual transactions and do appropriate due diligence particularly in relation to source of funds;
- (b) Carry out enhanced verification checks in relation to identity, property, trusts, monetary activity as a minimum;
- (c) Seek to understand the rationale for any litigation/business transactions;
- (d) Document any transactions and adopt a risk- based approach;
- (e) Monitor ongoing business/client relationships;
- (f) Ensure transactions are appropriate for the instructions;
- (g) Review existing records and consider the reasoning for every transaction/contract;
- (h) Consider whether there is the possibility of sham litigation and/or suspicious instructions.

11 **AFTER A DISCLOSURE HAS BEEN MADE**

11.1 **Caution**

11.1.1 Once you have made a disclosure to the MLRO, you must not discuss the matter with anyone else and you must not do anything further in connection with the deal or transaction until you receive direct instructions from the MLRO. You must not make further enquiries into the matter yourself; any necessary investigations will be undertaken by the MLRO, or NCA, in the event that the MLRO decides to make an SAR.

11.1.2 If the MLRO determines that it is appropriate to make an SAR to NCA, you cannot proceed without NCA's consent. More details on the procedure for obtaining consent and what you must do in the meantime are outlined at section 11.2.

11.2 Consent

11.2.1 If the MLRO decides that your report does not require onward reporting to NCA, he will give you consent to proceed.

11.2.2 Once a disclosure had been made to NCA, the Council must do nothing further in connection with the particular transaction giving rise to the suspicion. If nothing is heard from NCA after 7 working days, then consent is deemed to have been given for the transaction to proceed. If, however, NCA responds within 7 working days with a request for more time, then the 31 day moratorium period will take effect. During this period, the transaction must not proceed unless and until either consent is received or the 31 day period expires. If NCA does not respond within that time, the Council can conclude that implied consent has been granted for the transaction to proceed.

11.2.3 The authorities can apply for a restraining order before the end of the moratorium period if they wish to stop the transaction going ahead at all.

11.2.4 These time limits must be strictly adhered to. It may be that at some later date the Council may by court order be ordered to produce documentation.

12 TIPPING OFF

12.1 At no time and under any circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if NCA has given consent to a particular transaction proceeding. This amounts to 'tipping off' and is an offence under POCA, section 333A. A person commits this offence if, knowing or suspecting that an authorised or protected disclosure has been made, he makes a disclosure (whether to the suspect or any third party) which is likely to, and which he knows or suspects is likely to, prejudice any investigation. The maximum penalty is five years in prison.

12.2 It is vital that you do not discuss details about a disclosure with anyone where it might prejudice any investigation. Clearly, the individual or company who is the subject of the report cannot be informed. Nor can anyone else who may inform them. The safest position is to limit discussions about suspicion and disclosure with the MLRO.

13 WHAT IS SUSPICIOUS?

13.1 Suspicion is less than knowledge, but more than mere speculation or gossip. It must be built on some foundation. A transaction which appears unusual will not necessarily be suspicious. 'Unusual' is, in the first instance, a basis for further enquiry, which may in turn require judgement as to whether it is suspicious. It is impossible to give an exhaustive list of circumstances and activities which will trigger suspicion. Sometimes it may be a combination of factors which individually would not give cause for concern. However, in the context of the Council's business, the following are common examples which may, depending on the particular circumstances, be likely to trigger suspicion:

- Secretive individuals or companies. Be particularly cautious if you don't meet people in person, or if there is any attempt to conceal identity, for example, via the use of post office boxes.
- Unusual arrangements, for example complex company structures or trusts with no apparent commercial purpose or companies with nominee directors.
- Receipt of, or a request for payment in, substantial sums of cash (over €15,000).
- Any request to hold sealed boxes/parcels.
- Unusual Settlements by cash or bearer cheques of any large transactions involving the purchase of property or other investments.
- A deal which is uncommercial for one or more participants; launderers are prepared to lose a high percentage of the initial funds, just to 'wash' large sums of cash.
- Overpayments by any party.

- A transaction is proposed but the person you are dealing with is not the person behind the deal/company and you do not meet this person.
- Illogical third party transactions, for example unnecessary routing or receipt of funds from third parties or via third party accounts.
- Payment by way of third party cheque or money transfer, where there is a variation between the account holder, the signatory and a prospective investor.
- Funds for deposits or completion on a property transaction which come from an unexpected source; alternatively where instructions are given for settlement funds to be paid to an unusual destination.
- Any other involvement of an unconnected third party without logical reason or explanation.
- An abortive transaction which has fallen through for no good reason.
- Radical changes/developments to an original proposition for no discernible reason.
- Poor business records and internal accounting controls.
- Proof of identity documents which don't look or feel quite right.
- A transaction which is unusually large, or small.
- An unusual deal/contact either in terms of size or location.
- Any matter having a link with countries where production of drugs or drug trafficking may be prevalent. The Financial Action Task Force (FATF) publishes a list of non co-operative countries and territories annually (go to www.fatf-gafi.org).
- Fellow employees whose lifestyle indicates an income in excess of position/salary or whose level of performance falls. Money launderers have been known to 'buy off' or blackmail staff whom they have enticed into drug use to turn a blind eye to laundering transactions.

- Funds being received from, or going to, an offshore location may be a possible indicator that money coming into or being paid out on a transaction is not being declared properly for tax.
- Transactions significantly above or below market price or which appear uneconomic inefficient or irrational.
- Anything which seems too good to be true.

13.2 It is important to think laterally. Be alert to transactions which could constitute money laundering, even though they may not fall within the common perception of money laundering, i.e. receiving the proceeds of drugs trafficking or a bank robbery.

14 RECORD KEEPING PROCEDURES

14.1 All disclosure reports referred to the MLRO and reports made by him to NCA must be retained by the MLRO in a confidential file kept for that purpose for a minimum of five years.¹¹ The Regulations require that the Identity Verification Form and the record of transactions (the transaction file and other relevant records) be retained for at least five years from:

14.1.1 in the case of the Identity Verification Form and related evidence, the date the business relationship ends or the date of completion of all activities taking place in the course of the one-off transaction or the last one-off transaction where linked; and

14.1.2 in the case of the record of transactions, the dates on which all activities taking place in the course of the transaction were completed.

14.2 However, for cases where a report to NCA is made, the relevant records must not be destroyed without reference first to NCA. It is the responsibility of the MLRO to ensure that such records are retained after their normal five year retention period.

¹¹ See Regulations 21(8) and 40.

15 TRAINING

- 15.1 The Regulations require that staff involved in relevant business and any clerical, secretarial, administrative or accounts staff assisting them, be provided with adequate training to ensure they are aware of, and understand, their legal and regulatory responsibilities and their role in implementing the Council's internal procedures.¹²
- 15.2 The MLRO will ensure that all relevant staff undergo an electronic training course on money laundering which covers the legislation, an explanation of what money laundering is, what is likely to amount to suspicious activity and the processes and procedures to be followed to comply with this policy. All persons will be required to undertake updated training as necessary (to be determined by the MLRO).
- 15.3 The MLRO will maintain records of appropriate training given to each officer and employee.
- 15.4 In the event that any person is contacted by NCA, the police, HM Revenue and Customs or any other law enforcement body with regard to a money laundering matter, they should refer the enquiring party to the MLRO in the first instance, who will obtain details of their requirements and decide how to proceed.

16 SUMMARY OF RESPONSIBILITIES

- 16.1 **All relevant persons must:**
- 16.1.1 Read and follow this policy.
 - 16.1.2 Know and understand the legislation.
 - 16.1.3 Take reasonable steps in accordance with procedures to identify and verify the identity of any person or company with whom it is proposed to deal.
 - 16.1.4 Remain vigilant at all times and alert to suspicions.
 - 16.1.5 Report any suspicions to the Money Laundering Reporting Officer (MLRO) in accordance with internal procedures.

¹² Regulation 24 of the 2017 Regulations.

16.1.6 Complete the multimedia training programme and pass the test to reinforce understanding of the law, internal rules and procedures.

16.1.7 Keep appropriate records for at least five years, and indefinitely in cases where an SAR has been made.

16.2 The MLRO must;

16.2.1 Monitor compliance.

16.2.2 Ensure that policy and procedures are developed and maintained in accordance with evolving statutory and regulatory obligations and guidance.

16.2.3 Review the policy and the Councils' general assessment of risk, at least annually, to determine whether changes are appropriate.

16.2.4 Ensure that training is offered and that the standards and scope of training are appropriate and necessary records are kept.

16.2.5 Report to senior management as appropriate on money laundering compliance matters.

16.2.6 Consider all internal disclosures and make Suspicious Activity Reports (SAR) to the NCA as appropriate.

16.2.7 Ensure that records are kept for the requisite five years, or indefinitely in cases where an SAR has been made.

END

Appendix A

Anti Money Laundering Reporting Form

Your Contact Details

Please provide your contacts details in the box below so we can confirm that we have received the report and get into contact with you if required.

Name:	
Role:	
Email:	
Contact Telephone:	

Main Subject

Please provide the details of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Address	Type: (Home, work etc)		

Transaction(s)

Please enter the details of the transactions you think are suspicious

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction:			

Date:			
Amount:		Currency:	
Credit/Debit			

Reason for the transaction	
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Account(s)

Please enter details of the account(s) used.

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Associated Subjects:

If there are any other people you suspect are involved in money laundering, please enter their details below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Linked addresses:

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:

Please enter details of your suspicions. Please provide as much information as possible.

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Non-Executive Report of the: Audit Committee Thursday, 29 July 2021	 TOWER HAMLETS
Report of: Janet Fasan, Director of Legal and Monitoring Officer	Classification: Open (Unrestricted)
Code of Corporate Governance	

Originating Officer(s)	Matthew Mannion, Head of Democratic Services Joel West, Democratic Services Team Leader (Committees)
Wards affected	(All Wards);

Executive Summary

The Code of Corporate Governance sets out the Council’s commitment to uphold the highest standards of good governance.

The Code was first created in 2018 and has been reviewed each year since. This report presents the 2021 review version for comment and endorsement by the Committee.

The 2021 Code was initially presented to the Audit Committee on 7 April and is now resubmitted following consideration of the outcome of the discussion at that meeting.

Recommendations:

The Audit Committee is recommended to:

1. Review and comment on the revised Code of Corporate Governance
2. Endorse the Code and agree that it be published on the Council’s website.
3. To delegate to the Head of Democratic Services, following consultation with the Chair of the Audit Committee and the Head of Internal Audit, Fraud and Risk, the authority to make minor changes to the Code as required before final publication on the Council’s website.

1. REASONS FOR THE DECISIONS

- 1.1 The Code of Corporate Governance forms an important part of the Council’s

suite of governance controls and documentation.

- 1.2 The purpose of the Code is to set out the framework the Council uses to ensure its governance meets with the good governance principles of the CIPFA/SOLCA guidance. The Annual Governance Statement, presented separately to the Audit Committee, is the method by which the effectiveness of the processes and procedures set out in the Code are evaluated.
- 1.3 The Code is reviewed annually and the Audit Committee is asked to review and endorse the content of the revised Code.

2. ALTERNATIVE OPTIONS

- 2.1 The Code has been produced in line with CIPFA best practice, but the Audit Committee is able to propose additions/alterations if considered appropriate. The Committee could also review the general style/layout of the Code and suggest improvements.

3. DETAILS OF THE REPORT

- 3.1 The Council's Annual Governance Statement produced by the Council each year, sets out its view on the effectiveness of the Council's Corporate Governance.
- 3.2 Corporate Governance is defined as the systems, processes and values by which local government bodies are directed and controlled.
- 3.3 One of the key documents consulted when preparing the Annual Governance Statement is the Code of Corporate Governance. The Code sets out the key documents, policies and activities that underpin the Council's work.
- 3.4 It does this by splitting Governance into 7 key themes (listed as A – G in the document) and then setting out against each one the relevant activities and documentation.
- 3.5 The Code of Corporate Governance was first created in 2018 and has been reviewed each year since that date. The Code is also published under the 'Transparency' section of the website.
- 3.6 In undertaking the review, officers from across the Council have been consulted as to the appropriate content of the Code. The final draft was then presented to CLT for senior leadership sign-off.
- 3.7 Note that the format/design of the Code has been updated for 2021 to take account of new accessibility requirements for web published content.

Review at the Audit Committee on 7 April

- 3.8 When the Committee first considered this year's Code, it expressed concern that the Code needed to better reflect the results of the Annual Governance

Statement and in particular any weaknesses in governance that were identified. A general note of concern was also to make sure the Code was not promising more than was being delivered.

- 3.9 Consequently officers have reviewed the Code and in particular taken out or rephrased any statements that went beyond the required factual nature of the document.
- 3.10 It is important to note that it is the purpose of the Annual Governance Statement to evaluate the effectiveness of the Code and the policies and procedures set out there. The purpose of the Code is to articulate the Council's commitment to good governance and the framework that has been put in place to maintain appropriate governance across the Council. Nevertheless, it was agreed that a better link could be provided between the Code and the role the Annual Governance Statement carries out so that residents can follow the trail of actions around good governance.
- 3.11 The most recent Annual Governance Statement was published in July 2020 and this has been used as the basis of this version of the Code.
- 3.12 The updated Code is set out in Appendix 1 to this report.

4. EQUALITIES IMPLICATIONS

- 4.1 The Code of Corporate Governance includes a number of key documents in the Council's work to tackle equalities issues such as the Borough Profile, Equality Analysis work and staff training programmes.
- 4.2 The layout and appearance of the Code for 2021 has been adapted to ensure it is accessible in line with public sector accessibility regulations. This means the Code can be read by those using adaptive software or tools (for example, those with impaired vision; motor difficulties; cognitive impairments or learning disabilities; deafness or impaired hearing).

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 Code of Corporate Governance helps demonstrate how the Council maintains awareness of many risks and implications set out above especially around Best Value, Data Protection and Risk Management.

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 Accounts and Audit Regulations 2015 require a local authority to conduct an annual review of the effectiveness of their system of financial control and to prepare an annual governance statement. There is no statutory requirement for an annual review of the Code of Corporate Governance but conducting an annual review demonstrates best practice.

Linked Reports, Appendices and Background Documents

Linked Report

- Previous yearly update reports to the Audit Committee.

Appendices

- Appendix 1 - The Code of Corporate Governance 2021

Local Government Act, 1972 Section 100D (As amended) List of “Background Papers” used in the preparation of this report

- None

Officer contact details for documents:

N/A



TOWER HAMLETS CODE OF CORPORATE GOVERNANCE

July 2021

Foreword

From Will Tuckley, Chief Executive

This 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.

The Code of Corporate Governance is an important tool in showing our residents how the Council aspires to follow good practice to achieve the best outcomes we can for them.

The Code will be regularly reviewed to match our evolving corporate strategies and policies. Where our practice is found to have fallen short the annual review will identify this and the action necessary to put this right. Our Audit Committee has oversight for making sure that we are following the commitments in this document in order to deliver the highest standards of governance for our residents.

Introduction

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, with particular regard to being open, inclusive and accountable.

Our Commitment

Tower Hamlets are committed to upholding the highest standards of good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services. This Code of Corporate Governance is based on the following principles recommended by CIPFA/SOLACE in a joint document entitled 'Delivering Good Governance in Local Government' which builds on the seven Principles for the Conduct of Individuals in Public Life.

- 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.

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed. The effectiveness of the policies and procedures set out are evaluated as part of the Annual Governance Statement (AGS). All local authorities are required to report publicly about how they have met their governance arrangements and do so through an AGS. [The latest AGS was published in July 2020](#). It confirmed that the Council had adequate governance arrangements in place but set out a number of areas requiring significant improvement. The Council has agreed an action plan in relation to those actions [which has been presented to the Audit Committee](#).

Applying the Seven Core Principles

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting principles:

- A1 Behaving with Integrity
- A2 Demonstrating Strong commitment to ethical values
- A3 Respecting the Rule of Law

The Council supports Principles A1 to A3 in the following ways:

- The Council's constitution sets out the rules under which the organisation must operate. This includes ensuring decisions are taken appropriately, by the correct body and with all relevant information presented.
- Section 24 of the Constitution sets out the role of the Monitoring Officer. The Divisional Director – Legal currently has this assigned role. The Monitoring Officer is responsible for dealing with many issues relating to integrity in decision making including around the work of the Standards (Advisory) Committee and Member Conduct.
- The Strategic Plan is the main strategic business planning document of the council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Strategic Plan outlines the Council's approach to tackling inequality and improving outcomes for residents and has tackling inequality at its core outlining the priorities and outcomes for reducing inequality and need in the borough.
- The Tower Hamlets Plan is the over-arching plan for the borough's local strategic partnership. Partners wanted to work together to identify creative and innovative new ways of delivering effective and efficient services and providing strategic leadership on complex, cross-cutting issues.
- There is a whistleblowing policy and it can be found on the intranet (The Bridge). It provides a route for officers to bring to the monitoring officers attention areas of malpractice.

- Reports and decisions of the Executive (Mayor and Cabinet) are routinely published online to ensure transparency and Executive decisions are subject to the 'Call-In' process by backbench Councillors who have the opportunity to raise any concerns they may have.
- There are Register of Interests (for officers and Members) and the requirement to declare interests at meetings. This includes the need to leave the meeting when any items for which they have a Pecuniary Interest are discussed.
- Likewise, the Gifts and Hospitalities register ensures that Members, co-optees and officers declare any relations with outside people or bodies that could be an issue.
- The Member Induction and Member Development Programmes ensure Members are aware of their responsibilities around good decision making and behaving with integrity. This programme includes committee specific training where required. Further training around the scrutiny function is currently being developed.
- Raising Awareness of Information Governance Regulations and Obligations as set out in the Council's procedures and framework.
- Promoting TOWER values which are important because they shape the culture and standards of the organisation.
- The Council's Legal Services are tasked with ensuring Council decision making is not ultra vires and follows relevant regulations and legal processes as required.

Supporting documentation and evidence of compliance for Principles A1 to A3:

- The Council's Constitution including sections on:
 - Officer code of conduct
 - Member code of conduct
 - Member Officer Relations Protocol
 - Scheme of Delegation
- Register of Interests and Declarations at Meetings
- Gifts and Hospitality Registers
- Cabinet, Council and Committee reports online
- Member Induction and Development Programme
- Strategic Plan
- Tower Hamlets Plan

- Borough Equality Assessment
- Equality Policy
- Whistleblowing Policy
- Corporate and Statutory Complaints Procedures
- Information Governance Framework, including Data Protection, Information Security and Computer Use Policies.
- Social Media Policy
- TOWER values and new Competency Framework
- Investors in People accreditation
- Declarations of interest and secondary employment for officers
- Grievance Policy
- Disciplinary Policy
- Combatting Harassment and Discrimination Policy
- Supply Chain Ethical Code of Conduct

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting principles:

- B1 Openness
- B2 Engaging comprehensively with institutional stakeholders
- B3 Engaging with individual citizens and service users effectively

The following items are applicable to all three strands of Core Principle B

The Council supports Principles B1 to B3 in the following ways:

- Publishing a Constitution setting out the Council's governance and decision-making arrangements.
- All formal decision-making meetings have agendas, reports and minutes which are published on the Council's website and also available to anyone through the Mod.Gov tablet app. Most committee meetings are also webcast for increased visibility.
- The Council publishes and maintains a constantly updating list of planned important Executive decisions on the Council's website. This includes reports for Cabinet and any other key Executive decisions.
- The Council's Overview and Scrutiny Committee engage stakeholders, residents and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee co-opts residents with relevant knowledge onto the Committee and encourages residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses are invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interest are represented.
- The Council has updated its Overview and Scrutiny Toolkit is to provide officers, Members, stakeholders and local communities with guidance and advice on how the scrutiny function works at Tower Hamlets. The Toolkit clarifies processes so residents know how they can get involved. Through the Council website residents can also suggest areas for review by scrutiny. https://www.towerhamlets.gov.uk/lgnl/council_and_democracy/Overview-and-scrutiny.aspx. The Scrutiny function is responding to recommendations made by the current internal audit review.
- The Strategic Plan is the main strategic business planning document of the council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Strategic Plan outlines the Council's approach to tackling

inequality and improving outcomes for residents and has tackling inequality at its core outlining the priorities and outcomes for reducing inequality and need in the borough.

- The Intelligence & Performance and Communications teams provide advice on designing, running and analysing consultations and surveys to Officers around the Council, using the Council's consultation and engagement hub with its various engagement tools. The Council actively engages specific groups depending on the nature of the consultation / survey. The Council commissions a specialist market research company to undertake its Annual Resident Survey with key findings made public.
- The Council has an established voluntary and community sector strategy and a Local Community Fund and Small Grants Programme, which has been developed in co-production with the VCS.
- The Tower Hamlets Plan sets out how we will work with our key strategic partners through the Tower Hamlets Partnership and sub groups to deliver cross cutting actions for the borough.
- The Council belongs to a range of public sector information sharing networks for example sharing performance data for benchmarking and improvement with London LAs through London Councils. We are working with the GLA to develop London level data analysis, and with our health partners through a partnership board Tower Hamlets Together.
- The Council makes use of modern committee management software to support the efficient and transparent publication of all information related to the Council's decision-making functions including Councillor contact details, registers of interest, agendas, petitions, ways to get involved and similar.
- The Council maintains a public register of Members interests and declarations made at meetings. These are published on the Council website and monitoring on interests for Members is undertaken by the Standards Advisory Committee.
- Freedom of Information processes to allow for the submission and publication of Freedom of Information requests
- Complaints systems to allow residents to challenge the Council.
- Use of the Open Government Licence for Public Sector Information ensures that people can make use of our data without having to apply for permission.

Supporting documentation and evidence of compliance for Principles B1 to B3:

- The Council's Constitution
- Publication of committee agendas and minutes of meetings.
- Forward Plan / Forthcoming Decisions pages

- Committee software system
- Register of Members' Interests
- Strategic and Business Plans
- Tower Hamlets Plan
- Scrutiny Committee reports to Cabinet and Council
- Scrutiny Toolkit
- Strategic Plan (equalities embedded) Equality Analysis
- Annual Residents' Survey and other surveys
- Range of consultations
- Borough Profile
- Co-production Framework
- Tower Hamlets Together Board and Joint Commissioning Executive
- Freedom of Information Publication and Disclosure Log
- Publication Scheme
- Corporate Complaints Procedure and Statutory Complaints Procedures
- Customer Contact Centre and Complaints Procedure
- Staff Training and Development
- Engaging staff forums
- Change Champions (i.e. Your Voice Ambassadors)
- Youth Council and Young Mayor
- Annual Statement of Accounts
- Medium Term Financial Strategy and regular MTFS reports
- The Internal Audit function
- The role of the Audit Committee
- Open Government Licence for Public Sector Information
- Expected Standards for responding to residents/customers
- A range of communication channels including digital infrastructure (website, social media, newsletter, plasma screens in Idea Stores and other buildings), physical infrastructure (street advertising, vehicle advertising) and print (Our East End).

- Partnership Boards and their Terms of Reference/ Structures/ Minutes) (including for example Health and Wellbeing Board, Community Safety Partnership Board, Tower Hamlets Together Board Safeguarding Adults Board, Safeguarding Children's Partnership Board, Children and Families Executive.

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council supports Core Principle C in the following ways:

- The Council has an established voluntary and community sector strategy and a Local Community Fund which has been developed in co-production with the VCS and Small Grants Programme to support a vibrant local VCS.
- The Strategic Plan is the main strategic business planning document of the council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Council has a structured set of plans which turn our vision into actions, through Directorate, Key Council Strategies and Business Plans.
- Works with key partners in the Tower Hamlets Partnership Executive Group to identify and deliver on borough wide social, economic and environmental outcomes the Tower Hamlets Partnership partners are seeking to achieve.
- The report templates for all Council, Cabinet and Committee reports contains specific sections to highlight key risks such as those around equalities, environment, crime etc.
- The Council has a clear vision of the quality and nature of service delivery which we need to provide to meet the needs of our local community. To do this, ongoing investment needs to be made to our staff through our People Strategy.
- The Council's Local Plan sets out the spatial vision for the borough and when supplemented by our planning policies puts in place the tools for how the council works with stakeholders to shape the built environment to deliver economic, social and environment outcomes identified within the strategic and TH Plan.
- These documents are further complemented by a range of key strategies which also set out clear economic, social and environmental outcomes.
- The Council is committed to sustainable development and has a Climate Change and Air Quality Strategy, Carbon Management Plan, Air Quality Action Plan to improve environmental outcomes for local residents. We also have in place a Transport Strategy which promotes sustainable transport and a Waste Strategy which promotes waste reduction which complements our environmental objectives.
- The council is committed to maximising the benefit of economic growth and ensuring the benefits from this growth are shared amongst those who live and work in the borough. Our Growth Plan seeks to improve the employment outcomes for residents and support the growth of businesses operating and is supplemented by our High Streets and Town Centre Strategy.

- Our Housing Strategy puts in place a range of actions to improve access to housing of all tenures, prioritising the delivery of affordable homes and seeks to improve the quality and condition of housing across the Borough. This is supplemented by our Homelessness and Rough Sleeping strategy which sets out the council's priorities for tackling homelessness and rough sleeping over the next five years.
- This cannot be done alone, and the Tower Hamlets Housing Forum is a partnership between housing associations and the Council to deliver on our housing, social and environmental and economic objectives.
- The Community Safety Partnership Plan 2017-21 sets out how we will look to make Tower Hamlets a safer and more cohesive place to live.
- These outcomes as they relate to Children and Families are addressed in various strategies and by children's partnership boards

Supporting documentation and evidence of compliance for Core Principle C:

- Voluntary and Community Sector Strategy
- Strategic Plan and Business Plans
- [Community Engagement Strategy](#)
- Risk Implications section in all reports
- Local Plan 2031: and related Planning policies and documents
- Growth Plan
- High Street and Town Centre Strategy
- Air Quality and Climate Change Strategy
- Air Quality Action Plan
- Biodiversity Action Plan
- Transport Strategy
- Waste Management Strategy
- Our East End
- Financial and Budget Planning Consultations
- Risk Management Policy and Procedures
- Corporate Risk Register
- Annual Statement of Accounts

- Quarterly and annual finance and performance reporting being presented alongside one another
- Capital Strategy
- The work of the external auditors
- Housing Strategy
- Tower Hamlets Housing Forum
- Self-Build Policy
- Homelessness and Rough Sleeping Strategy
- Community Safety Partnership Plan
- Health and Wellbeing Strategy
- Substance Misuse Strategy
- Mental Health Strategy
- Violence Against Women & Girls Strategy
- Safeguarding Adults Board Strategy
- Suicide Prevention Strategy
- Children and Families Strategy 2019-24
- Special educational needs and disability (SEND) Strategy.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting principles:

- D1 Determining Interventions
- D2 Planning Interventions
- D3 Optimising Achievement and Intended Outcomes

The following items are applicable to all three strands of Core Principle D

The Council supports Principles D1 to D3 in the following ways:

- Looking to ensure that decision making processes receive objective and rigorous analysis including involvement of the Monitoring Officer and the Section 151 Officer with all reports having set sections for legal and finance comments and all reports requiring final finance and legal clearance before publication.
- Council, Cabinet and Committees receive regular reports on performance monitoring, the strategic plan and other policies and procedures to demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues.
- Our Strategic and Business Plans look to have a clear vision of the economic, social and environment of the borough, which has been informed by extensive analysis of key data, service intelligence and national and regional policy.
- The Council's Corporate Portfolio Management Office is responsible for setting standards for programme and project management to make sure we can seek to be excellent in delivering change.
- The Council's Performance Management and Accountability Framework (PMAF) sets out our approach to monitoring, managing and improving performance. It sets out roles and responsibilities and establishes certain governance structures. It sets the framework within which individual Directorates and services should manage performance and how issues are escalated. Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements at strategic level.
- We are committed to undertaking needs assessments that provide evidence for areas where service improvement may be required. Our Joint Strategic Needs Assessments (JSNA) helps us and our health partners understand resident's needs relating to health inequalities and improving health and wellbeing. In addition, the Borough Profile provides data and analysis in a range of topic areas such as crime, housing, income, jobs, education, supporting practitioners and policy

officers to identify interventions necessary to achieve outcomes. We use the Borough Profile to develop a Borough Equality Assessment which enables us to set our equality objectives.

- The Council prepares an Annual Governance Statement that assesses the Council's governance framework and identifies areas for improvement. This is presented to the Audit Committee each year and included in the Council's Statement of Accounts. The Council will seek to implement any action plans agreed to address any identified weaknesses.
- The Council's Emergency Planning works to try to ensure the Council can react quickly and robustly to any emergency situation effecting residents or its own ability to provide services. A number of plans have also been prepared on a multi-agency basis to deal with specific threats.
- Internal Audit, who are outcome, focused and providing assurance opinions on the effective management of risk leading to the organisational achievement of outcomes and priorities

Supporting documentation and evidence of compliance for Principles D1 to D3:

- Constitution containing the scheme of delegation and financial regulations
- Strategic and Business Plans
- Co-Production Framework
- Community equality and engagement groups
- Scrutiny Committees
- Corporate Leadership Team
- Performance Management and Accountability Framework
- Needs Analysis such as Borough Profile and Joint Strategic Needs Assessments
- Quarterly and annual finance and performance reports
- Cabinet and Committee agendas and reports.
- Legal and Financial clearance of all relevant reports
- Annual Governance Statement
- Standards for Managing Employee Performance
- Performance Development and Review Scheme
- Borough Major Emergency Plan
- Multi Agency Plans
- Business Continuity Policy

- Budget Setting and approval process
- Risk Management Framework
- Business Plans and Consultations and Savings Tracker
- Risk Management Policy

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting principles:

- E1 Developing the entity's capacity
- E2 Developing the capability of the entity's leadership and other individuals

The Council supports Principles E1 and E2 in the following ways:

- The Constitution is published on the website and has been reviewed within the last year with the General Purposes Committee receiving regular reports on the Constitution. It contains many relevant sections including the Scheme of Officer delegations, Terms of References for committees and panels, Member and Officer Codes of Conduct and the Member / Officer relations protocol.
- The Corporate Leadership Team (CLT), Cabinet, Council and Committees receive reports on how the Council is performing and to highlight areas of weaker performance. CLT in particular receive regular reports on matters of performance. In addition, the CLT also have a specific CLT Transformation Board to examine these sorts of issues.
- The Overview and Scrutiny Committee has reviewed its processes and has implemented recommendations to further strengthen its effectiveness and support a culture of Overview and Scrutiny throughout the Council. This review also takes place at the end of each municipal year. The Scrutiny function is also being reviewed by Internal Audit and will look to adopt any improvement proposals set out.
- New members are supported through an induction programme to scrutiny, which includes effective questioning techniques and training throughout the year, covering budget scrutiny, performance reporting and one-to-one chairing skills. Further, scrutiny Members are provided with tools, advice and guidance through a scrutiny toolkit.
- Key to the Overview and Scrutiny Committee's effectiveness is a well-developed work programme.
- The Partnership Governance structure includes a Partnership Executive Group led by the Mayor with chief officers from key local partner organisations and a range of Partnership groups/ board including statutory boards.
- The partnership agreed a borough wide Plan 'Tower Hamlets Plan' to provide system wider leadership on few priority areas that needed improvement.

- Led by CLT and managed by the Corporate Portfolio Management Office, the Council's Transformation programme is called SMARTER TOGETHER. Focusing on ensuring the Council is more agile, leaner, and strategic to achieve the best outcomes with our limited resources.
- A comprehensive programme of member induction sessions was provided after the Local Elections. These are followed by an ongoing member development programme. The programme provides annual updates on mandatory training areas, opportunities for training in specialist portfolio areas as well as personal development for members. In addition, training can be provided on an ad-hoc basis should issues become apparent.
- Members have been provided with an online portal giving them access to many useful documents and links to assist them in carrying out their roles.

Supporting documentation and evidence of compliance for Principles E1 and E2:

- The Council's Constitution, including:
 - Scheme of Delegation
 - Committee Terms of Reference
 - 'Other Bodies' Terms of Reference
 - Member Code of Conduct
 - Officer Code of Conduct
 - Member Officer Relations Protocol
- Partnerships Governance Structure
- Tower Hamlets Plan
- Partnership Annual Report
- Smarter Together Transformation Programme
- Corporate Portfolio Management Office Scrutiny Committees
- Reports to CLT, Cabinet, Council and Committees
- Member Induction Programme and wider Member Development Programme
- Members' Hub
- People Resource Plan
- Corporate Training Programme
- PDP/PDR Process

- Job descriptions and person specifications
- Continuous professional development for officers
- Secondment policy
- Recruitment and Selection Policy and Toolkit
- Workforce Development Strategies
- Corporate Induction and wider induction policies
- TOWER values and new Competency Framework
- Quarterly and annual finance and performance reporting being presented alongside one another
- Corporate Risk Register
- Role of Internal Audit
- Business Planning Processes
- Employee Assistance Programme.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting principle F1 Managing risk

The Council supports Principle F1 in the following ways:

- The Council's Constitution sets out the Council's decision making in relation to Financial Management including through the Budget and Policy Framework, Key Decisions and Officer Schemes of Delegation.
- All report templates contain sections to highlight the risks associated with the proposals set out in the reports.
- The Council looks to ensure that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Corporate Leadership Team and Audit Committee on a regular basis.
- The Council has recently reviewed its whistleblowing policy which the Audit Committee has agreed. There is a related whistleblowing section on the Council's intranet (The Bridge).
- The Council's Emergency Planning works to ensure the Council can react quickly and robustly to any emergency situation effecting residents or its own ability to provide services. A number of plans have also been prepared on a multi-agency basis to deal with specific threats.

Supporting documentation and evidence of compliance for Supporting Principle F1:

- The Council's Constitution
- Performance dashboards, scorecards and reports
- Quarterly and annual finance and performance reporting being presented alongside one another to Overview and Scrutiny Committee and Cabinet
- Cabinet and Committee Report Templates
- Risk Reports to CLT, DLT's and Committees
- Data Sharing Agreements
- Information Governance Framework
- Whistleblowing Policy
- Borough Major Emergency Plan

- Multi Agency Plans
- Business Continuity Policy
- Publishing spend exceeding £250
- Risk Management Strategy and Toolkit
- Corporate Risk Register
- Regular risk management reports to the Audit Committee
- Internal Audit Plan, annual report and recommendations tracker
- Anti-Fraud and Corruption Strategy and Action Plan
- The role of external audit
- Risk Champions Group
- Audit Committee
- Risk reports to Committees
- Project Management Framework
- Financial Regulations.

Supporting Principle F2 Managing performance

The Council supports Principle F2 in the following ways:

- The council looks to make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Quarterly strategic performance monitoring of the strategic plan and strategic outcome measures is a separate agenda item for the Overview and Scrutiny Committee.
- Members and senior management are provided with regular reports on performance and progress towards outcome achievement.

Supporting documentation and evidence of compliance for Principle F2:

- Scrutiny Committees
- Performance Management & Accountability Framework
- Performance, dashboards, scorecards and reports
- Customer Feedback
- Committee agendas, reports and minutes
- Cabinet and Committee report templates
- Quarterly and annual finance and performance reporting being presented alongside one another
- Savings Tracker
- Business Development Team
- Internal Audit Reports

Supporting principle F3 Robust internal control**The Council supports Principle F3 in the following ways:**

- Reports to Council, Cabinet and Committees are required to set out key implications information in areas such as risk, equalities and environmental impact.
- The Audit Committee is responsible for considering the Council's arrangements for governance, risk management and internal control and recommends any actions accordingly. It receives a number of relevant reports such as internal and external audit plans, reports from internal and external audit, anti-fraud and corruption initiatives, risk management arrangements and similar. The Committees full terms of references are provided in the Council's Constitution.

Supporting documentation and evidence of compliance for Principle F3:

- Annual Governance Statement
- Reports to Council, Cabinet and Committees of the Council with implications provided that are clear and measured.
- Anti-Fraud and Corruption Policy
- Anti-Money Laundering Policy
- Internal Audit
- Internal Audit progress and Outcome Reports
- Risk Management Policy
- Risk Management Procedures
- Corporate Risk Register
- Audit Committee.

Supporting principle F4 Managing data**The Council supports Principle F4 in the following ways:**

- The Council looks to operate to expected Data Protection, information security and records management policies in accordance with the Data Protection Act 2018 and General Data Protection Regulation (GDPR) 2016.

Supporting documentation and evidence of compliance for Principle F4:

- Partnerships Governance
- Data Protection Policy
- Freedom of Information/EIR
- Information Security Incident Policy
- Records Management Policy
- Information Handling Policy
- Senior Information Risk Owner
- Data Protection Officer

- Data Sharing Agreements
- Data protection impact assessments

Supporting principle F5 Strong public financial management

The Council supports Principle F5 in the following ways:

- Overview And Scrutiny Committee has a crucial role in budget scrutiny. This includes reviewing and scrutinising the Council's annual allocation of financial resources to different services and projects, according to the Council's strategic priorities. This includes reviewing the treatment of risk, setting the council tax, and decisions relating to the control of the Council's borrowing, the control of its capital expenditure and the setting of virement limits.
- The Overview and Scrutiny Committee on a quarterly basis also reviews budget monitoring and performance monitoring reports to provide challenge and identify areas further work by scrutiny
- Residents, businesses and key stakeholder's views relating to the budget consultation are analysed alongside other intelligence which is then used to inform decision-making.
- Budget monitoring reports are presented to Cabinet and are published on the Council's website allowing residents to see how the Council is performing against expected budgets and planned savings.
- Reports to Council, Committees, Cabinet and CLT include financial implications and CFO comments and clearance.
- The Audit Committee is responsible for considering the Council's arrangements for financial management and to recommend any actions accordingly. It receives regular reports such as internal audit plans, risk management arrangements, treasury management strategies and it approves the Council's Statement of Accounts.

Supporting documentation and evidence of compliance for Principle F5:

- Scrutiny Budget Meetings
- Budget Consultations
- Regular Budget monitoring reports published in Cabinet and overview and scrutiny agendas
- Financial Regulations
- Quarterly and annual finance and performance reporting being presented alongside one another
- Business Plans

- Business Planning Process
- Budget Holders and Finance Business Partners Handbook
- Objection Timetable
- External Auditors

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

The following items are applicable to the four strands of Core Principle G

Supporting principle G1: Implementing good practice in transparency

The Council supports Principle G1 in the following ways:

- 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.
- Key data, statistics and horizon scanning of policy is produced to support the Overview and Scrutiny Committee in their work programming. Overview and Scrutiny Committee work programmes are published.
- Having a defined process to try to ensure that reports for the public / stakeholders are fair, balanced and easy to access and understandable for the audience
- The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- The Council webcasts it's Council, Cabinet, Development Committee, Strategic Development Committee and Overview and Scrutiny Committee meetings to ensure full transparency of the meetings. Since June 2020, the Council has held meetings remotely and during this time all committee and sub committee meetings have been webcast. Since May 2021, hybrid technology has been used to try and ensure physical and remote attendance options are available when possible.
- The Council's maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.
- The Council has recently reviewed its whistleblowing policy which the Audit Committee has agreed. There is a related whistleblowing section on the Council's intranet.

Supporting documentation and evidence of compliance for Principle G1:

- The Council's Constitution
- Annual Work Programme of Scrutiny Committees
- Agendas and minutes of Cabinet and Committee Meetings
- Agendas and minutes of Scrutiny and relevant Committees published
- The Executive Forward Plan
- Meeting Webcasts
- Transparency Code
- Data Sharing Agreements
- Publication Scheme
- The Council's Website
- Whistleblowing Policy
- Gender Pay Gap reporting
- Internal Audit Plan, annual report and recommendations tracker
- Anti-Fraud and Corruption Strategy and Action Plan
- External Audit Reports
- Annual Governance Statement
- Communications ensuring residents are informed of key issues, decisions and consultations.
- Safeguarding Adults Board Annual Report
- Local Account in adult social care
- Tower Hamlets Safeguarding Children Partnership Annual Report
- Special educational needs and disability (SEND) annual report

Supporting principle G2 Implementing good practice in reporting

The Council supports Principle G2 in the following ways:

- The Council's constitution sets out the terms of reference of all committees to ensure information is presented to the appropriate committees. Access to information rules set out how the Council maintains good public access to information and reports.
- There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.
- Each Committee has a workplan or similar forward programme including expected monitoring reports.

Supporting documentation and evidence of compliance for Principle G2:

- Partnerships Governance Guidance
- Committee agendas, reports minutes and work plans.
- Constitution including Committee Terms of Reference and Access to Information Rules
- Quarterly and annual finance and performance reporting being presented alongside one another
- Statement of Accounts
- Annual Governance Statement
- Annual External Audit Report and Letter
- Internal Audit Reports

Supporting principle G3 Assurance and effective accountability

The Council supports Principle G3 in the following ways:

- Having processes to ensure external / internal audit recommendations are acted upon / responded to by managers and the Council (G3 & G4)

- There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.
- As part of our extensive improvement journey since 2014, the Council has taken part in a tailored Peer Challenge managed by the LGA. We take part in service specific peer reviews – for example a peer review of our planning service took place in 2018-19.
- The Council uses the results from external inspections to action plan improvements. There is an extensive improvement structure in the Council including Member oversight and Officer operational groups.
- As the Council's senior decision-making body tasked with overseeing this work, the Audit Committee, and any other relevant non-executive committee including Scrutiny, can report up to it any concerns they have regarding actions that have not been undertaken. Council is also a forum for members and the public to formally raise concerns that meeting may direct the Council to act upon.

Supporting documentation and evidence of compliance for Principle G3:

- Role of Internal and External Audit
- Audit Committee
- Risk Management Procedures
- Peer Reviews
- Results of External Inspections (Ofsted, CQC, ICO etc)
- Partnerships Governance Guidance
- Council Meetings

Supporting principle G4 Managing data.

See supporting documentation for G1 and G3.

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AUDIT COMMITTEE WORK PLAN 2020/21

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	19 th July 2021

AUDIT COMMITTEE WORK PLAN 2021/22

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
20TH JULY 2021	TRAINING DAY		
	Internal Audit (to include mention of External Audit) / Anti- Fraud	Paul Rock	
29TH JULY 2021			
1. Terms of Reference	Terms of reference 2021/22 to be approved by the Committee.	Farhana Zia/ Paul Rock	
2. Progress update on the completion of the accounts and an update on the Finance Improvement Programme		Kevin Bartle/ Marion Kelly	
3. Annual Internal Audit and Counter-Fraud Strategy & Plan	Draft Internal Audit Plan for 2021/22. For review and approval by the Committee.	Paul Rock	Item deferred to 29/07/21 mtg from 07/04/21 mtg
4. Head of Internal Audit 2020/21 Opinion (Annual Report)	Report providing the annual audit opinion in accordance with the requirements of Public Sector Internal Audit Standard.	Paul Rock	
5. Annual Risk Management Report 2021/22	Report assessing the key risks facing the Council.	Paul Rock	
6. Risk Management Report 2021-22 – Q1 Progress update & Children & Culture Directorate's Risk Register	An update of risks on the Corporate Risk Register.	Paul Rock	
7. Anti-Money Laundering Policy Report	Annual Report updating the Anti-Money Laundering Policy.	Janet Fasan/Rachel Mckoy / Paul Rock	

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AUDIT COMMITTEE WORK PLAN 2021/22

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
8. Corporate Code of Governance	To report on an annual basis. Monitoring Officer. Approval in July 2021 with Annual Accounts.	Matthew Mannion	From last mtg 07/04/21
9. 2020/21 Treasury Management Outturn Report		Hitesh Jolapara/Allister Bannin/ Miriam Adams	
10. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
21ST SEPTEMBER 2021	TRAINING DAY		
	Treasury Management	Kevin/Hitesh's Team	
28TH SEPTEMBER 2021			
1. Deloitte	Standing Item Update on the Audit of the Accounts 2018/19 2019/20	Jonathan Gooding/Angus Fish	
2. Statement of Accounts 2018/19, 2019/20 – final approval of audited accounts	The approval of the Annual Statement of Accounts by the Audit Committee.	Kevin Bartle	
3. Statement of Account 2020/21 – Approval of Accounts	The approval of the Annual Statement of Accounts by the Audit Committee.	Kevin Bartle	
4. Annual Governance Statement 2020/21	For review and approval with Annual Accounts 2020/21	Paul Rock	
5. Annual Review of Anti-Bribery Policy	Annual review and approval of the Council's Anti-Bribery policy.	Paul Rock	
6. Annual Insurance Report	Presents a summary of insurance activity for 2020/21.	Paul Rock	Deferred from 29 th July 2021 mtg
7. Internal Audit and Anti-Fraud update 2021/22 – Q2 Progress	An update on the progress against the delivery of the 2020/21 Annual Internal Audit Plan. Highlights	Paul Rock/Bharat Mehta/ Tony Qayum	

AUDIT COMMITTEE WORK PLAN 2021/22

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
Update	any significant issues since the last report to the Audit Committee.		
8. Risk Management Report 2021/22 – Q2 Progress Update & Health & Communities Directorate Risk Register	An update of risks on the Corporate Risk Register.	Paul Rock	
9. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
24TH NOVEMBER 2021	TRAINING DAY		
	Statement of Accounts/ Accounting Policies		
1ST DECEMBER 2021			
1. Deloitte	Standing Item	Jonathan Gooding/Angus Fish	
2. Internal Audit Charter	Annual review and approval of the Internal Audit Charter	Paul Rock	
3. Internal Audit and Anti-Fraud update 2021/22 – Q3 Progress Update	An update on the progress against the delivery of the 2020/21 Annual Internal Audit Plan. Highlights any significant issues since the last report to the Audit Committee.	Paul Rock/Bharat Mehta/ Tony Qayum	
4. Risk Management Report 2021/22 – Q3 Progress Update & Directorate Risk Register	An update of risks on the Corporate Risk Register.	Paul Rock	
5. 2021/22 Treasury Management Mid-Year Review.	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators.	Hitesh Jolapara/ Miriam Adams	
6. 2022/23 Treasury Management Strategy Statement,		Hitesh Jolapara /Miriam Adams	

AUDIT COMMITTEE WORK PLAN 2021/22

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
Investment Strategy Report and Capital Strategy Report for 2021-22			
7. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
17TH MARCH 2022	TRAINING DAY		
	Risk Management	Paul Rock	
24TH MARCH 2022			
1. Deloitte	Standing Item	Jonathan Gooding/Angus Fish	
2. Internal Audit and Anti-Fraud update 2021/22 – Q4 Progress Update	An update on the progress against the delivery of the 2021/22 Annual Internal Audit Plan. Highlights any significant issues since the last report to the Audit Committee.	Paul Rock/Bharat Mehta/Tony Qayum	
3. Risk Management Report 2021-22 – Q4 Progress Update & Directorate Risk Register	An update of risks on the Corporate Risk Register.	Paul Rock	
4. Annual Internal Audit and Counter-Fraud Strategy & Plan	Draft Internal Audit Plan for 2021/22. For review and approval by the Committee.	Paul Rock	
5. Draft Annual Governance Statement 2021/22	For Review. Approval in July 2022 with Annual Accounts.	Paul Rock	
6. Review of Code of Corporate Governance 2020/21	To report on an annual basis. Monitoring Officer. Approval in July 2021 with Annual Accounts.	Matthew Mannion	
7. RIPA Policy 2021/22	Regulation of Investigatory Powers Act 2000 (RIPA) relates to covert surveillance. A report updating Members on the policy and use of these	Agnes Adrien	

AUDIT COMMITTEE WORK PLAN 2021/22

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
	powers, in accordance with the code of practice. Reviewed Annually.		
8. Draft Terms of reference for 2022-23	Review. To be approved in July 2022	Farhana Zia/Paul Rock	
9. Annual Self-Assessment and report of the Audit Committee	Self –Assessment – March 2022 Report by the Audit Chair to go to Full Council in July 2022	Cllr Whitehead/ Paul Rock/ Charlotte Webster/ Farhana Zia	
10. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	

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