

Audit Committee

Agenda

**Thursday, 24 November 2022 at 6.30 p.m.
Committee Room One - Town Hall, Mulberry
Place, 5 Clove Crescent, London, E14 2BG**

Members:

Chair: Councillor Jahed Choudhury

Vice Chair: Councillor Ahmodur Khan

Councillor Saied Ahmed, Councillor Ohid Ahmed, Councillor Kabir Hussain, Councillor Rachel Blake, Councillor Mufeedah Bustin, Councillor Asma Islam and Councillor James King

Independent Member:

Charlotte Webster

Substitutes: Councillor Mohammad Chowdhury, Councillor Abdal Ullah, Councillor Ayas Miah, Councillor Abu Chowdhury and Councillor Ahmodul Kabir

[The quorum for the Audit Committee is 3 voting Members]

Contact for further enquiries:

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<http://www.towerhamlets.gov.uk/committee>



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A Guide to Audit Committee

The Audit Committee is responsible for considering the Council's arrangements for internal control, governance and financial management and recommending any actions accordingly.

This includes:

- Audit Plans.
- Reports from external audit (such as the Annual Audit Letter and Governance Report).
- The Annual Governance Statement.
- Anti-fraud and corruption initiatives.
- Authority's Risk Management Arrangements.
- The administration of the Council's financial affairs.
- Approving the Authority's Statement of Accounts.

Public Engagement

Meetings of the committee are open to the public to attend, and a timetable for meeting dates and deadlines can be found on the council's website.

London Borough of Tower Hamlets



Audit Committee

Thursday, 24 November 2022

6.30 p.m.

APOLOGIES FOR ABSENCE

1. DECLARATIONS OF INTEREST (PAGES 7 - 8)

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. MINUTES OF THE PREVIOUS MEETING(S) (PAGES 9 - 22)

To confirm the minutes of the Audit Committee held on 28th June 2022.

3. DELOITTE ITEMS FOR CONSIDERATION

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Follow up work to the independent review on the Finance Improvement Plan (Pages 23 - 30)

4.2 Internal Audit and Anti-Fraud Progress Quarterly Reports (22-23) Q2 (Pages 31 - 70)

4.3 Risk Management - Corporate and Health, Adults and Community Directorate Risk Registers (Pages 71 - 110)

4.4 Annual Review of the London Borough of Tower Hamlets Anti-Money Laundering



Policy and Guidance (Pages 111 - 150)

4 .5 Annual Risk Report 2021/22 (Pages 151 - 176)

4 .6 Annual Insurance Report 2021/22 (Pages 177 - 186)

4 .7 Code of Corporate Governance (Pages 187 - 218)

5. AUDIT COMMITTEE WORK PLAN

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Next Meeting of the Audit Committee

Thursday, 26 January 2023 at 6.30 p.m. to be held in Committee Room One - Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG



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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.

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.30 P.M. ON TUESDAY, 28 JUNE 2022

**COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present in Person:

Councillor Jahed Choudhury	Chair for the meeting
Councillor Saied Ahmed	
Councillor Ohid Ahmed	
Councillor Kabir Hussain	
Councillor Ahmodur Khan	Vice-Chair
Councillor Mufeedah Bustin	
Councillor Asma Islam	
Councillor James King	

Members In Attendance Virtually:

Councillor Rachel Blake

Co-optees Present in Person:

Charlotte Webster	Independent Person
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Apologies:

Others In Attendance Virtually:

Angus Fish	Deloitte
Jonathan Gooding	Deloitte
Andrew Cardoza	KPMG
Rashpal Khanura	KPMG
Antony Smith	KPMG

Officers Present in Person:

Agnes Adrien	(Head of Litigation, Legal Services)
Kevin Bartle	(Interim Corporate Director, Resources & Section 151 Officer)
Tim Harlock	(Interim Chief Accountant)
Marion Kelly	(Finance Improvement Team - Programme Director)
Aaron Winter	(Interim Head of Internal Audit, Anti-Fraud and Risk)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Adam Evans	(Risk & Governance Manager - ICT)
Bharat Mehta	(Audit Manager)
Denise Radley	(Corporate Director, Health, Adults & Community)
James Thomas	(Corporate Director, Children and Culture)
Nisar Visram	(Director of Finance, Procurement & Audit)

1. APPOINTMENT OF CHAIR FOR THE MEETING

Committee members were asked to elect a Chair for the meeting, owing to confusion as to who was appointed by Full Council at its meeting of 25th May 2022.

Councillor Saied Ahmed proposed Councillor Jahed Choudhury for the position of the Chair. The nomination was seconded by Councillor Kabir Hussain.

The Audit Committee **RESOLVED** to:

1. Elect Councillor Jahed Choudhury as the Chair of the meeting.

2. DECLARATIONS OF INTEREST

There were no pecuniary declarations of interest declared at the meeting by members.

3. APPOINTMENT OF VICE-CHAIR

Councillor Kabir Hussain proposed Councillor Ahmodur Khan for the position of the vice-chair of the Audit Committee. The nomination was seconded by Councillor Ohid Ahmed

The Audit Committee **RESOLVED** to:

1. Elect Councillor Ahmodur Khan as the vice-chair of the Audit Committee for 2022-23.

Change to the order of Business

The Chair, Councillor Jahed Choudhury stated the order of business would change, with item 7.6 "Update on the Annual Financial Accounts and outstanding audits – 2018/19 and 2019/20", which was a verbal update, would be taken first followed by the remaining items on the agenda.

4. **AUDIT COMMITTEE TERMS OF REFERENCE, MEMBERSHIP, QUORUM AND DATES OF MEETINGS 2022-2023**

Ms Farhana Zia, Democratic Services Officer presented the report, asking members to note the Audit Committee's terms of reference, membership, quorum and dates of meeting for the municipal year 2022/23.

She informed members these had been agreed at Full Council on the 25th May 2022.

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

- Councillor Mufeedah Bustin questioned why three members of the Executive were on the Audit Committee and asked for the terms of reference to be reviewed so that the quorum is made up of non-executive members. Ms Zia responded stating she'd relay the Councillors concerns to the Head of Democratic Services who would provide a fuller response.
- **ACTION:** An email response to be provided to the Audit Committee members regarding the point above, by the Head of Democratic Services.

The Audit Committee **RESOLVED** to:

1. Note its Terms of reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1,2 and 3 in the report; and
2. **AGREED** to hold scheduled meetings of the Audit Committee at 6:30 p.m.

5. **UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)**

The unrestricted minutes from the meeting of 24th March 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

6. **DELOITTE ITEMS FOR CONSIDERATION**

There were no Deloitte items for consideration although their officers would be participating in this meeting.

7. **TOWER HAMLETS ITEMS FOR CONSIDERATION**

7.1 **Final Report on the Finance Improvement Plan**

Ms Marion Kelly, Programme Director for Finance Improvement introduced the report and said the report outlined the progress the Finance Improvement Plan (FIP) had achieved following the Independent Review of the 2018/19 year-end closure of accounts. She said this was the final report on the FIP

which had broader aims than the 60 recommendations made by the independent review.

Ms Kelly referred members to paragraphs 3.3 to 3.33 of the report and said considerable progress had been made to improve the internal governance structures as well as systems, policies and procedures. She said the Corporate and Senior Leadership teams had been on the journey and had received reports and updates on the FIP and its workstreams, as well as the Audit Committee.

Ms Kelly said most actions had been delivered with a small number outstanding, which would report to the Performance Improvement Board, that the Chief Executive chaired.

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

- Internal Audit do have oversight of the FIP. They will be testing the processes put in place in Quarter 4, and this would give the Audit Committee some reassurance. Mr Winter added they had been involved in the design of some of the processes but would go back to test the operational side.
- Regarding training provided to Budget holders, Ms Kelly said this had been future proofed with new budget holders receiving mandatory training. She said training on budgets and the software used was an objective in their annual appraisal. She said every budget holder was expected to complete a self-assessment which was part of their mid-year review to identify areas of weakness and/or additional training required. Ms Kelly said there was also a handbook which set out the expectations of what was required of budget holders as well as practical steps on how to complete journal entries etc.
- Councillor Saied Ahmed commented that he had been reassured that the Council was making good progress in closing the outstanding accounts. He said it was important to obtain the certificates from KPMG.
- Mr Bartle, Interim Corporate Director for Resources and Section 151 Officer stated every effort was being made to attain the outstanding certificates, however it was clear from the exchange with KPMG earlier, that this would not be forthcoming any time soon. Mr Bartle said the council did not have the leverage to speed up this process. He said the fees charged by KPMG could be substantial however the focus of the Council and the FIP now was to ensure change was embedded in the organisation and improvement remained the focus of everyone.
- Mr Nisar Visram, Director of Finance, Procurement and Audit, said a restructure of the finance team was underway. He reassured members the restructure would not be proposing a reduction in staff, more likely an increase. He said the restructure would follow due process and be reported through the normal reporting channels.

The Audit Committee **RESOLVED** to:

1. Note the progress against the actions set out in the Finance Improvement Plan (FIP)
2. Note that only the outstanding 9 actions and their completion will be reported to future Audit Committees

7.2 Treasury Management Outturn Report for 2021-22

Mr Nisar Visram, Director for Finance, Procurement and Audit introduced the report and asked Ms Miriam Adams, Interim Head of Pensions and Treasury Management to explain the Treasury Management Outturn report to the Committee.

Ms Adams stated that at the start of each year, a Treasury Management Strategy report is prepared for Council which sets out how cashflows, investments, debt, banking and control of risks associated with this, will be managed by the Council. Ms Adams said this was presented to Council at its 4th March 2021 meeting. The Outturn report is prepared at the end of the year and assesses the treasury management activity. It includes a summary of the interest earned, which supports the revenue budget and any key changes that have impacted the performance during the year.

Ms Adams said the economic background, at paragraph 4.1 set out how factors like the pandemic, the Russia/Ukraine war as well as inflation and rise in interest rates, had impacted the markets and performance of treasury management. In particular, Ms Adams drew attention to table 1, on page 58 of the agenda as well as table 2 and said this provided a summary of the balance sheet and external borrowing.

Ms Adams provided a detailed explanation of the remainder of the report, taking members through the various tables within the report.

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

- Members of the Committee had no questions for Ms Adams relating to this report.

The Audit Committee **RESOLVED** to:

1. Note the contents of the treasury management activities and performance against targets for the year ending 31 March 2022.
2. Note the Council's investments as set out in Appendix 1. The balance as at 31st March 2022 was £321.2m.

7.3 Annual Internal Audit Report for June Audit Committee

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk presented the Annual Internal Audit Report. He said the report stated his opinion as the Head of Internal Audit as per the requirements of the Public Sector Internal Audit standards. Mr Winter said the opinion supported the governance

conclusions included in the Annual Governance Statement, which forms part of the Statement of Accounts required under the Accounts and Audit Regulations 2015.

Mr Winter explained the factors he took into consideration when giving his opinion and referred members to the summary at paragraph 2.1, on page 81 of the agenda. He said the opinion was based on the outcomes of internal audit and anti-fraud activity undertaken during the year as well as taking account of external peer reviews and the conclusions of the external auditors, relating to the accounts and the Governance Statement.

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

- Mr Winter explained the opinion given was not subjective and was based on a methodology, using the outcome of internal audits to form an opinion. He said the scale used to assess the performance was cited at page 82 which provided definitions and thresholds for each opinion category.
- Referring to the minutes of the previous meeting, Councillor Bustin asked how Mr Winter was ensuring there was no conflict of interest, in the work he was undertaking for the Council. Mr Winter reassured the Committee there was a complete separation of work and said he was not involved in any of the work undertaken by BDO. He said the relationship between the Council and BDO was managed by the Audit Manager, Mr Bharat Mehta and he was not involved with this.
- Mr Winter said they were struggling to recruit to vacant posts within the team, however they would continue with the proposed recruitment, which may include looking at alternative solutions such as apprenticeships, to fill these. He said they had a local person who had recently taken up an apprenticeship role within the team. Mr Nisar Visram added that the recent recruitment to the Head of Internal Audit post had been unsuccessful and as such they were considering other approaches such as soft-market testing.
- Mr Winter confirmed the External Quality Audit was scheduled to take place in Quarter 4, this year.
- Mr Winter said the tool used to update the implementation of recommendations was Directorate trackers in Sharepoint. He said this allowed them to identify recommendations that had slipped or were overdue. He said recommendations were classified as high, medium, and low priority, with all high and medium priority recommendations followed up accordingly.

The Audit Committee **RESOLVED** to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2021/22.

7.4 Corporate/Directorate Risks Register Report 22/23 Q1

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk presented the Corporate Risk Register and said this was a regular report to the Committee. He said the report provided an update against the Risk plan and how the Council was performing against the key targets. Mr Winter said his team coordinated risk management activity, but the identification, assessment, justification and mitigation of individual risks remained the responsibility of Management.

Mr Winter stated Mr James Thomas, Corporate Directorate for Children and Culture was also present for the meeting, to answer questions relating to the Children and Culture Directorate Risk Register. Mr Winter said resources for the management of risk remained a challenge however they were looking at alternative options and were reviewing this by seeking strategic input to find a way forward.

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

- Referring to the previous minutes and risk CSD0016 and the target date 2023, Mr James Thomas, Corporate Director for Children and Culture stated that the risk remained on the risk log indefinitely, as it was of such importance. He said underneath the risk was a set of mitigation actions that were reviewed on a quarterly basis.
- In reference to CSDLA000, SEN Budgets, particularly transport costs, Mr James Thomas reassured members the Directorate was keeping a close eye on the budget. He said the Transport Demand Board was working on strategies to stay within the budget which included providing travel training to SEN children and families as well as encouraging families to take up personal budgets.

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 Audit 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 directorate's objectives at the next Audit Committee meeting (or separately before the meeting if urgent).

7.5 Internal Audit and Anti-Fraud Progress Quarterly Reports (22-23) Q1

Mr Aaron Winter, Interim Head of Internal Audit, Fraud and Risk stated the report provided members with an update on the progress against the delivery of the 2022/23 Annual Internal Audit Plan. Mr Winter said an update on anti-fraud work undertaken and any significant issues since the last report to the Audit Committee in March 2022, were also highlighted in the report.

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

- Councillor Blake asked if the Internal Audit Plan was flexible to allow for additional topics and emerging risks to be considered. Mr Winter said the Plan did have flexibility to allow for additional reviews to take place if required.

The Audit Committee **RESOLVED** to:

1. Note the contents of this report and the overall progress and assurance that will be provided for 2022/23.

7.6 Update on the Annual Financial Accounts and outstanding audits - 2018/19 & 2019/20 (Verbal update)

Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 officer presented the verbal update in relation to the Annual Financial Accounts and outstanding audit of 2018/19 and 2019/20.

Mr Bartle provided some background information relating to the accounts and explained how statutory deadlines had been relaxed due to the pandemic. He said that due to significant issues with the accounts for 2018/19 and 2019/20 the deadlines for those years had been missed and ultimately this had had a knock-on effect in relation to the production of the 2020/21 and 2021/22 accounts. Mr Bartle explained there was also an issue with two outstanding certificates for the two previous years for 2016/17 and 2017/18 (although final audit reports had been received). Mr Bartle said he hoped Deloitte's could start work on the 2020/21 accounts from the end of July 2022 onwards.

Commenting on the 2018/19 and 2019/20 accounts, Mr Bartle said these had been restated several times. He said the 2018/19 accounts had been restated six times and, on each occasion, the external auditors, Deloitte's had identified further errors that required correction. Mr Bartle said whilst most of the errors had been rectified, he felt that officers of the Council had to draw a line, as to how far back they can go with corrections. He said Deloitte's had issued their draft opinions in June 2022 and whilst he was hoping to report that the audits for those years had been completed, this was not the case. He reminded the committee that the 2018/19 and 2019/20 accounts had achieved a qualified opinion. In other words, there were matters of serious import that had not allowed for an unqualified opinion. Mr Bartle said that there were 4 matters identified for the 2018/19 and 3 for the 2019/20 accounts; one qualification had been resolved for the 2019/20 accounts. He said these

matters would remain on record as the Council needed to move forward. He said there were some judgements that senior Officers had to make in discussion with Deloitte's.

Referring to the 2016/17 and 2018/19 accounts, Mr Bartle explained that whilst the audits had been completed the Council was in an unusual position where the final certificates had not been issued by the former external auditors KPMG. He said this was 'uncharted territory' and a challenging position to be in. He explained that the certificates had not been issued due to an outstanding objection received by KPMG, which had not been expedited.

Mr Bartle said KPMG were working with Council officers to issue the certificates once the material matters raised, had been resolved. Mr Bartle explained that Deloitte were unable to issue their certificates for 2018/19 and 2019/20 until such time as KPMG had issued certificates for the previous years. This would not impact, however, on Deloitte's ability to conclude their audit work for 2018/19 and 2019/20 or to start their work on later years.

In relation to the 2020/21 accounts, Mr Bartle explained these would need to be restated as one of the objections from the previous years related to group accounts. He said his team were working to consolidate the accounts for Tower Hamlets Homes and King George's Field Charity Trust, (KGFT) accounts into the main Council accounts. Mr Bartle said it was important to get back on track and break this cycle of working on previous years' accounts while trying to produce current year accounts. He said the Committee would hear about the significant improvements the Council has made regarding the production of the accounts and as such he hoped there would be no qualifications to the 2020/21 and 2021/22 accounts.

Mr Bartle said the challenges and significant issues identified in the 2018/19 and 2019/20 accounts were many, which led to an independent review being commissioned. Several recommendations were made which had been incorporated into the Finance Improvement Plan.

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

- Mr Bartle confirmed that a 'qualified opinion' from the external auditors was viewed as negative because the auditors are saying the accounts represent a true and fair view of the financial position except for the items noted in the qualification. As such the council needed to aim for an 'unqualified opinion'. Mr Bartle said they would be aiming for 'unqualified opinions' for future accounts however he could not guarantee this as the external auditors had not started work on these two years' accounts.
- Mr Bartle said a significant amount of work had been undertaken as part of the improvement plan to improve the quality of working papers, with training provided to all budget holders and officers involved in the production of accounts. He said the Finance Team had been strengthened with additional staff employed to assist in the production of the accounts.

- Financial controls were scrutinised by Internal and External Audit. Members would get a sense of improvement via reports to the Committee and the number of 'unlimited' assurance reports.
- Issues relating to schools were in connection to data collection and returns. In some cases, the schools' and Council data did not match. A considerable amount of work had been done to reconcile this, with a new system being introduced for payments made to schools.
- Referring to the KGFT accounts, of which the Council is the sole trustee, the 2019/20 accounts had not been lodged with the Charity Commission as was required and a working group to set about making improvements in procedures to produce the accounts in a short space of time. Mr Bartle said he was pleased the 1st and 2nd set of accounts had been 'unqualified' and had been consolidated with the main accounts.
- Mr Bartle said there were no financial penalties for the Council in relation to the late production of the accounts, save for the potential reputational damage to the Council.

The Chair thanked Mr Bartle for his presentation, before inviting officers from KPMG to comment on the 2017/18 and 2018/19 financial accounts.

KPMG

The Committee heard from Mr Andrew Cardoza, Mr Rashpal Khanura and Mr Antony Smith from KPMG.

Mr Cardoza said an objection had been raised in relation to a PFI initiative, relating to the 2016/17 accounts. He said this was a complex objection raised by a local elector, which they had seen across the county in several different audits. Mr Cardoza said the investigation had taken a considerable amount of senior auditor time as well as legal advice needed to complete the work on the objection.

Mr Cardoza said that at the same time, they completed their work on the 2017/18 audit and issued an unqualified opinion on the financial statements for that year on the 31st July 2018. Mr Cardoza said it still took a lot more work on the objection to determine as to whether the objection ought to be included in the accounts and thus reach a conclusion. Mr Cardoza said they completed the work on the objection in August 2019 at which point they had concluded their audit work. Mr Cardoza said they informed the Council in September 2019 of this and went on to issue financial opinions relating to the 2016/17 and 2017/18 accounts. He said that all that remained was the issue of the certificates once they had heard back from the Director of Finance at the Council.

Mr Cardoza said nothing further was heard back from the Council until such time Mr Bartle contacted them in late 2020 and then in February 2021. He said at this juncture the senior partner who had worked on the audits, had retired and as such this matter was picked up by Mr Cardoza in May 2021. He said there had been a long delay in their response however a meeting took

place in July 2021 to understand what the issues were and what the current auditors, Deloitte's were raising as concerns. He said they would consider the points raised in relation to prior year adjustments but due to the complex nature of the queries and the new information provided, it was taking time to investigate and conclude.

Mr Rashpal Khanura added that in order not to duplicate the work, they were waiting for their internal risk team to approve the 'hold harmless' letter from Deloitte before they began to assess the adjustments required. Mr Khanura said they would reassess the 2018/19 financial statements to satisfy themselves that the opening and closing balances were correct. He said they will then go through their internal consultation and review process before issuing the certificates for years 2017/18 and 2018/19.

Mr Cardoza said there would be an additional fee for the work KPMG is undertaking currently, since July 2021.

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

- Mr Cardoza said KPMG were of the view that 'group accounts' were not necessary however they would consider new information provided by Deloitte's. Mr Cardoza said this was an issue for the current external auditors but at the time they did not feel 'group accounts' were needed.
- The management fee to be charged would be at the Public Sector Audit Authority (PSAA) discounted rates. Mr Cardoza said they would give a full breakdown of the work and time taken to resolve the additional queries.
- Mr Cardoza said they could not commit to a timeline as to when the 'hold harmless' letter would be approved by their internal risk team, as this was uncharted territory. He said it was not in the remit of the three auditors present at the meeting, as the decision would need to be made by more senior staff in KPMG.

The Chair thanked KPMG for their presentation.

Deloitte

The Committee then heard from Mr Jonathan Gooding, Senior Partner at Deloitte. Mr Gooding said much of the background had already been described by Mr Bartle and as such he would only add that a huge amount of work had been undertaken by the Council and Deloitte's to resolve the outstanding queries. Mr Gooding said the difficulties experienced regarding the previous years' accounts related to control weaknesses, but they were to commence work on the 2020/21 and 2021/22 accounts as soon as possible. Mr Gooding said they were in the final stages of resolving the 2018/19 and 2019/20 accounts however could not issue final certificates until KPMG had completed their work.

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

- Mr Gooding said work could be commenced on the 2020/21 audit however final sign off and the issue of certificates for the previous years 2018/19 and 2019/20 could only be issued once KPMG had signed off the 2016/17 and 2017/18 accounts.

The Chair thanked Mr Gooding for his update.

8. AUDIT COMMITTEE WORK PLAN

The Chair, Councillor Jahed Choudhury stated owing to time, he was deferring this item. He said a fuller discussion regarding the work plan and suggestions from members would be taken forward at the next meeting of the Committee.

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

- Councillor Blake stated that she had a few suggestions regarding the workplan, but she would wait until the next meeting to express her view.
- Councillor Bustin asked if the extraordinary meeting scheduled for September 2022 and the training identified would still go ahead. Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer stated he was unable to confirm this at this time but in any event would need to seek the consent of the Committee to agree this, as he hoped to present the 2018/19 & 2019/20 accounts at this meeting.

The Audit Committee **RESOLVED** to:

1. **AGREE** to the extraordinary meeting scheduled to take place on the 21st September 2022 at 6:30 p.m. and the half day briefing scheduled for the 5th September 2022. It should be noted that in the event the 2018/19 & 2019/20 accounts and audits were not completed in time, this meeting would need to be re-arranged.

9. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There were no urgent business to be discussed.

10. EXCLUSION OF PRESS AND PUBLIC

Exclusion of Press and Public

The Chair **MOVED** and it was

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.”

10.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The restricted minutes from the meeting of 24th March 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

The meeting ended at 8.54 p.m.

Chair, Councillor Jahed Choudhury
Audit Committee

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<p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>Thursday, 24 November 2022</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Interim Corporate Director, Resources (s151 officer)</p>	<p>Classification: Open (Unrestricted)</p>
<p>Follow up work to the independent review on the Finance Improvement Plan</p>	

Originating Officer(s)	Tim Harlock
Wards affected	(All Wards);

Executive Summary

This report presents the outcome of a follow-up exercise on the independent review undertaken by Worth Technical Accounting Services Ltd, of the 2018-19 year-end closure of accounts.

In general, it presents a positive trajectory, and provides assurance that improvement in processes and procedures are well underway for year-end financial closedowns, that will lead to more positive external audit reports on the Council's Statement of Accounts.

Recommendation:

The Audit Committee is recommended to:

1. Note the contents of the follow-up report on the external independent review of the Council's closure of accounts processes.

1. REASONS FOR THE DECISIONS

- 1.1 No decisions are required.

2. ALTERNATIVE OPTIONS

- 2.1 This report is presenting progress against a previously presented independent review; as such, no other options are presented.

3. DETAILS OF THE REPORT

- 3.1 The 2018-19 and 2019-20 accounts are still in the process of audit review and finalisation, though are expected to be completed by the next Audit Committee in January 2023. There was a statutory requirement for the accounts from those years to have been completed and audited by 31 July of the respective years, so this represents significant failure on the part of the Council.
- 3.2 The issues around the timing and the quality of the Statement of Accounts for 2018-19 led the Audit Committee to instruct the former Corporate Director of Resources to commission an independent review, which was conducted by Worth Technical Accounting Solutions Ltd, and was reported back to this committee in January 2021.
- 3.3 In response to that review, officers worked up the Finance Improvement Plan, progress against which was last reported to this committee in June 2022.
- 3.4 In order to provide further assurance to this committee that improvements are being implemented, the same independent reviewer has been commissioned to produce a follow-up report, which is presented at Appendix A to this report.
- 3.5 In general, the report provides evidence of a positive trajectory, although it should be appreciated that many of the improvements which have been implemented will show their benefits in the 2021-22 accounts, and indeed some will not fully come to fruition until the 2022-23 year-end accounts.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific implications arising from this report.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 The preparation and audit of the Accounts is a statutory duty set out in the Accounts and Audit Regulations 2015, so the Council must take actions that lead to the completion of the Accounts and External Audit on time.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The report is completely financial in nature and, as such, the views of the CFO are incorporated throughout the report. No new considerations arise from this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial year starting in 2019, not later than 30 November. These dates have not been kept, as noted in the report.
- 7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.
- 7.3 Save as mentioned above, the matters set out in this report comply with the above legislation.
-

Linked Reports, Appendices and Background Documents

Linked Report

- 28th January 2021 Audit Cttee, Item 4
[Appendix B -LBTH - report 30 10 2020.pdf \(towerhamlets.gov.uk\)](#)
- 28th June 2022 Audit Cttee, Item 7:
[Final Report on the Finance Improvement Plan](#)

Appendices

- Appendix A – Update from Worth Technical Accounting Services Ltd

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.

- State NONE if none.

Officer contact details for documents:

N/A

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5 October 2022

LBTH 05 10 2022

Mr K Bartle
Corporate Director of Resources
London Borough of Tower Hamlets
5 Clove Crescent
London E14 2BG

Dear Kevin,

Review of 2018/19 year end close – Follow up work

In 2020 I carried out an independent review of issues arising in relation to the preparation and audit of the Statement of Accounts for 2018/19. The Council responded positively to my findings and recommendations and a Finance Improvement Plan was put in place in January 2021.

In August 2022 you engaged me to carry out an independent assessment of the Council's progress. This assessment has been based on an initial document review, followed by discussions with Council officers.

My original report made recommendations in three main areas. Each has been considered in turn below:

1. Accounts preparation and year-end close

In 2020, I recommended that year-end close and financial reporting should be regarded as a priority for the Council and resourced accordingly, with:

- visible senior officer involvement and leadership
- better staff training on technical issues and financial reporting requirements, and
- improved project management.

Since 2020 the Council has made substantial improvements in this respect. Over 50 different members of staff are now involved in year-end work compared to only 25 in 2018/19. Training is provided to everyone involved in closedown issues, with detailed guidance and working paper templates to promote quality and consistency. There are improved levels of expertise in specific aspects of closedown work such as collection fund and capital accounting, which increases resilience and reduces key person risk.

More comprehensive closedown planning and project management arrangements have been put in place, with:

- clear deadlines for each separate closedown task

- named individuals responsible for preparation and review
- overdue and “at risk” tasks clearly identified
- weekly team meetings attended by the Council’s section 151 officer, to identify and resolve problems at an early stage, and
- regular progress reports to the Corporate Leadership Team.

The presentation and layout of the Council’s published financial statements has also been improved to meet Code requirements. Accounts have been published in draft up to 2020/21 and are expected to be published for 2021/22 by mid-December 2022.

Although this publication date is three months later than the target date of 31 July set out in Accounts and Audit Regulations 2015, the delay has enabled officers to deal with all outstanding audit queries from 2018/19 and 2019/20, which will:

- provide an agreed financial position at 1 April 2020, and
- enable officers to restate the Council’s 2020/21 accounts, and update comparative figures for 2021/22.

It should also be noted that at 31 July 2022, one third of all London authorities had not yet published financial statements for 2021/22.

2. Financial systems

CIPFA’s independent review of financial management in 2017 highlighted a number of issues affecting year-end close. These included:

- journal mis-postings and coding errors
- shortcomings in the Chart of Accounts and ledger coding structure, and
- inadequate processes for reconciling feeder systems back to relevant ledger codes.

By late 2020, many of these issues had not been addressed. Some specific financial systems, particularly grant income and schools accounting, also required improvement.

Since then, the Council has set up a grant claims register and has established a process for posting and reconciling schools’ transactions monthly, not just at the year-end, so that these can be regularly checked and agreed. Longstanding schools’ balances not supported by detailed information have been written off and the Council is looking to implement service level agreements with schools, to simplify recharging mechanisms in future.

Action has also been taken to minimise journal mis-postings and coding adjustments, through a combination of staff training, providing guidance notes on the coding structure, and by restricting

who can initiate and authorise journal transactions. The number of journal postings and adjustments, estimated at c10,000 in 2018/19, was below 5,000 in 2021/22 – a significant reduction.

The coding structure has been reviewed with changes made as follows:

- setting up an appropriate set of subjective codes to capture transactions at source for financial accounting purposes, rather than rely on extensive journal postings and spreadsheet re-analysis each year end
- introducing a new framework for managing and processing internal recharges; and
- setting up new ledger codes for schools' cash balances so that bank reconciliations can be completed on an individual school level.

A “dashboard” approach has also been introduced with regular reporting to the section 151 officer on reconciliations, suspense and holding accounts. The dashboard report at the end of July 2022 identified that out of 22 separate reconciliations identified, only 2 were highlighted as either incomplete or having significant reconciling items not yet adjusted for.

Issues still to be addressed include the following:

- considerable work has been undertaken to improve the accuracy of underlying asset records eg by confirming floor area and legal title, but the current Asset Register is still being maintained on a spreadsheet. This needs to be put onto an IT-based system for control purposes and to facilitate a speedier year-end close. The Council already uses the Tech-Forge system for asset management purposes and is currently testing the financial reporting module, with a view to full implementation later this year. As part of the testing and evaluation process, care should be taken to ensure that the output produced by the new system meets Code requirements.
- looking forward, an independent review has been commissioned to assess the potential costs and benefits of replacing the existing ledger system. An initial report is due to be presented to Cabinet in February 2023.

3. Managing the audit process

In 2020 I identified that the Council needed to take steps to improve its relationship with the external auditors, and to improve the arrangements for dealing with external audit queries and requests for additional information.

Action has been taken to improve working relationships. The section 151 officer now meets with the current external audit team at least once every two weeks and with the previous auditors every month. The Council's Chief Executive Officer meets with the audit engagement lead on a quarterly basis, and the Audit Committee has continued to receive regular progress reports.

Although the time taken to resolve audit queries over the past 18 months has been variable, the current version of the audit tracker confirms that all audit queries for 2018/19 and 2019/20 have now been resolved. This is a positive step forward as the Council now has a clean slate for dealing with audit queries relating to 2020/21.

Looking forward, officers have implemented a “Sprint” approach, prioritising queries which have a material impact on the financial statements.

In terms of the current position on external audit, we understand that:

- objection work carried out by the previous auditors (KPMG) in relation to 2017/18 is now complete, but KPMG now need to consider the impact that any issues raised by the current auditors (Deloitte) might have on previous years’ accounts before they can issue their completion certificate
- 2018/19 and 2019/20 audits are also nearing completion, but Deloitte have indicated that until KPMG have issued their certificate they cannot issue their own audit opinions as they have no assurance on the accuracy of Balance Sheet assets and liabilities at 1 April 2017.
- Deloitte have also advised that 2018/19 and 2019/20 accounts are likely to be qualified, on the basis that (a) the Council has not prepared Group accounts (b) pension liabilities and reserves balances are not correctly stated, and (c) insufficient information has been provided to support some specific disclosure notes, mostly where data has been provided by schools.
- action is being taken to address these qualification issues for future years.
- the number and value of errors identified by the local audit team has also reduced significantly, from over £400m in 2018/19 to under £80m in 2019/20, and most of the errors identified to date have not had a significant impact on overall levels of reserves.
- 2020/21 audit work is underway, albeit in its early stages.

To put this position into context, although most other London authorities have now received audit opinions for 2018/19 and earlier years, most are also experiencing delays in audit completion and sign off for subsequent accounting periods. If the Council can achieve its current plan of preparing its 2021/22 accounts and progressing the 2020/21 audit by 31 December 2022, it should then be in a similar position to many of its neighbouring authorities.

The over-arching recommendation in my original report was that the Council should treat year-end close as a priority and resource this work accordingly. I am pleased to report that this is now being done and the Finance team should be commended for all their hard work. I have been particularly impressed with the quality of technical training and written guidance provided to service-based staff, and with the level of commitment and leadership shown by yourself as Section 151 officer.

I hope you find this short report useful.

Kind regards



Peter Worth, Director

Non-Executive Report of the: Audit Committee Thursday 24 November 2022	
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud Quarterly Progress Report	

Originating Officer(s)	Aaron Winter
Wards affected	(All Wards);

Executive Summary

This report provides an update on progress against the delivery of the 2022/23 Annual internal Audit Plan, and update on anti-fraud work undertaken, and highlights any significant issues since the last report to the Audit Committee in June 2022.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the contents of this report and the overall progress and assurance that will be provided for 2022/23.

1. REASONS FOR THE DECISIONS

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

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

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

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

Internal Audit

- 3.1 The Council's internal audit service is currently provided by three Senior Internal Auditors, an Internal Auditor, an Audit Practitioner (Apprentice) and is led by an experienced audit manager who is also the Deputy Head of Internal Audit. The service previously had three vacancies, but following the completion of a recent recruitment campaign, we have appointed one Senior internal Auditor and one Internal Auditor, meaning only one post remains vacant (Internal Auditor). This has increased the capacity of the in-house team.
- 3.2 Following a re-procurement exercise, a new contract has been let to BDO – a professional services and accountancy firm, who were successful in their submission. As BDO was our previous provider, this will assist in providing continuity service and provide the additional resource capacity to support the delivery of the 2022/23 Annual Internal Audit Plan.
- 3.3 The Audit Committee is provided with updates at each meeting on progress against the Annual Internal Audit Plan. This report provides an update against the 2022/23 Annual Internal Audit Plan, which was approved by the Audit Committee at its meeting in March 2022, as at 31 October 2022.
- 3.4 This report also provides audit summaries for the remaining 2021/22 audits which have been finalised since the Audit Committee's last meeting in June 2022. Members will recall that the Head of Internal Audit Annual Report for 2021/22 was submitted to the June 2022 Audit Committee and provided detailed analysis of the progress and outcomes against the 2021/22 Annual Internal Audit Plan. These summaries are provided for completeness in line with our standard reporting requirements at Appendix A.
- 3.5 In addition, we also deliver internal audit services to Tower Hamlets Homes (THH) via a Service Level Agreement. Progress against their separate plan is reported to the THH Finance and Audit Committee on a quarterly basis. The THH plan includes eight audits and follow up activity for 2022/23.

Management's Progress in Implementing Agreed Actions

- 3.6 Management is responsible for implementing the agreed actions at the conclusion of an internal audit. During the course of 2022/23, Internal Audit has followed up some of the agreed actions to determine whether they have been fully implemented and are operating effectively. The table below provides further details.

Implementation of Agreed Management Actions for Follow Ups verified by Internal Audit between April 2022 and October 2022

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	5	18
Number of Management Actions Fully Implemented	-	7
Number of Management Actions Partially Implemented	2	10
Number of Management Actions Not Implemented	3	1
% Fully Implemented	-	39%
% Partially Implemented	40%	56%
% Not Implemented	60%	5%

- 3.6. To support the Council improving follow up implementation rates, follow up trackers for each Directorate have been created. These enable management to update directly on their progress relating to implementing agreed management actions against the timescales set. These are presented periodically at relevant Directorate Leadership Team meetings, providing an escalation route for any delays, and indicating when it is appropriate for Internal Audit to conduct a follow up review to verify the effective implementation of high and medium priority recommendations.

Progress against the 2022/23 Internal Audit Plan

- 3.7. Following the approval of the Annual Internal Audit Plan for 2022/23 at the Audit Committee's meeting held on 24 March 2022, progress has been made in scoping and commencing the following agreed reviews, alongside completing the remaining 2021/22 reviews:

Audits at Planning Stage

Audit title	Current Target for draft report
Educational Psychologists - Service Review	January 2023
Equality Assessments	January 2023
Signing & Sealing of Documents (incl. retention)	January 2023 to March 2023
Council Tax	January 2023 to March 2023
Revenue Budgetary Control	January 2023 to March 2023
Bank Reconciliations	January 2023 to March 2023
IT Cloud Strategy & Operation	January 2023 to March 2023

IT Virtual Infrastructure	January 2023 to March 2023
Quality Assurance Framework (Adults)	January 2023 to March 2023
Children's Safeguarding Partnership – Monitoring of Action Plans	January 2023 to March 2023
Land Searches	January 2023 to March 2023

Audits in Progress (Fieldwork / Draft reporting)

Audit title	Current Target for draft report
Contract Monitoring of Electrical MTC Works	November 2022
Payments without orders (AP1)	November 2022
Regeneration projects	November 2022
Supporting Stronger Families Grant Certification	On-going monthly grant certification work
Readiness for the New Building Safety Legislation	December 2022
IT Contract Management and Monitoring	December 2022
Holiday Playschemes	December 2022
Homelessness Assessments	January 2023

Audits completed since June 2022 Audit Committee

Audit title	Date Audit completed/Final Report Issued
Management and Monitoring of Council's Contribution to Climate Change Agenda (deferred from 2021/22)	October 2022
Mobile Device Management (deferred from 2021/22)	October 2022
Staff Recruitment and Pre-employment checks	October 2022
Supporting Stronger Families Grant Certification	On-going monthly grant certification work
Grant Certification work: 1. Contain Management Outbreak Management Fund 2. Homelessness Prevention Grant – 2021/22 3. Rough Sleepers Initiative Grant	July 2022

4. The Better Mental Health Grant 2021/22	
5. Local Authority Test & Trace Support Payment Scheme 2021/22	

Summaries of the 2022/23 audits finalised since June 2022 are reported at Appendix B.

2022/23 Priority 1 Audits Requested by Management to be Deferred/Cancelled

Audit title	Directorate
Monitoring of Local Community Fund Grants (LCF)	Chief Executive's Office
CIPFA/SCIE action plan follow up	Health, Adults and Community

- 3.8. As part of the plan, the recommencement of the school audit programme was agreed. Since then, 12-15 schools have been selected, and audits have been scheduled, with fieldwork being delivered from May 2022 to October 2022. The following schools have progressed:

Audit title	Current Status	Assurance Opinion
Bangabandhu Primary School	Draft Report	Reasonable
Blue Gate Fields Junior	Draft Report	Limited
CFGS	Draft Report	Limited
Chisenhale	Fieldwork	N/A – Fieldwork in progress
English Martys	Draft report in collation	TBC - Draft report being collated
Hague Primary School	Final Report	Reasonable
Halley	Deferred	School audit deferred to next programme
Hermitage	Draft Report	Reasonable
Mowlem	Final Report	Reasonable
Stepney All Saints Secondary School	Draft Report	Limited
Stepney Park	Fieldwork	N/A – Fieldwork in progress
St Mary's and St Michael's	Fieldwork	N/A – Fieldwork in progress
St Peters London Dock	Draft Report	Reasonable

Stewart Headlam	Draft Report	Reasonable
William Davis Primary School	Final Report	Reasonable

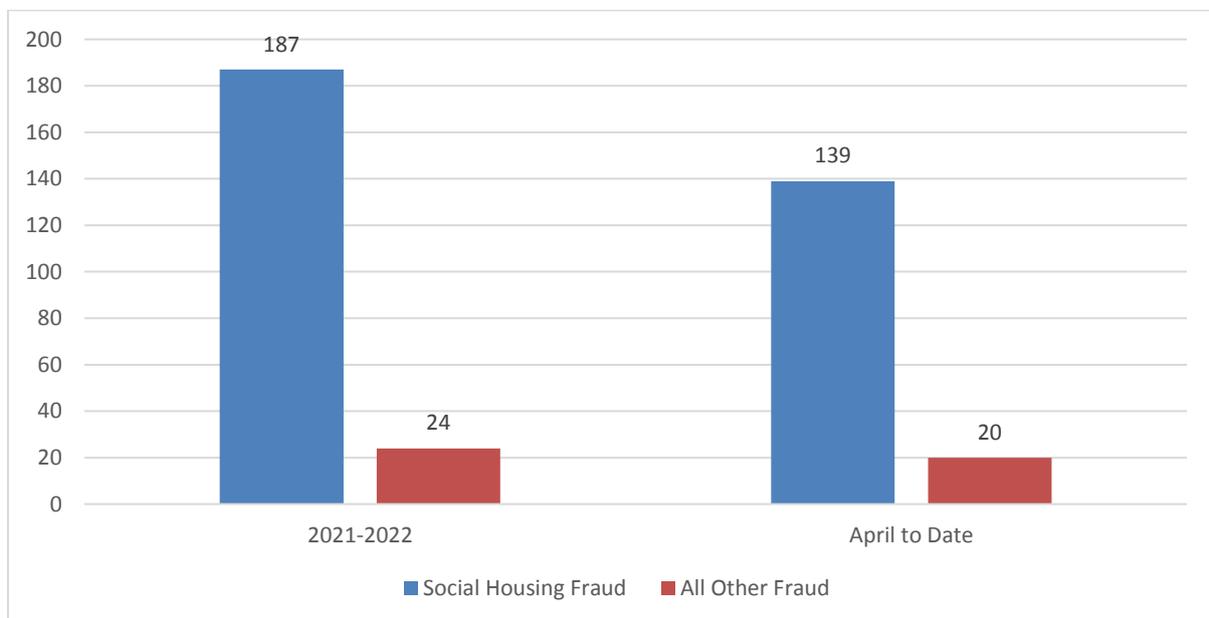
Fraud Investigation Activity

- 3.10 All investigation activity is dealt with by one multidisciplinary team, this includes housing fraud, insurance fraud, internal fraud, and blue badge fraud. The team consists of five Fraud Investigators, a Fraud Investigator Apprentice, two Social Housing Fraud Investigators (funded by Tower Hamlets Homes) and two Blue Badge Investigators (funded by Parking). The team is supported by an Intelligence Officer and led by an experienced Investigation Manager.
- 3.11 The investigators continue to diligently investigate allegations of fraud. In line with the Council's strategy during the various stages of the pandemic, only essential services were in operation. To minimise the risk to the investigators and the public, interviews, foot patrols and visiting were stopped, although desktop investigations continued throughout. However, such work has now recommenced as we began to exit the pandemic. It is, however, expected that we will see a continued reduction in outcomes over the coming months until the backlog of investigation and Court work is cleared.

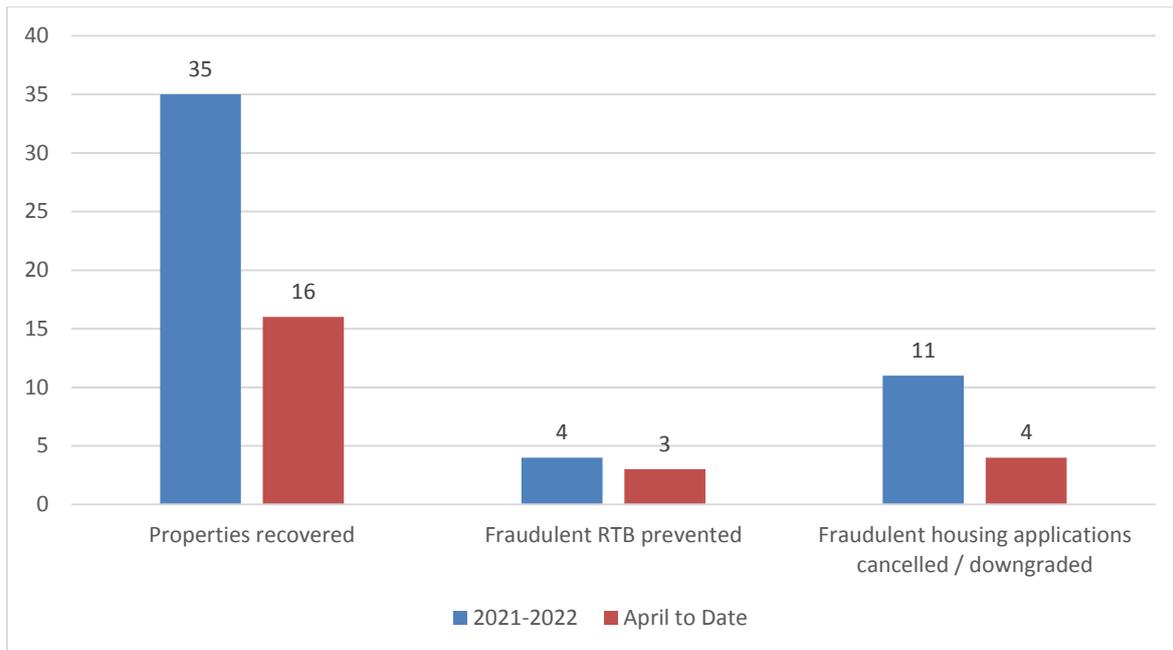
Summary of Caseloads, Referrals and Outcomes for 2022/23

- 3.12 A summary of referrals and outcomes for 2022/23 is show below:

Referral Activity Comparison 2021/22 to 2022/23 (To date)



Outcome Comparison 2021/22 to 2022/23 (To date)



3.13 In addition to the outcomes above, during 2022/23 to date, the team have secured one criminal conviction and one unlawful profit/compensation order amounting to £38,000. There is a further agreed compensation payment totalling £175,000 which has been agreed and is being legally formalised regarding compensation for a historic Right-to-Buy which was fraudulently obtained.

Fraud Prevention Activity

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

- Review of the Recruitment and Selection policy, Gifts and Hospitality Policy and Secondment Policy prior to their roll out.
- Review and amendment of the single person discount online application.
- Delivered two fraud awareness sessions to schools.
- Delivered two fraud awareness sessions to the Direct Payments team.
- Delivered fraud awareness session to the No Recourse to Public Funds Team.
- Delivered fraud awareness session to the Lettings teams.
- The services of the Metropolitan Police have been secured to deliver training on fraudulent documentation detection. There will be two training sessions, and these were held on 8th and the 29th September 2022. Sessions were made available via the Learning Hub for wider Council teams to attend. Further dates are currently being arranged due to the demand and success of the training.
- Organised and delivered the Fraud Awareness Week during w/c 18th July 2022. This was headlined by an Anti-Fraud message from the Chief Executive

- Following this week, there has been three potential fraud referrals generated as a direct result. There have also been several enquiries concerning fraud related matters and requests for further fraud awareness training,
- Work currently remains ongoing regarding the review of an Anti-Fraud e-learning training offering which we are looking to roll out across the Council.
- Conducted a high-level review of the fraud prevention arrangements concerning Right-to-Buy applications.
- Conducted a high-level review of the housing application process with the Housing Options Team to consider how to identify anomalies and potential fraudulent applications.
- Providing anti-fraud fraud support information and guidance to the No Recourse to Public Funds Team.
- Anti-Fraud awareness presentation prepared for Tower Hamlet Homes, awaiting presentation date confirmation.
- Fraud awareness refresher presentations to be delivered to the Right-to-Buy Team and Lettings Team.
- Ongoing updates to Fraud Prevention information on the Intranet.
- The preparation for the NFI 2022/2023 matching exercise has commenced and data submission expectations have been communicated to the Cabinet Office.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities implications.

5. OTHER STATUTORY IMPLICATIONS

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

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

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

6. COMMENTS OF THE CHIEF FINANCE OFFICER

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

7. COMMENTS OF LEGAL SERVICES

- 7.1 This report is compliant with the Council's legal duties in respect of risk and internal audit. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.
-

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Final audit summaries for 2021/22 audits
- Appendix B – Final audit summaries for 2022/23 audits

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

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

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

- None.

Officer contact details for documents:

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Summaries of Finalised Internal Audits for 2021/22

Assurance level	Significance	Directorate	Audit title
Limited Assurance	Extensive	Children and Culture	Commissioning and Monitoring of Looked After Children and Leaving Care Placements
Limited Assurance	Extensive	Health, Adults and Community	Monitoring of Recommendations from Safeguarding Adults Reviews
Limited Assurance	Extensive	Place	Barnsley Street and Mellish Street New House Building Programme - Contract Audit
Reasonable	Extensive	Place	Highways Repairs and Maintenance

Limited / Reasonable Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Commissioning and Monitoring of Looked After Children and Leaving Care Placements	July 2022	<p>The objective of this audit was to provide assurance that the systems for commissioning and managing of placements for children and young people are sound and secure and achieve Council's objectives. At the time of audit, there were some 315 looked after children and young people who were in different kinds of placements. The audit identified the following good practice:</p> <ul style="list-style-type: none"> • Orders were raised at the beginning of the financial year for each external placement in our audit sample of 25. Each order had been approved by the budget holder. • An up-to-date care or pathway plan was filed on MOSAIC for each Child Looked After or Care Leaver in our sample of 25. • Up-to-date foster care agreements were on file – although not on MOSAIC – for all six in-house foster carers in our sample. • A monthly score card is produced for the Supporting Families Division which collates key data and performance indicators, including Children Looked After <p>The audit highlighted the following key issues:</p> <ul style="list-style-type: none"> • Referrals – Referrals for placements were completed using a standalone Word document which was emailed to senior managers for approval. As there is currently no work step in MOSAIC, the management trail is broken when referral forms and approval emails are uploaded to MOSAIC in a haphazard fashion. Referrals could be located on MOSAIC for 8 out of 19 relevant cases and approval emails had been uploaded for 5 of those 8 referrals. • Contracts – Only 1 contract between the Council and the placement provider could be located out of 15 relevant placements. Any vetting of regulated providers which may have been carried out was not 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>documented. In addition, there was no evidence of quality assuring of spot purchased unregulated Semi-Independent Living (SIL) accommodation except for health and safety measures, yet the majority of placements of this type is purchased on a spot basis (66/78 semi-independent living placements). We were advised that there was a system of quality assuring such accommodation pre-pandemic and that there are plans to purchase SIL from CCRAAG (Children's Cross Regional Arrangement Group) framework to ensure provision is quality assured.</p> <ul style="list-style-type: none"> • Payments - Audit testing showed that 16 of 20 applicable payments were found to be correct and agreed with either information provided by Business Support regarding the weekly rate, or the payment agreed with the schedule of foster care allowances for 2021-22. In 3 of the remaining cases the invoiced weekly rate was lower (range £180 to £2240) than the committed weekly amount. • Budget monitoring – there was no active monitoring of placement budgets as these budgets were being re-aligned for 2022/23. Some manual sample checks are carried out by the accountant to ensure the appropriate funding is applied to the correct individual, while plans are underway to update the financial monitoring tool developed by the finance team. • Placement monitoring – Looked After Children (LAC) visits had been carried out in accordance with statutory requirements (once every six weeks) in 19 cases in the audit sample of 20. In 3 cases recent visits had been carried out virtually, but reasons for this were not provided. For one visit report, the summary and placement details had been copied and pasted from the summaries relating to the two previous visits although the child had moved to a new placement since then. The number of care leavers in semi-independent accommodation could not be determined. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>As noted above, there is very little monitoring of semi-independent living accommodation.</p> <ul style="list-style-type: none"> • Management information – A monthly score card and dashboard detailing key data and performance indicators was produced for the Supporting Families division. It was noted that the breakdown of LAC placements did not agree with the actual number of LAC placements and breakdown of placement types. • Joint funding: Audit was advised that two children’s placements were jointly funded by Health and the Council. One case had been identified as potentially eligible for joint funding in October 2021 but due to the departure of a key officer this had not been actioned further. <p><i>All findings and recommendations were agreed with the Director of Supporting Families and final report was issued to the Corporate Director of Children and Culture.</i></p>		
Monitoring of Recommendations from Safeguarding Adults Reviews	Aug 2022	<p>This audit reviewed the monitoring, tracking, and reporting of multi-agency recommendations to the Safeguarding Adults Board (SAB) and Safeguarding Adults Review (SAR) subgroups, in line with the SAR Protocol and Terms of Reference The SAR, previously known as a Serious Case Review, is a multi-agency review process which seeks to determine what could have been done differently to have prevented the harm or death of an adult. The purpose of a SAR is to create a multi-agency action plan which identifies weaknesses in processes and sets out clear lessons to be learned, and recommendations which should be implemented to address the gaps in controls identified by the SAR.</p> <p>The following key issues and risks were reported:</p> <ul style="list-style-type: none"> • The Safeguarding Adults Review (SAR) sub-group has been delegated the key responsibility for monitoring the implementation of SAR actions 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>through the SAR protocol. However, there is no TOR for this group and at times attendance to ensure appropriate levels of monitoring and scrutiny of the implementation has not been sufficient.</p> <ul style="list-style-type: none"> • Required levels of evidence to confirm the implementation of agreed actions has not been defined. Additionally, there is a lack of audit trail as the filing and storage requirements have not been identified, meaning that evidence was often held in email accounts of members of staff who have since left the organisation. Escalation processes have not been documented and there is no formal requirement to sign actions off as completed within either of the governance forums in place. • The SAB Executive TOR assigns no responsibility or accountability for ensuring the adequate and timely completion of action implementation or that lessons are learned through appropriate implementation. • There are a number of key gaps throughout the tracker where actions have not been updated for long periods of time, covering a number of years despite remaining open. Some actions do not have clearly defined implementation timescales and agreed actions are not linked to SMART objectives. The tracker utilised to monitor applications is not used efficiently or effectively and does not contain an appropriate audit trail of all actions taken and subsequently closed. • There are no defined Key Performance Indicators (KPIs at either the SAR sub-group level or at the Safeguarding Adults Board (SAB) monitoring level and no standard reports provided to each in which to monitor. Implementation of outstanding actions is not included within annual reports or in a collated report at the SAB. <p><i>All findings and recommendations were agreed with the Interim Director of Adults Social Care and Corporate Director of Health, Adults and Community. Final report was issued to the Corporate Director.</i></p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Barnsley Street and Mellish Street New House Building Programme - Contract Audit	Sep 2022	<p>This audit reviewed the systems for effective administration and control of the construction contracts for new build Council housing to ensure that the Council's policies and procedures are complied with and that there are sound systems in place for programme and cost control, payment and variation control, health and safety management and management reporting and monitoring. The following good practice was noted:</p> <ul style="list-style-type: none"> • For both the new build schemes, monthly contract progress site meetings were programmed with the Principal Contractor where the contractors' assessment of the works completed was checked by the Employer's Agents (EA) and Cost Consultants. The meetings were attended by the LBTH Project management team, Employers Agents, Principal Contractors, Principal Designers, and the Clerks of Works. • For both schemes, regular and timely interim valuations were prepared in accordance with the terms of the contracts. • The monthly Capital Programme High Light reporting process was undertaken by the respective Project Managers in both cases. The reports covered the total approved budget, total actual expenditure (including total spend to completion including fees), contractors' performance, risk, and issues logs. • For both schemes, contract payments were authorised and supported by confirmation that payments reflected the works carried out. • For both schemes, the procedures for interim valuations and payment certification were undertaken in accordance with JCT Design and Build (2016) contract conditions. • For both schemes, the quality of works was being reported on as part of the contractor's monthly progress meetings through the site inspection reporting process. <p>The following key issues and risks were reported:</p> <p>Barnsley Steet</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • The initial scheme for the development of Ashington East, was approved by Cabinet on the 02/04/2014 with an adopted capital estimate of £11,740,000 (including Fees). This budget was further increased to £17.5m and approved by Cabinet on 30/01/2019 for Barnsley Street as a replacement scheme. However, from our review of the Cabinet report and minutes of the meeting, there appeared to be no specific approval of the funding for the revised scheme or approval to start the procurement for works and professional services and to award the contracts to successful bidders. • The procurement process for the replacement project at Barnsley Street was undertaken in June 2019 with only one tender received which was in the sum of £18,776,414 for the works element. This was an increase of £1.323m above the capital estimate approved by Cabinet in January 2019. Following value engineering exercise by the Council's Employer's Agents and post tender negotiation, the tender sum was reduced to £18,096,913. However, this tender was still higher than the approved capital budget of £17.5m which included fees. The contract was awarded on 12/09/2019. Therefore, the authority to award contract higher than the adopted capital estimate was not clear. • A Change Control Note (dated 13/08/2019) was completed by the Project Manager in accordance with procedures, but this was not reported to the Cabinet to seek additional budget and funding. The Change Control Note states that current approved budget was £17.5m, but total budget required was £22.35m (increase of £4.85m). Although the Capital Strategy Board later approved the budget uplift of £4.892m on the 16/01/2020. The current total budget for the scheme is £25.110m (including fees), which was finally approved by the Cabinet in June 2021, which is some 15 months after the Capital Strategy Board meeting and nearly 2 years after the contract was awarded. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> <li data-bbox="678 288 1688 624">• We noted that contractor had submitted their signed copy of the Deed of Contract (dated 20/03/2020) which had been duly signed by the Council's Authorised Officer. However, several clauses had been added/omitted by the contractor, thus overriding the Council's contract terms and conditions which was deemed unacceptable by the Council. The contractor was required to either accept the current contract terms and conditions without further amendments or withdraw their offer. However, there was no evidence to support that the contractor accepted the Council's Terms and Conditions by the required date and hence it is unclear how this contract would stand legally should there be any contractual matters. <li data-bbox="678 663 1688 794">• Our review showed the capital estimate figures adopted at various stages were for works and professional fees shown as one lump sum and not clearly differentiated between a budget for works and a budget for fees to enhance transparency, audit trail and budgetary control. <li data-bbox="678 834 1688 997">• We noted that the Capital Delivery team do not have written contract administration procedures to guide the team in managing building works contracts. Therefore, it was difficult for audit to assess how the building contracts were being administered and whether key requirements were complied with. <li data-bbox="678 1037 1688 1367">• Design inadequacies have been highlighted by the contractor following a detailed design audit by the contractor. The contractor is currently showing £3,097,946,75 in their contract variation analysis included in their proposed final account sum of £21,194,859.75, of which £711,902.38 is for design inadequacies which are not covered by formal instructions. The Project Manager confirmed that not all contract variations have been priced or agreed by client and there are on-going discussions with the contractor regarding the costs covering the design inadequacies. Audit noted that a claim against the original designer in respect of design inadequacies was being considered by the Council following legal advice. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • There were 6 Employers Agents Instructions issued between March 2020 and July 2021. Our testing showed that there were several items which still required pricing to be agreed by the contractor and not all contract variations had been accepted by the client. This included, for example, the costs in relation to several revised structural engineers' drawings, architects' drawings and noise impact assessment and other items. • The contractor's tender submission provided Social Value of £515,122, but there appeared to be no evidence of any monitoring to ensure that the contractually agreed Economic Benefits were being delivered by the contractor. • Project Managers advised that standard folders are maintained in MS Teams. However, not all relevant contract documentation was filed, which resulted in additional requests for the information which took additional time for this audit to complete. <p>Mellish Street</p> <ul style="list-style-type: none"> • Cabinet approved a total budget of £14.0m for works and fees on the 30/01/2019. However, the make-up of the approved £14m budget was not clear. We noted that the figure for works, and professional fees was shown as one lump sum and not clearly differentiated between a budget for works and a budget for fees to enhance transparency, audit trail and budgetary control. We noted that the total cost of the scheme as of February 2022 is projected to be £8,977,891 against a total budget of £14m. • The tender submission dated 24/01/2020 by the successful bidder was for £6,820,298. However, a revised tender value of £7,168,385.70 was recommended for acceptance (difference of +£347,845). The build-up of the revised tender sum of £7,168,143.70 was not provided for audit. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Therefore, we were unable to test that that the valuation sheet was prepared based on the same format, sequence of the work elements and revised contract sum and confirm that contract payments were in accordance with the revised contract sum. In addition, retention rates of 1.5% and 3% was being deducted by the Employers Agent from the Contractors interim valuation/payment. However, the contract specifies retention rates of 5% and 2.5% respectively. Audit was not provided with evidence to show that these changes had been authorised by the client team.</p> <ul style="list-style-type: none"> • There were several upgrades to the community centre covered by variation orders. Items such as installation of aircon (£10,540), installation of shower and disabled WC (£9,419.47) and forming a new office area near the entrance (£12,499.28). However, these appear to be client generated variation orders and it is unclear why these were not included in the original specification. • Audit noted that although the contract required some outputs/outcomes relating to Local Economic & Community Benefits (LECBs), these were not reported in either the Contractors Monthly Progress reports or the Clients High Light Reports process. The tender submission provided Social Value total costs of £219,521, but there appeared to be no evidence of any monitoring to ensure that the contractually agreed Economic Benefits were being delivered by the contractor. • Not all relevant contract documentation was filed which resulted in additional requests for the information and some information was not provided for audit. <p><i>All findings and recommendations were agreed with the Head of Capital Delivery team and Principal Project Manager. Final report was issued to the</i></p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<i>Acting Director of Property and Major Programmes and Corporate Director, Place.</i>		
Highways Repairs and Maintenance	Aug 2022	<p>This audit examined the systems and procedures for management and control of highways repairs and maintenance works. During the audit we identified areas of good practice which include the following:</p> <ul style="list-style-type: none"> • There were documented procedures and process maps in place covering activities such as planned inspections, reactive inspections, pre-inspections, ordering process, post-inspection process etc. These were updated / reviewed annually, and version controlled. • As recommended by the last audit the contract handbook had been completed with contract details, insurances, KPIs etc. • There was an agreed set of criteria for assessing, categorising, and prioritising works which reflect the requirements of the Highways Code of Practice. • Purchase orders were raised and authorised by the Highways Group Manager prior to being issued. • Purchase orders were raised, works certified as completed, applications for payment were approved and invoices matched to applications for payments and purchase orders. • There was evidence of budget monitoring. Period 11 budget monitoring showed that for 2021/22 gross budget for Road Maintenance (cost centre 53383) was set at £2,218,400 (net budget £903,400) and at Period 11 of 2021/22, the actual spend was £1,658,336 and forecast of £2,218,400. • Quarterly contract monitoring meetings were held between the Council and the contractor. These meetings were minuted and actions recorded. The contractor reported its performance on 4 KPIs <p>The following key issues and risks were highlighted:</p>	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> <li data-bbox="689 288 1688 687">• The contractor has been given an inspection schedule (programme) which identifies all the roads in the borough and their frequency of inspections. We compared the frequency of inspections documented on this schedule with version 1.1 of the procedure notes and found that for a number of roads there were some inconsistencies. We were informed by Management that the reason for the above was due to a review of the inspection programme in 2018 (review is required every 5 years). A detailed analysis showed that the review resulted in an increase of 88.33 Km of roads to be inspected, resulting in an increase in cost of £31,799 p.a.to be paid to the contractor. As this change would be a permanent change to the contract, a contract variation should have been issued to the contractor via Legal services. <li data-bbox="689 730 1688 1098">• As part of the contract requirement, the contractor undertakes planned safety inspections and then raise their own requests for works orders for approval by LBTH. 80% of these works' orders are approved by LBTH without any pre-inspection. The previous audit report (October 2015) recommended that risk assessments be carried out to identify critical risks around the contractor identifying their own works. An examination of the Risk Assessment form dated 31st March 2021 showed that 5 risks were recorded, all of which were assessed as Low risks. However, as the impact and likelihood scoring used for the risk assessment was not recorded, we were not clear the basis on which these risks were assessed as Low. <li data-bbox="689 1141 1688 1362">• From our testing, we found that due to misunderstanding by the Insurance team, they requested an incorrect report from the contractor in order to process and repudiate any insurance claims. It was clear that there was an issue of miscommunication in this area which should be resolved by the two teams as soon as possible. Audit alerted the Insurance team of this issue in June 2022, and we understand that the team have now added a new process to ensure that the correct reports are requested from the 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>contractor. In addition, the Insurance team have requested Mayrise reports going back to 2020 for further investigation and assessment.</p> <ul style="list-style-type: none"> • We were not clear how LBTH officers monitor e.g. by means of spot checks, that those inspections planned on a monthly, bi-monthly, quarterly and annual basis were being carried out by the contractor. We understand that there is limited management monitoring of timeliness of inspections and reliance is placed on monthly KPI reports produced by the contractor who mostly report that the scheduled inspections are completed. Management have agreed to randomly sample some streets on a monthly basis to confirm that the inspection schedules are being complied with by the contractor. • Post inspections of completed jobs are not carried out on a sample of completed ECOs specifically but before a payment is approved, a desk top verification (as opposed to physical inspection) that an ECO job and a non-ECO job has been completed was carried out by means of an examination of the photos taken by the contractor, before and after the works are completed. A sample of 4 ECOs and 6 non-ECOs tested by Audit showed that in all cases, the before and after photos were not taken from the same angle and same length and hence Audit could not independently verify that the two photos were for the same job. These were referred to Management for checking and it was agreed the photos were from different angles and lengths, although Management were confident about the completion of works and the quality of works completed. • Testing of a sample of non-urgent works which require completion within 5 days and 28 days, showed that in 4 of 8 cases there were delays in approving the works orders ranging from 11 days to 38 days. In two of these cases this delay resulted in the works being completed outside of the 28-day target date. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • Council procedures require 20% of non-urgent jobs identified by the contractor to be pre-inspected by the Highways Team prior to the works being approved. The procedures also say that the same jobs which are pre-inspected should also be post- inspected. We understand that 20% of jobs raised which are pre- and post-inspected are recorded on a spreadsheet. Our testing of the pre/post inspection spreadsheets highlighted data quality issues, We could not verify that as required, 20% of all jobs were physically pre and post inspected as required by procedures. • For urgent works required within 2 hours and 24 hours, there is no approval process due to the urgent nature of these repairs. The control over any variations to urgent jobs was not clear as r there was no system control to monitor the nature and extent of variations requested by the contractor for urgent works to ensure that risks are managed appropriately. • We selected 5 works orders and reviewed the variances to these orders and noted that in three of these cases there were significant variances in costs ranging from 124% to 215% of the original cost estimate, but these variations may not have been reviewed and approved if the value was below £1000. There appeared to be no specific pre-and post- inspection system for non-urgent orders which have variations. • We were informed that contract monitoring meetings should take place on a monthly, quarterly, and annual basis. We confirmed that quarterly and monthly contract meetings took place. However, the annual meeting which is required between the contractor's Director and LBTH Directors did not take place 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<i>All findings and recommendations were agreed with the Highways Manager, Interim Head and Director, Public Realm. Final report was issued to the Corporate Director of Place.</i>		

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Summaries of Finalised Internal Audits for 2022/23

Assurance level	Significance	Directorate	Audit title
Limited Assurance	Extensive	Corporate	Management and Control of the Council's Net Zero Carbon Pledges
Reasonable	Extensive	Resources	Mobile Device Management
Reasonable	Extensive	Resources	Staff Recruitment and Pre-employment checks

Limited / Reasonable Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of the Council's Net Zero Carbon Pledges	Oct. 2022	<p>This audit sought to provide assurance that the systems for managing, monitoring, and implementing the Council's Net Zero Action Plan and the Net Zero Carbon Partnership Action Plan are sound and secure. The Council declared a Climate Emergency in 2019 and committed to becoming a Net Zero Carbon Council by 2025 and a Net Zero Carbon Borough by 2045 or sooner. We understand from Officers that the Council cannot deliver net zero emissions to the Council estate or across the borough on its own, and many measures will rely on national-level decisions and coordinated action with relevant partner stakeholders, as well as engagement and behaviour change by the public and local businesses. Significant additional resource in the form of designated staff, funding streams and financing to deliver the Council's ambitions and take crucial action will be required.</p> <p>During the audit, we identified the following areas of good practice:</p> <ul style="list-style-type: none"> • There is a Lead Cabinet Member whose portfolio is the environment and the climate emergency. • To steer, manage and achieve the Net Zero Carbon Borough target by 2045, the Council has established the Tower Hamlets Climate Change Partnership Group which reports into the Partnership Executive Group. The Group's terms of reference was agreed in January 2022 and it works across the borough, engaging with partners and residents to reduce greenhouse gas emissions (carbon emissions) to deliver on the borough Net Zero Carbon commitment. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • In December 2019, the Council adopted a Transport Strategy for 2019-2041. The strategy acknowledges the climate emergency declared by the Council and that the air in the borough is toxic and damaging to health. The aim of the strategy is to transform the way people travel in the borough over the next 20 years through a series of proposals aimed at reducing reliance on cars in favour of sustainable transport. • The Council's procurement policy makes a reference to the Council's commitment to securing the delivery of its services in a way that minimises the adverse impact on the environment and which supports its target of becoming a net zero carbon authority by mid-2025. • At the annual staff conference held on 13 July 2022, the Director of Public Realm and the Sustainability Manager presented an update on the Council's Net Zero Carbon Action Plan and had invited 3 speakers from organisations located in Tower Hamlets whose remit included sustainability for a question-and-answer session. <p>The following key issues and risks were highlighted:</p> <p>Governance</p> <ul style="list-style-type: none"> • An officer level Strategic Working Group, which evolved from the previous Air Quality Strategic Group following the Council's emergency climate declaration, is tasked with overseeing the implementation of the Council's Net Zero Carbon plan. The Terms of Reference indicate that it is a sub-group reporting to the Health and Wellbeing Board. In our view this governance arrangement does not reflect the high corporate importance and 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>profile of the Strategic Working Group and should be reviewed in line with the current Mayor's strategic priority for this area.</p> <ul style="list-style-type: none"> • Review of 8 relevant reports to Cabinet seeking key decisions covering a variety of council services showed that none of the reports specifically considered climate change implications of the proposed decision, although environmental factors are in some cases briefly commented on. • Review of the Council's policies and strategies related to the climate change challenge showed that the Local Plan published in 2020 and the Waste Strategy adopted in 2019 have not yet been updated to reflect the Council's Net Zero Carbon commitments. • Net Zero Carbon Plan (Borough 2045) – The report to Cabinet in December 2021 on the Partnership Action Plan indicated that a Borough Climate Change Strategy and supporting Borough Net Zero Carbon Action Plan still needs to be scoped and developed some three years after the Climate Change Emergency was declared. The purpose of the Climate Change Strategy and Borough Net Zero Carbon Action Plan will be to develop an evidence-based target (if sooner than 2045) for the borough to become net zero carbon. This will include an approach to achieve the 2045 target and identify outcomes for a fair and just transition towards net zero. • Net Zero Carbon Plan (Council 2025): The Cabinet report of March 2020 on the climate emergency declaration lists a number of key actions in the priority areas of power, buildings, transport, waste, forestry and land use, procurement, and organisational readiness. The report further states that it includes actions for 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>costed delivery plans to be produced. However, these costed delivery plans have still not been produced, which will have a negative impact on the effective implementation of the action plan by the target date. We further noted that the Council Net Zero Action Plan is not updated fully and consistently, e.g., actions have not been reassigned following the action owner's departure.</p> <p>Monitoring and Reporting</p> <ul style="list-style-type: none"> • Since the Council Net Zero Carbon Action Plan was first presented to Cabinet in March 2020, there appears to have been no reports on the Council's progress in achieving the net zero carbon by 2025 to the CLT, the Lead Member or the Cabinet. The Climate change agenda requires strong leadership and governance with an effective oversight and monitoring. The officer group tasked with overseeing the implementation of the Council Net Zero Carbon Plan meets quarterly, however the notes of the meeting lack important details such as names and roles of attendees, officers are referred to by initials only and actions are not followed up in subsequent meetings. We also noted that the Council's performance in achieving the 2025 net zero carbon target was not reported to the CLT and Cabinet through the Corporate Quarterly Performance monitoring framework. <p>Risk Management</p> <ul style="list-style-type: none"> • Risks related to the climate change have not yet been recognised as a corporate risk and there is no entry on the corporate risk register. If climate related risks and opportunities have not been 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>fully assessed and managed appropriately, the Council's objectives and desired outcomes may not be achieved.</p> <p>Staff awareness</p> <ul style="list-style-type: none"> Very little has been done since the Council declared a climate emergency in March 2019 to raise staff awareness of the declaration and the Council's Net Zero Carbon commitments. There is no information on the intranet or learning material on the learning hub. We think staff buy in is important in order to achieve the Council's Net Zero Carbon pledges, particularly the ambitious one of becoming a net zero carbon council by 2025. <p>Equality Impact Assessment</p> <ul style="list-style-type: none"> A full analysis of the impact of climate change plans and strategies on people and groups with protected characteristics has not yet been carried out. We were advised that this piece of work would form part of the Tower Hamlets Partnership Action Plan. <p><i>All findings and recommendations were agreed with the Chair of Air Quality and Net Zero Carbon Strategic Working Group (Director of Public Realm), Director of Housing and Regeneration and Sustainability Manager. The final report was issued to the Corporate Director of Place and the Chief Executive.</i></p>		
Laptop Security Management	Oct. 2022	Mobile technology, which ranges from smart phones to laptops and tablet devices, encourages a flexible approach to providing services and supports the ability to improve ways of working and the provision of services to the public. However, it requires appropriate security controls to be deployed to prevent services from being compromised. This audit reviewed the system and procedures for the management	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>of Laptop security. Currently, there are around 4,500 laptops in use at the Council. Over the last 12- 18 months a range of new technologies for laptop management have been implemented including ZScaler and Microsoft Endpoint manager tools.</p> <p>During the audit we identified the following areas of good practice:</p> <p>Policies and Procedures</p> <ul style="list-style-type: none"> • The Council has in place a Staff Guidebook which was published in September 2021. The guidebook includes a section on Council issued IT equipment which covers mobile phones and laptops, specifically managing the safety of such devices. • Additionally, the Council also has in place an Internet Acceptable Use Policy and Email Policy which were last updated in December 2021. Although both policies don't cover physical security of Council issued laptops, we found these to adequately cover the safety of such devices when using the internet and downloading e-mail attachments. <p>System Hardening</p> <ul style="list-style-type: none"> • Corporate device policies are enforced through Microsoft Endpoint Manager (MEM) which is monitored by the Field Engineering Team on a regular basis. We were provided with a report from Endpoint Manager dated 4 July 2022, which listed a total of 4,395 enrolled devices. Of these, 4,277 were compliant, 110 were reported as non-compliant due to no network/user activity after 90 days and 8 were noted as not evaluated as they have not been imaged and issued to staff yet. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • All Council staff are issued with HP ProBook devices. We were provided with photos taken from the Basic Input Output System (BIOS) of a Council issued HP ProBook laptop. We were able to confirm that BIOS settings were configured in line with Council security requirements and industry standards, for example through the use of a BIOS password and disabling of USB ports. • We were provided with a screenshot of the BitLocker encryption compliance dashboard from Microsoft Endpoint Manager which noted a total of 10,649 devices secured with BitLocker (with 0 errors noted, however 42 were noted as "not applicable"). We were further advised that because Endpoint Manager counts use per user rather than system, a higher device count is reported compared to those physically present. Overall, we were satisfied with the data and explanations provided by management. <p>Disposal of IT Assets</p> <ul style="list-style-type: none"> • We were provided with the Council's IT Inventory and Assets Disposal Procedure which was written in January 2022 and is currently in draft format, pending approval from the Director of IT. We reviewed the draft policy and found it to include a statement with regard to the maintenance of the IT inventories and disposals, roles and responsibilities of key staff and compliance. • Our testing confirmed there to be an SLA in place between the Council and Waste Care dated 1 November 2019 for the destruction and recycling of data containing assets which outlined the collection and disposal procedure, although we were informed that no disposal of laptops has been undertaken in the last 12 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>months due to the IT service provision being moved in-house in this period.</p> <p>Lost/Stolen Laptop Devices Testing</p> <ul style="list-style-type: none"> Where a laptop has been lost or stolen, the user must report this to IT via the Ivanti Help Desk system. In total, 4 devices have been reported as lost or stolen in Ivanti, of which 1 related to a lost charger as opposed to the device itself. We reviewed the 3 lost/stolen devices with the IT Asset & Licensing Coordinator during a walkthrough of Ivanti, where we were able to confirm through notes on Ivanti that the devices in question were disabled from accessing the Council's network. In one of the three cases, a device was returned to the Council and subsequently reactivated. <p>The following Key Issues and risks were highlighted to Management:</p> <p>Staff Training</p> <ul style="list-style-type: none"> All Council staff, including new starters are required to complete mandatory corporate training modules. For the purposes of this audit, we focused solely on the module 'Cyber Security: Stay Safe Online', which covers the laptop security requirements. As of 04 August 2022, the Council reported 53% compliance rate. <p>Asset Management (Ivanti and Endpoint)</p> <ul style="list-style-type: none"> The Council uses Ivanti (asset management system) and Microsoft Endpoint Manager (device and user management) to manage its laptop estate, the responsibility for which has been assigned to the Field Engineering Team. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • Ivanti is the asset management system, whereas Microsoft Endpoint Manager is the system used to manage operating system parameters on Council systems including user accounts as well as enforcing corporate device policies. Ivanti is used as the asset management system as it uses standing data (such as device name and assigned user), whereas MEM contains dynamic data (such as device name, ID, serial number, last login, MAC address, compliance with enforced policies, OS build info and AD username). I.e., after 90 days of no activity, devices do not register on MEM until there is activity again. Currently, there is no automatic interfaces between both systems, resulting in Ivanti having to be updated manually. • We performed data analytics on the lists of devices from Ivanti and MS Endpoint Manager and found that 963 devices from Ivanti did not reconcile to MS Endpoint Manager and 335 devices from MS Endpoint Manager did not reconcile to Ivanti. <p>Lost/Stolen Laptop Devices Staff Procedure</p> <ul style="list-style-type: none"> • Whilst the Council has an internal procedure document which sets out the process for how lost/stolen laptop notifications are dealt with by the Field Engineering Team, we noted no reference to reporting lost or stolen laptops in the Staff Handbook. <p>Standard Operating Procedures (SOPs)</p> <ul style="list-style-type: none"> • Through discussions held with management, it was established that control and monitoring of IT assets such as laptops became centralised within the last 12 months, whereas prior to this it was managed within individual departments. As a result, the IT Team, including its sub-teams such as the Field Engineering Team, do 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>not yet have any standard operating procedures in place from a business continuity perspective to cover the use of key systems such as Ivanti and Endpoint Manager.</p> <p>Management Reporting</p> <ul style="list-style-type: none"> From discussions with key officers, we noted that asset management related matters, e.g., laptops and disposals, are monitored through meetings between IT and Heads of Service. However, agendas and minutes are not produced for these meetings. However, we were informed that the Risk and Governance Manager will draft a briefing paper to the Director of IT and SIRO seeking approval of assets to be written off once their value has been determined, improving governance in this area. <p><i>All findings and recommendations were agreed with the Director of IT and final report was issued to the Corporate Director of Resources.</i></p>		
Staff Recruitment and Pre-employment checks	Oct. 2022	<p>This audit reviewed the systems for recruiting and vetting new staff to provide assurance that the arrangements are sound and secure and achieve Council objectives. A new recruitment system, Alvius, went live in December 2020. Around 980 roles have been created on the system. Alvius is the Council's key recruitment management system, which should be used by all hiring managers. However, we were advised that some hiring managers process their recruitment outside Alvius, such as for Directors. Audit testing was, therefore, based on records on the Alvius system.</p> <p>The following good practices were reported:</p>	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • Authorisation to recruit had been obtained from the budget holder and relevant Finance Business Partner in each case in our sample of 20 recruitments. • Policies and procedures dated 2018 concerning Disclosure and Barring Checks are available to staff on the intranet. <p>The following Issues and Risks were highlighted for Management to address:</p> <ul style="list-style-type: none"> • Policies and procedures: There are various policies and procedures posted on the intranet relating to the recruitment process, most of which duplicate guidance/advice or provide conflicting guidance/advice. A recently updated Recruitment and Selection Policy and Procedure has yet to be made available to staff. • Shortlisting and interviews: Audit testing showed that information such as shortlisting grids, panel members, and interview assessment forms had been recorded on Alvius in only a few cases. There is, therefore, limited evidence on Alvius that shortlisting, and interviewing was conducted in accordance with Council values and objectives. However, these documents were located outside of Alvius, so there is some assurance around this control. • Pre-employment checks: Testing of sample of 20 recruitments showed that references, Disclosure and Barring and Right to Work checks (where applicable), had been uploaded/recorded on Alvius, Resourcelink or the Recruitment and Resourcing Team's shared folder in most cases. In 5 of the 9 cases where references weren't on file were internal candidates. The Recruitment Resourcing Team 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Leader advised that an HR adviser wanted to give hiring managers the option to seek either verbal or written references for internal candidates.</p> <ul style="list-style-type: none"> • Management information: We were advised that the new recruitment management system went live in December 2020 with only basic functionality due to time constraints relating to the previous recruitment management system, IGrasp. We understand that management reports can now be run but there are no routine management reports identifying data such as average length of time taken to recruit, number of attempts to recruit, posts not filled in after shortlisting/interview process, feedback from applicants on the application process etc, to support management in decision making around recruitment and retention of staff. • Alvius post implementation evaluation: We were advised that a number of functions available on the system remain outstanding and to be delivered, with some forming part of the original tender, and other elements which were additional functionality the provider committed to developing at no further cost. <p><i>All findings and recommendations were agreed with the Head of Human Resources and Business Support Relationship Manager. Final report was issued to all the Corporate Directors.</i></p>		

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Non-Executive Report of the: Audit Committee Thursday, 24 November 2022	 TOWER HAMLETS
Report of: Kevin Bartle Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Risk Management - Corporate and Health, Adults and Community Directorate Risk Registers	

Originating Officer(s)	Aaron Winter
Wards affected	(All Wards);

Executive Summary

The management of risk is a key function of the Council’s management. The Head of Internal Audit, Anti-Fraud and Risk coordinates risk management on behalf of the Council but the identification, assessment, justification, and mitigation of individual risks remains the responsibility of management.

This report presents the Audit Committee with the opportunity to review the Corporate and Health, Adults and Community 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 Audit Committee meeting (or separately before the meeting if urgent).

2. **Note** the Health, Adults and Community Directorate risks and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the directorate’s objectives at the next Audit 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 Audit Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

Corporate Risk Register

- 3.1 The Head of Internal Audit, Anti-Fraud and Risk continues to work with Corporate and Divisional Directors to maintain the Corporate Risk Register. The updated register is attached at Appendix A. This register was presented to CLT in November 2022 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 Audit 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 Audit 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 Audit Committee meeting (or separately before the meeting if urgent).

Health, Adults and Community 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 Audit Committee may wish to consider similar challenge questions as those presented above.

Recommendation

- 3.5 The Audit 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 Audit Committee meeting (or separately before the meeting if urgent).

Future Directorate Risk Register Reviews

- 3.6 Going forward the Audit Committee will be presented with the other directorates risk registers on a rolling programme, in the order, as follows:
- Place
 - Resources
 - Children's and Culture (presented at the last Audit Committee meeting held in June 2022)

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 and the appendices.

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 – Health, Adults and Community 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:

Aaron Winter, Interim Head of Internal Audit, Anti-Fraud and Risk

Email: aaron.winter@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>Underpinned by monthly Performance Surgeries held by each Head of Service.</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			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								by summer 2022, which will provide external scrutiny of our safeguarding practice against the national inspection benchmarks. Annual Conversation with Ofsted indicated this will be within 12 months from July 2021. Focused Visit completed in July 2022 - letter to be published 31/8/22. James Thomas <u>Required Control Measure</u> Target Date: 31/03/2023 Tower Hamlets Safeguarding Children's Partnership and increased quality assurance. The THSCP has planned for 21/22 and 22/23 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews. On track. James Thomas <u>Required Control Measure</u> Target Date: 31/03/2023							
ORG0027	There is an ongoing risk of a cyber attack and/or major loss of IT.	Cyber attacks could include ransomware, denial of service, social engineering, phishing, malware and/or an active attack exploiting network security vulnerabilities. Attacks could be enabled through miss-sent emails, inappropriate sharing, insecure design, inappropriate access, introduction of unauthorized software to the network, users	Significant and prolonged loss of IT services. Inability to deliver critical and essential services. Failure to comply with statutory duties or other legal responsibilities. Breach of data protection legislation Financial loss Reputational damage	Current activity Internal internal and external reviews. Internal vulnerability scanning is on-going, occurring every week and the critical / high vulnerabilities discovered continue to be escalated for urgent remediation. Annual independent penetration tests. Implementation of a SIEM solution Recruiting additional specialist resources to support the SIEM. Take a risk-based approach to data security. Embed the risk assessment culture within service delivery.	4	5	20	Zero 12 Tolerance to unsupported software in the council live environment Recent events with a number of local authorities have led to severe disruptions and impacted their ability to deliver key services. In an attempt safeguard LBTH from such an event a Zero Tolerance approach to "unsupported software" will be adopted. This will include: - Run weekly vulnerability scan (NESSUS) - Identify and publicise any systems that have unsupported	4	3	12	Adrian Gorst			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		clicking on phishing scam email links, and/or divulging sensitive information		<p>Ensure architectural decisions taken are supported by adequate risk assessments.</p> <p>Ensure Policies are aligned with identified risks and communicated effectively.</p> <p>Ensure policy exceptions are supported with fully documented and signed off risk assessments and controls are continually monitored</p> <p>Review of BCP</p> <p>At the request of the Corporate Directors of Health, Adults and Community, Internal Audit reviewed a sample of BCP's in quarter 4 of 2021/22 to form a view on whether the BCP's adequately address a complete loss of IT infrastructure for a prolonged period. The outcome was complete and was presented to CLT members and the CCB in June 2022. Actions and recommendations shared to inform ongoing improvements.</p> <p>Proposed follow up of updates / improvements during 2022/23 IA Plan and beyond to maintain effectiveness of BCP plans.</p> <p>Cyber Security/Attack Exercise</p> <p>The Council has run a table top cyber security/attack scenario with both CLT and the CCB. Lessons learned have been identified and actions will be assigned to responsible officers and monitored by the CCB.</p>				<p>software installed</p> <ul style="list-style-type: none"> - For those systems identified: - If non-production, disable immediately - if production, Applications Team to work with the Service and Information Security to identify the most appropriate course of action. <p>11 Oct - moved owner to MU, remaining list of unsupported software to be supplied and action plan agreed to address by end of FY</p> <p>Mary Umoh</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2023</p> <p>Governance</p> <p>The terms of reference for the Strategic Information Governance Board need to be reviewed and agreed by CLT. Consideration to include oversight of cyber security matters. The action is being incorporated into the IG Review which is progressing and reporting into the Support Services Board.</p> <p>New Head of IG starts in Oct and full review of the IGG and SIGB will be carried out</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2022</p> <p>Information/Cyber Security Incident Response Procedures</p> <p>The Council's Information/Cyber Security Incident Response Procedures need to be reviewed and updated with key details .</p> <p>This has been updated to include</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						the cyber security mailbox as first point of contact. Adding individual names would need the document to be updated regularly as staff leave and so this should be the roles rather than specific names and contact information. Roles to be included to be discussed at the most appropriate forum, tbd. Mary Umoh <u>Required Control Measure</u> <u>Target Date:</u> <u>30/11/2022</u>			
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 position forecast for 2021/22, albeit utilising significant one off COVID funding to achieve this. A balanced budget has been set for 2022/23, with a single year budget set in March 2022, and the Council will review its medium-term funding position in the 22/23 financial year.	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	Significant financial losses, overspent budgets, further drawn down on reserves.	Financial Measures CLT and SLT have prepared savings proposals to deliver savings across 9 themes which were presented Members for their agreement: 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 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 previously agreed savings proposals.	5 4 20	Monitoring and Control 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. Allister Bannin <u>Required Control Measure</u> <u>Target Date:</u> <u>31/03/2023</u>	4 3 12	Nisar Visram	

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	There is a risk that the statement of accounts will received a qualified opinion for 2020-21.	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>30/11/2022</u>	2	2	4	Nisar Visram	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.	Safeguarding issues as part of contract management procedures Status changed to allow review by Joint Director for Integrated Commissioning (last reviewed 2016) - contract management procedures continue to focus on safeguarding. Care Quality Commission embargo list used. This list is available from the Care Quality Commission highlighting all providers where the CQC has raised concerns. London ADASS branch circulate any service suspensions or restarts due to safeguarding concerns and these are passed to the Brokerage service. Paul Swindells, Service Manager has oversight of Brokerage Team. Provider Concerns and interface with Adult Safeguarding is a standard agenda item at Joint Adult Social Care and Integrated Commissioning Senior Management Team meeting. Failed visit policy and procedures in place. The Failed visits policy and procedures were originally agreed in 2018 and have been reviewed	3	5	15	Oversight through management reporting Social workers have 1:1 supervision monthly on their casework includes safeguarding cases. Safeguarding case work is managed via s.42 Safeguarding Procedures in line with the Care Act 2014 High risk cases are present to the High-Risk panel The Senior Management Team managers are responsible for the review and monitor Adult Safeguarding cases in their services in supervision with their Team Managers. The Principal Social Worker leads on implementing learning from Safeguarding Adult Reviews in the Council alongside the Safeguarding Adults Board Katie O'Driscoll <u>Required Control Measure</u> <u>Target Date:</u> <u>27/02/2023</u> Information campaigns to raise awareness of safeguarding with oversight from Safeguarding Adult's Board	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			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>over the last year. They are currently in use and should be reviewed and amended if necessary annually.</p>				<p>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.</p> <p>Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 28/02/2023</p> <p>5 year (2019 – 2024) Safeguarding Adults Board Strategy</p> <p>The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. These are linked to the principles of Safeguarding with is Empowerment, Prevention, Proportionality, Partnership, Protection and Accountability. They are also linked to the principles of Making Safeguarding Personal. The SAB will be focusing on 3 key priorities relating to transitions, self neglect and homelessness.</p> <p>Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 28/02/2023</p> <p>Safeguarding Adult Reviews Action Plan - implementation of recommendations of all SARs</p> <p>We have a Safeguarding Adults Review Tracker in place to monitor and oversee the implementation of actions arising out of Safeguarding Adult</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>Reviews. This is monitored for the Safeguarding Adult Review sub group and Board. Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 28/02/2023</p>			
ICT0080	IT fail to supply hardware and/or software and to meet demand and enable services.	<p>1) Step change in demand that pressures the need for additional equipment i.e. back to business initiative, recruitment campaign (social worker increases)</p> <p>2) Supply chain disruption extending delivery dates beyond the project plans i.e. component shortages, geopolitical factors, financial cycles (EOY)</p>	<p>Inability to migrate to NTH due to IT not delivered in time i.e. network, AV Impact on productivity due to lack of suitable equipment for new starters Failure to achieve Back to Business objectives which is dependent on desktop equipment being deployed</p>	<p>Identify alternative suppliers (1)</p> <p>Evaluate market to establish if a range of suppliers would face the same issues due to geopolitical/finance factors Improve forward planning to meet demand (1)</p> <p>Create operating mechanism for understanding staff churn i.e. leaver rates vs planned recruitment - for all categories of staff (Establishment, Agency & Inhouse Temporary Resourcing (ITRES)) Evaluate agile procurement and fulfillment options (1) Short/mid term 1-3 months: Leverage fulfilment approaches with agreed supplier (range of specs/delivery dates to meet demand in a phased way)</p> <p>Working closely with XMA to secure equipment, global pressure have now relaxed Improve forward planning to meet demand (3)</p> <p>Create operating mechanism for understanding attrition rates for equipment losses, breakages, non-returns for example with laptops. This will be owed by the IT Asset Management function. Improve forward planning to meet demand (5)</p>	5 3 15	<p>Improve forward planning to meet demand (4)</p> <p>Create operating mechanism for understanding asset depreciation terms of reference and creation of timeline plan with funding implications. This will be guided by council policy and procedures, currently depreciation will be over a 4 year term Adam Evans</p> <p><u>Required Control Measure</u> Target Date: 31/03/2023</p> <p>Evaluate agile procurement and fulfillment options (2)</p> <p>Longer term: 3-6 months: Work with procurement, finance, legal and key stakeholders to apply the most appropriate procurement approach based on outcomes of 'Identify alternative suppliers' Melanie Rose</p> <p><u>Required Control Measure</u> Target Date: 31/10/2022</p> <p>Improve forward planning to meet demand (2)</p> <p>Create operating mechanism for gaining visibility of initiatives with impact on hardware or software provision i.e. Projects. This will performantly target the establish project governance boards (DPB, ITPB etc.) where a forward plan for council projects are agreed</p>	3 3 9	Melanie Rose	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>Create operating mechanism for ongoing funding to maintain evergreen asset estate</p> <p>Measures are in place with asset mgt team to monitor stock levels of critical equipment to meet anticipated demand. last nice to have would be a view of recruitment rates to enhance forward plan activities Improve forward planning to meet demand (6)</p> <p>Create operating mechanism for ongoing maintenance and monitoring of asset register in parallel with the above (eg 'always on' asset management) Evaluate agile procurement and fulfillment options (3)</p> <p>Supplement approach adopted with suppliers by prioritising of within the council re. deployment. Take a needs based approach to make the biggest impact up front</p>								
PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.	Accountability for fire safety is not correctly designated, communicated and understood Fire Risk Assessments: * are incomplete, inadequate or not carried out in accordance with the latest advice from DCLG and fire and rescue services * are not published in accordance with the Mayor's commitment * do not include the time limits on	Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations lose the trust of residents Individual prosecution under a number of Acts of Parliament and common law offences with potential penalties including unlimited fines and a maximum of life imprisonment Corporate prosecution	Work with MHCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety Officers within the Council, representing Environmental Health, Planning and Building Control and Housing and Regeneration meet weekly at Fire Safety meeting, to discuss progress with the remediation of ACM from tall buildings, this also includes progress on responses to EWS survey. Information from the EWS survey are inputted onto the the Department for Levelling Up's (DfLU) DELTA system and details of	3	5	15	1	5	5	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>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>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>information received are sent to a Technical Officer in the Building Control Team for analyses. Council Officers are in weekly contact with the GLA on the progress of each development's individual grant application to remediate ACM from particular buildings and this is reported back to the Fire Safety Meeting. This has now progressed to EWS work and applications to the Department for Levelling Up's (DfLU) BSF fund to remediate materials of concern other than ACM. Likewise Officers are in regular dialogue with DfLU on buildings which are of concern and also to discuss various freeholders and managing agents who are not communicating well or slow in responding for information requests. Monthly meetings are held with DfLU and Council officers to monitor progress on each building of concern. Tower Hamlets Housing Forum , Council Officers and the London Fire Brigade have a close working partnership on resident consultation. LBTH Client Management Fire risk assessments for all buildings are up to date and FRA as fire risk assessor UKAS credited. There are No building categorised as substantial or intolerable level of</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>risk.</p> <p>All high-rise buildings surveyed in early 2020 and none has been identified with High Pressure Laminate (HPL) or Aluminium Composite Material ACM cladding. Cladding on 2 tower blocks (malting & Brewster), where there were concerns, has been removed already.</p> <p>Joint working with THH in preparation of the Building Safety Bill including, a pilot of a building safety case, ICT preparation, and a paper which will spell out the roles and responsibilities including those of the Accountable Person and the Building safety Manager is earmarked for November Cabinet.</p> <p>A leading fire engineering consultancy has reviewed all buildings over 6 storey and identified those that may present a greater level of risk. Subject to approval of LBTH, we will shortly carryout external wall surveys on these buildings (by April 2022). Procurement is underway to appoint more permanently a fire engineering consultant to complete fire strategies, means of escape reports and external wall surveys for all other buildings that require one.</p> <p>THH regularly communicate with residents through newsletters and resident association presentation in conjunction with the London Fire Brigade. We also meet with the LFB on a regular basis.</p> <p>THH/LBTH capital investment programme has been reviewed and refocussed the works programme to accelerate front door replacements and make provision</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>for major works arising from EWS surveys and Type 4 fire risk assessments.</p> <p>THH report progress on major works projects as well as more broadly on compliance at regular liaison meetings with the LBTH client team.</p> <p>Fire Safety is also regularly discussed at QSM and the Mayor's Housing meeting</p> <p>A monthly compliance dashboard is in place that covers a wide range of compliance related KPIs including those relevant to fire.</p>								
ASD0038	<p>There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems.</p> <p>The Council may also fail to meet the requirements of the Data Protection Act 2018 related to the use and management of video surveillance systems.</p>	<p>A lack of appropriate governance, policy and standard operating procedures.</p> <p>No asset registers for surveillance systems.</p> <p>Out of date or missing Data Processing Impact Assessments</p> <p>No SLAs with major stakeholders such as the Police and Transport for London</p> <p>A lack of compliance with agreed governance, policy and procedures.</p> <p>An inspection by the Surveillance Camera Commissioner.</p> <p>An inspection by the Information Commissioner.</p> <p>A freedom of information request.</p>	Financial, legal and reputational.	<p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks.</p>	3	4	12	2	2	4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

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

Joseph Lacey-Holland
Required Control Measure
Target Date:
31/03/2023
 Service Actions
 Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
Peter Allnutt
Required Control Measure
Target Date:
31/12/2021
 Service Actions
 Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
Michael Darby
Required Control Measure
Target Date:
31/12/2021
 Service Actions
 Ensure an updated DPIA is 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		
								place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Chris Smith <u>Required Control Measure</u> Target Date: 31/12/2021 Service Actions Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Sam Brown <u>Required Control Measure</u> Target Date: 29/09/2022 Service Actions Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks. A new DPO has been appointed and a new Head of IG is starting on 17th Oct. This action will be fully reviewed then.</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 30/12/2022</p>			
ASD0046	<p>There is a risk that current outbreak plan measures set out in the LOMP - surveillance, outbreak management, testing, vaccination, comms and inequalities - prove ineffective at controlling transmission and reduce disease severity. The removal of national restrictions to control the pandemic is likely to exacerbate this risk. The risk is likely to be felt unequally across our communities and this must be factored into our mitigation efforts e.g. targeting vaccine at high risk/un vaccinated groups.</p>	COVID-19 and variants of concern	Infections rate rise, hospitalisations increase, deaths increase.		3 4 12	<p>Local Outbreak Management Plan</p> <p>Local Outbreak Management Plan (surveillance, testing, vaccination, prevention & outbreak management, equalities, communication & engagement) providing for evidence led public health interventions to control transmission and reduce severity e.g. targeted testing and vaccine programme. Clear and robust governance made up of CLT Gold, Health Protection Board and Local Engagement Board and workstream groups, effective community mobilisation, visible professional and political leadership, data flow from national system, collaboration with London Coronavirus Response Cell and North East London Incident Management Team, communications plan.</p> <p>Somen Banerjee</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/03/2023</p>	3 3 9	Somen Banerjee	

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		
ASD0047	There is a risk of a significant health impact on the community in the short, medium and longterm.	Low uptake of the flu vaccination in Tower Hamlets over winter. Covid-19 and variants of concern	Increasing hospitalisations, care needs and deaths.		3	4	12	Vaccination Programme Planning has begun for Flu Vaccination programmes. Coordinating with winter planning group. Update received from NHS, showing levels of uptake across all priority groups. Average for borough is 35% which is the same as NEL, but this does increase for the high risk groups. Somen Banerjee <u>Required Control Measure</u> Target Date: 31/05/2022	3	3	9	Somen Banerjee	People Are Aspirational, Independent And Have Equal Access To Opportunities.		
COVID0001	Risk to essential service delivery, the workforce and public safety as a result of the coronavirus and variants of concern.	Third wave of the virus and/or new variants. Vaccines are ineffective against new strains. Vaccine take up is low. Increase in infection rates. National or local restrictions on movement and/or social contract are re-introduced.	Death of members of the public, service users and staff. NHS and hospitals unable to cater for increase in population requiring hospitalisation and intensive care. Collapse or significant reduction in public services including local government, significant down turn in the economy.	Local Outbreak Management Plan The Council has prepared and successfully implemented a local outbreak management plan (surveillance, testing, vaccination, prevention & outbreak management, equalities, communication & engagement) as well as clear and robust governance made up of CLT Gold, Health Protection Board and Local Engagement Board and workstream groups, effective community mobilisation, visible professional and political leadership, data flow from national system, collaboration with London Coronavirus Response Cell and North East London Incident Management Team, and a communications plan. The plan now has a status of business as usual and governance is via the ongoing Health Protection Board chaired by the Director of Public Health. Separate risk registers stood down and integrated into main JCAD.	3	4	12	<u>Required Control Measure</u> Target Date:	3	3	9	Will Tuckley	A Borough That Our Residents Are Proud Of And Love To Live In.		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>Stepped up Response In response to the Omicron variant and increased infection rates, the Council stepped up its local outbreak management plan to manage and mitigate the situation, including the GOLD meetings. This included staff working from home whenever possible/practical, requesting two mobile testing units to be added to capacity, providing lateral flow tests across the borough in addition to community pharmacy provision and home test kits that could be ordered through the national system. There was an ongoing communications and engagement programme particularly working with groups that were disproportionately impacted by the pandemic and are at particularly high risk.</p> <p>Ongoing Monitoring CLT and Public Health will continue to monitor the situation and closely and step up the Council's response as and when required. Monthly monitoring by CLT has continued and in October we have seen a rise in infections with anticipated risks over Winter. Target date for ongoing monitoring extended to March 2023 to cover the Winter period. Increased review frequency to monthly.</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
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DRCPCD0062	Town Hall - delay with completion beyond 2022 - impacting fit out and moves programme by Dec 2022	Programme delays in completing main build works.	Delay in achieving Practical Completion, delaying fit out and moves programme from Mulberry Place by the end of Dec 2022.	Programme review with BYUK and EA tracking milestones on Current programme is for August 22 completion of main works - fortnightly review with project team and EA	3	4	12				Yasmin Ali	A Borough That Our Residents Are Proud Of And Love To Live In.
ICT0081	Exploitation of supply chain security vulnerability impacting vendors/partners/services	Cyber attack exploits vulnerability of key supplier Key supplier has inadequate DR and BC to recover from attack in a timely fashion	Inability to deliver services as a result of service outage or disruption – e.g. exploitation of log4j vulnerability in line of business applications Attack is terminal for the supplier i.e. triple threat - ransom of data, deletion of data, publicly expose data		3	4	12	3	3	9	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
						<p>Melanie Rose</p> <p><u>Required Control Measure</u> Target Date: 30/11/2022</p> <p>Where we don't do service reviews [existing suppliers]</p> <p>Draft a questionnaire for mandatory completion</p> <p>Define plan, timeline, roles and responsibilities to conduct this and share the outcomes/generate actions</p> <p>Melanie Rose</p> <p><u>Required Control Measure</u> Target Date: 31/10/2022</p>			
ORG0026	There is a risk the Council will be unable to deliver critical and essential services.	Denial of access to, or loss of one or more of the following (4 P's): People – Example -Staffing loss due to industrial action or pandemic Places – Example - Premises/ Location unable to carry out services due to fire/flood/utility failure etc. Processes – Example - Essential Software loss due to Cyber Attack, Office Equipment, Mobile Devices or Vehicles Providers – Example – Failure of Commissioned Providers & Suppliers	Loss of one or more of the 4 P's may impact on these area's - Inability to deliver, or disruption to Critical Services - Finance - Reputation - Delivery of KPI's - Safeguarding/ Health & Safety	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. This software will be upgraded to 'Castellan' during late 22/23 once all BC plans are up to date on the current ClearView system.	3 4 12	Ownership of Business Continuity (BC) at senior level (CLT/DLT) and embedded into culture of the organisation. Corporate Directors to ensure BC is a standing agenda item at DLT Meetings and Directors are held to account for: - Approving reviews and updates to BC plans within their areas - Providing assurance that their plans are active and exercised to test effectiveness, and - Attending relevant BC and ClearView training. Where failures in BC processes are found, record the action that is taken to rectify. N.B. Directors - Approve all BC plans and reviews in their areas on time - Ensure Service Managers take ownership of their plans, that they are updated and submitted for review every 6 months	3 4 12	Will Tuckley	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		
								<ul style="list-style-type: none"> - Confirm plans have manual workarounds in the event of failure/denial of one or more of the 4 P's - Ensure BC Plans of commissioned providers within their areas are audited in line with the services RTO's (Recovery Time Objectives) - Require Service Managers to attend relevant BC and ClearView training, and Charles Griggs <p><u>Required Control Measure</u> Target Date: 31/03/2023</p> <p>Provision of monthly management information to DLT's, and Directors.</p> <p>The CPU will provide a monthly report from the Business Continuity Management System providing relevant management information to DLTs and directors, and the provision of support to directors to achieve good levels of compliance. Charles Griggs</p> <p><u>Required Control Measure</u> Target Date: 31/03/2023</p> <p>Annual Audit of Business Continuity Plans</p> <p>In 2022 a consultancy review 'Testing of Business Continuity Plans' was conducted by Internal Audit. It is proposed that this is conducted again at the end of the year to review progress against the recommendations. An annual audit thereafter will provide assurance as to compliance and resilience of the organisation.</p>							

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 and sub-groups to consider impacts and develop new processes.</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		
								<p>A Letter to landlord and building owners in the borough has been prepared and will be sent to all building owners with buildings above 18 to try and ensure that they are aware of their responsibilities.</p> <p>b. Communicate the likely impact of the Building Safety Bill/Act to Members, CLT and DLT. In Progress: Presentations have been made to CLT, DLT and discussion with members have taken place regarding the Bill. Conversations have continued as the Bill passes through Parliament and has now become legislation, with updates being shared with the relevant people/groups. New members and the Mayor will be briefed on the Building Safety Act.</p> <p>c. Working with LBTH, Legal Services, CLT and Members to examine the responsibilities linked to the Bill. Complete: Presentations/discussion are taking place, taking into consideration the changes from the draft Bill to the Bill that was published on 5 July 2 and factsheets published in Oct 21. The Building Safety Bill received Royal Assent 28 April 22 - the Building Safety Act Working Group discusses the impacts and preparedness considering any changes from the Bill.</p> <p>d. Calculate the additional resources required to comply with the Bill when enacted</p>							

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					L	I	Total	L	I	Total	L	I	Total		
								<p>Complete: THH and LBTH building safety bill related growth proposals for 2022/23 onwards have been approved as part of the budget setting process. Both growth proposals are for funding the new additional roles required to deliver the building safety regime. LBTH's growth proposal is for £108K for 2021/22 and £356k thereafter. THH approved growth proposal is £476k p.a from 2022/23 onwards. In additional THH had £350k previously approved for 2021/22. Additional growth may be required in response to the Government releasing secondary legislation.</p> <p>e. Consider appointing a building safety lead in the council to undertake the assurance work needed for the council to carry out its Accountable Person role. Complete: David Leslie, commenced with the Council as our Building Safety Lead. The Building Safety Lead will be responsible for the preparations for the building safety regime. Once the Building Safety Act is fully implemented the Safety Lead will oversee relevant department's/THH's delivery of aspects of the Council's building safety regime, ensuring the Council is compliant with the Act. David will be the named person (on behalf of the Council, as Accountable Person) for the Building Safety Regulator and will review all statutory returns before submission to the Regulator.</p>							

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

f. Consider appointing a specialist advisor for support with the Safety Case reviews. Complete: THH has procured Adelard to assist with developing the Safety Case template, provide licences and training to use their IT system and support for a period. THH will commence training with Adelard towards the end of April 22. Once the Building Safety Bill is fully implemented, will consider LFB in addition to Building Control reviewing the Building Safety Cases. Dave Leslie having come from the Fire Service will speak to old colleagues

g. The Council's Building Safety Bill guidance will be updated regularly by Counsel. In progress: Bevan Brittan are updating their advice and providing clarifications to some queries since the Bill received royal assent on 28 April 22. Bevan Brittan has provided updated advice since the release of the Building Safety Bill on 5 July 21. A comparison to the draft bill and questions related to the Oct 21 factsheets have been provided. Bevan Brittan have been approached for the cost of being 'retained' for BSA guidance as and when required.

h. Potentially review existing contracts to ensure they comply with the Bill's requirements. In progress: LBTH Legal has

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
									<p>been asked to carry out the review.</p> <p>i. Investigating digital storage methods to maintain the “Golden Thread of information” (GTI). In progress: Goy Roper and his colleagues from Socitm Advisory have provided an interim IT scoping report which considers the options for the GTI and other ICT requirements related to delivering LBTH’s building safety regime. Theo Langlais, IT Project Manager will take the IT scoping/delivery project forward alongside the Building Safety Lead. Further scoping of the technology requirements will be progressed. David Drury ‘Business Analyst’ has been assisting with scoping for the ICT project to ensure relevant stakeholders are involved. Since the consultation have been released this has allowed for a more accurate review of possible ICT needs.</p> <p>j. Seek Cabinet approval. In Progress: A Shadow Building Safety Framework report was approved by Cabinet on 27/11/21. Approval included progressing appointing to the Building Safety Lead role, appointing THH as interim Building Safety Manager (amendments made to the Bill in April 2022 removed the Building Safety Manager role with all duties now sitting under the Accountable Person) and make necessary changes to the constitution where necessary. As the Bill received royal assent</p>						

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>on 28 April 2022 there will be consideration into whether the Council's (including THH's) building safety framework for residential buildings needs revising. This is pending the publication of secondary legislation and an understanding of the full requirements of the Act. Cabinet approval will be sought for any changes to the framework around the time of full implementation of the Act (prior to October 2023).</p> <p>k. Review THH's Preparedness for their building safety responsibilities (previously classed as the Building Safety Manager)</p> <p>Complete: LBTH Internal Audit has examine THH's arrangements and plans for readiness for implementing the Building Safety legislative requirements and meeting regulatory requirements for Council's owned-buildings managed by THH. The Audit report provided "reasonable assurance" over the THH's governance, risk management and controls in operation. The Building Safety Lead will oversee that THH is progressing resolving any issues outlined in the Audit Report.</p> <p>In progress - THH have delayed the initial pilot safety case a number of months now, staffing seems to be the biggest issue with only one person working on the safety case. This is due to be discussed with THH's Director of Asset management to ensure we are moving forward.</p>							

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>I. Working with LBTH, Legal Services, CLT and Members to examine the responsibilities linked to the Building Safety Act 2022. In Progress: The Building Safety Bill received royal assent on 28 April 2022. LBTH will assist with any clarifications the Building Safety Bill group require in relation to changes made to the Bill when it was enacted.</p> <p>Karen Swift</p> <p><u>Required Control Measure</u></p> <p>Target Date: 03/04/2023</p>			
ICT0082	Legacy Authentication for Exchange Online ends October 2022 - impacts apps used by LBTH incl. Civica	<p>Microsoft announced the turning off of basic authentication back in September, 2019 it was originally intended for implementation second-half of 2021.</p> <p>Due to the pandemic Microsoft placed the initiative on hold until September 2021.</p> <p>At the point of restart Microsoft gave 12 months' notice, meaning as of October 2022 the service will stop functioning – no exceptions.</p>	<p>Any application using Exchange online and basic authentication will cease to function after October 2022, we are aware this includes a number of Civica applications.</p> <p>The protocols covered by the announcement are POP3, IMAPv4, Exchange ActiveSync, Exchange Web Services, Outlook 2010 and prior, Outlook 2013 (unless specific setting has been changed and the client runs a particular version).</p> <p>These protocols can either use modern authentication, replacement for basic authentication, or have been replaced by newer programmatic interfaces. The underlying app will need to be updated to</p>	<p>Identification Identify all accounts and associated email mailboxes currently using Basic Authentication</p> <p>15 identified:</p> <p>User Mailbox Business Rates brates@towerhamlets.gov.uk</p> <p>Council Tax (External Messages) council.tax@towerhamlets.gov.uk</p> <p>Council Tax (Internal Messages) ctax@towerhamlets.gov.uk</p> <p>Ctaxmove ctaxmove@towerhamlets.gov.uk</p> <p>Council Tax Recovery (External Messages) ctaxrecovery@towerhamlets.gov.uk</p> <p>ctaxreview ctaxreview@towerhamlets.gov.uk</p>	4 2 8	<p>Civica contract review</p> <p>Advise Commercial and Legal and ask for a review of the contract with Civica</p> <p>Melanie Rose</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/12/2022</p>	2 1 2	Mary Umoh	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
			use modern authentication.	v.uk Ebiling ebiling@towerhamlets.gov.uk Insurance insurance@towerhamlets.gov.uk MyOnline Accounts myonlineaccounts@towerhamlets.gov.uk Business Rates Recovery (External Messages) nndrrecovery@towerhamlets.gov.uk NNDR Relief relief@towerhamlets.gov.uk spdreview spdreview@towerhamlets.gov.uk Council Tax Student student@towerhamlets.gov.uk WSP wsp@towerhamlets.gov.uk Xebilling xebilling@towerhamlets.gov.uk Application mapping Identify application and application owners based on mailbox identification from CM0082/001								

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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		
ASD0028	Overspend in adult social care services.	National proposal on long-term funding solution for adult social care from October 2023 onwards likely insufficient to meet demographic changes and increased demand. Short-term funding mechanisms which do not provide stability Increasingly complex needs of adults in need of care and support Growing demand of those in need of care and support	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 Regular budget monitoring meetings held across the service. Project Board implemented to monitor saving projects. Staffing within costed establishment budget. Budget realignment exercise undertaken. Budget training with all budget managers. 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 residential care	4	4	16	ASC Transformation Adult Social Care Transformation & Improvement Programme - opportunities identified for medium to long term savings with a particular focus on technology enabled care and housing with support (reducing the need for residential provision). A refreshed Adult Social Care strategy was developed at the end of 2021, this sought to embed a refreshed vision for Adult Social Care and transformation and support with developing a more sustainable budget. Katie O'Driscoll <u>Required Control Measure</u> <u>Target Date:</u> <u>28/02/2023</u>	3	4	12	Katie O'Driscoll	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	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.	Safeguarding issues as part of contract management procedures Procedures overseen by Joint Director for Integrated Commissioning - contract management procedures continue to focus on safeguarding. Care Quality Commission embargo list used. This list is available from the Care Quality Commission highlighting all providers where the CQC has raised concerns. London ADASS branch circulate	3	5	15	Oversight through management reporting Social workers have 1:1 supervision monthly on their casework includes safeguarding cases. Safeguarding case work is managed via s.42 Safeguarding Procedures in line with the Care Act 2014 High risk cases are present to the High-Risk panel The Senior Management Team managers are responsible for the	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 L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
		<p>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.</p>		<p>any service suspensions or restarts due to safeguarding concerns and these are passed to the Brokerage service. Provider Concerns and interface with Adult Safeguarding is a standard agenda item at Joint Adult Social Care and Integrated Commissioning Senior Management Team meeting. Failed visit policy and procedures in place. The Failed visits policy and procedures were originally agreed in 2018 and have been reviewed over the last year. They are currently in use and should be reviewed and amended if necessary annually.</p>		<p>review and monitor Adult Safeguarding cases in their services in supervision with their Team Managers. The Principal Social Worker leads on implementing learning from Safeguarding Adult Reviews in the Council alongside the Safeguarding Adults Board <i>Katie O'Driscoll</i> <u>Required Control Measure</u> <i>Target Date:</i> <i>27/02/2023</i> 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. <i>Katie O'Driscoll</i> <u>Required Control Measure</u> <i>Target Date:</i> <i>28/02/2023</i> 5 year (2019 – 2024) Safeguarding Adults Board Strategy The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. These are linked to the principles of Safeguarding with is Empowerment, Prevention, Proportionality, Partnership, Protection and Accountability. They are also linked to the principles of Making Safeguarding</p>			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						Personal. The SAB will be focusing on 3 key priorities relating to transitions, self neglect and homelessness. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 28/02/2023 Safeguarding Adult Reviews Action Plan - implementation of recommendations of all SARs We have a Safeguarding Adults Review Tracker in place to monitor and oversee the implementation of actions arising out of Safeguarding Adult Reviews. This is monitored for the Safeguarding Adult Review sub group and Board. Katie O'Driscoll <u>Required Control Measure</u> Target Date: 28/02/2023			
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	Financial, legal and reputational.	Service Actions Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks.	3 4 12	Improvement Action Plan Completion Update the action plan to ensure progress against the requirements & regulations - this is a cross-Council action plan as services sit within multiple directorates. 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	2 2 4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
		Information Commissioner. A freedom of information request.						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. Joseph Lacey-Holland <u>Required Control Measure</u> Target Date: 31/03/2023 Service Actions Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Peter Allnutt <u>Required Control Measure</u> Target Date: 31/03/2022 Service Actions Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks.							

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

Michael Darby
Required Control Measure
Target Date:
31/03/2022
 Service Actions
 Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
Chris Smith
Required Control Measure
Target Date:
31/12/2021
 Service Actions
 Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
Sam Brown
Required Control Measure
Target Date:
31/03/2023
 Service Actions
 Ensure an updated DPIA is in

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks. A new DPO has been appointed and a new Head of IG is starting on 17th Oct. This action will be fully reviewed then.</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/12/2022</p>			
ASD0047	There is a risk of a significant health impact on the community in the short, medium and long-term from Covid-19 alongside seasonal flu and in the context of a challenging Winter period and cost of living crisis.	Low uptake of the flu/Covid vaccination in Tower Hamlets. Covid-19 and variants of concern - whilst current rates of infection are falling, this may change. Winter is likely to be a difficult period given the current cost of living crisis on people keeping warm, well and safe combined with the risks around Covid and flu as above.	Increasing hospitalisations, care needs and deaths.	Vaccination Programme Delivery has begun for Flu & Covid booster Vaccination programmes. Coordinating with winter planning group. Update received from NHS, showing levels of uptake across all priority groups. Average for borough is 35% which is the same as NEL, but this does increase for the high-risk groups.	3 4 12	<p>Communications campaign & awareness-raising</p> <p>Planned campaigns around vaccination and keeping well in Winter and consideration of how these can best be targeted in the borough to ensure groups who may be less able to receive the messages and those hesitant around vaccines are supported to protect themselves this Winter.</p> <p>Somen Banerjee</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2023</p>	3 3 9	Somen Banerjee	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		
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.	<p>A lack of resilience and expertise in the council's Civil Protection Unit, and staff to perform relevant duties during an emergency.</p> <p>Lack of robust policies and processes, including compliance with the Resilience Standards for London.</p> <p>Failure of Directorates to develop, update and test Business Continuity Plans.</p> <p>Under the requirements of the Civil Contingencies Act 2004, the Council is required to have in place suitable & sufficient plans to continue to deliver essential service to the public during major civil emergencies.</p>	<p>A failure by the council to deliver essential services and to meet its responsibilities as a 'First Responder' during a major or catastrophic incident. The response may be slower than expected causing disruption to essential services and affect our overall effectiveness during a crisis. This will impact on the reputation of the council, confidence in communities, adverse criticism and increased cost.</p>		3	3	9	<p>Ensure compliance with Resilience Standards for London (RSL)</p> <p>The RSL is new. We have conducted a self-assessment and presented this to the CCB on 13 January 2020. Areas for development have been identified. These need to be addressed. A peer challenge of our assessment will be held on 27 February by the Central Sub-regional Resilience Forum. The RSL will need to be incorporated within our Borough Major Emergency Plans.</p> <p>Charles Griggs</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2023</p> <p>Implementation of the Baseline Review recommendations.</p> <p>The Baseline Review was an independent review of the council's preparedness to meet its responsibilities under the Civil Contingencies Act 2004. It was conducted in July 2019 by the Emergency Planning College. Eleven recommendations were made. These have been presented to HAC DLT, the CCB and CLT. The recommendations will be developed into an action plan and delivery will be overseen by the CCB.</p> <p>Charles Griggs</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/12/2022</p> <p>Directorate Leadership Teams to have oversight of and regularly review and test their directorate Business Continuity Plans</p>	3	2	6	Ann Corbett	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
						DLT's are to regularly review their directorate BC Plans and become familiar with the Business Continuity Management IT platform, ClearView. Regular management reports can be provided by the CPU or their own BC Assistants. The CPU will also aim to deliver 'Silver' training at DLT's to build greater resilience across the council. Charles Griggs <u>Required Control Measure</u> Target Date: 31/03/2023			
ASD0029 Page 110	Failure to mainstream the PREVENT legal duty in the Counter Terrorism and Security Act 2015. Failure to effectively identify and manage safeguarding referrals to Prevent. Failure to deliver requirements of the Counter Terrorism and Security act 2015 as it relates to multi-agency arrangements for safeguarding people from being drawn into terrorism. Failure to deliver annual delivery plan and, failure to effectively deliver commissioned projects due to COVID.	The organisation fails to have processes and policies in place to have due regard to preventing people from being drawn into terrorism. The local authority fails to mainstream Prevent in all directorates. Staff fail to recognise signs of safeguarding risk and vulnerability to radicalisation in all council activity. Failure to ensure effective governance and monitoring arrangements with regard delivery plan. Extended period of time under lockdown with lack of access to community groups or schools.	Individuals are not protected. Places are not protected. The wider community are not protected. Individuals are radicalised. Community harm and a drop in community confidence. Damage to reputation of the local authority. Home Office intervene to ensure effective delivery. Reduction in resourcing from Home Office. Individuals commit violence as a consequence of extremist ideology.		3 3 9	Ensure Channel Panel's compliance with the new Home Office Guidance 2020 The Channel Panel must follow the new Guidance and will be subject to self-assessment and an Annual Assurance Statement to ensure national standards and consistency. An action plan has been developed to address gaps identified in the first Assurance Statement Process; this includes training for the Chair and inclusion of Channel in the Council's constitution. A new vice-chair needs to be identified and trained. Charles Griggs <u>Required Control Measure</u> Target Date: 31/03/2022	3 2 6	Ann Corbett	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Non-Executive Report of the: Audit Committee Thursday, 24 November 2022	
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer) and Janet Fasan, Divisional Director of Legal Services (Monitoring Officer)	Classification: Open (Unrestricted)
Annual Review of the London Borough of Tower Hamlets Anti-Money Laundering Policy and Guidance	

Originating Officer(s)	Aaron Winter
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 AML 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, the Money Laundering Regulations 2007, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering Regulations 2020.
- 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 (as amended) ('GDPR') 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 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 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 implement the Fourth Money Laundering Directive of the European Union (Directive 2015/859 EU). These, combined with statutes such as the Terrorism Act 2000 and the Proceeds of Crime Act 2002, 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 that purpose.

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:

Aaron Winter, Interim Head of Internal Audit, Anti-Fraud and Risk
aaron.winter@towerhamlets.gov.uk

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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	Audit Committee – 29 th July 2021
1.2	November 2022	Legal Services & Internal Audit	November 2023	

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 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 incorporates 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.

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

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

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:

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

- (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.
- (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.
- (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.⁸

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, via the email: DPO@towerhamlets.gov.uk

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 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, Investigations 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	
----------------------------	--

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, 24 November 2022	 TOWER HAMLETS
Report of: Kevin Bartle Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Annual Risk Report 2021/22	

Originating Officer(s)	Aaron Winter
Wards affected	(All Wards);

Executive Summary

The following report summarises the risk management activity during the course of 2021/22, provides an update on progress made against the previously agreed actions and proposes an action plan for 2022/23.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the annual risk management report and agree the proposed risk management action plan for 2022/23.

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 2021/22 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 2021/22, provides an update on progress made against the previously agreed actions and proposes an action plan for 2022/23.

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 and the appendices.

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 – Annual Risk Report for 2021/22.
- Appendix B – Updated Risk Management Audit Recommendation Tracker
- Appendix C – Summary report of corporate risks rated as severe (or red)

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:

Aaron Winter, Interim Head of Internal Audit, Anti-Fraud and Risk

Email: aaron.winter@towerhamlets.gov.uk

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Risk Management Annual Report 2021-2022



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 2021-2022 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 2020/21. 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 previous Head of Internal Audit and an action plan was developed (see Appendix B for progress). Progress has been slower than anticipated due to a lack of risk-focused resource and other priorities, however 75% of the actions have been completed to ensure risk management has improved since the audit was undertaken. The outstanding actions will be carried forward in to 2022/23. These focus more on increasing awareness and supporting the Council on its risk maturity journey, and 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.
- Refreshing and re-energising the Directorate Risk Champions network to support risk maturity across the Council and help to co-ordinate and support more periodic new risk identification exercises within 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.

5. Risk Management Activity during 2021-2022

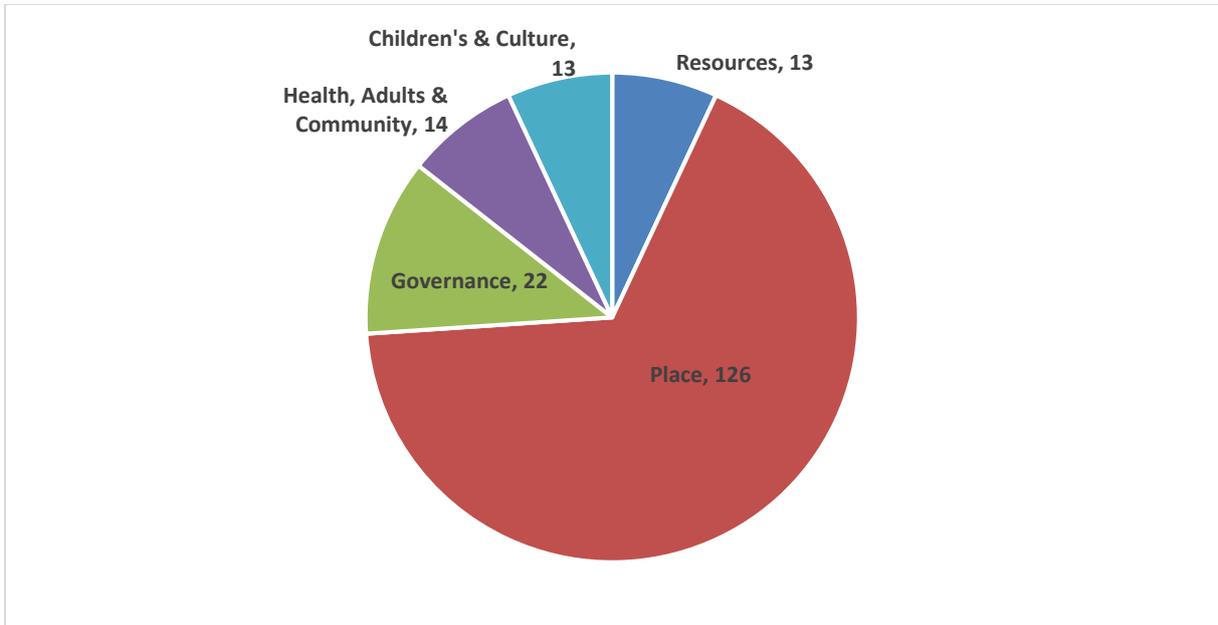
- 5.1 During 2021/22, risk management has continued to be a key feature of the Council's response to the Covid-19 pandemic. Bespoke risk registers were created and continued to be actively managed by the Bronze, Silver, and Gold command groups with the frequency of activity stepped up or down as the risks fluctuated. These registers provided clear operational and strategic oversight of risks and their mitigating actions. It demonstrated how well, as an organisation, risk management could and should be undertaken and has aided the Council on its risk management journey.
- 5.2 At the end of March 2022, these risk registers were retired as a result of Gold meetings concluding, and the number of risks on the risk register thankfully reducing. There were three risks, which due to their rating, were moved onto JCAD (the Council's risk management software) to be managed as part of business as usual.
- 5.3 In addition to the bespoke risk registers, efforts have continued to be 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).
- 5.4 A summary of other activities that have taken place during 2021/22 follows:
- The Corporate Leadership Team were requested to ensure risk management features at least quarterly on their Divisional Leadership Team meeting agendas. Regular reporting has gone monthly for the likes of Resources, and Children's & Culture, as a result.
 - 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.
 - Both the Joint Health and Safety Committee and the Civil Contingencies Board have continued to receive regular risk reports in their respective areas, with the Head of Internal Audit, Anti-Fraud and Risk present at these meetings.
 - The Audit Committee has been regularly presented with the Corporate Risk Register as well as each Directorate risk register on an agreed rolling timetable. At the time of collating this report, each Directorate's risk register had been presented to the Audit Committee at least once over the past 12 months.

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 October 2022) 188 active risks recorded across the directorates and they can be further analysed as follows:

Chart 1 – Risks by Directorate



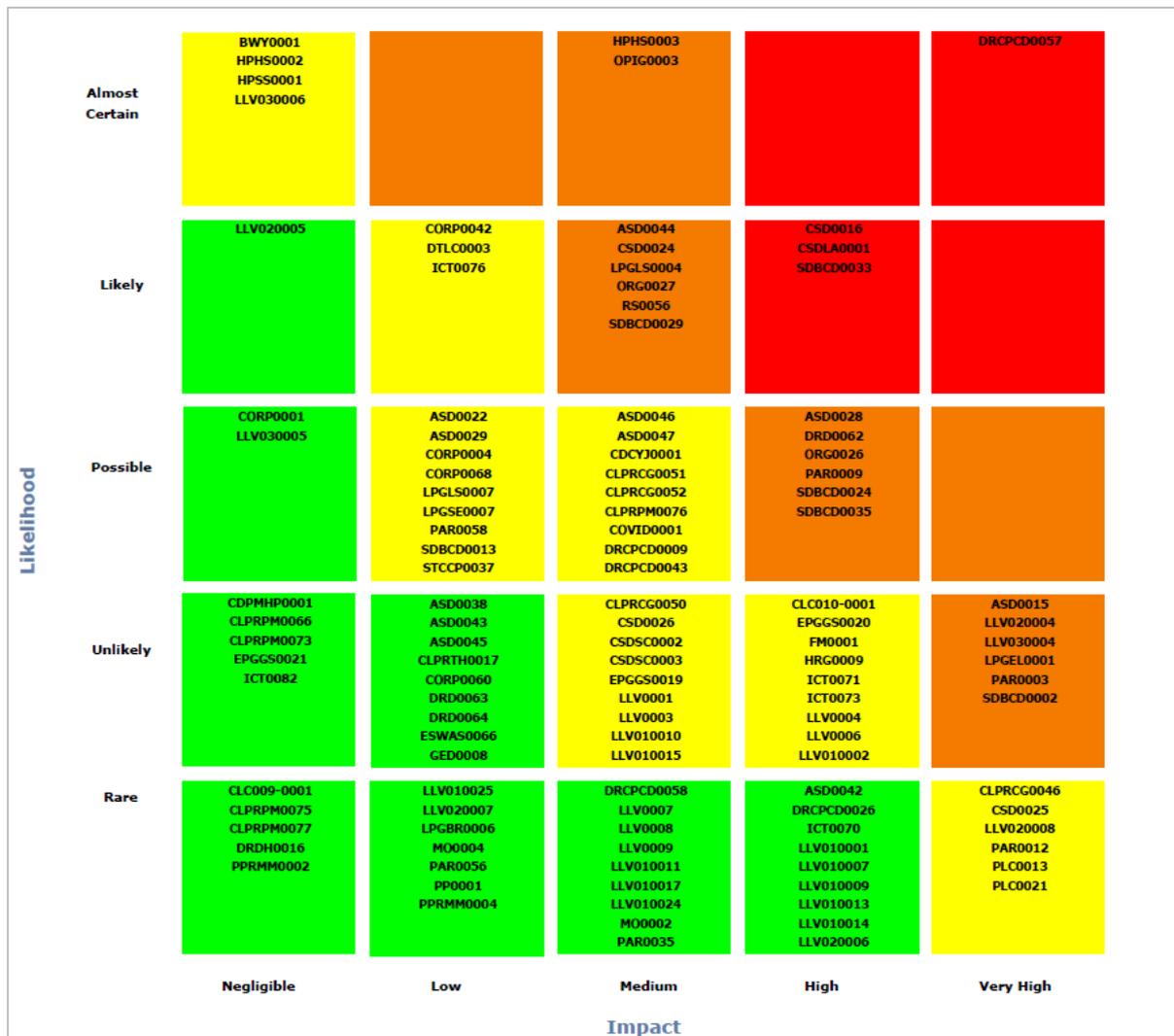
6.3 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

Table 1 – Average Risk Rating by Directorate

Directorate	Average risk rating – 2021/22	Average risk rating – 2020/21
Children's & Culture	13	12
Place	10	11
Governance	10	10
Resources	13	10
Health, Adults and Community	11	10

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

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

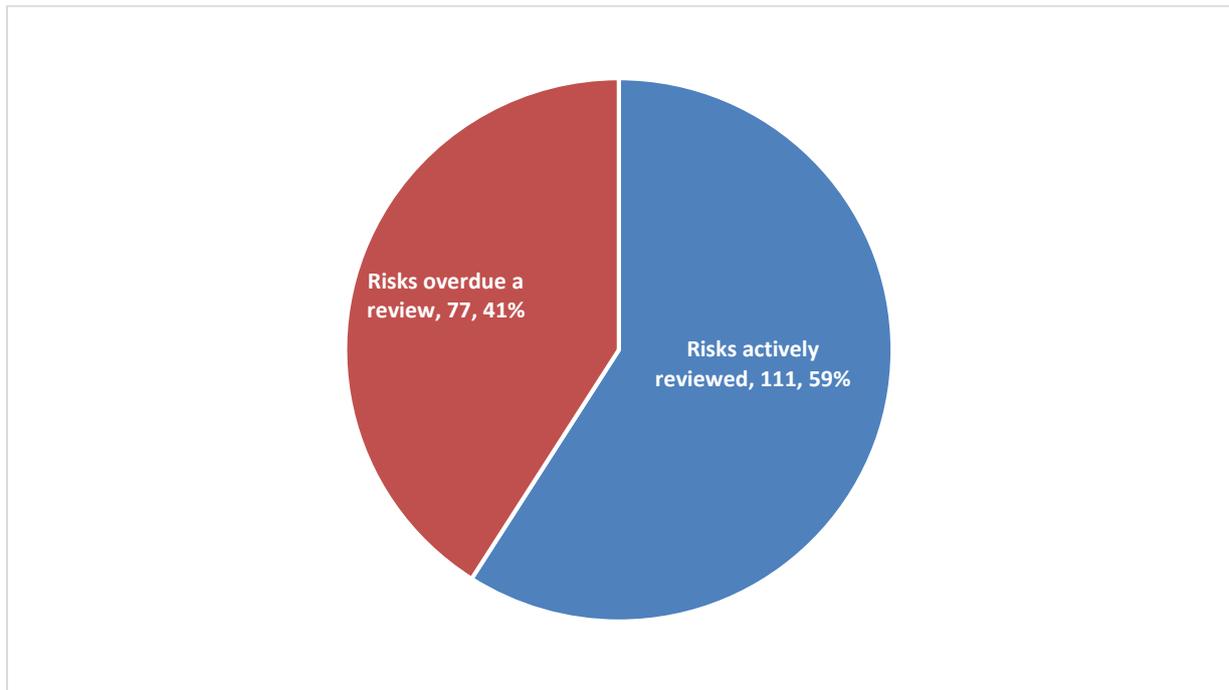
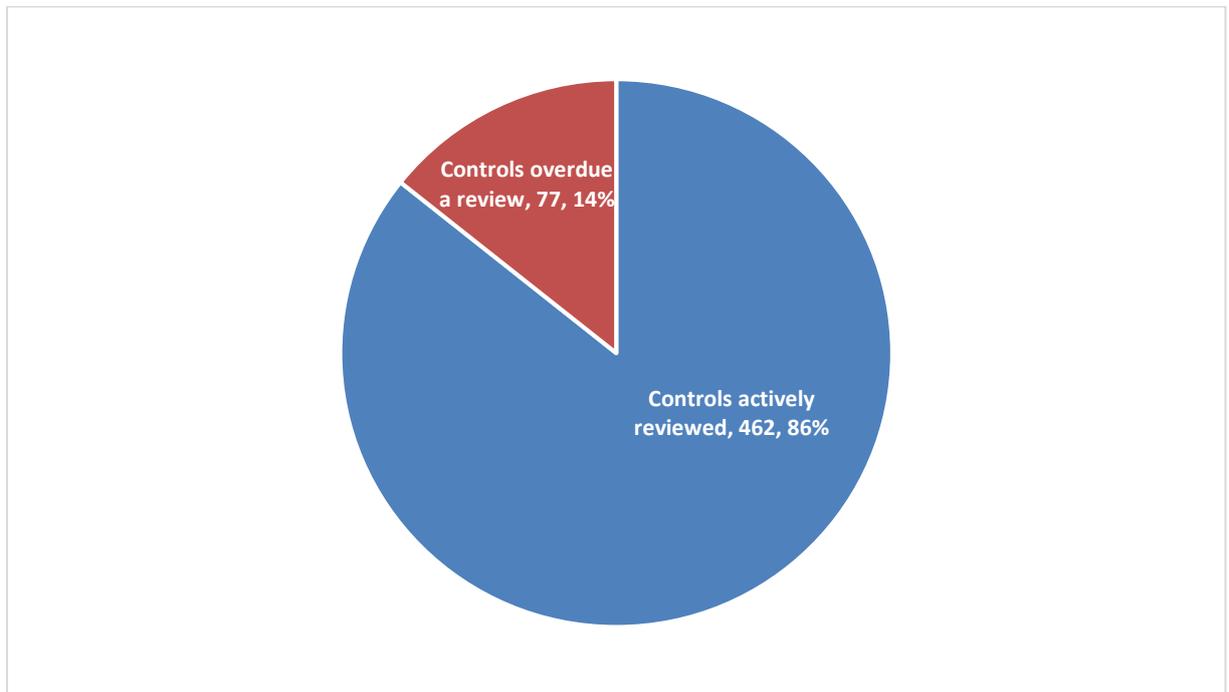


Chart 4 – Control Review Profile



6.7 Whilst there has been an improvement in reducing the overdue risk and control reviews, 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 2022/23 to support oversight and increase the frequency of risk reviews.

7. Risk Management Annual Plan

- 7.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve risk management. In the corresponding report for 2020/21, the previous Head of Internal Audit, Anti-Fraud and Risk created a Risk Management Action Plan for 2021/22. The plan, which is summarised below, was agreed by the Audit Committee but its completion was subject to the successful recruitment of both a Risk & Insurance Manager and a Risk Officer.
- 7.2 Unfortunately, despite running recruitment campaigns for both roles, the Council was unsuccessful in recruiting to either role during 2021/22. As a result, this lack of specialist resource has impaired the delivery of the proposed plan.
- 7.3 It is proposed, as the actions remain relevant and will aid the Council in addressing previous risk management audit recommendations, but also develop risk awareness and maturity further across the Council, that they are rolled forward into 2022/23.

Table 2 – Risk Management Action Plan – 2022/23

Objective	Action
Maximise the contribution and impact of Risk Champions.	Hold Regular Risk Champion meetings throughout 2022/23 and keep the role and number of Champions under review and adapt/improve where needed.
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.
Review JCAD.	Review JCAD and whether it remains fit for purpose and useful in supporting the Council in managing its risks. Undertake soft market testing to explore alternatives systems, including those already owned by the Council such as Pentana Risk. If appropriate, produce a business case to purchase and new Corporate Risk Management System or move to an alternative provider such as Pentana Risk.
Promote effective risk management.	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.

Objective	Action
	<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>
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.
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.

8. Conclusion

- 8.1 Risk management remains an important feature of good governance and the Council's approach to risk management has built on the successes the previous year (2020/21) with proactive risk management continuing during the response to Covid-19 pandemic. The current risk management arrangements are reasonable, but there is room for improvement to better integrate risk management into the day-to-day operations and the culture of the Council. This will be a key focus of work during 2022/23.

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ October 2022)
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.	<u>Previously:</u> Paul Rock supported by the Interim Strategic Risk Advisor <u>Current:</u> Interim Head of Internal Audit, Anti-Fraud & Risk (and going forward permanent replacement)	<u>Previously:</u> May 2020 <u>Revised target:</u> June 2023	<i>Partially Implemented – with recognition continuous risk identification and review is required.</i> Risk registers now regularly feature on Directorate Leadership Team agendas. Actions are recorded at the meetings. This is also an opportunity for new risks to be identified as well as current risks updated. Some risk identification exercises have been run at the request of a specific service or directorate during 2020/21 and 2021/22, but this action will be ongoing into 2022/23. A revised risk management strategy was agreed by CLT in March 2020 and later by the Audit Committee in July 2020 and remains relevant at this point in time. The roles and terms of reference for Risk Champions was reviewed. Each Directorate
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.				

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ October 2022)
					nominated a Risk Champion to lead on risk in their respective Directorates. The Risk Champions meetings were reconstituted. These will be refreshed and reintroduced during 2022/23.
2a Page 166	The Council should ensure that all 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.	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 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	<u>Previously:</u> Paul Rock supported by the Interim Strategic Risk Advisor <u>Current:</u> Interim Head of Internal Audit, Anti-Fraud & Risk (and going forward permanent replacement)	<u>Previously:</u> May 2020 <u>Revised target:</u> June 2023	Partially implemented Risk reports are provided to CLT, DLT and specific boards e.g., CCB and 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 2022/23.
2b	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,				Due to resources and the pandemic the work to evaluate JCAD and explore alternatives was suspended and will begin again in 2022/23 under a

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ October 2022)
	Measurable, Attainable, Relevant and Time-bound)	annual programme of risk management awareness/training for each Directorate/Division.			permanent Head of Internal Audit, Anti-Fraud & Risk.
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 2022/23.
3 Page 167	<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 	<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>	<p><u>Previously:</u> Paul Rock supported by the Interim Strategic Risk Advisor</p> <p><u>Current:</u> Interim Head of Internal Audit, Anti-Fraud & Risk (and going forward permanent replacement)</p>	<p><u>Previously:</u> May 2020</p> <p><u>Revised target:</u> June 2023</p>	<p>Partially implemented</p> <p>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 2022/23.</p>

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ October 2022)
	responsibilities i.e. identifying risks, owning risks, reviewing risks etc.				
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), 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	<u>Previously:</u> Paul Rock supported by the Interim Strategic Risk Advisor <u>Current:</u> Interim Head of Internal Audit, Anti-Fraud & Risk (and going forward permanent replacement)	<u>Previously:</u> May 2020 <u>Revised target:</u> June 2023	<i>Partially Implemented</i> 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. These will be refreshed and reintroduced during 2022/23.

Updated position on Risk Management Audit Actions

Ref. No.	Recommendation	Agreed Management Action/Comments	Delegated / Responsible Officer	Implement / Action Date	Position Update (as @ October 2022)
4b	The requirement to attend and actively participate in the Risk Champions Group should be included in Risk Champions appraisal objectives.	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.			
5a	Discussion of the quarterly Risk Management Update report should be adequately documented within minutes, making it clear which challenges have been made, and outcomes of decisions to include any actions.	The Corporate Risk Register will be 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.	<u>Previously:</u> Paul Rock supported by the Interim Strategic Risk Advisor <u>Current:</u> Interim Head of Internal Audit, Anti-Fraud & Risk (and going forward permanent replacement)	<u>Previously:</u> May 2020	Implemented The corporate risk register and risk management update 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.
5a	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			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>Underpinned by monthly Performance Surgeries held by each Head of Service.</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			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								by summer 2022, which will provide external scrutiny of our safeguarding practice against the national inspection benchmarks. Annual Conversation with Ofsted indicated this will be within 12 months from July 2021. Focused Visit completed in July 2022 - letter to be published 31/8/22. James Thomas <u>Required Control Measure</u> Target Date: 31/03/2023 Tower Hamlets Safeguarding Children's Partnership and increased quality assurance. The THSCP has planned for 21/22 and 22/23 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews. On track. James Thomas <u>Required Control Measure</u> Target Date: 31/03/2023							
ORG0027	There is an ongoing risk of a cyber attack and/or major loss of IT.	Cyber attacks could include ransomware, denial of service, social engineering, phishing, malware and/or an active attack exploiting network security vulnerabilities. Attacks could be enabled through miss-sent emails, inappropriate sharing, insecure design, inappropriate access, introduction of unauthorized software to the network, users	Significant and prolonged loss of IT services. Inability to deliver critical and essential services. Failure to comply with statutory duties or other legal responsibilities. Breach of data protection legislation Financial loss Reputational damage	Current activity Internal internal and external reviews. Internal vulnerability scanning is on-going, occurring every week and the critical / high vulnerabilities discovered continue to be escalated for urgent remediation. Annual independent penetration tests. Implementation of a SIEM solution Recruiting additional specialist resources to support the SIEM. Take a risk-based approach to data security. Embed the risk assessment culture within service delivery.	4	5	20	Zero 12 Tolerance to unsupported software in the council live environment Recent events with a number of local authorities have led to severe disruptions and impacted their ability to deliver key services. In an attempt safeguard LBTH from such an event a Zero Tolerance approach to "unsupported software" will be adopted. This will include: - Run weekly vulnerability scan (NESSUS) - Identify and publicise any systems that have unsupported	4	3	12	Adrian Gorst			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		clicking on phishing scam email links, and/or divulging sensitive information		<p>Ensure architectural decisions taken are supported by adequate risk assessments.</p> <p>Ensure Policies are aligned with identified risks and communicated effectively.</p> <p>Ensure policy exceptions are supported with fully documented and signed off risk assessments and controls are continually monitored</p> <p>Review of BCP</p> <p>At the request of the Corporate Directors of Health, Adults and Community, Internal Audit reviewed a sample of BCP's in quarter 4 of 2021/22 to form a view on whether the BCP's adequately address a complete loss of IT infrastructure for a prolonged period. The outcome was complete and was presented to CLT members and the CCB in June 2022. Actions and recommendations shared to inform ongoing improvements.</p> <p>Proposed follow up of updates / improvements during 2022/23 IA Plan and beyond to maintain effectiveness of BCP plans.</p> <p>Cyber Security/Attack Exercise</p> <p>The Council has run a table top cyber security/attack scenario with both CLT and the CCB. Lessons learned have been identified and actions will be assigned to responsible officers and monitored by the CCB.</p>				<p>software installed</p> <p>- For those systems identified:</p> <p>- If non-production, disable immediately</p> <p>- if production, Applications Team to work with the Service and Information Security to identify the most appropriate course of action.</p> <p>11 Oct - moved owner to MU, remaining list of unsupported software to be supplied and action plan agreed to address by end of FY</p> <p>Mary Umoh</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2023</p> <p>Governance</p> <p>The terms of reference for the Strategic Information Governance Board need to be reviewed and agreed by CLT. Consideration to include oversight of cyber security matters. The action is being incorporated into the IG Review which is progressing and reporting into the Support Services Board.</p> <p>New Head of IG starts in Oct and full review of the IGG and SIGB will be carried out</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2022</p> <p>Information/Cyber Security Incident Response Procedures</p> <p>The Council's Information/Cyber Security Incident Response Procedures need to be reviewed and updated with key details .</p> <p>This has been updated to include</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						the cyber security mailbox as first point of contact. Adding individual names would need the document to be updated regularly as staff leave and so this should be the roles rather than specific names and contact information. Roles to be included to be discussed at the most appropriate forum, tbd. Mary Umoh <u>Required Control Measure</u> <u>Target Date:</u> <u>30/11/2022</u>			
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 position forecast for 2021/22, albeit utilising significant one off COVID funding to achieve this. A balanced budget has been set for 2022/23, with a single year budget set in March 2022, and the Council will review its medium-term funding position in the 22/23 financial year.	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	Significant financial losses, overspent budgets, further drawn down on reserves.	Financial Measures CLT and SLT have prepared savings proposals to deliver savings across 9 themes which were presented Members for their agreement: 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 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 previously agreed savings proposals.	5 4 20	Monitoring and Control 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. Allister Bannin <u>Required Control Measure</u> <u>Target Date:</u> <u>31/03/2023</u>	4 3 12	Nisar Visram	

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	There is a risk that the statement of accounts will received a qualified opinion for 2020-21.	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: 30/11/2022	2	2	4	Nisar Visram	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		

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Non-Executive Report of the: Audit Committee Thursday, 24 November 2022	
Report of: Kevin Bartle Interim Corporate Director, Resources (S. 151 Officer)	Classification: Open (Unrestricted)
Annual Insurance Report 2021/22	

Originating Officer(s)	Aaron Winter and Cheryl Williams
Wards affected	(All Wards)

Executive Summary

This report is presented annually to the Audit Committee and provides the Committee with an overview of the internal insurance service and performance, which is part of the Audit, Anti-Fraud and Risk department.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the contents of this report.

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

Background

3.1 The Insurance Service provides insurance cover to its stakeholders through a combination of self-insurance and external 'catastrophe' insurance. It also provides in-house claims handling services for all claims up to the policy excess. The 2021/22 main external policies had the following excesses and aggregate limit per year. The aggregate limit is the maximum amount the insurer will reimburse for all covered losses during the policy year.

3.2

Policy	Excess Per Incident	Aggregate Limit Per Year
Liability	£500,000	£3.9 million
Property	£2 million	£3.75 million
Motor	£0 (Zero)	£0 – No Aggregate/Stop Loss

3.3 Most losses will therefore fall outside the policy excess and are self-insured by the Council's insurance fund. There is also financial protection of the insurance fund through the aggregate limits, restricting the exposure to the above figures per policy year. The insurer funds all claim costs above the excess or aggregate (if breached).

3.4 Below are the limits of cover under our policies.

Policy	Limits
Public/Employer's Liability	£50m for any one occurrence or all occurrences attributable to one cause
Property	Full reinstatement (up to £100m per loss)
Motor	£50m for any third-party motor vehicle £25m for commercial vehicles
Third Party Personal Injury	Unlimited
Own Property	Full reinstatement

3.5 This method of risk transfer is the most cost-effective for large organisations because it limits the sums paid to insurance companies. This is the case because insurance companies must consider the following factors when determining the premiums, they charge:

- historic claim losses and the expected level of future losses adjusting for trends;
- provision to a common pot for large and infrequent losses;
- their own accommodation, general expenses and staffing costs; and
- the need to produce profit on their business activities.

- 3.6 Typically, this means that, on average, the approximate target for an insurer is for claims levels to not exceed 60% of the premium charged, thereby allowing for the above expenses and profit margins.
- 3.7 This approach also generates additional savings and benefits to the Council such as:
- a reduction in its Insurance Premium Tax liability, which is currently charged at 12%;
 - additional income from the investment returns earned on the insurance fund reserve; and
 - increased risk ownership which reduces insured losses; the savings from which are immediately realised by the Council rather than awaiting the prospect of future insurance premium reductions.
- 3.8 Finally, reduced dependence on external insurance enables improved budget control by:
- lessening the impact of insurers' reactions to UK and Global events, which would result in increased premiums.
 - lessening the impact of the typical business cycles between 'soft' and 'hard' markets. A hard insurance market is characterised by a high demand for insurance coverage and a reduced supply. Insurers impose strict underwriting standards and issue a limited number of policies. Premiums are high and insurers are disinclined to negotiate terms. A soft insurance market is when the market is soft many insurers are competing for business and premiums are generally low. Insurers relax their underwriting standards and coverage is widely available. Underwriters are generally flexible and willing to negotiate coverage terms. Broad coverage is available with some extensions available for free.
 - having the ability to self-fund risks rather than incur external insurance premiums i.e. the Council's laptops and mobile phones.
- 3.9 As an internally managed service, there is a high-level motivation to control the Council's insurance fund compared to external claims handlers. This also has benefits in terms of the control of unnecessary legal expenditure. The insurance service has historically handled personal injury, property damage and employer's liability claims in-house. Motor claims have historically been handled by the external insurer as the cover is 3rd party and there is a Nil policy excess.
- 3.10 All claims are investigated in-house with appropriate site visits to determine the legal liability. External specialist solicitors are used to support liability decisions when necessary. In the event of legal proceedings being issued, external solicitors are appointed but

importantly, the Council remain the decision makers and drive the case management.

- 3.11 The Council is a member of the Insurance London Consortium (ILC), a consortium of nine London Boroughs launched in July 2009 to provide strategic focus for insurance procurement and collaborative risk management. The consortium is governed by an agreement pursuant to section 101 Local Government Act 1972. Croydon Council is the current lead member and leads the procurement activity.

Partnerships

- 3.12 The service continues to provide insurance cover and claims handling for Tower Hamlets Homes. A service level agreement is in place between both parties.

Tenants (and leaseholders) Contents Insurance Scheme

- 3.13 This opt-in scheme is provided for the benefit of Tower Hamlets tenants at their own discretion. Leaseholders can also take advantage of the scheme. The tenant or leaseholder makes an arrangement directly with the insurer for appropriate cover. All claims are made directly with the insurer and the premium paid weekly/monthly/annually, whichever suits the financial situation of the insured. The scheme is operated by Crystal Insurance. There is no policy claims excess and has low sum insured options for persons over 60 years of age.
- 3.14 As of 31 March 2022, the scheme had 293 policyholders out of circa 9,000 potential tenants. There are also a potential 9,000 leaseholders who can take advantage of the scheme. Although the take up is low, the scheme offers insurance cover for tenants at preferred rates to meet their personal needs.

Financial Management

Insurance Fund and Provisions

- 3.15 There are three separate lines in the Council's accounts that provide the funding for its insurance exposures. Those are as follows:
- Insurance fund reserve - held to fund deficits in the insurance trading account, incurred but not reported insurance claims and other unknown insurance exposures.
 - Insurance claims provision - the total outstanding reserve for all incurred and known insurance claims.
 - External insurance provision - provision held in respect of the Council's estimated final liability arising from the insolvent local government mutual insurer, Municipal Mutual Insurance (MMI).

- 3.16 The Council's self-insured losses are funded in year from the insurance trading account. At the end of the year, the surplus or deficit is taken from or transferred to the insurance fund reserve to balance the account.

Reserve and Provision Management

- 3.17 The adequacy of the reserve and provisions is subject to annual actuarial reviews. The last of which was undertaken by Marsh in July 2022.
- 3.18 Their best estimate is that the total historical liability to the fund, to the end of 2021/22, is £8.51 million (without any risk buffer). This includes:
- £6.07 million for claims from policy years 2007/08 to 2020/21;
 - an additional £2.44 million for known prior years and Municipal Mutual Insurance (MMI); and
 - including a buffer at the 90% confidence level increases the total to £13.08 million.
- 3.19 Their best estimated loss forecast for 2022/23, covering the three main insurance classes (employers' liability, public liability, and property) is £1.98 million.
- 3.20 MMI insured many public sector authorities before it ceased underwriting operations in September 1992. Most of MMI's public sector members elected to participate in the Scheme of Arrangement and effectively became scheme creditors. In November 2012, following several years of deteriorating financials with a significant and growing deficit, the Directors announced that they were triggering the Scheme of Arrangement. The scheme's levy is currently 25%.

Insurance Recharge

- 3.21 Every year the insurance service reviews the recharges required to sustain the insurance fund. The recharges are calculated in three parts and are always set prior to the applicable year:
- internal funding requirements – the amount of money calculated that will be spent in the following year on self-insured losses, i.e., those below external insurance policy excess;
 - external insurance premiums – the cost of the external 'catastrophe' insurance which is estimated based on the current premiums plus inflationary uplifts; and
 - share of service costs – the share of the costs to operate the service, including salaries, IT costs and any other expenses incurred.

- 3.22 The current arrangements for recharging remain under review as part of completing the Finance Improvement Plan.

Benchmarking

- 3.23 In the past the Council has undertaken benchmarking using CIPFA's benchmarking services. However, due to relevant comparators in that exercise falling below four, the Council no longer takes part because of its limited value. A new benchmarking exercise has been introduced by the ILC and will see the Council compared to eight of similar authorities within the London area, but this has yet to be completed / shared with the Council in order for insights to be shared with the Audit Committee.

Claims summary

- 3.24 During the period 1 April 2021 – 31 March 2022 a total of 260 claims were received, with a reserve value (potential cost) of £2,501,212.
- 3.25 A total of 123 claims have so far been repudiated, representing a saving of £837,157. The tables below provide the breakdown of claims and position.

Public Liability	
Claims received	226
Total estimated value	£1,541,245
No. Repudiated	108
Rep. value	£556,297
Settled	93
Value settled	£238,336
Outstanding claims	25
Outstanding claims value	£433,978

- 3.26 The majority of Public Liability claims are Highway/Roadway and Housing (THH) related.
- 3.27 Highway incident claims are in the majority equally divided between pavement tripping injuries (41) and vehicle damage (21) caused mainly by potholes. There are an additional 6 claims of other causes, such as damage to clothing on defective highway equipment. Of the 68 Highway incident claims 5 have been settled, 56 repudiated and the remaining 7 claims ongoing.
- 3.28 Housing (THH) incident claims totalled 108. Of these, 58 claims were water leak related (burst pipe) incidents. There were also 22 claims relating to roof leaks and back-surges/blocked drains. 11 claims were for trips/slips on the estate. The other 17 claims were for other building defects, fire, falling objects and claims caused by third parties (contractors).

3.29 Of the 108 claims received 66 have been settled, 29 repudiated and the remaining 13 claims ongoing.

Employers Liability	
Claims received	7
Total estimated value	£588,000
No. Repudiated	4
Rep. value	£151,600
Settled	1
Value settled	£13,408
Outstanding claims	2
Outstanding claims value	£415,400

Property & Miscellaneous (in-house policies)	
Claims received	8
Total estimated value	£105,718
No. Repudiated	3
Rep. value	£40,100
Settled	4
Value settled	£65,318
Outstanding claims	1
Outstanding claims value	£300

School Claims	
Claims received	19
Total estimated value	£266,249
No. Repudiated	8
Rep. value	£89,160
Settled	8
Value settled	£89,793
Outstanding claims	3
Outstanding claims value	£21,520

3.30 In comparison, the number of claims over the past 5 years has remained stable, as demonstrated in the table below, with the average being 246. There was a dip in claims for 2020-2021 which reflects the impact of Covid-19.

2017-2018	262
2018-2019	222
2019-2020	281

2020-2021	205
2021-2022	260

Future Plans

- 3.31 After the service restructure the Risk and Insurance service has an establishment of eight personnel, with two position vacant (Risk and Insurance Manager and Risk Officer). Recruitment has not been successful for these posts. The insurance service is divided into two groups – Underwriting, which deal with insured loss and risk, and Claims, which deal with claimants who have no insurance cover and wish to make a claim against the Council’s public liability policy.
- 3.32 The current Property, Terrorism and Liability policies were entered into on 1st April 2022 following a tender exercise via the ILC. The policies are for a 5-year period and continued existing arrangements, one of which with a new insurer.
- 3.33 The following policies are currently being tendered via the ILC. The contracts are to run from 1st April 2023 for a period of 5 years.
- Engineering Inspections
 - Motor Vehicle
 - Building Insurance (RTB Leaseholders)
 - School Travel (journeys)
 - Commercial Property
 - Crime
 - Business Travel

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 Public liability insurance isn't compulsory in the UK. However, having insurance is a safety net against an unforeseen incident where large losses may occur, which exceed the policy excess in place. The only compulsory cover in the UK is Employers' Liability insurance, which is a legal requirement for most businesses that employ staff. An exception is where an individual is a sole trader with no employees.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no specific financial implications arising from the recommendation in this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council is lawfully entitled to hold reserves to cover various aspects and volumes of financial risk that might otherwise be covered by obtaining an external insurance policy. The mode of managing risk described in this report is therefore lawful and one that is similar to that followed by many larger local authorities. This allows the Council to balance premium levels against potential expenditure against the chance of crystallisation of such risks. This in turn means the Council is offered better value premiums as the market is itself protected from exposure to certain levels of risk that the Council is willing to take on itself.
- 7.2 However, the policies allow the Council to be protected from catastrophic levels of risk. There are some areas where the law requires the Council to have external policy cover.
- 7.3 The report therefore demonstrates that the Council has an appropriate methodology of risk management relating to insurance which complies with the Council's legal duties relating to risk management. Also, the mode delivers risk management in a way which is Economic Effective and Efficient and therefore compliant with the Council's Best Value Duty.
-

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

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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Non-Executive Report of the: Audit Committee 24/11/2022	 TOWER HAMLETS
Report of: Janet Fasan, Director of Legal and Monitoring Officer	Classification: Open (Unrestricted)
Code of Corporate Governance	

Originating Officer(s)	Jack Kerr Senior Strategy and Policy Officer
Wards affected	All (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 2022/23 review version for comment and endorsement by the Committee.

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.
- 3.7 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 2022/23 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 [Report authors should identify any other specific issues relevant to consideration of this report. Including, but not limited to, the issues noted above. This section of the report can also be used to re-emphasise particular issues that Members must have considered before taking the decision (for example issues that may come up if an objection was taken to court). Note – Paragraph 5.1 MUST NOT be deleted.]

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 have a sound system of internal control 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. An authority is also required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance.

7.2 The matters set out in this statement comply with the above legislation.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
-
- State NONE if none.

Appendices

- Appendix 1 - The Code of Corporate Governance 2022/23

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

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

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

- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:

Jack Kerr, Senior Strategy and Policy Officer jack.kerr@towerhamlets.gov.uk



TOWER HAMLETS

CODE OF CORPORATE GOVERNANCE

October 2022

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 January 2022. 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
- 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.](#)
- 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. As the current programme is coming to an end work is underway to develop a new programme.
- 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
- 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. As the programme is coming to an end work is underway to develop a new grants programme for the 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 Net Zero Carbon Management Plan, and an 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 2021-24 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 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
- 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.
- 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.



AUDIT COMMITTEE WORK PLAN 2022/23

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Last updated:	15 th November 2022

AUDIT COMMITTEE WORK PLAN 2022/23

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
17TH NOVEMBER 2022	AUDIT TRAINING DAY	Kevin Bartle/ Nisar Visram/ Miriam Adams / Aaron Winter	CANCELLED
24TH NOVEMBER 2022			
1. Deloitte	Standing item	Jonathan Gooding / Angus Fish	
2. Worth Technical Accounting Solutions Follow Up Review		Kevin Bartle/Nisar Visram	
3. Risk Management Report 2022-23 – Q2 Progress update & HAC Directorate Risk Register	An update on risks in the Corporate Risk Register.	Aaron Winter/Denise Radley	
4. Annual Risk Management Report 2021/22	Report assessing the key risks facing the Council.	Aaron Winter	
5. Anti-Money Laundering Policy Report	Annual Report updating the Anti-Money Laundering Policy.	Aaron Winter/ Agnes Adrien	
6. Annual Insurance Report 2021-22	Presents a summary of insurance activity for 2021/22.	Aaron Winter	
7. Review of Code of Corporate Governance 2022/23	To report on an annual basis. Monitoring Officer.	Matthew Mannion / Frances Winter/ Thorsten Dreyer – NOV 22	Deferred to new municipal year 2022-23 – June Mtg

AUDIT COMMITTEE WORK PLAN 2022/23

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
19TH JANUARY 2023	AUDIT TRAINING DAY	Kevin Bartle/ Nisar Visram/ Miriam Adams	
	Internal Audit (to include mention of External Audit)/ Anti- Fraud		
26TH JANUARY 2023			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Internal Audit Charter & Annual Review of Anti-Bribery Policy	Annual review and approval of the Internal Audit Charter. Annual review and approval of the Council's Anti-Bribery policy.	Aaron Winter	
3. Treasury Management Report and Mid-Year Review	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators	Kevin Bartle/ Nisar Visram & Miriam Adams	
4. Treasury Management Strategy Statement, Investment Strategy and Capital Strategy Report for 2022-23		Miriam Adams	
5. Internal Audit and Anti-Fraud update 2022/23 Q3 Progress update	An update on the progress against the delivery of the 2022/23 Annual Internal Plan. Highlights any significant issues since the last report to the Audit Committee.	Aaron Winter	
6. Risk Management Report 2022-23 – Q3 Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	Aaron Winter	
7. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	

AUDIT COMMITTEE WORK PLAN 2022/23

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
6TH APRIL 2023	AUDIT TRAINING DAY	Kevin Bartle/ Nisar Visram/ Miriam Adams/Aaron Winter	
	Statement of Accounts; Accounting Policies; Treasury Management		
13TH APRIL 2023			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Annual Internal Audit and Counter-Fraud Strategy & Plan 2023/24	Draft Internal Audit Plan for 2023/24. For review and approval by the Committee.	Aaron Winter	
3. Draft Annual Governance Statement 2023/24	For Review. Approval in July 2023 with Annual Accounts.	Aaron Winter	
4. Review of Code of Corporate Governance 2023/24	To report on an annual basis. Monitoring Office. Approval in July 2023 with Annual Accounts.	Matthew Mannion	
5. RIPA Policy 2023/24	Regulation of Investigatory Powers Act 2000 (RIPA) relates to covert surveillance. A report updating Members on the policy and use of these powers, in accordance with the code of practice. Reviewed Annually.	Agnes Adrien	
6. Draft Terms of reference for 2023/24	Review. To be approved in July 2023.	Aaron Winter	
7. 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/ Aaron Winter/ Charlotte Webster	Deferred to new municipal year 2022-23 – June Mtg

AUDIT COMMITTEE WORK PLAN 2022/23

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
8. Risk Management Report 2022-23 – Q4 Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	Aaron Winter	
9. 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 powers, in accordance with the code of practice. Reviewed Annually.	Agnes Adrien	Deferred to new municipal year 2022-23 – June Mtg Deferred to 24/11/22 Deferred again to 13/4/2023
CARRY FORWARD ITEMS – 2023/24			
1.			
2.			
3.			

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