

Audit Committee

Agenda

Tuesday, 30 May 2023 at 6.30 p.m.
Committee Room - Tower Hamlets Town Hall,
160 Whitechapel Road, London E1 1BJ

Members:

Chair: Councillor Harun Miah

Vice Chair:

Councillor Kabir Ahmed, Councillor Saied Ahmed, Councillor Ahmodur Khan, Councillor Abdul Wahid, Councillor Maisha Begum, Councillor Rachel Blake, Councillor Mufeedah Bustin and Councillor Asma Islam

Independent Member:

Charlotte Webster

Substitutes: Councillor Shafi Ahmed, Councillor Suluk Ahmed, Councillor Abu Chowdhury, Councillor Mohammad Chowdhury, Councillor Ayas Miah and Councillor Abdal Ullah

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

Contact for further enquiries:

Farhana Zia, Democratic Services,

farhana.zia@towerhamlets.gov.uk

020 7364 0842

Town Hall, 160 Whitechapel Road, London, E1 1BJ, E1 1BJ

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



Public Information

Viewing or Participating in Committee Meetings

The meeting will be broadcast live on the Council's website. A link to the website is detailed below. The press and public are encouraged to watch this meeting online.

Please note: Whilst the meeting is open to the public, the public seating in the meeting room for observers may be limited due to health and safety measures. You are advised to contact the Democratic Services Officer to reserve a place.

Meeting Webcast

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

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

Electronic agendas reports and minutes.

Copies of agendas, reports and minutes for council meetings can also be found on our website from day of publication.

To access this, click www.towerhamlets.gov.uk/committee and search for the relevant committee and meeting date.

Agendas are available on the Modern.Gov, Windows, iPad and Android apps



Scan this QR code to view the electronic agenda



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

Tuesday, 30 May 2023

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. APPOINTMENT OF VICE-CHAIR

3. MINUTES OF THE PREVIOUS MEETING(S) (PAGES 9 - 20)

To confirm the minutes of the Audit Committee held on 26th January 2023.

4. DELOITTE ITEMS FOR CONSIDERATION

4 .1 Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019 (Pages 21 - 48)

4 .2 Update to Final Report to the Audit Committee on the audits for the year ended 31 March 2020 (Pages 49 - 74)

5. TOWER HAMLETS ITEMS FOR CONSIDERATION

5 .1 Management letters of representation to the external auditor



To follow.

5 .2 Statement of Accounts for 2018/19 & 2019/20

To follow.

5 .3 Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2023-2024 (Pages 75 - 86)

5 .4 Internal Audit and Anti-Fraud - Quarterly Progress Report on 2022/23 Audit Plan (Pages 87 - 126)

5 .5 Internal Audit & Anti-Fraud Annual Plan 2023/24 (Pages 127 - 158)

5 .6 Risk Management - Corporate and Directorate Risk Registers (Pages 159 - 194)

6. AUDIT COMMITTEE WORK PLAN

7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Next Meeting of the Audit Committee

Thursday, 20 July 2023 at 6.30 p.m. to be held in Committee Room - Tower Hamlets Town Hall, 160 Whitechapel Road, London E1 1BJ



This page is intentionally left blank

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.

AUDIT COMMITTEE, 26/01/2023

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.30 P.M. ON THURSDAY, 26 JANUARY 2023

**COUNCIL CHAMBER - TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON, E14 2BG**

Members Present in Person:

Councillor Jahed Choudhury
Councillor Ahmodur Khan
Councillor Saied Ahmed
Councillor Ohid Ahmed
Councillor Kabir Hussain
Councillor Mufeedah Bustin
Councillor Asma Islam
Councillor James King

Apologies:

Councillor Rachel Blake	
Charlotte Webster	Independent Person

Others Present in Person:

Andrew Cardoza	KPMG
Angus Fish	Deloitte
Jonathan Gooding	Deloitte

Others In Attendance Virtually:

Antony Smith	KPMG
Rashpal Khangura	KPMG

Officers Present in Person:

Miriam Adams	Interim Head of Pensions and Treasury
Kevin Bartle	(Financial Consultant- formerly Interim Corporate Director, Resources & Section 151 Officer)
Jill Bayley	(Head of Legal Safeguarding)
Tim Harlock	Interim Chief Accountant
Caroline Holland	(Interim Corporate Director, Resources)
Will Tuckley	(Chief Executive)
Nisar Visram	(Director of Finance, Procurement & Audit)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Farhad Ahmed	(Traded and Business Development Manager)
Kay Goodacre	(Head of Strategic Finance, Children & Culture)
Ahsan Khan	(Chief Accountant)
Steve Nyakatawa	(Director of Education)
Jennifer Peters	(Divisional Director, Planning and Building Control, Place)
Karen Swift	(Divisional Director, Housing and Regeneration)

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rachel Blake and Charlotte Webster, Independent Person of the Audit Committee.

VARIATION IN THE ORDER OF BUSINESS

The Chair, Councillor Jahed Choudhury stated item 4.2, the financial accounts for 2018/19 and 2019/20 and item 4.3, the letter of representation to Deloitte will be taken first. This would then be followed by item 3, the KPMG Audit update for the 2016/17 & 2017/18 accounts and then item 3.1 the management letter of representation to KPMG. Thereafter Deloitte would be presenting their report – Item 4.1, the accounts for 2018/19 and 2019/20.

In respect to the Tower Hamlets Items for consideration, Items 5.4 – Treasury Management Mid-Year Review and Item 5.5, the strategy statements would be taken first before proceeding with the remaining item on the agenda, items 5.1, 5.2 and 5.3.

The Chair apologised for the changes made saying that it was important the Committee dealt with the accounts and treasury management reports first.

1. DECLARATIONS OF INTEREST

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

2. MINUTES OF THE PREVIOUS MEETING(S)

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

3. KPMG AUDIT UPDATE

Mr Andrew Cardoza from KPMG presented the 2016/17 and 2017/18 accounts. He explained the timeline involved and how the prior year

adjustments proposed in the management letter of representation were dealt with.

Mr Cardoza said their opinion for both sets of accounts i.e., 2016/17 and 2017/18 had been issued, with the audit certificates outstanding. Mr Cardoza explained they had been dealing with an objection that required investigation and as such the certificates for those years had not been issued forthwith at the time. He said KPMG contacted the Council in August 2019 asking for the management letters of representation however, there was a lag, and nothing was heard back until late 2020. He said over time staff at KPMG as well as the Council had left and moved on. Mr Cardoza said that he picked up the issue in May 2021 and commenced work in July 2021.

He said the management letter of representation mentioned prior year adjustments for the 2016/17 and 2017/18 accounts. Mr Cardoza said for the 2018/19 accounts, 10 adjustments were suggested, with a further 17 separate adjustments proposed. Mr Cardoza said they did not think all were necessary and for the 2017/18 accounts, 4 changes were made. He said this was detailed on page 5 of the report (page 7 of supplementary agenda 1).

Mr Cardoza said that for the 2016/17 accounts and the 2017/18 accounts the draft certificates were including in the appendices. He said on receipt of the management letters of representation, KPMG would close off the audits and issue the audit certificates.

In respect to the 2017/18 accounts, 14 prior year adjustments had been suggested. He said 3 adjustments had been accepted, as detailed on page 5 of the report (page 7 of supplementary agenda 1), with 12 adjustments not made. Again, Mr Cardoza said KPMG were happy to issue audit certificates once in receipt of the management letter of representation.

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

- Councillor Saied Ahmed said it was good to hear the accounts for KPMG audit years were ready to be issued with audit certificates. He asked Officers how long it would take to get the letters of representation to KPMG? Mr Bartle responded stating the draft management letters of representation were included as part of supplementary pack 2 (pages 3 -22) and would be sent to KPMG shortly

The Chair, Councillor Jahed Choudhury, thanked Mr Cardoza and KPMG for their work, in reaching a successful conclusion to the 2017/18 and 2018/19 accounts. Mr Cardoza also thanked Deloitte officers and Council Officers for their involvement and their helpfulness in concluding the accounts, in what had certainly been 'unchartered territory' for all involved.

The Audit Committee **RESOVLED** to:

1. Note the audited accounts of 2017/18 and 2018/19 and the conclusion of the said accounts.
2. Members understood audit certificates pertaining to the above years would be issued once in receipt of the management letters of representation.

3.1 Management Letter of Representation to KPMG

Mr Bartle, former Interim Corporate Director for Resources, stated the management letters of representation to KPMG were in supplementary pack 2 (pages 3-22) and asked the Audit Committee to approve them.

The Audit Committee **RESOLVED** to:

1. Delegate to the Chair the authority to sign the management letters of representations to be made to KPMG, as provided in the appendices, subject to any further updates to be reported verbally at the meeting.

4. DELOITTE ITEMS FOR CONSIDERATION

4.1 Deloitte Audit Update

Mr Jonathan Gooding, from Deloitte introduced the reports and said members of the Audit Committee had revised versions of the 2018/19 and 2019/20 accounts in front of them. These were in supplementary pack 1, pages 37 to 130, and pages 131-210 respectively. He said the audits for these years were substantially complete, subject to a few outstanding issues before the audits could be signed off following the management letters of representation.

Mr Gooding then took members through the 2018/19 report and said the key messages summarised the status of their work as well as the key areas of audit judgment. He said for the 2018/19 accounts, Deloitte were issuing a qualified opinion. Mr Gooding stated the key areas of audit judgement related to expenditure, valuation of properties and the decision not to prepare group accounts, to highlight a few areas. He said the report listed the control observations and made recommendations on how to improve these.

In reference to the second report, 2019/20 Mr Gooding said the issues identified were very similar, with similar conclusions reached for this set of accounts. He said that Deloitte would be issuing a qualified opinion for these accounts however it was evident a considerable amount of resources, investment as well as checks and balances had been introduced by the Council through the improvement plan to address the shortcomings.

He said no objections had been received in relation to the accounts and as such once the small number of points raised were clarified, Deloitte would be in a position to issue the audit certificates.

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

- In answer to what assurances Deloitte could give, that more issues would not be raised following the latest presentation of the audits, Mr Gooding stated that in the management letters of representation the Authority agreed that the issues raised by the auditors are not material; and that relevant legal documentation is correct. He said that to satisfy themselves they had asked for an enhanced assurance that members of the Committee had understood the audit processes and said this was what was required before the audits could be signed off.
- Mr Bartle added that in his introduction he had made clear that the receipt of the ISA 260 audit reports was late on Friday 20th January and that these had been issued to members at the earliest opportunity without officer review. He said Officers had not understood the requirement from Deloitte for Members to be taken through representations being made by the Council as part of an enhanced process and he apologised for any oversight in this regard.
- Referring to the 2019/20 accounts, Councillor Saied Ahmed asked if the outstanding information required was provided, what was the timeline to sign off the accounts? Mr Gooding said he was confident the issues could be resolved in the next 2-3 weeks with certificates being issued thereafter.
- Mr Gooding confirmed that the Audits had not identified corruption or fraud as part of its work.
- In respect £20M accounted for incorrectly, Councillor Islam asked if this related to a change in formula for calculating business rates. Mr Bartle responded stating that the sum had been released to the General Fund in error however this had been corrected. It did not relate to any change in the Business Rates formula.
- Mr Bartle stated that the accounts for these years could be re-examined again and again, however the Council needed to draw a line under this and move on with the outstanding accounts for 2020/21 onwards. He said a pragmatic approach was needed.
- Councillor Bustin asked if it was clear what additional information was needed by Deloitte. Mr Gooding stated the information required was bullet pointed in the audit reports and said he hoped this could be provided within the next 2-3 weeks. Mr Tim Harlock, Interim Chief Account confirmed that he'd be able to get the information to Deloitte's in that timeframe.

The Chair, Councillor Jahed Choudhury thanked Mr Gooding and Mr Fish for attending the meeting and said that following the discussion had earlier in the meeting, the Audit Committee would meet again once the minor outstanding queries had been resolved.

The Audit Committee **RESOLVED** to:

1. Note the audit reports presented by Deloitte for years 2018/19 and 2019/20 and acknowledged a further extraordinary meeting of the Audit Committee would be required before the audits could be signed off, with enhanced management letters of representation.

4.2 Financial Accounts for 2018-19 & 2019-20

Mr Kevin Bartle, former Interim Corporate Director for Resources introduced the item. He informed members that whilst the intention was to present and sign off all four years of accounts, it was late on the afternoon of the Audit Committee meeting, namely the 26th January, that it was discovered this may not be possible.

Mr Bartle explained that for the 2018/19 and 2019/20 accounts further issues had arisen which he hoped were not significant or material. He said Deloitte would update members in this regard, however what was clear was another extraordinary meeting of the Audit Committee would be required to sign off the 2018/19 and 2019/20 accounts.

Referring to the KPMG accounts for 2016/17 and 2017/18, Mr Bartle hoped these were now ready to be presented and signed off at the meeting together with the management letter of representation appended to item 3.1. Mr Bartle said members would be hearing from Mr Andrew Cardoza in relation to the KPMG accounts.

Mr Bartle explained it was usual practice for the external auditors to present their accounts and for the Council to respond with a management letter of representation. He said the letter provided assurances to the auditors, with caveats that the underlying processes used in the production of the accounts, could be evaluated as credible and robust enough for the purpose of compiling the accounts.

Mr Bartle said that notwithstanding this, Deloitte had asked for an enhanced level of due diligence for the two years of accounts, they had been involved in. Mr Bartle said the Council was now being asked to provide a memo or report giving assurances that the Audit Committee members had fully understood the issues with the accounts and were fully appraised of them. Mr Bartle said Deloitte were expecting the enhanced report to be part of the agenda at this meeting, whereas Officers of the Council had not fully grasped this, owing the audit report where this was mentioned being provided late on Friday 20th January, with a late supplement being issued to Members, without Officers having had a chance to go through the documentation.

Therefore, the recommendation to the Audit Committee, was for members to have an informal meeting with officers by late February, with an extraordinary meeting of the Committee to follow soon after.

The Chair, Councillor Jahed Choudhury put forward this proposal of an informal meeting followed by an extraordinary meeting to members of the Committee, who **AGREED** to this.

The Audit Committee **RESOLVED** to:

1. Meet informally with officers of the Council to go through the accounts of 2018/19 and 2019/20, to understand the underlying issues before an extraordinary meeting of the Audit Committee.

4.3 Management Letter of Representation to Deloitte

As explained by Mr Bartle, former Interim Corporate Director for Resources, this item will be considered at the extraordinary meeting of the Committee.

5. TOWER HAMLETS ITEMS FOR CONSIDERATION

5.1 Internal Audit and Anti-Fraud Progress Quarterly Reports (22-23) Q3

Mr Nisar Visram, Director of Finance, Procurement and Audit stated the report provided an update on the progress against the delivery of the 2022/23 Annual Internal Audit Plan as well as an update on the fraud prevention and anti-fraud work. Mr Visram said the report highlighted any significant issues since the last report to the Audit Committee in November 2022.

Referring to paragraph 3.2, Mr Visram said BDO had been selected to provide third party accountancy support to the internal audit function however a delay in appointment had led to some of the audits in the audit plan lagging. Mr Visram continued stating the tables at paragraphs 3.9 and 3.10 showed the progress made against the Internal audit plan and the recommencement of the schools' audit programme.

Mr Steve Nyakatawa, Director of Education was also present for the meeting and said several schools had achieved a 'limited assurance', since the recommencement of the schools' audit programme. He said steps were in place to ensure Headteachers and Governing Bodies were aware of the shortcomings and had improvement plans in place to rectify the weaknesses. Ms Kay Goodarce, Head of Strategic Finance - Children & Culture added that the information from the early audits was being used to inform other schools. She said schools had not been audited since the pandemic and as such there was significant learning for all schools to recognise and implement.

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

- Members had no questions for the Officers relating to this report.

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.

5.2 Corporate/Directorate Risks Register Report 22/23 Q3

Mr Nisar Visram, Director of Finance, Procurement and Audit stated this was a regular report received by the Audit Committee, which set out the corporate risk register. He said Directors from the Place Directorate were also in attendance to answer questions relating to the Place Risk Register.

Ms Karen Swift, Director for Housing and Ms Jennifer Peters Director of Planning and Building Control took members through their risk register. Ms Swift provided an update in relation to risk PLC0013 (page 183 of the main agenda pack) and said good progress had been made, with more funding being provided by the Government. She said there was a better flow of information and improved ICT to ensure the database of high-rise buildings was up to date. In reference to risk PLC0023 (page 201 of the main agenda pack) Ms Swift said the Building Safety Act came into force in April 2022 and they had appointed a much-needed Building Safety Lead, who had previous fire Brigade experience.

Ms Peters concurred the Directorate had made good progress in relation to the Building Safety Act and referred members to risk PPRMM0003 (Page 236 of the main agenda pack) and said that following the limited assurance report further investment had been made to the management of markets.

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

- Councillor Bustin commented that the presentation of the risk registers was confusing and not easy to follow. She asked if Officers could clearly define the corporate risk register from that of the directorate risk register.
- **ACTION:** Mr Visram agreed to look at how the registers are presented to the Committee.
- Referring to SR0056 on the Corporate Risk register (Page 57 of the main agenda), Mr Visram reassured members that any overspend was carefully monitored through controls within the budget and regular meetings with the risk/budget holder. Mr Visram said the biggest area of overspend was the Adult Social Care budget and there were key pressures across the organisation.
- In reference to the Place Risk register, SDBCD0005 (Page 240 of the main agenda) Ms Peters stated that the risk register had not been updated in relation to the South Dock Bridge as this had only recently been approved for development by the Development Committee. She said the decision was not an issue but there remained risks attached to the scheme.
- In reference to PLC0013 (Page 183 of the main agenda) Ms Swift acknowledged the control measure column required updating with the control and target dates. She said this would be done with a target date of six months.
- Referring to risk EPGGS0019 (Page 218 of the main agenda) Councillor King enquired how risks were being measured against the current economic climate. He asked what steps had been taken to ensure capital programmes, in general were not at risk from high

inflation and the tough economic climate. Mr Visram responded stating that the capital programme had been refreshed with more accurate costings, which was part of the budget report going to Council for approval. He said they were keeping a close eye on projects and were working with project managers in relation to managing costs.

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

5.3 Internal Audit & Anti-Bribery Policy January 2023

Mr Nisar Visram, Director of Finance, Procurement and Audit stated that the Public Sector Internal Audit Standards required the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which required approval by the Audit Committee.

Mr Visram said the report was appended at Appendix A and this was an opportunity for members to review and comment upon the internal audit charter. Likewise, he said the Anti-Bribery policy, appended at Appendix B required annual review and update and required approval by the Committee.

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

- Member of the committee had no questions for Mr Visram in relation to this report.

The Audit Committee **RESOLVED** to:

1. Review and approve the Internal Audit Charter – Appendix A
2. Review and approve the Anti-bribery Policy – Appendix B

5.4 Treasury Management Mid-Year Report for 2022-23

Ms Miriam Adams, Interim Head of Pensions and Treasury stated there were two reports on the agenda and that she'd take questions from members once both reports had been presented.

Referring to the Treasury Management mid-year report she informed members the report covered the period 1st April 2022 to 30th September 2022.

Ms Adams took members through the report and the tables at paragraph 3.11 and 3.12 which provided a summary of the balance sheet and a summary of treasury management position. She said at the beginning of the year the total investments were £321.2m however at 30th September 2022, the total investment was £247m. She said one of the key drivers for the balances was the capital programme. Monies received from grants, fees and charges as well as business rate collection do not get used entirely.

She referred to paragraph 3.27 which showed the forecast performance as at 30th September and paragraph 3.31 which set out the borrowing exposure for short and long term borrowing. Ms Adams referred to the table appended at appendix A and said this summarised the investments in detail.

The Audit Committee **RESOLVED** to:

1. Note the contents of the treasury management activities and performance against targets for the half year ending 30 September 2022; and
2. Note the Council's investments as set out in Appendix 1. The balances outstanding at 30 September 2022 was £247.3m.

5.5 Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24

Ms Miriam Adams, Interim Head of Pensions and Treasury referred to the second report and said the Council under the Local Government Act 2003 had a legal obligation to ensure the CIPFA and the DLUHC guidance on Treasury management were fulfilled. Ms Adams said the Council was required to produce three strategy documents which set out the Council's treasury management approach. (1) The Treasury Management Strategy Statement, (2) the Investment Strategy Report and (3) the Capital Strategy Report for 2023-24.

She said the recommendations on page 26 of the 3rd supplementary agenda required approval of the Audit Committee and Full Council. She referred members to the table at paragraph 4.7, page 40 and said the Council was planning to significantly increase its capital expenditure over the next three years. She said the table provided a high-level summary of the costs involved. Referring to paragraph 5.8, page 43 Ms Adams said the table showed the counterparties and limits in which the Council could invest in. The Treasury Management indicators were described at paragraph 6, page 47 onwards. Ms Adams said that due to increased use of reserves, this had an impact on the capital treasury management cash balances and if there was a likelihood of slippage in the capital programme, then there was a likelihood of additional borrowing.

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

- Councillor Bustin enquired if the borrowing element for the capital programme had been factored in for future forecasting for the general

fund and the Council's cashflow. She said it was inevitable that borrowing attracted interest and wondered if this has been given consideration. Mr Visram responded stating consideration had been given to this, but much depended on how the markets behaved and if the interest rate continued to rise. He referred members to page 67 of the supplementary agenda 3, and said the table forecasted financing costs to the net revenue stream.

The Audit Committee **RESOLVED** to recommend to Council to:

1. Approve and adopt the following policy and strategies:
 - 1.1) The Treasury Management Strategy Statement contained in Appendix A;
 - 1.2) Approve the recommended investment counterparties and limits in Appendix A paragraph 5.8;
 - 1.3) The Investment Strategy Report contained in Appendix B;
 - 1.4) The Capital Strategy Report, which includes the Minimum Revenue Provision (MRP) Policy Statement, contained in Appendix C;
 - 1.5) The Prudential and Treasury Management indicators contained in Appendix D; and
 - 1.6) The Treasury Management Policy Statement as set out in Appendix E.

6. AUDIT COMMITTEE WORK PLAN

Ms Caroline Holland, Interim Corporate Director for Resources confirmed that there would be an informal meeting of the Audit Committee, towards the end of February followed by an extraordinary meeting of the Audit Committee to deal with the Accounts.

The next scheduled meeting thereafter was on the 13th April 2023.

7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no urgent business to be discussed.

The meeting ended at 8.33 p.m.

Chair, Councillor Jahed Choudhury
Audit Committee

This page is intentionally left blank



London Borough of Tower Hamlets

Update to Final Report to the Audit Committee on the
audit for the year ended 31 March 2019

Issued on 2 May 2023 for the meeting on 30 May 2023

Contents

Final report

1. Update to the Final Report	3
2. Purpose of our report and responsibility statement	12

Appendices

A. Audit adjustments	14
B. Expected wording of our audit report	20

Key messages

We have pleasure in presenting our report to the audit committee of the London Borough of Tower Hamlets (the Council) on our work on the audit of the financial statements for the year ended 31 March 2019. This report should be read in conjunction with our earlier reports presented at meetings of the committee in July 2019, November 2020, April 2021, January 2022 and January 2023.

Purpose of this update report

When we presented our Final Report to the audit committee on 26 January 2023, we identified that there were a number of matters outstanding. This report provides an update on those matters as well as an additional matter which has arisen relating to the effect of revised actuarial calculations commissioned by officers after the meeting.

Status of our audit

The time needed to audit changes to the financial statements in relation to this additional matter, together with slower provision of information on previously reported outstanding matters due to complexities encountered, have impacted on the timetable for completion of our audit which we discussed with the committee at the meeting on 26 January 2023. Further adjustments, in particular to disclosures, which were identified in the course of completing the remaining work, have also impacted on the timeline.

Our audit is now substantially complete, but we still need to conclude on revised entries relating to the pension liabilities, finalise our internal quality reviews and close a small number of open points on individual procedures. We are aiming to complete these by the time of the meeting and will provide an oral update there.

As normal for this stage of the audit, the following points are also outstanding which will be completed shortly after the meeting:

- Receipt of management representation letter (after officers have addressed the remaining challenges raised by us on their process supporting the provision of the requested representations)
- Update of post balance sheet review to the date of signing.

Changes to key findings and conclusion reported in January 2023

Our expected audit report is attached at Appendix B. There are two key changes to our expected opinion:

- Following the meeting in January 2023, officers decided to commission the council's actuaries to update their calculation of the pension liability at 31 March 2019 and related entries to take into account information collected and analysed as part of the triennial funding valuation process. The financial statements have now been revised to reduce pension liabilities from £690.9m to £506.2m in line with the revised actuarial calculation. As a result of the changes made, we expect that our report will no longer be qualified in respect of the timing of recognising the impact of the true-up of estimates to actuals. However, the revision to the accounts for this has resulted in an "experience gain", originally included in 2019/20, being pulled forward into 2018/19. We have not yet received sufficient information to enable us to assess the reasonableness of the quantum this item. The audit report wording does not reflect any wording which might be necessary in concluding on this second issue.
- We provided indicative wording for a qualification relating to disclosures on employee remuneration, but advised that our work was ongoing. The issue related to the completeness and accuracy of data included in the disclosure for schools which had opted out of the corporate payroll arrangement. After the last audit committee meeting, officers have decided to exclude these schools from the scope of the disclosure. This changes the nature of the qualification as the disclosure is now known to be incomplete, but the unreported amounts cannot be reasonably estimated.

Changes have been made to the schedule of uncorrected misstatements included in our January 2023 reporting for new misstatements identified and previously reported misstatements which have now been corrected. We have attached the current version of the schedule of uncorrected misstatements at Appendix A. We have noted the more significant additional recorded adjustments made since the January 2023 meeting in the body of this report.

Update to the Final Report

1. Additional matter arising since the meeting on 26 January 2023

Item	Update
<p>We reported to the meeting on 26 January 2023 that we expected to qualify our opinion in relation to pension liabilities relating to the council's participation in the London Borough of Tower Hamlets Pension Scheme.</p> <p>This was because the calculation of the pension liability did not take into account information on membership and other changes over the three year period to 31 March 2019 which had been collected and analysed as part of the triennial funding valuation process.</p> <p>After the meeting, officers decided they would commission the council's actuary to perform revised calculations using this information in order to remediate the position.</p> <p>This additional work has resulted in the following changes to the draft financial statements: a reduction in total pension liabilities at 31 March 2019 from £690.9m to £506.2m; and a change from other comprehensive expenditure of £75.5m arising on the remeasurement of the pension liabilities to income of £109.2m.</p>	<p>We have reviewed the updated actuarial report and resulting changes made to the draft financial statements.</p> <p>The council's actuary replaced estimates used in the original calculation with known actuals and also took the opportunity to change the assumption on indexation and equalisation of guaranteed minimum pension to bring into line with assumptions made in the funding valuation. Other financial and demographic assumptions and the position taken on McCloud and Goodwin cases were unchanged from the original calculation and our report on 26 January 2023 should be referred to for our comments on these.</p> <p>The effect of adjusting the pension liability at 31 March 2019 to true-up previous estimates to actuals is to pull forward an experience item, originally recognised in 2019/20, to 2018/19. The adjusted experience item in 2018/18 is £119.1m (split between a gain on re-measurement of pension assets of £24.9m and a gain on re-measurement of pension liabilities of £94.2m).</p> <p>We reported to the audit committee in January 2023, that we had not been able to obtain sufficient information to support the amount of the experience item and that this represented a material limitation in the scope of our audit.</p> <p>After the meeting in January 2023, officers also commissioned the council's actuary to carry out additional analysis of the experience item.</p> <p>The experience item represents the effect on the pension liability of replacing estimated inputs to the actuarial calculation (for example details of the scheme membership) with the actual data. As the gain is, in effect, determined as a balancing figure, we recognise that it is not straightforward for the council to provide an analysis of the gain which identifies the main differences between roll forward assumptions and actual experience and quantifies the effect of these differences on the pension liability. However, the further information which has been provided still does not provide sufficient detail to enable us to assess the reasonableness of the experience item or to understand, in material respects, its relationship with the experience item on a funding basis reported in the 31 March 2019 triennial valuation.</p> <p>Although the experience item is part of the reconciliation of movements between the opening and closing pension liability, it is not, for the reasons set out above, part of the actuary's calculation of the closing liability and therefore, in principle, the closing pension valuation is unaffected by this issue. Nevertheless, we need to consider the possibility that the failure to provide a full explanation for the experience item and its relationship to the funding valuation experience item may result from an undetected issue over the calculation of the closing liability.</p> <p>Discussions with officers and the council's actuaries were ongoing at the time of issue of this report and we will provide an oral update at the meeting. We have not finalised our work on the revised pension entries pending resolution of this issue.</p>

Update to the Final Report

2. Update on items reported as outstanding in our report to the meeting on 26 January 2023

Item	Update
Officers' assessment of the useful economic lives assigned to infrastructure assets in the light of recent guidance issued by CIPFA	<p>Officers completed their assessment of useful economic lives assigned to infrastructure assets in the light of the CIPFA research published in January 2023 and concluded that lives either fell within typical ranges or, where outside the typical range, were reasonable based on local circumstances and internal consultation with relevant service managers. We reviewed officers' paper and concurred with the conclusion reached.</p> <p>The council has also updated disclosures relating to infrastructure assets in line with the minimum standard disclosure recommended by CIPFA in their guidance issued in January 2023.</p>
Finalisation of our work on employee remuneration disclosures on receipt of further information and confirmation of changes made to the disclosures in the draft statement of accounts	<p>We explained in our previous reporting that, as a result of a management oversight, disclosures in the original version of the accounts of the number of employees paid over £50,000 (analysed in bands of £5,000) and the number and value of exit packages (analysed in bands of £20,000) did not include information for schools which had opted out of the corporate payroll arrangement (the "opted out schools") - 33 local authority maintained schools in 2018/19, of which six were voluntary aided schools where staff are employed by the governing body and not the council and are therefore not relevant to the disclosure on higher paid employees.</p> <p>Officers subsequently updated the disclosures to include the missing information for these schools.</p> <p>We explained in our January 2023 report that our work was ongoing but that we had identified a number of issues with the data which officers had used to update the disclosure and that these concerns amounted to a material limitation in the scope of our audit which we expected would result in the qualification of our opinion.</p> <p>Since the audit committee meeting in January 2023, officers have decided to make further adjustments to the financial statements, this time to exclude all information in these two disclosures relating to the opted out schools. This is because officers concluded that the information was unreliable and, as a consequence, its inclusion in the financial statements may be misleading and did not wish to delay the publication of the accounts further by requesting further or revised information from schools.</p> <p>The disclosure, including comparative information, has also been amended to: remove staff at voluntary aided and foundation schools who are not employees of the council; remove two employees who are now individually disclosed in the disclosure on senior officer remuneration; take into account the value of benefits received under a salary sacrifice scheme; and correct for clerical errors in the manual count of staff in the originally stated comparative information. An explanatory footnote regarding the restatement of comparative information and exclusion of information relating to the opted out schools has also been added.</p>

Page 25

Update to the Final Report

Item	Update
Employee remuneration disclosures (continued)	<p>The key factors in officers' decision to exclude opted out schools' staff from the disclosure were:</p> <ul style="list-style-type: none">Information was not collected for the comparative period and therefore in updating the disclosure officers had assumed that the numbers of opted out school staff paid over £50,000 was identical to 2018/19 and that no exit payments had been made. These assumptions were not substantiated.Although the council obtained returns were obtained for 2018/19, the returns were not in a suitable format because schools had been asked to provide information about staff paid over £50k in bands of £10,000, rather than bands of £5,000.As a result of discrepancies between the returns provided by schools and detailed pay records which had been obtained from a sample of schools for the purpose of our testing of employee benefit expenditure, differences between detailed pay records and totals in the general ledger system and unexpected changes in numbers of higher paid staff reported by some schools between 2018/19 and 2019/20, officers were concerned that the data on numbers of employees paid over £50,000 provided by schools was unreliable.The council previously provided to us a list of individual exit packages paid to employees of opted out schools in 2018/19, but have informed us that they are not able to determine, as a result of staff changes, the source of that information or whether it is based on a complete set of returns from opted out schools. <p>The council is required to make the disclosure on employees paid over £50,000 by the Accounts and Audit Regulations 2015 and the disclosure on exit packages by the Code of Practice on Local Authority Accounting.</p> <p>Based on the information in returns from schools (which may not be reliable), there were 226 staff at opted out schools who were paid over £50,000. According to the schedule originally provided by officers, there were 35 staff members employed by these schools who received exit packages totalling £636,054, which may not be complete.</p> <p>We have determined that users of the accounts have a closer interest in disclosures on employee remuneration and therefore apply a lower materiality in testing and evaluating misstatements relating to them. In view of the number of relevant individuals who are likely to have been incorrectly omitted, we have concluded that, in material respects, the council has not complied with the disclosure requirements and therefore will qualify our opinion in this respect.</p> <p>At the time of the January 2023 meeting, we also considered it might be necessary to qualify our opinion in respect of the disclosure on senior officer remuneration due to the possibility that there might be staff at opted out schools whose remuneration was over £150,000 and therefore would require individual disclosure. Subsequent to the meeting officers have surveyed the schools concerned and confirmed with each that there were no such circumstances.</p> <p>The disclosure on senior officer remuneration has been updated since the January 2023 meeting to include the remuneration of two individuals who report direct to the chief executive officer and require individual disclosure on that basis.</p>

Update to the Final Report

2. Update on items reported as outstanding in our report to the meeting on 26 January 2023

Item	Update
<p>We have reported disclosure misstatements relating to the comparative amounts for dedicated schools grant and to income from service recipients in Appendix A, Audit Adjustments. We have discussed with officers whether these can be remediated in the final version and will conclude on the impact on our opinion if this is not possible.</p>	<p>Officers have calculated the changes needed to the dedicated schools grant disclosure. As the disclosure is required by the Accounts and Audit Regulation 2015 and the error in the previously stated information for 2017/18 was material, officers have now restated the comparative information.</p> <p>Officers have also updated the financial statements to include disclosures about the amount and analysis of income from contracts with service recipients and amount of related balance sheet items, together with comparative information.</p> <p>This procedure highlighted additional errors in the presentation of prior period comparative information, both in the comprehensive income and expenditure statement and in the disclosure of income and expenditure analysed by nature and adjustments have been made to this information, as well as to the note on prior period restatements.</p>
<p>There is an historic difference between the capital financing requirement and related balance sheet amounts of £16m which we are discussing with officers.</p>	<p>The capital financing requirement has been increased by £16m in the final version of the financial statements to correct the historic difference with related balance sheet amounts. The opening capital financing requirement and comparative information has also been restated to correct for this error.</p> <p>The council uses the regulatory method in its calculation of its minimum revenue provision ("MRP"). The formula for this method includes adjusting the capital financing requirement by an historic amount ("Adjustment A") which was fixed on implementation of the prudential borrowing regime in 2004. In error, this adjustment has not been applied by the council in calculating its MRP. However, as the amount of Adjustment A (a reduction of £17m to be applied to the capital financing requirement in the MRP calculation) is similar to the value of the discrepancy between the capital financing requirement and the balance sheet values, officers concluded that, overall, there is no significant impact on MRP calculations due to the combination of the discrepancy in the capital financing requirement and the error in applying the regulatory method in calculating MRP - indeed it is likely that the error originally arose as a result of incorrectly setting off Adjustment A against the capital financing requirement in the disclosure, as opposed to solely within the MRP calculation.</p>

Update to the Final Report

Item	Update
Clearance of a small number of open points, in particular in relation to net pension liability, financial instrument fair value disclosure, schools reserves transfers, and certain factual inputs to the valuation of non-current assets, together with performance of other procedures required at closedown of the audit	<p>Certain of these procedures remain outstanding. We are aiming to complete these by the time of the meeting and will provide an oral update there.</p> <p>In relation to the net pension liability, we concluded that the council had incorrectly applied an asset ceiling in determining the amount of a pension surplus to be recognised in respect of the LPFA scheme as recognition of the surplus should not have been restricted following a change to the Local Government Pension Scheme Regulations 2013 made in 2018. We have therefore proposed a new adjustment to create a new pension asset of £1,242k and reduce the net pension liability by £2,261k. This has not been corrected and has been added to the schedule of uncorrected misstatements in Appendix A.</p>
Finalisation of internal quality control review processes and internal consultations in relation the scope of our audit	<p>Our internal quality control review processes are at an advanced stage but are not yet complete, in particular where they are dependent on the finalisation of other items noted as outstanding in this report.</p>
Review of the final version of the draft statement of accounts, including: updates to disclosures on infrastructure assets taking into account recent guidance issued by NIPFA; additional disclosures to explain issues giving rise to audit qualifications and the council's position on these; updates, if any, to employee remuneration disclosures and dedicated schools grant note comparative; updates to the Annual Governance Statement	<p>We read and performed other checks on the final version of the accounts, as well as checking we were satisfied with adjustments made in relation to the issues discussed above.</p> <p>We identified a number of inconsistencies within the document and brought these to officers' attention. Officers have generally not resolved these issues and internal inconsistencies are therefore present in the version expected to be signed. The remaining differences are below the threshold we set for reporting to you (£1250k) and, in some cases, are rounding differences. Whilst we have concluded that these discrepancies do not materially undermine the clarity of reporting, we bring this matter to your attention as the issues will be apparent to a user of the accounts from a detailed inspection of the document. We recommend the council build automated consistency checks into the excel version of its financial statements to enable officers to detect and resolve such issues during the accounts preparation process.</p> <p>We agreed an adjustment to reduce the reported member allowances by £81k. This is because the original disclosure included employer costs such as employer national insurance contributions and similar expenses. Our procedures included cross checking with the information separately published on individual member allowances. We note this information also contained errors, including the omission of an elected councillor from the list of allowances paid. We recommend the council re-considers controls to ensure the accuracy and completeness of information on individual member allowances which is published separate to the statement of accounts.</p>
Receipt and evaluation of memorandum documenting the process undertaken by officers to support representations, including any tailoring needed where officers conclude that the council is not in a position to provide the requested representation	<p>We reviewed an initial version of the memorandum prepared by officers which officers have subsequently updated to provide better explanation of their due diligence process which included obtaining confirmation. We challenged the scope of officers' process in the revised version as well as instances where it the description of the process was inconsistent with our understanding or other information held. Officers have not yet provided a full response on all these matters and our procedures are therefore not complete and at the time of writing we have not seen the finalised version which will be circulated to this meeting.</p>

Update to Final Report (continued)

Item	Update
Receipt of audit certificates for the years ended 31 March 2017 and 31 March 2018	<p>The predecessor auditor has now issued their certificates for the years ended 31 March 2017 and 31 March 2018. We have concluded that there are no changes required to the draft financial statements or our expected opinion resulting from this procedure.</p> <p>Both certificates refer to the issue of a formal recommendation made under Schedule 7 of the Local Audit and Accountability Act 2014 in relation to their audit for the year ended 31 March 2017.</p> <p>The recommendation was sent by the auditor on 5 August 2019 and recommended the council commission a detailed independent review of the operation of the Private Finance Initiative ("PFI") contracts to satisfy itself that they are appropriate and operating effectively and that the results are reported to a Council public meeting by 30 November 2019 and setting out areas which should be included in the scope of the review. Weaknesses in arrangements in the operation of the grouped schools PFI contract had given rise to serious health and safety and other concerns reported in an earlier independent report commissioned by the council in 2016. The purpose of the recommendation was to determine if these weaknesses had now been adequately addressed.</p> <p>The action taken by the council in relation to the substance of the recommendation has been for the head of internal audit to carry out an internal audit, Grouped PFI Schools - Contract Monitoring, which was reported in summary form to the audit committee 29 July 2021 alongside summaries of other internal audit reports issued in the period. The report gave a limited assurance rating to the council's arrangements. A subsequent follow-up report made further recommendations, in particular to give oversight of contractor performance issues at a senior level and escalate overdue health and safety recommendations.</p> <p>The legislation places various obligations on the council in relation to the consideration of a written recommendation made under Schedule 7, including requirements to:</p> <ul style="list-style-type: none">• Consider the recommendation at a public meeting within one month of it being sent to the council (or later date agreed with the auditor)• Agree at the meeting whether the recommendation is accepted and what action will be taken in response• Notify the local auditor of these decisions and publish a notice containing a summary of the decisions. <p>We understand that a public meeting was not held to agree whether the recommendation was accepted and, if so, how it would be implemented, such as whether the investigation would be carried out by internal audit, the areas to be covered and the meeting at which the results would be reported and on this basis the council has not complied with its obligations under the legislation in relation to the process to be followed on receipt of such a recommendation.</p> <p>In relation to the failure of the council to comply with its obligations under Schedule 7:</p> <ul style="list-style-type: none">• We recommend the audit committee consider whether it is satisfied with the actions which have been taken in response to the Schedule 7 recommendation.• We recommend the council consider what mechanism is needed, in the event that recommendations or reports are issued under Schedule 7 in the future, to ensure the council follows the process laid down in legislation.

Update to Final Report (continued)

Item	Update
Receipt of audit certificates for the years ended 31 March 2017 and 31 March 2018	<ul style="list-style-type: none"><li data-bbox="537 236 2168 734">• We have considered whether this instance of non compliance with legislation is indicative of a material weakness in governance which should be referred to in our value for money conclusion. As a result of the elapse of time and departure of key individuals, it is not clear whether the breach results from individual failure or systemic weakness. Additionally, whilst we regard the failure to comply with legislation as serious, we acknowledge that, in practice, officers undertook actions which were broadly consistent with the recommendation (except in relation to timetable), thereby mitigating the impact of the non compliance. We therefore do not propose to modify our conclusion specifically in relation to this. Nevertheless, together with previous concerns expressed by senior officers and audit committee members that external reports on financial processes had not been provided to the corporate leadership team or audit committee and the council had lost sight of the recommendations made, it is apparent there are weaknesses in the arrangements for handling recommendations made by external parties. We recommend a register is maintained of recommendations relating to the internal control environment made by external parties and action planned and taken. As a minimum, there should be reporting on this to the audit committee as part of the annual review of internal control effectiveness. We have updated the wording in our audit report regarding the existing qualification in relation to internal controls to make reference to the additional weakness in arrangements for handling recommendations made by external parties. <p data-bbox="537 734 2168 871">We have also considered whether the findings of the original 2016 Report and subsequent internal audit report and follow-up indicate weaknesses in contract management which impact on our expected VFM conclusion and concluded that this issue is most appropriately dealt with through the previously communicated proposed qualification on risk management and internal control.</p>

Update to Final Report (continued)

Item	Update
Finalisation of our audit report, taking into account the actual and potential qualification items, any further items arising from completion of other open items and finalisation of wording	<p>As explained above, as a result of further analysis which officers commissioned the actuary to perform after the meeting in January 2023, we no longer expect to qualify our report in relation to the recognition of the pension “experience” item. The audit report wording does not reflect any wording which might be necessary in concluding on a second issue in relation to the quantum of an pension experience item.</p> <p>There are no additional qualification matters which have arisen since the previous meeting, but as explained above, the nature and scope of the qualification in relation to staff remuneration disclosures has changed as a result of officers’ decision to exclude information returned by certain schools from the disclosure.</p> <p>The expected wording of our audit report is set out in Appendix B.</p>
Update of our subsequent events review through to the date of signing and receipt of signed management representation letter.	<p>We have substantially completed this work, but will need to extend these to the date of signing.</p> <p>As set out above, the council has now adjusted pension liabilities to take account of information which has become available since the authorisation for issue of the original unaudited version of the statement of accounts as a result of the triennial valuation process.</p> <p>Our review of officers’ commentary within final outturn reports for later years identified variances which related to the true up of estimates made, or correction of misstatements present, at 31 March 2019 which should have been corrected in the 2018/19 accounts. We have included these in aggregate in the schedule of uncorrected misstatements in Appendix A.</p>

Purpose of our report and responsibility statement

This report should be read in conjunction with the "Final Report to the Audit Committee" circulated to you on 17 January 2023 for the meeting on 26 January 2023 and sets out an update on those audit matters of governance interest which came to our attention during the audit and were outstanding at the time of our final report or have arisen since that date. Our audit was not designed to identify all matters that may be relevant to the Audit Committee and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Audit Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

St Albans

2 May 2023

Appendices

Page 33

Appendix A: Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). **New or amended misstatements (and related commentary) since our final report in January 2023 are highlighted in purple.**

		Debit/ (credit) in surplus on provision of services £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Debit/ (credit) OCI/Equity £m	Gross expenditure on services £m
Current year misstatements						
Impact of McCloud/Sargeant rulings	[1]	1.6	(1.6)	-	-	1.6
Impact of stale prices in pension assets	[2]	-	(1.1)	-	1.1	-
NNDR appeals provision	[3]	3.0	(3.0)	-	-	-
Roll forward of valuation of council dwellings	[4]	4.0	(4.0)	-	-	4.0
Impact of Goodwin case	[5]	4.0	(4.0)	-	-	4.0
Unreconciled difference on schools cash control account	[6]	(1.3)	1.3	-	-	(1.3)
Incorrect net down of income and expenditure (£1.5m)	[7]	-	-	-	-	(1.5)
Error in unit building cost input	[8]	-	1.4	-	(1.4)	-
Reduce provision for H&SE penalties	[9]	(1.9)	1.9	-	-	(1.9)
Recognise LPFA pension surplus in full	[10]	-	3.5	-	(3.5)	-
Total current year misstatements		9.4	(5.6)	-	(3.8)	4.9
Prior year misstatements identified in the current year						
Invalid PFI grant balance	[11]	(2.2)	-	2.2	-	-
Error in unit building cost input	[8]	-	-	(1.0)	1.0	-
Unreconciled difference on schools cash control account	[6]	(2.7)	-	2.7	-	(2.7)
Total prior year misstatements identified in the current period		(4.9)	-	3.9	1.0	(2.7)
Total		4.5	(5.6)	3.9	(2.8)	2.2

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

[1] As explained on pages 35-36, the pension liability does not take into account the impact of the McCloud/Sargeant rulings.

[2] Stale prices have been used by a custodian to value one of the pension scheme's assets, resulting in an overstatement of plan assets.

[3] As explained on pages 33-34, the NNDR appeals provision does not take into account information received after the reporting date which is relevant to the circumstances at the reporting date.

[4] Council dwellings were revalued by a valuer with an effective date of 1 April 2018. The council's finance team rolled this forward to 31 March 2019 by adjusting for additions, disposals, depreciation and transfers to other categories during 2018/19, together with applying an index, advised by the valuer, to take account of market change over the year. The approach results in adding to the original valuation the excess of additions over depreciation (£4m). This methodology does not allow for the effect of the social housing discount applied in arriving at the existing use valuation for social housing and assumes that the effect on the valuation of spend on replacements has outweighed the impact of wear and tear and passage of time – which is not supported.

[5] A legal challenge has been made against the Government in respect of unequitable benefits for male dependants of female members (based on service after 1988) following the earlier Walker ruling. An Employment Tribunal on 30 June 2020 has upheld the claim. This should result in an additional liability being recognised. Although tribunal ruling was not made until 2020/21, in our view the tribunal decision should be treated as an adjusting event, with the estimated impact recognised as a past service cost in the 2018/19 Comprehensive Income and Expenditure Statement. Based on general information that we have for LGPS's, we understand that the impact could be of the order of 0.2% of the defined benefit obligation, i.e. around c.£4m.

[6] The total of the cash books for individual schools at 31 March 2019 is £1.3m higher than the general ledger control account and at 31 March 2018 is £2.7m lower than the general ledger control account. Officers have not been able to reconcile these differences. As the council is only able to support the individual cash book amounts, we have proposed adjustments to agree to the totals of the individual cash book amount.

[7] A journal was incorrectly posted which had the effect of reducing income and expenditure in the service analysis in the Comprehensive Income and Expenditure Statement by £1.5m on the Corporate costs and central items line.

[8] In the revised valuation for certain schools, the build cost for the wrong category of school (secondary, primary etc) was used. This had the effect of undervaluing schools by £1.4m, £1.0m and £2.7m at 31 March 2019, 31 March 2018 and 1 April 2017, respectively.

[9] The council made provision for possible Health and Safety Executive penalties. One case was determined in 2020/21 for a lower amount than provided and in a second case a penalty is no longer considered probable given the elapse of time.

[10] The full amount of the pension asset calculated by the actuary was not recognised, but should have been following changes to the Local Government Pension Scheme Regulations 2013 in 2018.

[11] PFI grant is received in full in the year to which it relates and should be recognised in full in that year. As a result, no amounts should be carried forward at year end. Amounts were incorrectly carried forward in short term debtors at 31 March 2018 and 1 April 2017 of £2.2m and £3.1m, respectively.

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

In addition, we bring to your attention the following possible misstatements. We have not proposed that the financial statements are adjusted for these items as these are projections or other estimates of the possible misstatement and we are not able to quantify the actual adjustment, if any, which is required. We have taken account of these in evaluating whether the accounts are materially misstated as a whole and included a representation in the management representation letter to confirm management's view that any adjustment required to correct these misstatements is not material in aggregate with proposed adjustments in the previous table.

	Note	Debit/ (credit) in CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Debit/ (credit) OCI/Equity £m	Expenditure on gross services £m
Accruals which are not valid or in excess of amount due	[1]	(2.5)	2.5	-	-	(2.5)
Expenditure in excess of amount payable	[2]	(6.8)	6.8	-	-	(6.8)
Receipts recorded twice in expenditure analysis (£1.9m)	[3]	-	-	-	-	-
Incorrect set of income against expenditure (£14.1m)	[4]	-	-	-	-	14.1
Invalid items in schools bank account reconciliations (£4.6m)	[5]	-	-	-	-	-
Differences between detailed pay records and general ledger (£1.4m)	[6]	-	-	-	-	-
Discrepancies between floor plans and build areas provided to valuer	[7]	3.1	(3.1)	-	-	-
Total current year projected misstatements		(6.2)	6.2	-	-	4.8

In addition, The council has restated opening balances and comparative information as follows:

- An increase in schools' reserves at 1 April 2018 by £2.1m to agree to the aggregate of individual returns from schools, after correcting adjustments for known errors in the returns.
- A reduction in the General Fund balance at 1 April 2018 by £7.8m to account for the impact of adjustments made to other asset, liability and reserve accounts.
- An increase in expenditure for the year ended 31 March 2018 by £7.0m and reduced income by £0.3m.

The council has not been able to provide full information on the changes made to income and expenditure in 2017/18 or to the amount of reserves at 31 March 2018, including a full reconciliation of opening to closing schools reserves. As a result, the allocation of these entries between schools and general fund reserves and between income and expenditure may not be accurate.

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

[1] Officers carried out an exercise to evaluate whether accruals were valid and recorded in the correct amount in response to errors identified by our sample testing. The exercise did not cover the whole of the population. Errors identified by the exercise were corrected. The projected error in the part of the population not covered by officers' exercise was £1,450k. In addition, the exercise identified accruals totalling £687k where we were not able to obtain sufficient information to determine whether the accrual amount was valid and recorded in the correct amount.

The further projected error relating to items which could not be supported is £363k. The total projected error for accruals which are not valid or could not be substantiated is £2,499k.

[2] Sampling of other service expenditure identified a payment which was £155k higher than the amount due but had been expensed in full. The projected error across all accruals is £6.8m. No similar errors were identified in our sample.

[3] In expenditure analyses provided to us, expenditure on precepts and other levies of £1,859k is included twice. We have not been able to determine what adjustment, if any, is required in respect of this item.

[4] Sampling of other service expenditure identified grant income which had been incorrectly set off against expenditure of £521k. The projected error across all credits to other service expenditure is £14.1m.

[5] Our sample of reconciling items in individual cash book reconciliations identified a high rate of error (approximately half) at 31 March 2019, where payments were deducted from the cash balance before their release, resulting in the understatement of both cash and short term creditors. Officers have not quantified the error and therefore no adjustment has been made. The amount of un-presented cheques and BACS at 31 March 2019 was £8,127k, representing the maximum amount of error at each reporting date and the projected error approximately half of this amount, this projection being the amount included in the table. *Note that in the January 2023, we included this as a possible adjustment to expenditure, but on further investigation, all errors in our sample related to balance sheet classification errors. We have also amended the quantum of the projected error by using the precise error rate observed in our sample.*

[6] Detailed payroll reports for a sample of schools which had opted out of the council's corporate payroll arrangement could not be reconciled to the council's general ledger. The amounts recorded in the detailed payroll records for this sample was £184k more than the amount recorded in general ledger. The projected variance across all schools which had opted out of the corporate payroll arrangement was £1.4m.

[7] Discrepancies were identified between floor plans and build area information provided by the council to the valuer and used as an input in the valuation. The projected variance across remaining assets was £3.1m.

Appendix A: Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure

Inconsistencies and other errors relating to Note 42, Income and Expenditure analysed by nature

There are differences between income and expenditure on services per CIES and the amounts shown in Note 42, Income and Expenditure analysed by Nature. Gross income from services and gross expenditure on services using information extracted from the Note 42 is £2.0m lower than the amount shown in the CIES. Similarly, in respect of the restated comparative information, gross income from services and gross expenditure on services using information extracted from the Note 42 is £0.6m lower than the amount shown in the CIES.

We are not able to determine whether the CIES or Note 42 requires correction.

From our review of the other service expenses ledger, we identified that the precepts and levies expense of £1,859k had incorrectly been double counted in both other service expenses and the precepts and levies note line within Note 42. Due to the deficiencies identified in the initial version of the accounts and lack of information available, officers were unable to whether there is an equal and opposite credit within other service expenses to offset this amount or if a true double count, where the other side of the entry would be.

In addition, whilst an adjustment has been made to correct for an error in the Comprehensive Income and Expenditure Statement involving the incorrect classification of an item of service cost within other comprehensive income, Note 42 has not been similarly adjusted. As a result, employee benefit expenses are understated in Note 42 by £2,205k.

Revaluation reserve

The unusable reserves note disclosure contains a reconciliation of the opening and closing revaluation reserve:

- 'Upward revaluation of assets' note line is overstated by £5,166k
- 'Downward revaluation of assets' note line is understated by £4,123k.

Pooled budgets

The Pooled Budgets note discloses expenditure equal to income from the Better Care Fund of £23,165k. The council has not separately monitored expenditure which, based on a high level review of account codes, may be £1.3m higher than the amount assumed and disclosed.

Appendix A: Audit adjustments (continued)

Disclosures

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure

Movements on provisions

The analysis of movements on provisions should distinguish between amounts used and unused amounts reversed in the year. The disclosure does not distinguish between these amounts and discloses instead the aggregate of these two amounts [Code: 8.2.4.2].

This is because the council has not been able to analyse movements on the provision for appeals against business rates, in turn because the council has not been able to distinguish between adjustments to business rates income as a consequence of a successful appeals and other adjustments to business rates income.

Adjustments to business rates income as a consequence of a successful appeals and other adjustments to business rates income are presented on separate lines within the supplementary collection fund statement (being "Impairment of debts/appeals for non-domestic rates" and "Income from non-domestic rates", respectively).

As the council has not been able to extract information to determine the correct allocation of adjustments between these lines, it has done so on the basis of estimates.

Based on information provided to us, we estimate that income from non-domestic rates and the charge for appeals for non-domestic rates in the collection fund supplementary statement may have been understated by £6.9m.

Disclosures relating to the transition to IFRS 9

The Council has disclosed for each class of financial assets and financial liabilities the original measurement category and carrying amount determined in accordance with the Code's adoption of IAS 39 as at 1 April 2018, but has not disclosed the new measurement category and carrying amount determined in accordance with the Code's adoption of IFRS 9 [Code: 7.4.3.16].

Appendix B: Expected wording of our audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF TOWER HAMLETS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements of London Borough of Tower Hamlets ('the Authority'):

- give a true and fair view of the state of the Authority's affairs as at 31 March 2019 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 43;
- the Housing Revenue Account Income and Expenditure Account and related notes 1 to 10;
- the Statement of Movement on the Housing Revenue Account Balance; and
- the Collection Fund and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19).

Appendix B: Expected wording of our audit report (continued)

Basis for qualified opinion

Failure to prepare group accounts

As explained in note 45, the Authority has not prepared group accounts, which consolidate the results and financial position of its subsidiary undertakings, including Tower Hamlets Homes Limited and King George's Field, Mile End. Under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, the Authority is required to prepare group accounts as its interests are material in aggregate. Had group accounts been prepared, net assets and subsidiary reserves would have been £26.5m higher as a result of consolidating Tower Hamlets Homes Limited and King George's Field, Mile End and £27.1m higher at 31 March 2018. In addition, the narrative report does not consider the results and financial position of the subsidiary undertakings.

Related party disclosures

As explained in note 31, we were unable to obtain sufficient appropriate audit evidence concerning whether information disclosed in note 37 for the year ended 31 March 2019 in respect of all relevant relationships had been reported as returns used to collect information on the interests of elected members and members of their close family were not obtained at the time or cannot now be located due to the passage of time and as it was not possible to obtain subsequently due to changes in council membership. Consequently, we were unable to determine whether any adjustments to the information disclosed were necessary.

Officers' remuneration

Note 31 discloses information about the number of employees paid over £50,000. As explained in note 31, the Authority has not included information about the Authority's employees working in 28 local authority maintained schools during the year ended 31 March 2019 and 29 local authority maintained schools during the year ended 31 March 2018 as this information is not held centrally, the Authority did not obtain returns from all of those schools in respect of the year ended 31 March 2018 and returns obtained in respect of both the years ended 31 March 2019 and 31 March 2018 were not in a suitable form and were assessed by the Authority to be unreliable. The returns received in respect of these schools showed 226 employees with remuneration over £50,000 during the year ended 31 March 2019.

Note 31 also discloses information about the number, type and value of exit packages. As explained in note 31, the Authority has not included information about the number and cost of exit packages given to staff at 33 local authority maintained schools during the year ended 31 March 2019 and 35 schools during the year ended 31 March 2018 as information for these schools is not held centrally and other information obtained in respect of the year ended 31 March 2019 was assessed by the Authority to be incomplete and unreliable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Appendix B: Expected wording of our audit report (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, group financial statements have not been prepared for the group. Where the results and financial position of the Authority are discussed in the other information, we have concluded that the other information is materially misstated for the same reason.

Appendix B: Expected wording of our audit report (continued)

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2017, with the exception of the matters reported in the basis for qualified conclusion section below, we are satisfied that, in all significant respects, the London Borough of Tower Hamlets put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Appendix B: Expected wording of our audit report (continued)

Basis for qualified conclusion

The finalisation and publication of the council's statement of accounts for the year ended 31 March 2019 has been significantly delayed from the original target date of 31 July 2019. This is due to the time needed to investigate issues identified during the audit process and to prepare accounts. The Council's investigation of these matters resulted in a period of prolonged uncertainty over the amount and timing of recognition of usable reserves available to meet future spending requirements and the council's strategic objectives and a significant volume of corrections to the originally published draft statement of accounts. The corrections had the effect of increasing usable reserves at 31 March 2019 by £42m, unusable reserves by £58m, assets by £128m and liabilities by £28m and increasing usable reserves at 31 March 2018 by £48m, unusable reserves by £186m, assets by £262m and liabilities by £27m.

These conditions provide evidence that the Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making.

In the Annual Governance Statement, the Council has reported on significant governance issues identified from its annual review of effectiveness. The Annual Governance Statement reports that internal audit are under resourced and the Head of Internal Audit has reported there that he has limited the scope of his annual opinion on the system of internal control as he has not been able to consider IT risks. The Head of Internal Audit was not able to report on the Council's system of risk management in 2018/19 pending the establishment of independent review arrangements for this and in 2019/20 has reported he can provide only limited assurance on its operating effectiveness. The Head of Internal Audit was able to provide only limited assurance in relation to 37% of the areas included in the 2018/19 internal audit programme. In three cases these related to follow-up reports where recommendations from the original internal audit report had not been satisfactorily actioned. In addition, there were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked.

These conditions provide evidence that the Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.

An Ofsted inspection of the Council's services for children in need of help and protection, children looked after and care leavers undertaken in January and February 2017, which reported in April 2017, rated children's services, overall, as inadequate. The inspection also reviewed the effectiveness of the Local Safeguarding Children Board ("LCSB") and rated this as inadequate. The Ofsted report raised concerns in relation to poor frontline practice and non-compliance with basic standards (including legal requirements) which in some cases left children at risk of harm. The report also highlighted that there was insufficient scrutiny by senior leaders and non-compliance was not sufficiently challenged. In addition, performance management and quality assurance systems were not underpinned by reliable management information due to social workers and managers not updating records on the electronic recording system. The LCSB in Tower Hamlets was judged to be inadequate, as it was not discharging all of its statutory functions. The report concluded that there was insufficient monitoring of the quality of frontline practice which meant that the board was not aware of the failings to protect children reported on in the review. The Annual Governance Statement describes improvements which the Council has made in response to these findings. These improvements were not in place over the full year.

These conditions provide evidence that the Council did not have proper arrangements in place throughout the full year to understand and use appropriate and reliable performance information to support informed decision making and performance management; manage risks effectively and maintain a sound system of internal control; and work with third parties effectively to deliver strategic priorities.

Appendix B: Expected wording of our audit report (continued)

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the London Borough of Tower Hamlets had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Tower Hamlets put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of the London Borough of Tower Hamlets in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Appendix B: Expected wording of our audit report (continued)

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

This page is intentionally left blank



London Borough of Tower Hamlets

Update to Final Report to the Audit Committee on the audits
for the year ended 31 March 2020

Issued on 2 May 2023 for the meeting on 30 May 2023

Contents

Final report

1. Update to the Final Reports	3
2. Purpose of our report and responsibility statement	10

Appendices

A. Audit adjustments	12
B. Expected wording of our audit report	19

Key messages

We have pleasure in presenting our report to the audit committee of the London Borough of Tower Hamlets (the Council) on our work on the audit of the financial statements for the year ended 31 March 2020. This report should be read in conjunction with our earlier reports presented at meetings of the committee in November 2020, April 2021, January 2022 and January 2023.

Purpose of this update report When we presented our Final Report to the audit committee on 26 January 2023, we identified that there were a number of matters outstanding. This report provides an update on those matters as well as an additional matter which has arisen relating to the effect of revised actuarial calculations commissioned by officers after the meeting.

Status of our audit The time needed to audit changes to the financial statements in relation to this additional matter, together with slower provision of information on previously reported outstanding matters due to complexities encountered, have impacted on the timetable for completion of our audit which we discussed with the committee at the meeting on 26 January 2023. Further adjustments, in particular to disclosures, which were identified in the course of completing the remaining work, has also impacted on the timeline.

Our audit is now substantially complete, but we still need to finalise our internal quality reviews, as well as close a small number of open points on individual procedures. At the time of writing we had also not received officers' exercise to support requested written representations. We are aiming to complete these by the time of the meeting and will provide an oral update there. As normal for this stage of the audit, the following points are also outstanding which will be completed shortly after the meeting:

- Receipt of management representation letter (after we have received and had the opportunity to challenge the supporting process)
- Update of post balance sheet review to the date of signing.

Changes to key findings and conclusion reported in January 2023

Our expected audit report is attached at Appendix B. There are two key changes to our expected opinion:

- Following the meeting in January 2023, officers decided to commission the council's actuaries to update their calculation of the pension liability at 31 March 2020 and 31 March 2019 and related entries to take account of information collected and analysed as part of the triennial funding valuation process. As a result, the 2019/20 financial statements have now been revised to reduce opening pension liabilities from £428.7m to £244.1m in line with the new actuarial calculation. As a result of the changes made, we expect that our report will no longer be qualified in respect of the timing of recognising the impact of the true-up of estimates to actuals. In addition, officers commissioned the council's actuary to carry out additional analysis of an experience item, originally recognised in the 2019/20 accounts, where we had reported that we had not received sufficient information. As explained in our equivalent update report on the 2018/19 audit, we have not yet received sufficient information to enable us to assess the reasonableness of the quantum of this item. The audit report wording does not reflect any wording which might be necessary in concluding on this second issue.
- We provided indicative wording for a qualification relating to disclosures on employee remuneration, but advised that our work was ongoing. The issue related to the completeness and accuracy of data included in the disclosure for schools which had opted out of the corporate payroll arrangement. After the meeting officers decided to exclude these schools from the scope of the disclosure. This changes the nature of the qualification, but does not remove it. This changes the nature of the qualification as the disclosure is now known to be incomplete, but the unreported amounts cannot be reasonably estimated.

Changes have been made to the schedule of uncorrected misstatements included in our January 2023 reporting for new misstatements identified and previously reported misstatements which have now been corrected. We have attached the current version of the schedule of uncorrected misstatements at Appendix A. We have noted the more significant additional recorded adjustments made since the January 2023 meeting in the body of this report.

Update to the Final Report

1. Additional matter arising since the meeting on 26 January 2023

Item	Update
<p>We reported to the meeting on 26 January 2023 that we expected to qualify our opinion in relation to pension liabilities relating to the council's participation to the council's participation in the London Borough of Tower Hamlets Pension Scheme.</p> <p>This was firstly because we expected to qualify our opinion on the 2018/19 financial statements as the calculation of the pension liability at 31 March 2019 did not take into account information on membership and other changes over the three year period to 31 March 2019 which had been collected and analysed as part of the triennial funding valuation process. As a result, opening pension liabilities and other comprehensive income in 2019/20 were materially misstated.</p> <p>Secondly, we reported that we had been unable to obtain sufficient information in respect of the amount of an "experience item" relating to the true-up of estimates to actuals.</p> <p>After the meeting, officers decided they would remediate the position by commissioning the council's actuary to:</p> <ul style="list-style-type: none">perform revised calculations of the pension liability at 31 March 2019 using information collected for the triennial valuation and revised calculations for 2019/20 based on the adjusted opening position; andAnalyse and provide further support for the experience item. <p>This additional work has resulted in the following changes to the draft financial statements: a reduction in total pension liabilities at 1 April 2019 from £428.7m to £244.1m; a reduction in net interest on the pension liabilities from £16.9m to £12.4m; and a reduction in other comprehensive income arising on the remeasurement of the pension liabilities from £321.7m to £126.3m.</p>	<p>The effect of adjusting the pension liability at 31 March 2019 to true-up previous estimates to actuals was to substantially pull forward the experience item, which was originally recognised in 2019/20, to 2018/19.</p> <p>We therefore comment on the further work performed by the actuary in relation to the experience item in our equivalent report on 2018/19, as well as on the revised opening balance at 1 April 2019, and explain why we have not yet concluded on this.</p> <p>We have reviewed the updated actuarial report for 2019/20 and changes made to the draft 2019/20 financial statements which result from the revised actuarial report for 2019/20 and the adjustments made to the 2018/19 financial statements but have not yet concluded pending finalisation of the issue over the experience item now recorded in 2018/19 and described in more detail in our equivalent report for that year.</p> <p>The council's actuary adjusted the opening balances and made changes to in year transactions which result from this but did not make changes to other financial and demographic assumptions or the position previously taken on McCloud and Goodwin cases. Our report to the meeting on 26 January 2023 should be referred to for our comments on these judgements.</p>

Update to the Final Report (continued)

2. Update on items reported as outstanding in our report to the meeting on 26 January 2023

Outstanding item in our 26 January 2023 report

Officers' assessment of the useful economic lives assigned to infrastructure assets in the light of recent guidance issued by CIPFA

Update

Officers completed their assessment of useful economic lives assigned to infrastructure assets in the light of the CIPFA research published in January 2023 and concluded that lives either fell within typical ranges or, where outside the typical range, were reasonable based on local circumstances. We reviewed officers' paper and concurred with the conclusion reached.

The council has also updated disclosures relating to infrastructure assets in line with the minimum standard disclosure recommended in CIPFA guidance issued in January 2023.

Finalisation of our work on employee remuneration disclosures following receipt of further information and confirmation of changes to be made to the disclosures in the draft statement of accounts

We explained in our report to the January meeting a number of concerns over employee remuneration disclosures, in particular About the information available to verified the accuracy and completeness of information relating to schools which had opted out of the corporate payroll arrangement ("opted out schools"). We explained that we expected to qualify our opinion but further information was needed before we could finalise the wording of that qualification.

Officers have subsequently made changes to the disclosures, in particular to exclude all information relating to opted out schools from the disclosures on the number of employees paid over £50,000 (analysed in bands of £5,000) and the number and value of exit packages (analysed in bands of £20,000).

Officers have chosen to exclude this information as they concluded that the information was unreliable and as a consequence its inclusion in the financial statements may be misleading and did not wish to delay the publication of the accounts further by requesting further or revised information from schools.

The council has also adjusted the disclosure to:

- Remove information relating to voluntary aided/controlled and foundation schools' staff who are employed by the governing body and not by the council.
- Take into account the money value of benefits in kind provided under salary sacrifice schemes.
- Remove two employees from the count whose remuneration is now disclosed individually in the disclosure on senior officer remuneration.
- Remove the reimbursement of expenses which have been incorrectly included in the calculation of staff remuneration.

We have also agreed changes in relation to the incorrect exclusion of council employees on secondment to the Tower Hamlets Education Partnership and the incorrect inclusion of an employee of an academy trust which had not been reflected in the financial statements at the time of this report.

An explanatory footnote regarding the exclusion of information relating to the opted out schools has also been added.

Update to the Final Report (continued)

Outstanding item in our 26 January 2023 report

Update

Employee remuneration disclosures (continued)

Factors taken into account in officers' decision to remove information about the opted out schools included:

- For certain opted out schools, information on actual remuneration was collected for only Months 1-11 and estimates for their remuneration were used for Month 12.
- For the remaining schools, information was obtained from a bespoke report provided by the third party payroll provider and the chief accountant team were unable to determine from records held centrally whether the information was complete and accurate.
- Officers were unable to resolve differences between detailed pay records and totals in the general ledger system or explain large changes in numbers of higher paid staff reported by some schools between 2018/19 and 2019/20.
- The council previously provided to us a list of individual exit packages paid to employees of opted out schools in 2019/20, but have informed us that they are not able to determine, as a result of staff changes, the source of that information or whether it is based on a complete set of returns.

The council is required to make the disclosure on employees paid over £50,000 by the Accounts and Audit Regulations 2015. Based on the information in returns from schools (which may not be reliable), there were 177 staff at opted out schools who were paid over £50,000. We concluded that as a result of excluding information on staff employed by opted out schools, the council had not in material respects complied with the disclosure requirement set out in regulations in respect of higher paid employees.

The council is required to give the disclosure on exit packages by the Code of Practice on Local Authority Accounting. According to the schedule originally provided by officers, there were 5 staff members employed by these schools who received exit packages totalling £50,567. We do not regard this as material to the disclosure, but as we are not able to determine whether this original schedule is complete, as the council is unable to provide copies of the return or other information inspected in compiling the schedule, we are unable to determine whether the note on exit packages is complete in [all](#) material respects.

We have determined that users of the accounts have a closer interest in disclosures on employee remuneration and therefore apply a lower materiality in testing and evaluating misstatements relating to them. In view of the number of relevant individuals who are likely to have been incorrectly omitted, we have concluded that, in [all](#) material respects, the council has not complied with the disclosure requirements and therefore will qualify our opinion in this respect.

At the time of the January 2023 meeting, we also considered it might be necessary to also qualify our opinion in respect of the disclosure on senior officer remuneration due to the possibility that there might be staff at opted out schools whose remuneration was over £150,000 and therefore would require individual disclosure. Subsequent to the meeting officers have surveyed the schools concerned and confirmed with each that there were no such circumstances.

The disclosure has been updated since the January 2023 meeting to include the remuneration of two individuals who report direct to the chief executive officer and require individual disclosure on that basis.

Update to the Final Report (continued)

Outstanding item in our 26 January 2023 report

We have reported disclosure misstatements relating to income from service recipients in Appendix A, Audit Adjustments. We have discussed with officers whether these can be remediated in the final version and will conclude on the impact on our opinion if this is not possible.

There is an historic difference between the capital financing requirement and related balance sheet amounts of £16m which we are discussing with officers.

Completion of audit of related party disclosures where officers have recently submitted updated disclosures and supporting information in the light of previous audit challenges

Update

The council has updated the accounts to disclose the amount and analysis of income under contracts with service recipients and related balance sheet amounts.

We agreed changes to the initial version of this disclosure which had not been updated in the latest version of the accounts provided to us.

The memorandum disclosure in the draft financial statements showed a capital financing requirement which was £16m lower than the amount calculated by reference to the capital related account balances in the council balance sheet. The council has now adjusted the opening capital financing requirement at 1 April 2019 in the 2019/20 financial statements, following adjustments also made to the 2018/19 financial statements).

The council uses the regulatory method in its calculation of its minimum revenue provision ("MRP"). The formula for this method includes adjusting the capital financing requirement by an historic amount ("Adjustment A") which was fixed on implementation of the prudential borrowing regime in 2004. In error, this adjustment has not been applied by the council in calculating its MRP. However, as the amount of Adjustment A (a reduction of £17m to be applied to the capital financing requirement in the MRP calculation) is similar to the value of the discrepancy between the capital financing requirement and the balance sheet values, officers concluded that there is no significant impact on MRP calculations due to either the discrepancy in the capital financing requirement or the error in applying the regulatory method in calculating MRP - indeed it is likely that the error originally arose as a result of incorrectly setting off Adjustment A against the capital financing requirement in the disclosure, as opposed to solely within the MRP calculation.

As set out in our reporting to the meeting on 26 January 2023, our report will be qualified in relation to the comparability of prior year information as a result of the matters set out in our expected opinion on the 2018/19 financial statements.

We have completed our work on this disclosure and, following adjustments made to the disclosure, we expect our opinion will be unqualified in respect of the current year information as, unlike the previous year, returns on member interests were obtained and retained for all members.

Update to Final Report (continued)

Outstanding item in our 26 January 2023 report

Update

Completion of a small number of other open items, in particular in relation to net pension liability, financial instrument fair value disclosure, schools reserves transfers, certain factual inputs to the valuation of non-current assets and performance of other procedures required at closedown of the audit

Certain of these procedures remain outstanding. We are aiming to complete these by the time of the meeting and will provide an oral update there.

Finalisation of internal quality control review processes and internal consultations in relation the scope of our audit

Our internal quality control review processes are at an advanced stage but are not yet complete, in particular where they are dependent on the finalisation of other items noted as outstanding in this report.

Review of the final version of the draft statement of accounts, including: updates to disclosures on infrastructure assets taking into account recent guidance issued by CIPFA; additional disclosure in relation to explain issues giving rise to audit qualifications and the council's position on these; updates, if any, to employee remuneration disclosures and dedicated schools grant note comparative; updates to the Annual Governance Statement

We read and performed other checks on the final version of the accounts, as well as checking we were satisfied with adjustments made in relation to the issues discussed above.

We identified a number of inconsistencies within the document and brought these to officers' attention. Officers have generally not resolved these issues and internal inconsistencies are therefore present in the version expected to be signed. The remaining differences are below the threshold we set for reporting to you (£500k) and, in some cases, are rounding differences. There are also references to account balances not present in the accounts and an incorrect cross reference. Whilst we do not consider that these discrepancies materially undermine the clarity of reporting, we bring this matter to your attention as the issues will be apparent to a user of the accounts from a detailed inspection of the document. We recommend the council builds automated consistency checks into the excel version of its financial statements to enable officers to detect and resolve such issues during the accounts preparation process.

We agreed an adjustment to reduce the reported member allowances by £85k. This is because the original disclosure included employer costs such as employers national insurance contributions and similar expenses.

Update to Final Report (continued)

Outstanding item in our 26 January 2023 report

Update

Receipt and evaluation of memorandum documenting the process undertaken by officers to support representations, including any tailoring needed where officers conclude that the council is not in a position to provide the requested representation

Officers have not yet provided us with their memorandum. We will provide an oral update at the meeting.

Receipt of audit certificates for the years ended 31 March 2017 and 31 March 2018

As explained in more detail in our equivalent report on the 2018/19 statement of accounts, we have now received the audit certificates for these years and on the issue of our own certificate for the year ended 31 March 2019 expect to issue our certificate for the year ended 31 March 2020.

Following consideration of an issue over the council's handling of a formal recommendation made by the previous auditor, we have added wording to an existing qualification of our value for money conclusion dealing with risk management and internal controls. This is explained further in our equivalent report on the 2018/19 audit.

Finalisation of our audit report taking into account the actual and potential qualification items set out in the "Introduction" section of this report, any further items arising from completion of other open items and finalisation of wording

As explained above, after the meeting the council's actuary was commissioned to carry out further work aimed at addressing the issues giving rise to the expected qualification reported to you in the previous meeting.

There are no additional qualification matters which have arisen since the previous meeting, but as explained above, the nature and scope of the qualification in relation to staff remuneration disclosures has changed as a result of officers' decision to exclude information returned by certain schools from the disclosure.

The expected wording of our audit report (subject, in particular, to any changes resulting from the conclusion of our review of the changes made to the 2018/19 and 2019/20 financial statements in relation to pension liabilities) is set out in Appendix 2.

Update of our subsequent events review through to the date of signing and receipt of signed management representation letter.

We have substantially completed this work, but will need to extend our procedures to the date of signing.

Our review of officers' commentary within final outturn reports for later years identified variances which related to the true up of estimates made, or correction of misstatements present, at 31 March 2020 which should have been corrected in the 2019/20 accounts. We are waiting for information to quantify these.

Purpose of our report and responsibility statement

This report should be read in conjunction with the "Final Report to the Audit Committee" circulated to you on 17 January 2023 for the meeting on 26 January 2023 and sets out an update on those audit matters of governance interest which came to our attention during the audit and were outstanding at the time of our final report or have arisen since that date. Our audit was not designed to identify all matters that may be relevant to the Audit Committee and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Audit Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

St Albans

2 May 2023

Appendices

Page 59

Appendix A: Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). **New or amended misstatements since our report to the committee in January 2023 are in purple in the tables and commentary in the rest of this appendix.**

		Debit/ (credit) surplus on provision of services £m	Debit/ (credit) Other comprehensive income £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Gross expenditure on services £m
Factual and judgemental current period misstatements						
Provision for appeals against rateable values	[1]	2.5	-	(2.5)	-	-
Error in recording audit journal (£0.6m)	[2]	-	-	-	-	-
Demolition costs	[3]	0.8	-	(0.8)	-	-
Assets not in operational existence	[4]	1.1	-	(1.1)	-	-
Late cut-off on capital expenditure (£1.1m)	[5]	-	-	-	-	-
Income from the Building Council Homes fund	[6]	1.5	-	(1.5)	-	-
Internal receivable not eliminated (£1.0m)	[7]	-	-	-	-	-
Section 31 income recognition	[8]	(2.4)	-	2.4	-	-
Apportionment between preceptors (£0.8m)	[9]	-	-	-	-	-
Invalid NNDR debtor raised in year	[10]	0.5	-	(0.5)	-	-
Error in unit building cost input	[11]	-	(1.4)	1.4	-	-
Impact of Goodwin case	[12]	4.0	-	(4.0)	-	4.0
Overstatement of H&SE penalty provision	[13]	(1.6)	-	1.6	-	(1.6)
Tenant arrears and credit loss calculation	[14]	(0.8)	-	0.8	-	0.7
Other differences between estimates and actuals	[14]	2.6	-	(2.6)	-	1.9
Total factual and judgemental current period misstatements		8.2	(1.4)	(6.8)	-	5.0

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

		Debit/ (credit) surplus on provision of services £m	Debit/ (credit) Other comprehensive income £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Gross expenditure on services £m
Factual and judgemental misstatements identified in the prior period						
Impact of Goodwin case	[12]	(4.0)	-	-	4.0	(4.0)
Provision for appeals against rateable values	[1]	(3.0)	-	-	3.0	-
Roll forward of valuation of council dwellings	[15]	(4.0)	-	-	4.0	(4.0)
Pension assets valued using stale prices	[16]	-	(1.1)	-	1.1	-
Impact of McCloud/Sargeant rulings	[17]	(1.6)	-	-	1.6	(1.6)
Unreconciled difference on schools cash control account	[18]	1.3	-	-	(1.3)	1.3
Error in unit building cost input	[11]	-	1.4	-	(1.4)	-
Overstatement of H&SE penalty provision	[13]	1.9	-	-	(1.9)	1.9
Recognition of full LPFA pension asset	[19]	-	3.5	-	(3.5)	-
Total misstatement identified in the prior year		(9.4)	3.8	-	5.6	(6.4)
Total current and prior year misstatements		(1.2)	2.4	(6.8)	5.6	(1.4)

[1] In estimating the provision for the cost of appeals by ratepayers against rateable values, the council has not taken into account information available on historical experience of such appeals or information which has become available after the reporting date about appeals lodged or determined. We have estimated the effect of taking these matters into account would be to increase the provision by £5.2m, of which the council's share would be £2.5m. For similar reasons (and as set out in more detail in our report to this meeting on the 2018/19 accounts) we proposed an adjustment to the equivalent provision at 31 March 2019.

[2] An audit journal to correct an error relating to the omission of VAT from a sales invoice was incorrectly posted. The correcting journal is to increase Short term creditors - HM Revenue & Customs and reduce Short

term debtors - HM Revenue & Customs by £585k.

[3] An existing building was demolished prior to the year end with a replacement extension under construction at the year end. Demolition costs of £0.8m were inappropriately capitalised.

[4] As explained in our January 2022 report, officers carried out a further review of the fixed asset register and identified assets with carrying value of £1.1m which were no longer in operational existence.

[5] Capital expenditure of £1.1m incurred prior to 31 March 2020 was not recognised in 2019/20.

[6] Income from the GLA's Building Council Homes fund was recognised in advance of conditions being met.

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

[7] The council recorded an internal receivable of £1.0m due from schools in respect of teacher pension scheme contributions paid by the council on behalf of schools. The internal payable was recorded by schools as a deduction from cash. These amounts should be eliminated.

[8] An accrual of £2.4m for the repayment of section 31 grant which had been overpaid at 31 March 2019 was not released on repayment during 2019/20.

[9] There was an error in the apportionment of council tax receivables between preceptors resulting in the understatement of Council Tax receivables by £0.8m and corresponding understatement of amounts due to other preceptors of £0.8m.

[10] A business rate demand was raised in the wrong amount. This was confirmed in a subsequent court case. The council's share of the overstated demand was £0.5m.

[11] In the revised valuation for certain schools, the build cost for the wrong category of school (secondary, primary etc) was used. This had the effect of undervaluing schools by £1.4m at both 31 March 2020 and 31 March 2019.

[12] A legal challenge has been made against the Government in respect of unequitable benefits for male dependants of female members (based on service after 1988) following the earlier Walker ruling. An Employment Tribunal on 30 June 2020 has upheld the claim. This should result in an additional liability being recognised in FY20 DBO, as the ruling gives rise to a post balance sheet adjusting event. In our view this should be treated as a post balance sheet adjusting event, and the estimated impact should be recognised as a past service cost in the 2019/20 Comprehensive Income and Expenditure Statement. Based on general information that we have for LGPS's, we understand that the impact could be of the order of 0.2% of the defined benefit obligation, i.e. around c.£4m. As the 2018/19 accounts are still open, this is a misstatement at both 31 March 2019 (in the 2018/19 accounts) and at 31 March 2020.

[13] A provision for penalties payable in relation to a possible Health and Safety Executive prosecution at 31 March 2020 was £1.6m higher than the amount determined during 2020/21 (£1.0m higher at 31 March 2019). In addition, a provision at 31 March 2019 for penalties in a second

case of £0.9m was released during 2019/20 as, taking into account the elapse of time, a prosecution is no longer expected.

[14] These relate to the correction of an error on the tenant control account identified by reconciliation processes performed after the closure of the 2019/20 accounts, offset by an error in the methodology for calculating the related credit loss allowance; and the true up of estimates to actuals identified through budget analysis in 2020/21.

[15] Council dwellings were revalued by a valuer with an effective date of 1 April 2018. The council's finance team rolled this forward to 31 March 2019 by adjusting for additions, disposals, depreciation and transfers to other categories during 2018/19, together with applying an index, advised by the valuer, to take account of market change over the year. The approach results in adding to the original valuation the excess of additions over depreciation (£4m). This methodology does not allow for the effect of the social housing discount applied in arriving at the existing use valuation for social housing and assumes that the effect on the valuation of spend on replacements has outweighed the impact of wear and tear and passage of time – which is not supported.

[16] Stale prices were used by a custodian to value one of the pension scheme's assets, resulting in an overstatement of plan assets at 31 March 2019.

[17] As explained in more detail in our report to this meeting on the 2018/19 statement of accounts, the pension liability at 31 March 2019 does not take into account the impact of the McCloud/Sargeant rulings.

[18] The total of the cash books for individual schools at 31 March 2019 is £1.3m higher than the general ledger control account. Officers have not been able to reconcile this difference. As the council is only able to support the individual cash book amounts, we have proposed adjustments to agree to the totals of the individual cash book amount.

[19] The full amount of the pension asset calculated by the actuary was not recognised at 31 March 2019, but should have been following changes to the Local Government Pension Scheme Regulations 2013 in 2018. The full amount was recognised at 31 March 2020.

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

In addition, we bring to your attention the following possible misstatements. We have not proposed that the financial statements are adjusted for these items as these are projections or other estimates of the possible misstatement and we are not able to quantify the actual adjustment, if any, which is required. We have taken account of these in evaluating whether the accounts are materially misstated as a whole and included a representation in the management representation letter to confirm management's view that any adjustment required to correct these misstatements is not material individually or in aggregate with proposed adjustments in the previous table.

	Note	Debit/ (credit) in surplus on provision of services £m	Other comprehensive income £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Gross expenditure on services £m
Current period projected misstatements						
Overstatement of business rates debtors	[1]	1.5	-	(1.5)	-	-
Business rates debtors and creditors – difference to breakdown	[2]	1.1	-	(1.1)	-	-
Invalid or overstated accruals	[3]	(0.8)	-	0.8	-	(0.8)
Differences between detailed pay records and general ledger (£1.2m)	[4]	-	-	-	-	-
Invalid items in schools bank account reconciliations	[5]	(1.2)	-	1.2	-	(1.2)
Incorrect inputs for area information in property valuations	[6]	-	3.1	(3.1)	-	-
Total current year projected misstatements		0.6	3.1	(3.7)	-	(2.0)
Projected misstatements identified in prior year						
Accruals which are not valid or in excess of amount due	[7]	2.5	-	-	(2.5)	2.5
Invalid items in schools bank account reconciliations	[5]	4.1	-	-	(4.1)	4.1
Incorrect inputs in area information for valuations	[6]	-	(3.1)	-	3.1	-
Total prior year projected misstatements		6.6	(3.1)	-	(3.5)	6.6
Total projected misstatements		7.2	-	(3.7)	(3.5)	4.6

Appendix A: Audit adjustments (continued)

Unadjusted misstatements

[1] An error was identified in our sample testing of business rates which resulted in an over statement of business rate debtors by £1.0m, of which the council's share is £0.5m. The council's share of the projected error is £1.5m

[2] There is a difference between the detailed breakdown of amounts owed to business rate payers and the total recorded in the general ledger account. The difference is unreconciled and may relate to timing differences between the running of the two reports (which may not require any adjustment) or may relate to non timing differences which require adjustment. As a result, net assets may be overstated by £1.1m.

[3] Sample testing identified accruals which were not valid or which were incorrectly calculated. The amount of the error identified was an overstatement of accruals of £78k. The projected error across all accruals was £797k

[4] Detailed payroll reports for a sample of schools which had opted out of the council's corporate payroll arrangement could not be reconciled to the council's general ledger. The amounts recorded in the detailed payroll records for this sample was £196k more than the amount recorded in general ledger. The projected variance across all schools which had opted out of the corporate payroll arrangement was £1.2m. As we are not able to determine a correction is needed and if so the other accounts, in addition to payroll control accounts, which would be impacted, we have shown as a memorandum item in the table.

[5] Our sample of reconciling items in individual cash book reconciliations identified a high rate of error (approximately half) at both 31 March 2020 and 31 March 2019, where payments were deducted from the cash balance before their release, resulting in the

understatement of both cash and short term creditors or included invalid entries which should be released to revenue accounts. Officers have not quantified the error and therefore no adjustment has been made. The amount of un-presented cheques and BACS at 31 March 2020 and 31 March 2019 was £2,348k and £8,127k, respectively, representing the maximum amount of error at each reporting date and the projected error approximately half of this amount.

[6] Discrepancies between information given to the valuer and site plans were identified in our sample testing of the valuation at 31 March 2019 during our 2018/19 audit. The projected error was £3.1m. As the valuation at 31 March 2020 relied on the same information on floor areas, there is also a potential misstatement of the same amount at 31 March 2020.

[7] Officers carried out an exercise to evaluate whether accruals were valid and recorded in the correct amount in response to errors identified by our sample testing. The exercise did not cover the whole of the population. Errors identified by the exercise were corrected. The projected error in the part of the population not covered by officers' exercise was £1,450k. In addition, the exercise identified accruals totalling £687k where we were not able to obtain sufficient information to determine whether the accrual amount was valid and recorded in the correct amount.

The further projected error relating to items which could not be supported is £363k. The total projected error for accruals which are not valid or could not be substantiated is £2,499k.

Appendix A: Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure

Inconsistencies between the Comprehensive Income and Expenditure Statement and Note 13, Income and Expenditure analysed by Nature

There are differences between income and expenditure on services per CIES and the amounts shown in Note 13, Income and Expenditure analysed by Nature. Gross income from services using information extracted from the Note 13 is £3539k higher than the amount shown in the CIES and gross expenditure (£3358k) and capital grants (£181k) is also higher by the same amount. We are not able to determine whether the CIES or Note 13 requires correction.

Classification of commercial rent deposits

Commercial rent deposits of £835k have been classified within Short term creditors – receipts but should be classified within Short term creditors – other entities and individuals.

Disclosure on number of council dwellings

Medium-rise flats are understated and high-rise flats overstated by c.40 flats.

Presentation of grant income

A grant of £506,402 in relation to the Levy Account Surplus Allocation was credited to service accounts. This is a business rate related grant which is not specific to a particular service and therefore should be presented within 'Taxation and Non-Specific Grant Income.

Pooled budgets

The Council has disclosed equal and opposite income and expenditure within the Pooled Budgets note. Actual expenditure may be up to £2m less but cannot be accurately quantified as the general ledger codes have not been set up to monitor in this way.

Operating lease commitments (council as lessee)

The total commitment disclosed was overstated for a sample of leases tested by £1.1m as a result of an error in the calculation. The projected error across all leases is £1.6m.

Appendix A: Audit adjustments (continued)

Disclosures

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure

Movements on provisions

The analysis of movements on provisions should distinguish between amounts used and unused amounts reversed in the year and contributions to provisions and transfers between current and non-current provisions. The disclosure does not distinguish between these amounts and instead presents the aggregate amounts used and unused amounts reversed in the year and the aggregate of contributions to provisions and transfers between current and non-current provisions [Code: 8.2.4.2].

This is because the council has not been able to analyse movements on the provision for appeals against business rates, in turn because the council has not been able to distinguish between adjustments to business rates income as a consequence of successful appeals and other adjustments to business rates income.

Adjustments to business rates income as a consequence of a successful appeals and other adjustments to business rates income are presented on separate lines within the supplementary collection fund statement (being "Impairment of debts/appeals for non-domestic rates" and "Income from non-domestic rates", respectively).

As the council has not been able to extract information to determine the correct allocation of adjustments between these lines, it has done so on the basis of estimates.

Based on information provided to us, we estimate that income from non-domestic rates and the charge for appeals for non-domestic rates in the collection fund supplementary statement may have been understated by £15.3m. We reported in respect of the 2018/19 financial statements that these lines may be understated by £6.9m for that year.

Within the note on provisions, the amount disclosed as used or written back of £12.6m is consistent with the council's reporting to the Department in Form NNDR3, the Form is not consistent with the Collection Fund as the credit in the Collection Fund of £7.9m is the movement on the total allowance for appeals and not the amount described in Form NNDR3 as charged to the Collection Fund.

Appendix B: Expected wording of our audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF TOWER HAMLETS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

In our opinion, except for the effects of the matters described in the basis for adverse opinion section of our report, the financial statements of the Authority:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 42;
- the Housing Revenue Account Income and Expenditure Account and related notes 1 to 8;
- the Statement of Movement on the Housing Revenue Account Balance; and
- the Collection Fund and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20).

Appendix B: Expected wording of our audit report (continued)

Basis for qualified opinion

Failure to prepare group accounts

As explained in note 42, the group has not prepared group accounts which consolidate the results and financial position of its subsidiary undertakings, including Tower Hamlets Homes Limited and King George's Field, Mile End. Under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, the Authority is required to prepare group accounts as its interests are material in aggregate. Had group accounts been prepared, net assets and subsidiary reserves would have been £30.1m higher at 31 March 2020 as a result of consolidating Tower Hamlets Homes Limited and King George's Field, Mile End and £26.5m higher at 31 March 2019. This also caused us to qualify our opinion in respect of the financial statements for the year ended 31 March 2019. In addition, the narrative report does not consider the results and financial position of the subsidiary undertakings.

Related party disclosures

We were unable to obtain sufficient appropriate audit evidence concerning whether information disclosed in note 37 for the year ended 31 March 2019 in respect of all relevant relationships had been reported as returns used to collect information on the interests of elected members and members of their close family were not obtained at the time or cannot now be located due to the passage of time and as it was not possible to obtain subsequently due to changes in council membership. Consequently, we were unable to determine whether any adjustments to the information disclosed were necessary. Our audit opinion on the financial statements for the year ended 31 March 2019 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Officers' remuneration

Note 29 discloses information about the number of employees paid over £50,000. As explained in note 29, the Authority did not include information about the Authority's employees working in 28 local authority maintained schools during the year ended 31 March 2020 as this information is not held centrally and returns and other information obtained were considered by the Authority to be unreliable. The returns and other information received in respect of these schools showed 171 employees with remuneration over £50,000 during the year ended 31 March 2020 and 226 employees during the year ended 31 March 2019. This also caused us to qualify our opinion in respect of the financial statements for the year ended 31 March 2019.

Note 31 also discloses information about the number, type and value of exit packages. As explained in note 31, the Authority did not include information about the number and cost of exit packages made by 33 locally authority maintained schools (including 5 voluntary aided/controlled schools) during the years ended 31 March 2020 and 31 March 2019 and returns and other information obtained was assessed by the Authority to be incomplete and unreliable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This also caused us to qualify our opinion in respect of the financial statements for the year ended 31 March 2019.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the group financial statements and qualified opinion on the Authority financial statements.

Appendix B: Expected wording of our audit report (continued)

Emphasis of matter – material uncertainty related to the valuation of council dwellings and other land and buildings

We draw attention to note 4 which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's dwellings and other land and buildings.

As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the Council's dwellings and other land and buildings at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, group financial statements have not been prepared for the group. Where the results and financial position of the Authority are discussed in the other information, we have concluded that the other information is materially misstated for the same reason.

Appendix B: Expected wording of our audit report (continued)

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in April 2020, with the exception of the matters reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects, the London Borough of Tower Hamlets put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Appendix B: Expected wording of our audit report (continued)

Basis for qualified conclusion

The finalisation and publication of the council's statement of accounts for the years ended 31 March 2019 and 31 March 2020 have been significantly delayed from their original target dates of 31 July 2019 and 30 November 2020, respectively. This is due to the time needed to investigate issues identified during the 2019/20 audit process and to prepare amended accounts and the consequent impact on the 2019/20 accounts and audit process. The Council's investigation of these matters resulted in a period of prolonged uncertainty over the amount and timing of recognition of usable reserves available to meet future spending requirements and the council's strategic objectives and corrections to the originally published draft statement of accounts which had the effect of increasing usable reserves by £42m and unusable reserves by £252m at 31 March 2019 and increasing usable reserves by £73m and increasing unusable reserves by £45m at 31 March 2020.

These conditions provide evidence that the Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making.

In the Annual Governance Statement, the Council has reported on significant governance issues identified from its annual review of effectiveness and concludes that the council has had "significant challenges over the course of 2019/20, which has included ensuring we are financially sound whilst still meeting growing community needs, closing our financial accounts, administering the pension scheme and consistently applying good risk management practices across the Council". In his annual opinion for 2019/20, the Head of Internal Audit was able to provide only limited assurance that the council has adequate systems of governance, risk management and internal control and provided limited assurance opinions on approximately half the reviews in the 2019/20 internal audit programme, including in respect of risk management. In addition, there were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked.

These conditions provide evidence that the Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.

Appendix B: Expected wording of our audit report (continued)

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the London Borough of Tower Hamlets had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Tower Hamlets put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Appendix B: Expected wording of our audit report (continued)

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of the London Borough of Tower Hamlets in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Non-Executive Report of the: Audit Committee 30 th May 2023	 TOWER HAMLETS
Report of: Janet Fasan, Director of Legal and Monitoring Officer	Classification: Open (Unrestricted)
Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2023-2024	

Originating Officer(s)	Farhana Zia
Wards affected	All Wards

Executive Summary

This report sets out the Terms of Reference, Membership, Quorum and Dates of meetings of the Audit Committee for the Municipal Year of 2023/24 for the information of members of the Audit Committee.

Recommendations:

The Audit Committee is recommended to:

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

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

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

3. DETAILS OF THE REPORT

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

Audit Committee Arrangements

- 3.2 At the Annual General Meeting of the full Council held on 17th May 2023, the Authority approved proportionality, establishment of the Committees and Panels of the Council and appointment of Members thereto. The membership of Audit Committee for the municipal year 2023/24 was among the committees' memberships approved and these details are set out at Appendix 2 to the report.
- 3.3 Having been established by Council, it is customary that the committee (at its first meeting of the municipal year) note its terms of reference, and quorum. These are set out in Appendix 1 to the report.
- 3.4 The Committee's meetings for the remainder of the year, as agreed at the same meeting of the Council, are also provided at Appendix 3.
- 3.5 Meetings are scheduled to take place at 6:30 p.m. except where the meeting falls within the month of Ramadan where they will aim to take place at 5:30 p.m. The Committee may wish to discuss an alternative start time that suits its Members at the first meeting of the Committee.
- 3.6 It may be necessary to convene additional meetings of the Committee should urgent business arise. Officers will consult with the Chair and Members as appropriate.

4. EQUALITIES IMPLICATIONS

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

5. OTHER STATUTORY IMPLICATIONS

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

- Data Protection / Privacy Impact Assessment.

5.2 Not applicable to this report.

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

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

7. **COMMENTS OF LEGAL SERVICES**

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE
-

Appendices

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

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

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

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

- NONE

Officer contact details for documents:

N/A

This page is intentionally left blank

1. Audit Committee

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

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

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

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

LONDON BOROUGH OF TOWER HAMLETS
AUDIT COMMITTEE MEMBERSHIP 2023-2024

AUDIT COMMITTEE (Nine members of the Council. Chair and Vice-Chair cannot be a member of the executive)		
<i>Aspire Group (5)</i>	<i>Labour Group (4)</i>	<i>Ungrouped (0)</i>
Cllr Kabir Ahmed Cllr Saied Ahmed Cllr Ahmodur Rahman Khan Cllr Harun Miah Cllr Abdul Wahid Substitutes:- Cllr Shafi Ahmed Cllr Suluk Ahmed Cllr Abu Talha Chowdhury	Cllr Maisha Begum Cllr Rachel Blake Cllr Mufeedah Bustin Cllr Asma Islam Substitutes:- Cllr Mohammad Chowdhury Cllr Abdal Ullah Cllr Ayas Miah	N/A

This page is intentionally left blank

AUDIT COMMITTEE

SCHEDULE OF MEETING DATES 2023-24

Tuesday, 30th May 2023

Thursday, 20th July 2023

Thursday, 23rd November 2023

Monday, 22nd January 2024

Thursday, 18th April 2024

Note:

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

This page is intentionally left blank

Non-Executive Report of the: Audit Committee Tuesday, 30th May 2023	 TOWER HAMLETS
Report of: Caroline Holland, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud - Quarterly Progress Report on 2022/23 Audit Plan	

Originating Officer(s)	David Dobbs and Bharat Mehta
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 an update on fraud prevention and anti-fraud work. The report also highlights any significant issues since the last report to the Audit Committee in January 2023.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the contents of this report and the overall progress and assurance for audits carried out as part of the 2022/23 Audit Plan.

1. REASONS FOR THE DECISIONS

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

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

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

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

Internal Audit

- 3.1 The Council's internal audit service has an establishment of three Senior Internal Auditors, two Internal Auditors, one Audit Practitioner (Apprentice) , one Fraud Prevention Officer and is led by an Audit and Fraud Prevention Manager and Deputy Head of Internal Audit. During 2022/23, the service carried three vacancies, but following the completion of a recent recruitment campaign, we have been successful in appointing one Senior Internal Auditor from December 2022. This leaves two vacancies at Internal Auditor level, which we have not been able to fill currently.
- 3.2 Following a re-procurement exercise in July 2022, BDO LLP – a professional services and accountancy firm was selected. It was expected that the contract would be awarded soon after the procurement was finalised. However, due to delays in agreeing to the Terms and Conditions, the contract was awarded on 7th February 2023. This, therefore, caused some delays in BDO making a start on the audit assignments allocated to them. As BDO was our previous provider, the mobilisation period was kept short as staffing resources were already earmarked to service the delivery of the 2022/23 Audit Plan.
- 3.3 The Audit Committee is provided with updates at each meeting on progress against the 2022/23 Annual Internal Audit Plan which was approved by the Audit Committee in March 2022. This report provides an update as at April 2023 against the 2022/23 Annual Internal Audit Plan.
- 3.4 This report also provides an update on the two 2021/22 audits which remain to be finalised and includes a summary of one audit finalised in April 2023 at Appendix A. 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.
- 3.5 In addition, we also deliver internal audit service to Tower Hamlets Homes (THH) via a Service Level Agreement. Progress against this separate plan is reported to the THH Finance and Audit Committee on a quarterly basis. The THH plan includes provision for 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 March 2023

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	11	26
Number of Management Actions Fully Implemented	4	13
Number of Management Actions Partially Implemented	4	12
Number of Management Actions Not Implemented	3	1
% Fully Implemented	36%	50%
% Partially Implemented	36%	46%
% Not Implemented	28%	4%

To support Management in improving the implementation rates of agreed actions, the Head of Audit has developed follow up trackers for each Directorate which are then shared with the DLTs. These enable Management to self-assess and update the trackers directly in relation to their progress in implementing the agreed management actions. 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. Necessary escalation process is in place when agreed actions are not fully implemented.

Progress Update on 2021/22 Audits

- 3.8. The June 2022 Audit Committee was provided with a detailed analysis of the progress and outcomes against the 2021/22 Annual Internal Audit Plan. Of the following three 2021/22 audits remaining to be completed, one has been finalised and two are at draft report stage:

Audit title	Progress up- date
Compliance with Failed Visits Procedures – Health, Adults and Community.	Final Report issued.
Property Disposals – Place	Revised Draft report issued and waiting for Management response
S 106 Planning Obligations – Place	Revised report issued

A summary of the finalised report on Failed Visits is at Appendix A.

Progress against the 2022/23 Internal Audit Plan

- 3.9. 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 the following agreed reviews:

Audits at Draft Report Stage

Audit title	Draft report issued date
Contract Management and Monitoring of a sample of IT Contracts	March 2023
Compliance Testing of Bank Reconciliation Process	March 2023
Acting Up and Honoraria Payments	March 2023
Homelessness Assessments	April 2023
Educational Psychologists - Service Review	March 2023
Compliance Testing of Schools Licensed Deficit process	April 2023
Management and Control of Cost of Living Payments	March 2023
Brady Arts Centre – Regularity Audit	March 2023
Eva Armsby Family Centre	April 2023
Children and Culture – Petty Cash Account Management	April 2023

Audits in Progress

Audit title	Audit Status
Signing & Sealing of Documents (incl. retention)	Field Work
Council Tax	Field Work
Revenue Budgetary Control	Field Work
Equality Assessment	Field Work
Children's Safeguarding Partnership – Monitoring of Action Plan	Field Work
Land Searches	Field Work
Control and Monitoring of DBS checks	Field Work

2022/23 Audits completed and finalised since January 2023 Audit Committee

Audit title	Date Audit completed/Final Report Issued
Readiness for the New Building Safety Legislation	January 2023
Management of Members' Interests, including Related Party Interests	January 2023
Payments without orders (AP1)	April 2023
Supporting Stronger Families Grant Certification	Monthly grant certification work

Summaries of the 2022/23 audits finalised since January 2023 are reported at Appendix B.

2022/23 Priority 1 Audits Requested by Management to be Deferred to 2023/24

Audit title	Directorate
Monitoring of Local Community Fund Grants (LCF)	Chief Executive's Office
CIPFA/SCIE action plan follow up	Health, Adults and Community
Holiday Playschemes	Children and Culture
IT Cloud Strategy & Operation	Resources
IT Virtual Infrastructure	Resources
Scheme of publication (publication required via the Local Government Transparency Code)	Resources

2022/23 Priority 1 Audits Requested by Management

Audit title	Directorate
Management of Members' Interests	Corporate
Management and Support of Sports and Physical Activities by Clubs and Organisations – Advisory Review	Children and Culture
Management and Control of Cost of Living Payments	Place

3.10 As part of the 2022/23 Audit Plan, a total of 15 schools have been audited and all these audits have now been concluded as follows:-

Audit title	Current Status	Assurance Opinion
Bangabandhu Primary School	Final Report	Limited
Blue Gate Fields Junior School	Final Report	Limited
Central Foundation Girls Secondary School	Final Report	Reasonable
Chisenhale Primary School	Final Report	Reasonable
English Martyrs Primary School	Final report	Reasonable
Hague Primary School	Final Report	Reasonable
Halley Primary School	Deferred	School audit deferred to next programme
Hermitage Primary School	Final Report	Reasonable
Mowlem Primary School	Final Report	Reasonable
Stepney All Saints Secondary School	Final Report	Limited
Stepney Park School	Final Report	Substantial
St Mary's and St Michael's RC Primary School	Final Report	Limited
St Peters London Dock Primary School	Final Report	Reasonable
Stewart Headlam Primary School	Final Report	Reasonable
William Davis Primary School	Final Report	Reasonable
Bow Secondary School	Final Report	Reasonable

Summaries of those schools audits which have been finalised and receiving Limited Assurance opinions are reported at Appendix B. The Audit Committee will receive an Annual Report on schools' audits in July 2023 which will pull together key issues, risks and themes across all the schools audited in 2022/23.

Fraud Prevention Activities

3.11 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:

- During the year, the service reviewed the Anti-Fraud Strategy, Bribery Policy, Recruitment and Selection policy, Gifts and Hospitality Policy and Secondment Policy prior to roll out.
- Review and amendment of the single person discount online application.
- Delivered 14 fraud awareness training sessions which include Human Resources, Schools; Direct Payments team; THH staff, No Recourse to Public Funds Team, Right to Buy Team and the Lettings team.
- The services of the Metropolitan Police have been secured in conjunction with the Civil Protection Unit to deliver training on fraudulent documentation detection. Two training sessions were held on 8th and the 29th September 2022. Sessions were made available via the Learning Hub for wider Council teams to attend. Further training was delivered on the 22nd and the 29 November 2022. Sessions were well attended and well received.
- Delivered the Fraud Awareness Week during w/c 18th July 2022. This was headlined by an Anti-Fraud message from the Chief Executive.
- Following from the Fraud Awareness Week, three potential fraud referrals were received. There have also been several enquiries concerning fraud related matters and requests for further fraud awareness training.
- 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.
- Provided on-going anti-fraud fraud support and vetting, advice and guidance to the No Recourse to Public Funds Team.
- A series of fraud awareness sessions is planned to be delivered to Human Resources and Procurement teams.
- Work on anti-fraud e-learning training has been completed and the e-learning for all LBTH staff is to be launched via Learning Hub in June 2023.
- Arrangements are currently being made to include the e-learning fraud awareness training as part of the council's induction programme for new starters
- Ongoing reviews and updates are being made to the fraud risk register.
- The National Fraud Initiative (NFI), which is a national data matching exercise for 2022/23 to identify fraud etc., commenced in January 2023. Progress is being made and monitored on the data matches. As at April 2023, out of 6200 data matches, a total of 135 matches have been looked at. A notional saving of £114,109.80 has been recorded with respect to 247 of these matches opened so far.

Fraud Investigation Activities

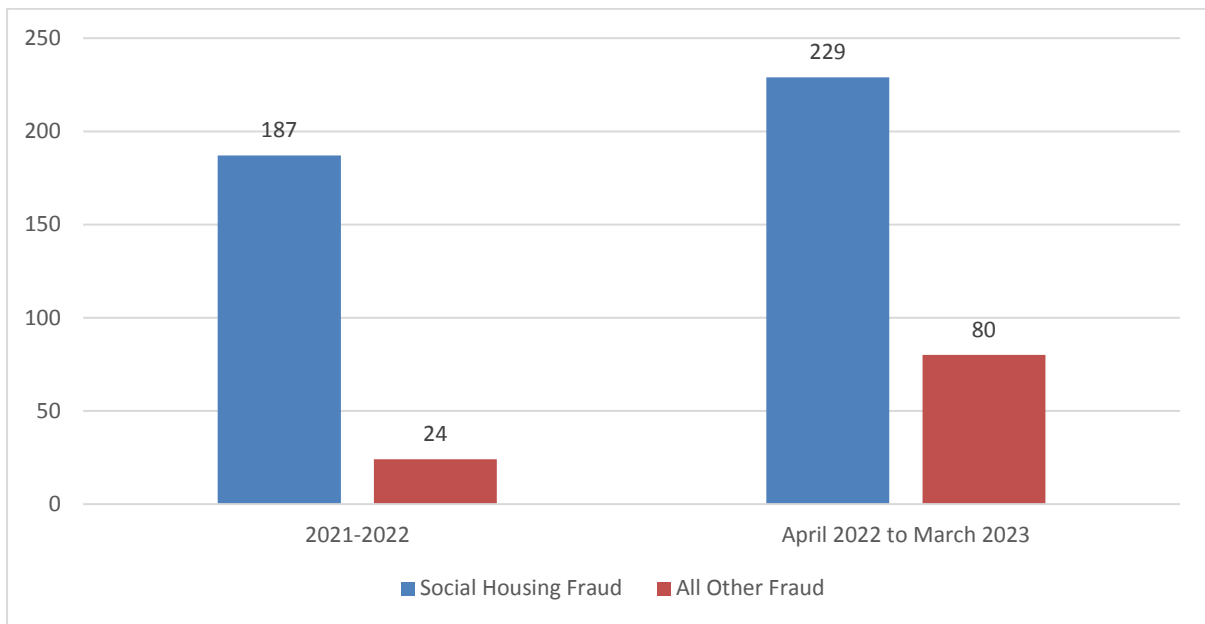
- 3.12 All investigation activities including social housing fraud, insurance fraud, internal fraud, and blue badge fraud are dealt with by the Investigation Team. The team consists of five Fraud Investigators, a Fraud Investigator Apprentice, two Social Housing Fraud Investigators (funded by Tower Hamlets Homes) and

two Blue Badge Investigators (funded by Parking). The team is supported by an Intelligence Officer and led by an experienced Investigation Manager.

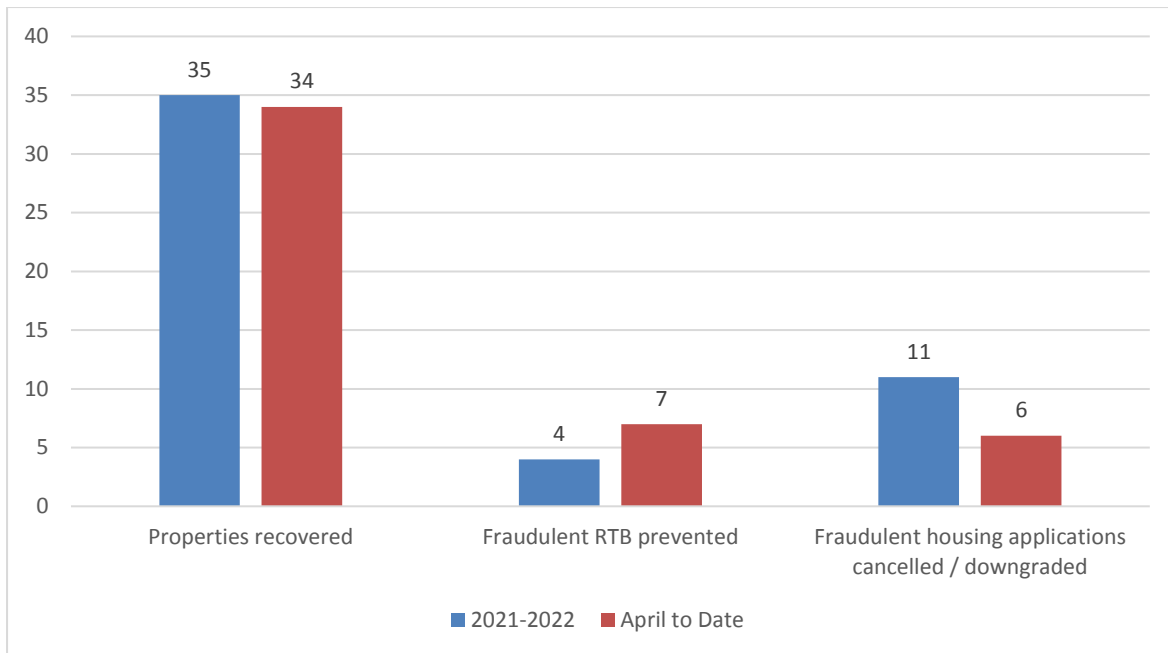
Summary of Caseloads, Referrals and Outcomes for 2022/23

A summary of referrals and outcomes for 2022/23 is shown 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 two unlawful profit/compensation orders amounting to £121,000 in total. 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.

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 Regulation 3 of the Accounts and Audit Regulations 2015 requires local authorities to 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.

7.2 This report demonstrates the Council's compliance with these duties and with the duties set out in Section 151 of the Local Government Act 1972. This section requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs.

7.3 The matters set out in this report comply with the above legislation.

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:

Bharat Mehta

Email: bharat.mehta@towerhamlets.gov.uk

Summaries of Finalised Internal Audits for 2021/22

Assurance level	Significance	Directorate	Audit title
Limited Assurance	Extensive	Health, Adults and Community	Compliance with Failed Visits Procedures

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Compliance with Failed Visits Procedures – Health, Adults and Community (HAC)	April 2023	<p>This audit sought to provide assurance on compliance with the HAC Failed Visit Procedure. The Failed Visits Procedure sets out the process to be followed by commissioned providers and internal staff delivering home care and support services to vulnerable adults. Failed visit procedure has been identified as one of the highest priority situations dealt within the Adult Social Care Service and staff must work promptly to resolve the failed visit. The purpose of the procedure is to ensure that the appropriate process is undertaken to ensure the safety of individual service users, where a planned and agreed visit is not conducted, and the service user cannot be located.</p> <p>The following areas of good practice were reported:</p> <ul style="list-style-type: none"> • The Council’s Failed Visits Policy is clearly defines the purpose, process and objective of the policy. The policy was last reviewed in 2021 and identifies the roles and responsibilities for all parties involved in the failed visit process and sets out the key timeframes and milestones. We also found that the policy is supported by a suite of supplementary forms to assist all parties to deliver the process effectively, and in a consistent manner. The policy is well publicised and accessible to all staff on the Council’s intranet page. • The Commissioning Team conducts quarterly monitoring visits to all commissioned Home Care service providers. The purpose of the visit is to assess whether Home Care service providers are complying with the Council’s requirements as set out in the Service Agreement. We found that different areas of compliance are examined on a rotational basis throughout the year by the monitoring officers. Monitoring visit letters were sent to the home 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>care service providers after the monitoring visit, which reported the results found during the visit. We found that the monitoring visit letters, and testing schedules were satisfactory, and clearly described how failed visits had been managed and resolved by the Provider. Any areas of non-compliance and actions raised in the monitoring visit letters is monitored by the Commissioning Team until evidence of completion is provided and the area is revisited in the next quarter's visit.</p> <ul style="list-style-type: none"> We undertook a short survey, to assess whether the Service Providers received sufficient support from the Council. Five Commissioned Home Care Providers were selected for audit testing. The results of the survey showed that overall, all Home Care Providers found the Council helpful, particularly during the pandemic. All five Providers were happy with the new duty desk structure, and commented on how they now received prompt responses, and issues were acted upon promptly. All 5 Providers found the monitoring letters (reports from monitoring visits) helpful, as it helped them prioritise areas that required improvement. <p>The following issues and risks were reported:</p> <ul style="list-style-type: none"> All failed visit cases should be recorded in Mosaic through the failed visits workflow, however our review found that failed visits are recorded inconsistently in Mosaic as some cases are being recorded as case notes. Due to the inconsistent recording methods, the team are unable to verify that the data extracted includes all failed visit cases. There were instances where the information related to the 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Service User had not been recorded in line with the policy. For example, teams are not recording failed visits in line with the expected process stipulated in the policy. Also found that recommended service user information was missing from the service users' case files, for example their GP, and a list of the service user's frequently visited places and people had not been recorded.</p> <ul style="list-style-type: none"> • For a sample of 10 service users that had failed visits incidents reported on their case files, six cases were not dealt with in line with the failed visits procedure, as the referral forms had not been completed thoroughly by the Emergency Duty Team (EDT). • There is no performance reporting or trend analysis performed on failed visits and hence there is no management oversight in this area. • From the completion of a survey with Home Care service providers, we found that out of the five Home Care Providers, only two were familiar with the failed visits policy, and knew when to complete the failed visit record form. The remaining three providers believed that the form only needed to be completed for serious instances. • The Failed Visits Policy does not reflect how the teams are working in practice (for example, incidents where the service user did not attend their care appointment but were located through a phone call are reported using the failed visit case note instead of through the workflow which requires a complete a full risk assessment which is not necessary in this case.) This should be reviewed to ensure that appropriate and sufficient 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>controls are in place to prevent any potential gaps and risks that may arise.</p> <p>All findings and recommendations were discussed and agreed with the Director of Adults Social Care and the final report was issued to all officers and Acting Corporate Director of HAC.</p>		

This page is intentionally left blank

Summaries of Finalised Internal Audits for 2022/23

Assurance level	Significance	Directorate	Audit title
Limited	Extensive	Corporate	Management of Members' Interests and Related Parties Interests
Limited	Moderate	Children and Culture	Bangabandhu Primary School
Limited	Moderate	Children and Culture	St Michael's and St. Mary's Primary School
Reasonable	Extensive	Place	Readiness to Implement Building Safety Legislation
Reasonable	Extensive	Resources	Review of Creditor Payments made without Purchase Orders (AP1 Payments)

Limited / Reasonable Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Members' Interests and Related Parties Interests	March 2023	<p>This audit sought to provide assurance over the systems and controls for the management and monitoring of Members' Interests. The following good practices were reported:-</p> <ul style="list-style-type: none"> • The requirement for the Monitoring Officer to establish and maintain a register of interests for Members is clearly set out in the Council's Code of Conduct for Members. In addition, the Members Hub website contains useful information and guidance in relation to Member Registers of Interests. • The Members Register of Interests and registered gifts and hospitalities is published on the Council's website. Audit testing confirmed that there was a completed Declaration of Interest (DOI) form for each of the 45 members and the Mayor, which had been submitted since the May 2022 Election. There were completed DOIs for recently appointed Co-opted members have yet to be finalised. • Completed DOI forms received from Members, are reviewed by the Democratic Services Team Leader (Civic and Members) to ensure their accurate completion. Any contentious or potentially 'sensitive information' is raised by Members with the Head of Democratic Services and forwarded to the Monitoring Officer to provide a view with regards to publication. • Regular reminders are issued by Democratic Services to members so that they should update their declarations of interest for any changes that have taken place since their original/most recent declaration. Twice a year the Member Support team proactively contact each Member to confirm their Register is up to date. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • As part of Cabinet’s and Committees’ standard agenda, there is an item covering declarations of disclosable pecuniary interests and other interests. 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. There is also guidance to members set out in the committee from the Monitoring Officer advising members what types of interests that need to be declared at the meeting. • Members are reminded to declare the nature of the interest at the earliest opportunity and the agenda item it relates to. Therefore, members are reminded at each committee meeting of the requirements with regards to declarations of interests. • The Director of Legal and Monitoring Officer produces a quarterly report to the Standards Advisory Committee covering members register of interests and details of gifts and hospitality. This requirement forms part of the Standards Advisory Committee’s Work Plan. <p>Key issues, risks and findings from the audit are as follows:</p> <ul style="list-style-type: none"> • The procedure covering Members Declarations of Interests (for the Elected Mayor, Councillors and Co-opted members) is dated 2016. A review of the procedures was undertaken in 2020, but the review was not finalised and the proposed amendments/updates to the procedures remain in draft form. In addition, the current procedures do not cover the work undertaken by Democratic Services (on behalf of Finance) in issuing the Related Party Interests returns required from Members. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • We noted delays between the date when the DOI was submitted and the date when the information was published on the Council’s website. This ranged from between 9 to 31 working days and covered 15 out of 45 DOIs (33.33%) which had been updated between August and September 2022. We were advised that in these cases, either councillors or the Monitoring Officer had some queries or there was a need for further information to be considered. • Our testing highlighted differences in the information held on members appointments made to outside bodies and membership of voluntary organisations, between the Members Register of Interests and the more up to date information published on the members webpage. • Members are reminded at each committee meeting of the requirements with regards to declarations of interests. Although the Democratic Services team endeavours to conduct checks between the committee minutes and the Register of Interests, this process has not been formalised. • Finance have no documented procedures in place for managing the Related Party Transactions process and the information which feeds into the Council’s annual accounts process. This increases the risk that not all Related Party transactions and processes are picked up during the final accounts stage and complete audit trail not being present. Finance have only now completed their work on the queries raised by Deloitte (External Auditor) on Related Parties Note for 2018/19. The Chief 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Accountant prepared a spreadsheet to map out interests declared as per Register of Interests at the beginning of 2018/19 and updates at the end of 2018/19 to Finance and found gaps in 30 cases and further information had to be obtained from previous or subsequent years records. This demonstrated that the end of year declaration to Finance was not undertaken as it should have been and that the records were not kept to retain the full audit trail.</p> <ul style="list-style-type: none"> • Our review of the published Final Accounts for 2020/21 showed that there was a Related Parties Note for 2020/21 and 2019/20. However, our testing of the 2019/20 published Related Party Note with the corresponding working paper on Members Interests showed that the two did not reconcile. We were informed by the Interim Chief Accountant that the 2020/21 accounts were published back in January 2022. Since then numerous changes have been made to the 2018/19 and 2019/20 accounts, and this will have an impact on 2020/21 accounts. Therefore, it is expected that Related Parties Note for 2019/20 will be re-stated and presented to the Audit Committee. Similarly, the Related Parties Note for 2020/21 will also be re-stated as part of the wider re-statement of the accounts. • Although there is no requirement to report to Audit Committee on the progress made by members in completing their annual declarations for Finance, it is considered good practice to report on the progress made by members in completing their declarations on related party transactions in line with reporting deadlines for related party transaction disclosures in the 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Council's Statement of Accounts. We have recommended that this should be included in the work plan for the Audit Committee,</p> <p>In view of the weaknesses in the controls for managing the Related Party Transactions process and the information which feeds into the Council's annual accounts process, we have provided Limited Assurance to this audit. All findings and recommendations were agreed with the Head of Democratic Services, the chief Accountant and the Director of Finance, Procurement and Audit. Final report was issued to the Monitoring Officer and the Corporate Director of Resources.</p>		
Bangabandhu Primary School	January 2023	<p>This audit sought to provide assurance that the Head Teacher and the Governing Body have implemented adequate and effective controls over the administration and financial monitoring affairs of the school. The budget for 2022/23 was £3,356,148. The surplus brought forward from 2021/2022 was £53,666 and the forecast cumulative budgeted surplus for 2022/23 is £74,188.</p> <p>The following good practices were identified:</p> <ul style="list-style-type: none"> • Full Governing meeting and Committee meetings were held under quorate conditions. • Our review of the school Improvement Plan (SIP) confirmed that it includes the financial costs and resource requirements to meet the schools' objectives. We also noted that the School Development Plan had been approved by Governors in the last 12 months. • For a sample of three we confirmed that payroll had been notified in a timely manner and all leavers had been removed 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>from the monthly payroll in accordance with their departure to ensure no further payments have been made.</p> <ul style="list-style-type: none"> • We reviewed the 2021/22 Full Governing Body meeting minutes and confirmed that there was an opportunity to declare any interests. No interests were declared in the minutes provided. • For a sample of five procurement card transactions there was evidence of email approval obtained from the Executive Head Teacher or Head of School prior to the purchase being made. All five purchases were appropriate school-related expenses. • A whistleblowing policy is in place stored on the shared drive for staff to access and they are reminded of the whistleblowing policy each year in September. <p>The following issues were reported:</p> <ul style="list-style-type: none"> • Review of five monthly procurement card statements between October 21 – April 22 identified that the statements are not signed and approved by the Executive Head Teacher. • The Finance Manual states that all petty cash payments exceeding £50 require Executive Head Teacher approval. However, our test identified two of the five payments had not been approved by the Executive Head Teacher. • For a sample of 10 procurement samples there was no evidence to demonstrate that a purchase order had been raised before the items were acquired. In addition, three purchases were made using petty cash (£95, £32.95 and £103.50) instead of following the purchasing route. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • Payments made to two individuals highlighted that the school does not complete the HMRC Tool Kit exercise to confirm whether the individuals are self-employed or an employee for tax purposes. • Local authority advice was not sought before entering into the lease for 300 laptops in 2020. Also, only two quotes had been obtained instead of undertaking a tender exercise as per the Schools Finance Manual for expenditure above £15k and committee approval had not been obtained for the lease. • There is no policy log and listing of approved suppliers in place. Whilst a contract register is in place which includes the length of contracts, it does not include contract start and end dates. • For a sample of five higher value payments ranging from £5,650 to £13,395, evidence of three quotes or a rationale for single quotation could not be evidenced. • For a sample of three-monthly bank reconciliations between November 21 – February 22, the reconciliations were not signed off by the Executive Head Teacher as required. The samples had been reviewed and signed off by the Financial Consultant and Head of School. • Whilst training updates are reported in Full Governing Body meetings, there is no training log to list all training completed by Governors to identify possible skill gaps. • Review of the Declarations of Interest (DOIs) for 15 Governors and one staff member with financial responsibilities found that two Governors had not completed their declaration of Interests 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>for the 2021 academic year. They were last completed in 2020 academic year.</p> <ul style="list-style-type: none"> • Review of the DBS certificates for sixteen Governors found that DBS certification dates for eight out of the sixteen governors were not within three years. In line with good practice, DBS certificates should be renewed every three years to ensure any convictions or cautions are identified. • There is no cash handling procedure in place. The Finance Manual was last updated in January 2019. Whilst the Scheme of Delegation (SoD) is included within the Schools Finance Manual and includes the financial limits for officers, it had not been reviewed since January 2019. • There was no evidence to show that the budget monitoring reports were sent to governors before the Full Governing Body meeting for meetings 05/05/2021, 08/03/2022 and 06/06/2022. • The Curriculum and Standards minutes for 10 January 2022 did not record that the opportunity to declare declarations of interests had been provided at the start of the meeting. <p>All findings and recommendations were discussed and agreed with the Head Teacher in December 2022, and the final report was issued to the Headteacher, Chair of Governors and Corporate Director of Children and Culture.</p>		
St Marys & St Michaels RC Primary School	Dec. 2022	This audit sought to provide assurance that the Head Teacher and the Governing Body have implemented adequate and effective controls over the administration and financial monitoring affairs of the school. The agreed budget for 2022/23 was £3,109,230.76 and	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>budgeted expenditure was £3,416,432.73. The brought forward balance from 2021/22 was £330,513.95 resulting in cumulative budgeted surplus for 2022/23 being £23,311.98. £137,212 of the brought forward balance was committed to accruals and outstanding invoices due to be paid</p> <p>The following good practices were reported:</p> <ul style="list-style-type: none"> • The Scheme of Delegation and Financial Procedures are up to date for the current year being 2022/23. • A whistleblowing policy is in place and was last reviewed in February 2020 and is due to next be reviewed in February 2023. The policy is accessible on the shared drive for all members of staff to access. Staff are further reminded of the whistleblowing policy each year in September. • Governors have received appropriate induction and on-going training for their role. Details of training available and attended by governors is recorded within the Governing Body meeting minutes. • The 2021/22 School Improvement Plan identifies the financial cost and resources required for implementation and has been approved by the Governing Body. Regular updates regarding the School Improvement Plan are presented to governors in Full Governing Body meetings. • All Petty Cash payments made were within the petty cash limit of £20 and were appropriate school purchases. For a sample of five petty cash payments, all were made upon completion of 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>a petty cash voucher which was authorised by the Head Teacher and supported by receipts.</p> <p>The following key issues and findings were reported:-</p> <ul style="list-style-type: none"> • There were three high value sample of procurements where quotes had not been obtained and the rationale for not obtaining quotes was not recorded. Higher value payments ranged between £10,308.13 - £28,844. • Three of the school's bank accounts (School Fund, School Journeys and Capital Account) are not reconciled on a monthly basis. There was no evidence to confirm the School Fund account being audited. Main disbursement account reconciliations are not signed off the preparer. The petty cash reconciliation for May 2022 was not signed off by the preparer and neither was it dated. • Two Finance and Resource Committee meetings did not take place as scheduled in September 2021 and April 2022 with no explanation recorded for these meetings being cancelled or rescheduled. Whilst the Scheme of Delegation includes the financial limits for the Head Teacher being up to £20,000, it does not include financial limits for the Full Governing Body, Finance and Resource Committee and School Business Manager. The Financial Procedures Manual includes no reference to procurement quotes, tendering, inventory management and the management of the School Fund. • Review of 12 Declaration of Interest forms completed noted the following: six governors had interests declared however, there is no action plan in place to document and monitor the 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>interests declared; one form was not completed in full with sections left blank therefore, we are unable to confirm whether there were any interests to declare; None of the declarations of interests forms were signed off as reviewed by the Head Teacher and Chair of Governors.</p> <ul style="list-style-type: none"> • Six governors' DBS had surpassed the three-year cycle, with one governors DBS certificate having been last updated in 2012. It is not a legal requirement to have DBS certificates renewed every three years however, it is considered good practice as any new convictions will be identified. • For a sample of 10 procurement transactions, the following exceptions were noted: One sample did not have evidence of a purchase order raised. Of the nine purchase orders raised, eight were raised retrospectively following receipt of the invoice. Three samples had no evidence of purchase order approval. One invoice was not paid within 30 days (payment made after 106 days). One payment was made on the basis of an email without receipt of an invoice. • For a sample of five purchases made via the procurement card, none of them had a purchase order raised or evidence of goods received. • There was no inventory check completed in the current academic year and evidence of a previous inventory check could not be located due to no handover provided by the previous School Business Manager. • Equipment loan forms are not completed detailing the name of the staff member, model, serial number, anticipated return or 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>inspection date and employees' responsibilities for insurance and safekeeping.</p> <ul style="list-style-type: none"> • For a sample of four new starters, we noted that for one sample, right to work documents were not saved on file and for another, a second reference was not saved on file. • For a sample of three leavers identified that the school does not complete a leavers checklist to evidence the school has recovered cards, loans, and equipment prior to last day. Furthermore, there was a delay in notifying payroll for one leaver resulting in an overpayment of £4,121.91 in January 2022, although the overpayment had been recouped in February 2022. • The current Disaster Recovery Plan is dated October 2017 with an expected review date of October 2020 however, this was not reviewed. • The school had one journey in 2021. There was no evidence to confirm how the trip was procured, whether income was recorded and reconciled to amounts owing, whether expenditure was supported by invoices and whether an end of journey statement was prepared and presented to Governors. • Whilst the budget is monitored on a monthly basis by the School Business Manager and Head Teacher, there is no evidence to confirm this as the budget monitoring reports are not signed off by either the preparer or the reviewer. <p>All findings and recommendations were discussed and agreed with the Head Teacher in November 2022, and the final report was issued</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		to the Head Teacher, Chair of Governors and Corporate Director of Children and Culture.		
Planning and Implementation of the New Building Safety Legislation	Jan 2023	<p>This audit provided assurance over the Council’s arrangements for planning and implementation the New Building Safety Legislation .</p> <p>The Building Safety Act 2022 (the “Act”) provides for greater accountability and responsibility for fire and structural safety issues throughout the lifecycle of buildings that are within scope of the new regulatory regime for building safety. A new Building Safety Regulator has been established to oversee the new, more stringent regime for higher-risk buildings and drive improvements in building safety and performance standards in all buildings; ensuring residents have a stronger voice in the system (including the resident engagement strategy); driving industry culture change and incentivising compliance; and providing a stronger and clearer framework for national oversight of construction products.</p> <p>The Act also defines and places duties on the Accountable Person (the Council, as the building owner). The Act sets out new compliance and safety requirements for landlords (building owners) who own high-rise buildings that are 18m or 7 storeys and above with two or more residential units. The Council has 78 blocks that fall within the scope of the Act.</p> <p>During the audit we identified areas of good practice which are as follows:</p> <ul style="list-style-type: none"> • There are clear governance arrangements in place between the Council and Tower Hamlet Homes (THH) to meet the requirements of the Act which have been formalised and 	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>approved by Cabinet. The Shadow Framework, which sets the required working arrangements between the Council and THH to meet the requirements of the Act was approved by Cabinet on 24th November 2021.</p> <ul style="list-style-type: none"> • Through the creation of the Shadow Framework, there are clear roles and responsibilities for the Council. Under the Shadow Framework, the Council (as an entity) is the Accountable Person which has a statutory duty for overseeing building safety risks and building safety management. Cabinet have responsibility for making building safety decisions in line with the Council's Constitution. In addition, there are a number of teams in the Council that contribute to the building safety regime which include the ALMO Clienting Team, Building Control, Planning, Asset Management, Housing Supply, Capital Delivery team and Facilities Management. • Under the Shadow Framework, THH have been assigned Building Safety Management duties with responsibility for contributing towards preparations for the building safety regime and assessing, managing, and reporting building safety risks. This includes the development of the Safety Case, providing information for the Safety Case Report, assisting with the registration of High Rise Buildings, the creation of a Residents Engagement Strategy, recruiting staff and continuing to seek approval for building safety works in line with the Council's Constitution. • The Council has recently appointed a Building Safety Lead (BSL). The BSL is the Building Safety Regulator's main point of contact and has responsibility for preparing the Council and 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>THH for the new building safety regime, advising senior officers and members regarding building safety issues, carrying out inspections of buildings where required, assessing building safety risks, and for reviewing and submitting various statutory returns. The BSL is required to work closely with THH who has been given responsibility for delivering some of the Accountable Person's duties on behalf of the council including developing the resident engagement strategy and providing the information for the safety case report. The BSL will also review THH programmes of work to ensure they comply with Building Safety requirements etc. The BSL reports directly to the Corporate Director, Place, with the Director of Housing & Regeneration taking on some of the day-to-day line management responsibilities on behalf of the Corporate Director.</p> <ul style="list-style-type: none"> • There is a record of the key events for the planning and implementation of the requirements of the Act. The key events record covers the period from 2021 through to 2023 and demonstrates the preparedness for the Act. Key events such as Building Safety Case, Mandatory reporting, Building defect remedial responsibilities, Design and construction stage requirements etc. were identified. There is evidence of updating this log and monitoring the progress of key actions. • There is an adequate management oversight and steer provided by the Building Safety Act Working Group (BSAWG). The BSAWG is provided with regular reports and briefing papers (covering building safety management). There is a clear Terms of Reference for the BSAWG in place which includes reviewing any subsequent secondary legislation, so 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>relevant Council departments and THH are fully aware and prepared for their responsibilities to fulfil the new building safety regime (to be fully implemented by October 2023). In addition there is the requirement for communicating information to tenants and leaseholders in a timely manner so they are aware of their new responsibilities under the Act. The Working Group is chaired by the Director of Housing and meets on a monthly basis with a set agenda. Actions together with action owners are recorded and updated on the BSAWG Action List. . In addition, briefings on the requirement of the building safety legislation have been provided to the Mayor and members.</p> <ul style="list-style-type: none"> • Testing confirmed that the Framework arrangements are reviewed by the BSAWG as part their Action List monthly. The shadow Building Safety structure will be updated with relevant changes to comply with secondary legislation once published and Cabinet will be informed of the changes before full implementation of the Act (October 2023). • The Council’s corporate risk register includes the risk of failing to prepare and take action in relation to the proposed Building Safety Bill). The Risk Register is required to be reviewed quarterly by the BSL but as good practice it is reviewed monthly to ensure all risks are being properly identified and managed, so that CLT and members have visibility of these. The Action List captures the work streams/projects in place. This is also reviewed and updated at the BSAWG. • There are clear timetables in place which covers the work required to ensure compliance with the Act which includes 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>Building Safety IT requirements and the production of the Safety Case and all supporting information (i.e. External Wall Surveys, Type 4 Fire Risk Assessments, Structural Surveys, Floor Plans and Means of Escape Survey).</p> <ul style="list-style-type: none"> The Council has a dedicated webpage in place covering the Act. This signposts the relevant government webpages which sets out the building safety regime requirements for landlords of higher risk buildings together with the responsibilities of tenants and leaseholders under the Act. There are clear links to the legislation, the new Homes Ombudsman and to other important building safety information. <p>Key risks, issues and findings from this audit are as follows:</p> <ul style="list-style-type: none"> When the Shadow Framework was approved by Cabinet, members were advised that the Council's Constitution may need to be amended in order to delegate appropriate responsibilities to the BSL. Audit noted the Council's Legal Department is to review the LBTH/THH Management Agreement to allow THH to carry out the building safety management duties as outlined in the Cabinet report of 22 November 2021. However, testing confirmed that there is no action or timeline established for reviewing the Council's Constitution. There is the requirement to review all policies, procedures and strategies regarding the new building safety management regime. The BSL advised that this work is dependent upon secondary legislation and the Council will need to await to ensure it is fully compliant. Although the work on developing the required policies and procedures has not yet commenced 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>as polices and procedure cannot be fully drafted until secondary legislation is published, there is currently no action for this work programme or timeline recorded on the BSA Action List.</p> <ul style="list-style-type: none"> • IT are currently undertaking work to investigate digital storage methods to maintain the Golden Thread of Information. Audit noted that the Keystone Asset Management system used by THH, is at end of its life and needs to be replaced urgently so it is imperative that the replacement is compliant with the Act and the golden thread. In the short term, a system (ActivePlan) has been procured by THH for a year's contract to store all the BSA information and both THH and LBTH staff (including Capital Delivery) will have access to store data and test the system. • In addition, across the Council, there are different systems being used including the use of MS Teams, information being saved to folders, and various feeder systems that do not speak to each other. Therefore, the work to align this information needs to be scoped and an IT Project Plan developed. The timetable for IT Deliverables (updated on 22/09/2022) and presented to BSAWG on 05/10/2022 shows the Key Date for Golden Thread of Information is required by October 2024. However, the Indicative BSB (Building Safety Bill) Project Preparedness Timetable (updated on 30/09/2022) covering ICT solution/delivery, shows the rollout and review of ICT requirements is due to be completed over a three-month period (i.e. April 2023 to July 2023). It is not clear whether this time 		


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>period will provide sufficient time in order to implement a long term solution.</p> <ul style="list-style-type: none"> • There are a number of actions for the Council's Legal Services team to undertake, including reviewing existing building contracts to ensure they comply with the Act's requirements and to check that THH's Building Safety Manager (now building safety management) duties are in line with the LBTH/THH Management Agreement. We recommended that these actions should be completed. • It should be noted that with regards to controls around building safety design to ensure that the requirements of the Act are complied with, relevant information is required from the Interim Head of Capital for preparations in this work area. • There are issues being reported by the Council and THH concerning the recruitment of suitably qualified personnel and there is concern that failure or delay to do this could have a significant impact on the work of building control, building safety management and fire regulations enforcement work. • The BSAWG is provided with regular reports and briefing papers covering the work being done on building safety management. However, these meetings are not formally minuted as these are considered working meetings and instead of having notes/minutes of meetings, the group have an action plan as the main record of the meeting. There is no record of who attends these meetings. In addition, monitoring of key activities needed to be improved. 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> There are a number of sub-groups that support the work of the BSAWG i.e. Safety Case and On-going Building Safety Cost meetings in order to focus on key areas better. However, there are no Terms of Reference in place covering the work of these sub-groups. <p>All findings and recommendations were agreed with Building Safety Lead Officer and LBTH Director of Housing. Final report was issued to the Corporate Director of Place.</p>		
Review of Creditor Payments made without Purchase Orders (AP1 Payments)	April 2023	<p>The objective of this audit was to provide assurance that systems and controls for making AP1 payments are sound and secure. To undertake appropriate audit testing, an AP1 report showing all AP1 payments made during the financial year 2021/2022 was run. This report provided the basis for selecting a sample of transactions for audit testing. The report contained 3,301 AP1 transactions, which totalled £32,3M. We tested a sample of 29 AP1 payments.</p> <p>During the audit we identified areas of good practice which includes the following:</p> <ul style="list-style-type: none"> Collaboration between the Procurement and Payments sections has created an exception list which showed the reasoning behind payments which can be classified as AP1 payments where there is no expectation that a purchase order could be raised and therefore payments needed to be made on a proforma AP1 form. 	Moderate	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • All the 29 payments tested, matched the payment amount request on the proforma AP1 form. <p>The following issues and risks were reported to ensure the controls are made more robust to manage risks:-</p> <ul style="list-style-type: none"> • Policies and procedures – there were no clear documented procedures relating to the AP1 payments process to provide clear guidance to officers stating what AP1 payments are for, when AP1 process should be used and the types of payments (such as advance payments) which should not be made via the AP1 process. In addition, there was no guidance on supporting documents that are required to be submitted, checked and verified before an AP1 payment can be approved by an approving officer. • Segregation of Duties – The AP1 payment approval process requires an AP1 proforma voucher to be completed and signed for by one officer to certify “goods/services received and prices checked”. The AP1 is then required to be approved by a second officer and then certified by a third officer, thereby having segregation of duties from three different officers. This is required due to the risks attached to these types of creditor payments. However our testing of a sample of 29 AP1 payments showed that in 8 cases, there was no evidence of segregation of duties. • Management Information and Analytical Review – No management information on AP1 payments is produced and reported to senior management. As AP1 payments are non-PO payments, there is risk of management override of control and 		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>therefore may warrant a higher level of probity and scrutiny, considering the ease with which these payments can be made. We noted that there is currently no further critical and analytical review and investigation of AP1 payments. Our testing showed that in cases where payments were made to suppliers who might be sole traders, volunteers etc, directly into their personal bank accounts, there may be risk of possible breach HMRC regulations.</p> <p>All findings and recommendations were agreed with Payments Manager and Director of Finance. Procurement and Audit. Final report was issued to the Interim Corporate Director of Resources.</p>		

This page is intentionally left blank

Non-Executive Report of the: Audit Committee Tuesday, 30 th May 2023	 TOWER HAMLETS
Report of: Caroline Holland - Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Internal Audit & Anti-Fraud Annual Plan 2023/24	

Originating Officer(s)	David Dobbs and Bharat Mehta
Wards affected	(All Wards);

Executive Summary

This report presents the annual Internal Audit and Anti-Fraud Plan for financial year 2023/24 for the Audit Committee’s review and agreement.

Recommendations:

The Audit Committee is recommended to:

1. Agree the Internal Audit and Anti-Fraud plan for 2023/24 attached at Appendix A
2. Note the current level of internal audit resource and the plans to increase resources to provide higher level of coverage.

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 and Anti-Fraud Plan 2023/24

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to establish a risk-based plan that sets out the priorities of the internal audit activity which should be consistent with the Council's strategies and outcomes.
- 3.2 Preparation of the plan began in January 2023 and continued through to April 2023 . It was presented to CLT on 2nd May 2023 for their agreement in principle. In preparing the plan and agreeing the priorities, we:
- Consulted with the Directors and their DLTs to understand their risks, the importance they attached to proposed audits and the Council's assurance requirements.
 - Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers to identify risk areas and their importance for audit coverage.
 - Considered national and local risks through research and discussion with peers.
 - Considered the outcomes and length of time of the previous internal audit and anti-fraud activity in order to assess the risk and importance of the audits planned.
 - Reviewed and updated our audit universe (a record of all auditable activities) and carried out our own independent Audit Risk Assessment in view of the risks present.
 - Considered what other assurance providers (if any) will be inspecting the Council in the coming year and whether we can place reliance on their work.
 - Ensured each assurance or consultancy activity was aligned to the Council's priorities, outcomes and whenever possible its risks.

Resources and Limitations

- 3.3 The plan has been designed around the current and planned level of internal audit and fraud prevention resources likely to be available over the course of 2023/24. Currently, the audit team has an establishment of 3 Senior Auditors, 2 Internal Auditors and 1 Internal Audit Practitioner, supported by an Internal Audit and Fraud Prevention Manager who is also the Deputy Head of Audit.

The two Internal Auditor posts are currently vacant due to an inability to recruit suitably qualified/experienced staff to these posts. In addition, the post of Head of Audit has been vacant since December 2022. An appointment to this post has been made and the post holder has commenced on 9th May 2023. As such, the internal audit resources are currently below establishment, which will impact upon the delivery of the full audit plan.

- 3.4 The in-house Internal Audit team is supported by an audit partner BDO LLC who has recently been procured with a contract start date of 7th February 2023. This has increased the capacity, however, in view of the two vacant posts, the overall resource to deliver the 2023/24 audit plan has reduced.
- 3.5 To reflect the reduced level of resources into the audit planning process, the audit plan has been split into Priority 1 and Priority 2 audits, which have been agreed with Directors and their DLTs. Those audits which are classified as High Importance audits have been assigned Priority 1 audits, as we have sufficient capability and capacity to deliver these audits. Those audits which are classified as of Medium Importance, have been made Priority 2 audits and will be delivered when the 2 vacancies have been filled. There is some flexibility built into the audit plan so that any changes in priorities and any additional requests for audits or requests to defer audits can be accommodated. We will keep the Audit Committee updated on a quarterly basis on the progress of the Audit Plan and any subsequent changes to it.
- 3.6 A copy of the proposed audit plan which is attached at Appendix A was reviewed and agreed in principle by CLT at its meeting on 2nd May 2023. The Plan is linked to the Council's strategic priorities and outcomes and wherever possible audits are mapped against the Corporate and Director level risks which are currently recorded by Management on the Risk Registers. The last column of the Audit Plan at Appendix A explains the origin (source) of the audit, the risk from Corporate and Directorate Risk Registers, where applicable, and the importance (priority) of the audit agreed with Management. A summary description of the risks referenced in the last column of the plan is attached at Appendix B.

Recommendation

- 3.7 The Audit Committee to agree the internal audit and anti-fraud annual plan for 2023/24 and note the current level of internal audit resource.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory equality implications.

5. OTHER STATUTORY IMPLICATIONS

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

6. COMMENTS OF THE CHIEF FINANCE OFFICER

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

7. COMMENTS OF LEGAL SERVICES

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A Draft Internal Audit and Anti Fraud Plan for 2023/24
- Appendix B Summary description of risks referenced in the annual plan

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

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

- NONE

Officer contact details for documents:

Bharat Mehta

Email: bharat.mehta@towerhamlets.gov.uk

London Borough of Tower Hamlets 2023/24 Internal Audit Plan

	Priority 1 Audits	Priority 2 Audits	Total Audit Days
Corporate and Council-Wide Reviews	90	35	125
Chief Executive's Office	20	30	50
Resources	205	65	270
Health, Adults and Community	100	15	115
Children and Culture	190	10	200
Place	110	60	170
Tower Hamlets Homes	120	-	120
Provision for Follow-up and Management Requests	80	20	100
Total	955	195	1150

Corporate and Council Wide Reviews

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Corporate Governance Improvement Plan – Follow Up	10	1	The Corporate Improvement Plan was put in place subsequent to Corporate Governance review by Grant Thornton and Internal Audit. We will review and test the implementation of the agreed actions within the improvement plan in readiness for the Governance peer review.	Implement a rigorous improvement programme for those services subject to external inspection, and those that are not.	Management Request High Importance
Management of Waivers to Financial Regulations	15	1	The Council's Financial Regulations provide financial governance framework for officers and members. It is important that any waivers to these regulations are managed and controlled well. This audit will provide assurance that arrangements for managing these waivers are sound and secure and protects the Council's interests.	Deliver a balanced budget, innovate to improve value for money, deliver modern services, and improve customer satisfaction across council services.	Audit Risk Assessment Corporate Risk RS0056 High Importance
Management and Control of Staff Gifts and Hospitality	10	2	Managing the declaration of officers' gifts and hospitalities is an important part of the Council's governance and anti-fraud arrangements. This audit will involve reviewing of the Officers Gifts and Hospitality policy and procedures and providing assurance that the procedures and compliance is sound and secure.	Implement a rigorous improvement programme for those services subject to external inspection, and those that are not.	Management Request and Audit Risk Assessment Medium Importance
Performance Management	15	1	It is important that the Council has a robust framework in place for developing, measuring, monitoring and reporting upon its key performance measures to achieve the strategic priorities. This review will provide assurance that the framework is sound and key	Deliver a balanced budget, innovate to improve value for money, deliver modern services, and improve	Audit Risk Assessment High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
			performance measures are developed, measured, monitored and reported to those charged with governance and improvements made when necessary.	customer satisfaction across council services	
Scheme of publication (publication required via the Local Government Transparency Code)	15	1	The Council is required to publish key information and data on its website to ensure that residents and public can access publishable information in a transparent and open manner. We will review the Council's scheme of publication to provide assurance that the systems and controls are sound and secure.	A council that listens and works for everyone	Management Request and Audit Risk Assessment High Importance
Risk Management	15	1	This will be a review of the Council's Risk Management policy and procedures to provide assurance that management, control and reporting of key risks to the Council is sound and secure.	Deliver a balanced budget, innovate to improve value for money, deliver modern services, and improve customer satisfaction across council services	Audit Risk Assessment High Importance
Management and Control of Market Supplements for Hard to Fill Posts	10	2	This will be an Advisory piece of work to review the control and monitoring of market supplements awarded for Hard to Fill posts. The scope of the audit will be agreed with the Director of HR and WD.	A council that listens and works for everyone	Management Request Medium Importance
Attendance Management	20	1	This audit will review the systems of control in place for reporting, recording, monitoring and managing sickness absences to achieve the objectives of the Council. We will test compliance with the procedures at Directorate level.	A council that listens and works for everyone	Management Request and Audit Risk Assessment

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
					High Importance
Data Quality	15	2	This audit seeks to provide assurance that there are sound systems for producing and quality checking good quality data which is relevant, reliable, accurate, valid and complete to enable the CLT and Cabinet to make informed decisions to improve the quality of life for all those who live and work in Tower Hamlets.	A council that listens and works for everyone	Audit Risk Assessment Management Request
Total	125				

Chief Executive's Office

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source. Importance and Related risk(s) as per Risk Registers
Grants to Voluntary and Community Organisations	20	1	This audit will provide assurance over the Council's arrangements for determining the eligibility of those organisations who apply for the grant funding and for assessing the funding to be granted to those organisations. The assurance will be provided at the stage when both eligibility and financial assessment is determined. We will test eligibility and assessment against the approved criteria and approved internal procedures.	Tackling the cost-of-living crisis. Investing in public services Empowering communities and fighting crime	Management Request High Importance
Management of Transformation Programme and Projects	15	2	Effective management of the transformation programme and projects is an important part of the Council's transformation agenda. We will review the implementation and management of the Corporate Portfolio, Programme and Project Management framework approved by the CLT in May 2022.	Investing in public services	Audit Risk Assessment Medium Importance
Procurement of Legal Advice	15	2	It is important that once a contract is let, it is monitored well to ensure that the key contract requirements are complied with and provider performance is reviewed and monitored. This audit will review how legal advice from Solicitors and Counsellors is procured, managed, monitored and paid for.	A council that listens and works for everyone	Audit Risk Assessment Medium Importance
Total	50				

Resources

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Financial Systems	60	1	It is important that the Council's financial systems and governance is sound and secure and key financial systems are independently reviewed on a cyclical basis. We will carry out audits on key financial systems such as Capital Budget Management, Pensions Administration, General Ledger, Debtors, School Accounts Reconciliation and Housing Benefits. This audit will provide assurance that key financial systems and controls are sound and secure.	Deliver a balanced budget, innovate to improve value for money, deliver modern services, and improve customer satisfaction across council services.	Audit Risk Assessment Annual audits Corporate Risk RS0056 High Importance
Homeless – Arrears Management	15	1	We will review management, control and monitoring of Homeless families arrears.in respect of income receivable. We will explore how quickly homeless tenancies are created and any blockages that prevent income to be identified, invoiced and recovered. The audit will require close working with Homeless Persons Unit.	Tackling the cost-of-living crisis Act early to support residents to increase incomes, reduce costs and deb.	Management Request and Corporate Risk RS0056 High Importance
Pre-payment Cards	15	2	We will review the management and control of Pre-payment cards to ensure that controls are sound and secure. A new provider has recently been procured to provide this facility.	Tackling the cost-of-living crisis	Audit Risk Assessment Medium Importance
Housing Benefit quality assurance systems	15	1	We will review the HB quality assurance system to provide assurance that the quality control systems for this area are sound and robust.	Tackling the cost-of-living crisis A council that listens and works for everyone	Management Request and Audit Risk Assessment High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Registrars Service	15	1	This will be a regularity audit of the service to provide assurance that policy, procedures and regulations required to be followed are complied with.	A council that listens and works for everyone	Management Request High Importance
Procurement – Requisition for Quotation (RFQ) system	20	1	This will be a review of the RFQ system to provide assurance that systems, controls and compliance level is sound and secure. We will select a sample of RFQs to ensure that procedures are being complied with.	Investing in public services A Council that listens and works for everyone.	Management Request and Audit Risk Assessment High Importance
Business Support SLAs delivery and performance	15	2	This audit will review the adequacy and soundness of various services provided by the Business Support function to provide assurance that service delivery and performance is controlled and monitored effectively.	A council that listens and works for everyone	Management Request and Audit Risk Assessment Medium Importance
Free Schools Meals Eligibility	15	1	The objective of this audit is to provide assurance that the systems and controls for determining eligibility for free school meals and notifying schools of the eligibility is sound and secure. This audit will also contribute in supporting schools to identify FSM pupils to maximise pupil premiums.	Support children and young people through a package of measures including universal Free School Meals throughout primary and secondary school. Tackling the cost-of-living crisis	Management Request High Importance
Management of Members' Enquiries	20	2	The objective of this audit is to provide assurance that systems and controls for managing Members' Enquiries	A council that listens and works for everyone	Audit Risk Assessment

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
			at all levels are sound and secure and achieve the objectives of the Council. The audit will review systems and procedures for dealing with Enquiries by Information Governance Team and by the Mayor's office.		Medium Importance
IR35 – Off Payroll Engagement	15	1	To review the control framework across the Council to provide assurance that IR35 requirements are complied with.	A council that listens and works for everyone	Audit Risk Assessment High Importance
Idea Stores – Regularity Audit	15	2	We will visit a sample of Idea Stores to provide assurance that systems for dealing with petty cash, income control, expenditure control, inventory control, stock control, security etc. are sound and secure.	Protect the space in our Idea Stores where young people can study and work with community groups. Invest in public services	Audit Risk Assessment Medium Importance
Cloud strategy and operation (IT Audit)	15	1	This IT audit will review the Council's Cloud Strategy to provide assurance that the strategy achieves the objective of the Council and that the operation is sound and secure. The specific scope of the audit will be agreed with the Director of IT.	A council that listens and works for everyone Invest in public services	Audit Risk Assessment and Management Request High Importance Corporate Risk ICT0076
Virtual infrastructure (IT Audit)	15	1	This audit will provide assurance that remaining virtual infrastructure is sound and secure. The scope of the audit will be agreed with the Director of IT	Invest in public services A council that listens and works for everyone	Management Request High Importance Corporate Risk ICT0076

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Cyber Security Controls over Supply Chain and Trusted Partners	10	1	This audit will seek to test the robustness of cyber security controls with respect to the Council's supply chain to ensure that the Council's trusted partners management of shared data is not compromised. Council data is used by suppliers and it is important that this data is not compromised and securely protected from abuse.	Invest in public services A council that listens and works for everyone	Management Request High Importance Corporate Risks ICT0081 ORG0027
Software Licenses- Management and Control	10	1	This audit will examine the Council's operational arrangements for management, control and monitoring of software licenses to ensure that any changes to licenses are notified, communicated and understood by users and there is adequate oversight.	Invest in public services A council that listens and works for everyone	Management Request High Importance Corporate Risks ICT0081 ORG0026
Total	270				

Health, Adults and Community

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Management of Video Surveillance systems	15	1	This service was subject to an inspection by the Surveillance Camera Commissioners in 2020. The review will provide assurance over the Council's management of Video Surveillance systems to ensure that it complies with the Protection of Freedoms Act 2012 and meets the Code of Practice under the Act This will be a focused piece of work and the exact scope will be discussed with Management.	Implement a rigorous improvement programme for those services subject to external inspection, and those that are not.	Audit Risk Assessment and Corporate Risk ASD0038 High Importance
Recruitment and Vetting of Enforcement Officers	10	1	This is a consultancy piece of work requested by Management. The review will examine the process for carrying out the necessary vetting to ensure that the applicants have the necessary accredited qualifications. The scope of the audit will be discussed with the Director of Community Safety.	Tackle anti social behaviour and crime hotspots with CCTV and design of public spaces. – Put more uniformed police officer.	Management Request High Importance
Quality Assurance Board and Framework	15	1	To provide assurance over the implementation of the Quality Assurance Board and draft framework for adult social care. Quality assurance is a key element of service improvement in provision of social care to vulnerable adults. A review of the QA framework and its application in social care practice will be beneficial.	Provide high quality and financially sustainable services for adults receiving social care to achieve their goals, be connected to others and live as independently as possible.	Management Request Corporate Risk ASD0015 High Importance
Management and Monitoring of Fixed Penalty Notices	15	2	The Council is empowered to issue Fixed Penalty Notices for enforcements of certain breaches of law and regulations. This audit will review the soundness and adequacy of controls for issuing FPNs and for planning, collecting and monitoring of income from FPNs.	Tackle anti social behaviour and crime hotspots with CCTV and design of public spaces.	Management Request and Audit Risk Assessment Medium Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source and Related risk(s) as per Risk Registers
Domiciliary Care - Procurement Advisory work	10	1	We will provide advice around the controls around the payment process for the new contract for Domiciliary Care.	Provide high quality and financially sustainable services for adults receiving social care to achieve their goals, be connected to others and live as independently as possible.	Management Request Corporate Risk ASD0015 High Importance
Telecare Service	15	1	This will be a review of the Telecare service to provide assurance that sound controls are built into the service provision. The scope of this audit will be discussed with the Director of Adults Social Care.	Provide high quality and financially sustainable services for adults receiving social care to achieve their goals, be connected to others and live as independently as possible	Management Request and Audit Risk Assessment Corporate Risk ASD0015 High Importance
Direct Payments	15	1	This will be review of the Direct Payments system to provide assurance that systems and procedures for controlling and monitoring direct payments are sound and secure. We will also review the clawback procedures as part of this audit.	Provide high quality and financially sustainable services for adults receiving social care to achieve their goals, be connected to others and live as independently as possible.	Audit Risk Assessment Corporate Risk ASD0015 High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Contract Monitoring	20	1	We will select a sample of commissioned adults and public health contracts and review the effectiveness of monitoring these contracts. The objective is to provide assurance that key contract requirements are monitored and complied with. This will include performance monitoring, variation control, payment control, social value, DBS and other key requirements.	Provide high quality and financially sustainable services for adults receiving social care to achieve their goals, be connected to others and live as independently as possible	Audit Risk Assessment Corporate Risk ASD0015 High Importance
Total	115				

Children's and Culture

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Holiday Playschemes	15	1	This audit will review the Council's offer of Holiday Playschemes to provide assurance that the planning, assessing and managing the scheme achieves Council objectives. We will assess how fees and charges are assessed and the system for maximising and collecting fees and charges.	Support education achievement through a series of learning interventions and financial support	Management Request Corporate Risks CSD0016 CSD0026 High Importance
Supporting Stronger Families Grant Certification	15	1	This will be grant certification audit, involving detailed testing of a sample of cases to ensure that the required outcomes for the families have been delivered.	Support education achievement through a series of learning interventions and financial support.	Grant Certification audit High Importance
Schools Probity Audit	100	1	A selection of schools will be visited to carry out a programmed audit of schools. The audit will cover areas of Leadership and Governance; Budget Management; Procurement; Income and Expenditure controls; Payroll and Personnel; Asset Management; and other key areas. This is part of the LAs statutory responsibility to carry out a cyclical audit of maintained schools.	Support education achievement through a series of learning interventions and financial support	Cyclical Audit High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
SEND Improvement Plan	15	1	This audit will provide assurance that the improvement plan from SEND inspection last year is monitored and controlled and that the agreed actions are progressed and implemented.	Implement a rigorous improvement programme for those services subject to external inspection, and those that are not.	Audit Risk Assessment Corporate Risk CSD0024 High Importance
King George Field's Trust Governance	10	2	This will be a review of the governance arrangements for the charitable trust to provide assurance that the organisation runs as a standalone entity and that its financial and operational management arrangements are clearly separated from the Council.	A council that listens and works for everyone	Management Request Medium Importance
Education Maintenance Allowances (EMAs) and Bursary Payments	15	1	We will review the systems and procedures for assessing and paying EMAs and Bursary Awards to ensure that Council's objectives and priorities are achieved.	Support children and young people through a package of measures including, educational maintenance allowances for those in post-16 years, and bursaries for young people who want to go to university.	Audit Risk Assessment High Importance
Youth Service Insourcing - Advisory	15	1	We will review the governance and controls around management of the In-housing project.	Aim to bring outsourced public services back into public hands and introduce an 'insourcing first' policy.	Management Request and Audit Risk Assessment High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Commissioning of Sports Activities -Advisory	15	1	This will be a consultancy piece of work to review the governance and framework for sports provision and activities awarded to community groups and organisations.	Open up opportunities for all residents, including young people and women, to participate in a wide range of local sporting and cultural opportunities.	Management Request High Importance
Total	200				

Place

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Passenger Transport Services	20	1	This audit will provide assurance that the planning, control and monitoring of the Council's passenger transport service is sound and secure and meet the objectives of the Council.	Working towards a clean and green future.	Management Request and Audit Risk Assessment High Importance
Planning and Building Control Fees and Charges	15	2	We will review and test that planning and building control fees and charges are set, collected, banked, accounted for and monitored effectively.	Deliver a balanced budget, innovate to improve value for money, deliver modern services, and improve customer satisfaction across council services.	Audit Risk Assessment Directorate Risk PAR0054 Medium Importance
Licensing	15	1	This audit will review the Council's arrangements for issuing various statutory licences to provide assurance that systems and controls are sound and secure and meet Council objectives.	Empower tenants and residents and support effective enforcement	Audit Risk Assessment High Importance
Procurement and Management of Technical Consultants for Capital Works	15	1	We will review the procurement and monitoring process for technical consultants like the architects, quantity surveyors, clerks of works and Employers Agents and other technical service providers.	Work with developers and housing associations to deliver a minimum of 1000 social homes for rent per annum.	Audit Risk Assessment Directorate Risks SBCD0029 DRD0062 DRD0063 High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
THH Insourcing	15	1	This will be joined up piece of work between THH and LBTH to review the arrangements and controls for transferring housing management functions to the Council. The scope of the work will be determined in consultation with the LBTH Director of Housing and THH Directors.	Consult residents on the future of housing management services, including Tower Hamlets Homes	Audit Risk Assessment High Importance
Post Contract Review – New Town Hall	10	2	This audit will be a post contract review of the New Town Hall project to ensure that procedures for final accounts, contractual claims, post completion assessment, lessons learnt etc. are sound.	A council that listens and works for everyone	Management Request. Risk DRPCD0057
Management of Lettings of Community and Commercial Properties	15	1	This audit will provide assurance that systems and controls for governance and management of lettings of community and commercial are sound, secure and in accordance with Council procedures.	Support small businesses, start-ups and markets and put traders at the heart of their management.	Audit Risk Assessment and Management Request Directorate Risk PMP0009 High Importance
Management of Markets	15	1	To review the arrangements for managing and monitoring various aspects of Markets. Scope to be agreed with the Director, Public Realm.	Support small businesses, start-ups and markets and put traders at the heart of their management.	Audit Risk Assessment Directorate Risk PPRMM0003 High Importance

Audit Title	Est. days	Priority	Outline scope and rationale	Council priority and/or outcome	Audit Source, Importance and Related risk(s) as per Risk Registers
Management of Grants	20	2	We will select a sample of grants administered by services within the Directorate and provide assurance that procedures for awarding and paying these grants are sound and secure.	Act early to support residents to increase incomes, reduce costs and debt. Boosting culture, business, jobs, and leisure	Audit Risk Assessment Medium Importance
Penalty Charge Notices – Appeals Procedure	15	1	This audit will examine the system for receiving, managing and monitoring of Appeals received against the PCNs issued by the Council.	A council that listens and works for everyone	Management Request Directorate Risk CLPRPM0066 High Importance
Waste Management – Operational Control	15	2	This review will cover the effectiveness of operational management of the waste function. The scope will be discussed with the Director of Public Realm.	Clean up our borough with more bins, litter sweeps and a mission to drive down missed bin collection.	Management Request and Audit Risk Assessment Medium Importance
Total	170				

Reserves/ Future Audit Topics for Consideration

<p>Corporate and Council-Wide Reviews</p> <ul style="list-style-type: none"> • Risk Management • Prevent Strategy • Business Continuity Planning • Establishment Control • Advertising and Commercial Income • Management of Transformation Programme and Projects • Management of Leavers • Management of Overtime • Website Document Accessibility • Effectiveness of Council's Digital Offer • Value for Money Arrangements • Transparency Code - compliance audit • Schemes of Delegation • Apprentice Levy • Control and Monitoring of Multiple Employment • Business Continuity • Cyber and Data Security • Service Planning • Net Zero Carbon Commitment • Data Security and Incident Management • Building Safety Act- Compliance 	<p>Chief Executive's Office</p> <ul style="list-style-type: none"> • Monitoring of Voluntary and Community Sector grants • Legal Planning Meetings for Children's Social Care Cases • Tower Hamlets Strategic Partnerships • Communications Strategy and Protocols • Charging for Legal Services • Management of Mayors Office • Control of Mayoral regalia and civic assets • RIPA Compliance • Management of Members Allowances and Payments • Members training and Induction • Overview and Scrutiny • Management of Health Determinants Research Grant
<p>Resources</p> <ul style="list-style-type: none"> • Cash and Deposits • CHAPS Payments • VAT Management • Travel Cards and Allowances 	<p>Health Adults and Community</p> <ul style="list-style-type: none"> • Electronic Home Care system • ASB Management • Brokerage • Re-ablement Service

<ul style="list-style-type: none"> • Systems Interfaces and Reconciliations • HR Case management • Competitive Tendering • Payroll Reconciliation Processes • Payroll Exception Report management • BACS Payments and Control • Customer Contact and Customer Journey • CRM • Control and Monitoring of Social Value in Council let contracts • Complaints • Deputyships and Appointeeships • Adult Education • Contact Centre • Residents Hub 	<ul style="list-style-type: none"> • Annual Reviews of Care Plans • Occupation Therapy • Mosaic - Quality of data audit • Commissioning • Hospital Discharge team • Management of Civil Emergencies • Pandemic Flu Plan • Social Care- Data Quality • Safeguarding Adults • Non-Recourse to Public Funds • Commissioning and contract management • Procure to pay system for home care • Public Health contracts • CCTV Operation • Transition from Children's to Adults (Cross directorate with C&C) • CIPFA/SCIE Improvement Plan
<p>Place</p> <ul style="list-style-type: none"> • Compliance with CDM Regulations • Building Contract Administration and Standard Contract Documentation • Improvement, DFG and other Grants • In-house Temporary Resourcing services -ITRES • Repairs and Maintenance of Administrative and other Buildings • Cleaning Contracts for Administrative Buildings • Health and Safety at Work • Monitoring Use of Temporary Accommodation • Homeless Families - Tenancies and Debt Control • Food Safety Inspections • Trading Standards • Landlord Licenses • Building Control • Parking Permits • Penalty Charge Notices 	<p>Children and Culture</p> <ul style="list-style-type: none"> • Home to School Transport • Youth Offending Team - Case Management • Leisure Service • Safeguarding • Contract Services - Catering and Cleaning • Management of School Catering • Fostering • Children's Commissioning and Contract Management • THAMES • School Development Service • Tower Hamlets Education Partnership • Community Language • Sports Provisions • Arts and Events • Inspection of playgrounds and parks

- Highways and Street Lighting Contract
- Fire Safety
- Parking Income
- Waste Management and Recycling
- Planning Permissions

- Youth Service
- Quality Assurance systems
- Multi Agencies Safeguarding Hub
- Child Exploitation
- School Governance service
- Leaving Care service

Proactive and Anti-Fraud Activity

Initiative	Broad Scope	Council priority and/or outcome
Annual Review of Policy Documents.	Good governance is essential for any organisation to achieve its objectives. We will ensure that our policies remain relevant, compliant with good practice and reflective of legislative changes. We will undertake reviews of or key governance documents including the Anti-Fraud and Corruption Strategy, Counter Fraud Manual, Anti-Bribery Policy, Anti-Money Laundering Policy, whistleblowing policy and Prosecution Policy.	A council that listens and works for everyone
National Fraud Initiative	We are statutorily required to participate in the National Fraud Initiative. We will act as Key Contact for the Council and the Cabinet Office and arrange and co-ordinate the submission of the relevant data sets for 2022 NFI exercise. We will continue to co-ordinate and ensure that the investigation of matches arising from the 2020 and 2022 data submissions are managed effectively across the Council. We will review the quality of investigations by individual responsible officers and conduct our own review and investigations. We will identify common systems data quality issues that can be factored into the next round of NFI data matching exercise to increase the accuracy of future data matching. Results will be reported to the Audit Committee regularly.	A council that listens and works for everyone
Fraud Awareness	<p>A strong anti-fraud culture is the first line of defence in combatting fraud affecting any organisation. A broad range of activity will improve awareness of the Council's fraud risks and create a deterrent effect. We will deliver at least 12 fraud awareness presentations and/or workshops across the Council.</p> <p>We deliver an internal fraud awareness campaign to coincide with International Fraud Awareness Week.</p>	A council that listens and works for everyone

Initiative	Broad Scope	Council priority and/or outcome
Internal Data matching / Data Analysis/Sample Testing	Data sharing/matching is recognised as a key tool in the fight against fraud. This activity is dependent on the effectiveness of the NFI, as well as our own capability/capacity. We will undertake a review of the feasibility of further data matching and analysis using the Council's data to detect instances of fraud in high risk areas such as Housing, Social Care and Procurement.	A council that listens and works for everyone
Anti-Fraud Intranet website content	We will continue to provide and improve the usability and access to anti-fraud information with the aim of encouraging referrals, we will conduct a review of the anti-fraud Intranet and website content to ensure the content is up to date, aligned with best practice, promotes an anti-fraud culture and explains to staff what to do if they suspect fraud or similar crimes.	A council that listens and works for everyone
Fraud Survey	To assess understanding of current fraud related topics, processes, and procedures and to provide guidelines on possible avenues to make improvements, we will design and conduct targeted anti-fraud survey.	A council that listens and works for everyone
Fraud Risk Register	We will review, update and maintain the Fraud Risk Register.	A council that listens and works for everyone

This page is intentionally left blank

Key Risks for Audit Plan

Appendix B

Risk Ref.in Risk Registers	Risk Description
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm.
ORG0027	There is an ongoing risk of a cyber attack and/or major loss of IT.
RS0056	The Council may significantly overspend its budget, fail to deliver savings and continue to rely on dwindling reserves. As of September 2022 the Council is forecasting a £3.1m overspend against its budget for the year with savings at risk of non delivery. Reserves remain robust but there is a risk that the Medium Term Financial Strategy may require a significant draw down of reserves. Reserves can only be used once and therefore should not be used to plug permanent budget requirements
RSB0023	There is a risk that the statement of accounts will receive a qualified opinion for 2020 21.
ASD0015	<p>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.</p> <p>Poor practice, insufficient information sharing and/or inadequate management oversight.</p> <p>Failure of quality control systems.</p> <p>Service user fails to work to agreed partnership / agency arrangements.</p> <p>Poor communication and partnership work.</p> <p>Poor resourcing of service areas against increased demand.</p> <p>Local authority contracted out service do not have sufficiently robust safeguarding arrangements.</p>
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
DRCPCD0062	Town Hall delay with completion beyond 2022 impacting fit out and moves programme by Dec 2022
ORG0026	There is a risk the Council will be unable to deliver critical and essential services.
PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill
ICT0081	Exploitation of supply chain security vulnerability impacting vendors/partners/services

Risk Ref.in Risk Registers	Risk Description
ICT0076	The IT service is unable to maintain or recover essential services following an incident or event. Relates to ORG0027 There is an ongoing risk of a cyber attack and/or major loss of IT.
CSD0024	Written Statement of Action required for SEND. Local area joint SEND inspection has identified poor quality and oversight of EHC plans including the annual review and failure to meet the 20 week statutory requirement for EHCP completion.
CSD0026	Failure to provide sufficient childcare
DRCPCD0057	New Town Hall Project): That the contingency budget allowance of £5m is not sufficient.
DRD0062	Insufficient resources to deliver the Capital Delivery Service's Work Programme
SDBCD0029	If the contracts for the appointment of consultants and contractors are not awarded in a timely manner then this could have an impact on the overall delivery of the project, as it will hinder the progression of the works and appointment of sub consultants
DRD0063	There is a risk that uncoordinated processes within Capital Programme delivery and Client Teams will lead to delays in achieving outputs as set by the Strategic Plan and Mayors priorities covering housing and mixed site developments.
PAR0054	The P and BC team is now heavily reliant on income it is 85% income funded. The income sources range from pre app fees, PPAs, CIL and S106 admin fees, Land Charges, SN and N and planning application fees. Each of the different sources have their own rules and regulations about what the income can be used for etc. All are reliant on the continuation of development in the borough at similar levels to that we have seen in the last few years and also the system of income generation staying largely the same as at the moment. There are a number of reasons this may not be the case explored in the triggers. A linked risk is an increase in appeals/JRs there is no specific budget for such costs.
PMP0009	Where the rent reviews are not being agreed, then tenants are not paying the correct rent and the Council is failing in its fiduciary duty to get best consideration. Furthermore, should lease renewals be undertaken subsequent to lettings but not rent reviews then a two tier market emerges with some tenants benefitting from an inadvertent concessionary rent.
PPRMM0003	Management of Markets Follow Up Audit is assigned an inadequate assurance rating (Limited or Nil)
CLPRPM0066	Policy framework for the administration and control of parking permits not clearly laid down and approved.
PPRMM0001	Market services do not have a specific market management ICT system, which means services are run manually. A wider corporate ICT solution that was created has not been implemented leaving market services and the 2.5 million income vulnerable

This page is intentionally left blank

Non-Executive Report of the: Audit Committee Tuesday 30 th May 2023	 TOWER HAMLETS
Report of: Caroline Holland - Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Risk Management - Corporate and Directorate Risk Registers	

Originating Officer(s)	David Dobbs and Bharat Mehta
Wards affected	(All Wards);

Executive Summary

The management of risk is a key function for the Council. 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 and risk owners.

This report presents the Audit Committee with the opportunity to review the Corporate Risk Register and also the Resources Directorate Risk Register. This is in accordance with the Audit Committee's decision that it will review both the Council's Corporate Risks at all its meetings and each Directorate's Risk Register on a rolling programme basis. The Audit Committee meeting on 26th January 2023 reviewed Place Directorate Risk Register and a review of Resources Directorate Risk Register is now due.

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 those risks including impact on the corporate objectives at the next Audit Committee meeting (or separately before the meeting, if urgent).
2. **Note** the Resources Directorate risks and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risks 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 service Directors to maintain the Corporate Risk Register. The updated register is attached at Appendix A. This register was presented to CLT on 2nd May 2023 for 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).

Resources Directorate Risk Register

- 3.4. The Audit Committee should review the risks identified for the Resources Directorate 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 risks 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 following order:

- Children's and Culture.
- The Chief Executive's Office
- Health, Adults and Community

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific equalities implications.

5. OTHER STATUTORY IMPLICATIONS

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

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

- 5.2 The Accounts and Audit Regulations 2015 require authorities to ensure they have a sound system of internal control which:

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

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no specific financial implications arising from the content of this report. General comments with regards the importance of effective risk

management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report 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 – Resources Directorate's 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:

Bharat Mehta

Email: bharat.mehta@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		
GSD0016	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> <p>Bi-monthly and bi-annual plans in place.</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		
								indicated our next inspection will be the full ILACS, expected later in 2023. James Thomas <u>Required Control Measure</u> Target Date: 30/06/2023 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							
RS0056	The Council may significantly overspend its budget, fail to deliver savings and continue to rely on dwindling reserves. As of 31 December 2022 the Council is forecasting a balances position for the year, with underlying overspends and savings at risk of non delivery, offset by the application of reserves including additional funds received during the COVID pandemic . Reserves remain robust but there is a risk that the Medium Term Financial Strategy may require a significant draw down of reserves. Reserves can only be	COVID-19 Virus residual impacts and associated increase in costs. Loss of income in particular council tax, business rates and leisure events. Poor budget management Failure to deliver savings Demographic pressures in Adult Social Care, SEND related pressures in Childrens and Culture, Unfunded discretionary expenditure utilizing temporary reserves.	Significant financial losses, overspent budgets, further drawn down on reserves.	Financial Measures CLT and SLT have prepared savings proposals of £10m for the next financial year, with a further circa £40m to be identified over the MTFS period 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 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. Ahsan Khan <u>Required Control Measure</u> Target Date: 30/11/2023	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		
	used once and therefore should not be used to plug permanent budget requirements.														
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 clicking on phishing scam email links, and/or divulging sensitive information	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. Ensure architectural decisions taken are supported by adequate risk assessments. Ensure Policies are aligned with identified risks and communicated effectively. Ensure policy exceptions are supported with fully documented and signed off risk assessments and controls are continually monitored Review of BCP 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	4	4	16	Zero Tolerance to unsupported software in the council live environment without a mitigation plan in place. 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 software installed - 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. 11 Oct - moved owner to MU, remaining list of unsupported software to be supplied and action plan agreed to address by end of FY Mary Umoh <u>Required Control Measure</u> Target Date: 31/10/2023 Governance The terms of reference for the Strategic Information Governance Board need to be reviewed and	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		
				<p>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>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>TOR's in draft will be signed of by newly formed SIGB by the end of June.</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/06/2023</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 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.</p> <p>12/01/23 - independent assessment due Q4 FY22/23 which will evidence be used to evidence the CM</p> <p>Mary Umoh</p> <p><u>Required Control Measure</u></p> <p>Target Date: 19/01/2023</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT	
					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		2	2	4	Nisar Visram	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
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 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 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.	3	5	15	2	5	10	Denise Radley	People Are Aspirational, Independent And Have Equal Access To Opportunities.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>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: 31/03/2024</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: 31/03/2024</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 Reviews.</p> <p>This is monitored for the Safeguarding Adult Review sub group and Board.</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		
								Katie O'Driscoll <u>Required Control Measure</u> Target Date: 31/03/2024							
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.	<p>Accountability for fire safety is not correctly designated, communicated and understood</p> <p>Fire Risk Assessments: * are incomplete, inadequate or not carried out in accordance with the latest advice from DCLG and fire and rescue services * are not published in accordance with the Mayor's commitment * do not include the time limits on recommendations</p> <p>Fire Risk Assessment Action Plans: are not produced and/or delivered within appropriate timescales</p> <p>Limited current contractor supplier chain for scale of identified fire safety works</p> <p>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</p> <p>Unable to justify block prioritisation policy for programmes of Fire Risk Assessment works</p> <p>Leaseholders do not fit fire rated flat entry doors</p>	<p>Loss of life</p> <p>Loss of housing stock</p> <p>Lobbying and/or protesting</p> <p>The council and local housing management organisations lose the trust of residents</p> <p>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</p> <p>Corporate prosecution with potential penalties of unlimited fines, remedial orders and publicity orders</p> <p>Adverse national media coverage</p> <p>Uninsured financial loss</p> <p>Council perceived as not having fulfilled statutory duty to keep local housing conditions under review</p>	<p>Work with MHCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety</p> <p>1. Officers within the Council, representing Environmental Health, Planning, and Building Control, and Housing and Regeneration meet weekly at the 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 is inputted into the Department for Levelling Up's (DLUHC) DELTA system and details of the information received are sent to a Technical Officer in the Building Control Team for analysis.</p> <p>2. 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.</p> <p>3. This has now progressed to EWS work and applications to the Department for Levelling Up's (DLHUC) BSF fund to remediate materials of concern other than ACM.</p> <p>4. Likewise Officers are in regular dialogue with DLUHC on buildings that are of concern and also to discuss various freeholders and managing agents who are not</p>	3	5	15	<u>Required Control Measure</u> Target Date:			1	5	5	Ann Sutcliffe	A Borough That Our Residents Are Proud Of And Love To Live In.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>(ALL flat entrance doors in a block will need to be compliant to achieve good fire compartmentalisation and a 'Tolerable' fire safety standard)</p> <p>Fire safety measures are uncoordinated</p>		<p>communicating well or are slow in responding to information requests.</p> <p>5. Monthly meetings are held with DLUHC and Council officers to monitor progress on each building of concern.</p> <p>6. Tower Hamlets Housing Forum, Council Officers, and the London Fire Brigade have a close working partnership on resident consultation.</p> <p>7. New funding from the government for 2022/23 and 23/24 was received to be able to increase inspections and enforcement. This funding is a key mitigation factor for us to continue supporting our residents in tall buildings to feel safe.</p> <p>LBTH Client Management Fire risk assessments for all buildings are up to date and FRA as fire risk assessor UKAS credited. There are No building categorised as substantial or intolerable level of risk. All high-rise buildings surveyed in early 2020 and none has been identified with High Pressure Laminate (HPL) or Aluminium Composite Material ACM cladding. Cladding on 2 tower blocks (malting & Brewster), where there were concerns, has been removed already. Joint working with THH in preparation of the Building Safety Bill including, a pilot of a building safety case, ICT preparation, and a paper which will spell out the roles and responsibilities including those</p>								

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

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
ASD0038	<p>There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems. 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. No asset registers for surveillance systems. Out of date or missing Data Processing Impact Assessments No SLAs with major stakeholders such as the Police and Transport for London A lack of compliance with agreed governance, policy and procedures. An inspection by the Surveillance Camera Commissioner. An inspection by the Information Commissioner. A freedom of information request.</p>	<p>Financial, legal and reputational.</p>	<p>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.</p>	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 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.	2	2	4	Denise Radley	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
								<p>Ensure DLTs and Directors are appraised of progress and risks. Peter Allnutt</p> <p><u>Required Control Measure</u> Target Date: 31/03/2022</p> <p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Michael Darby</p> <p><u>Required Control Measure</u> Target Date: 31/03/2022</p> <p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems. Ensure DPIAs are quality assured by Information & Governance Team and signed off Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained. Ensure DLTs and Directors are appraised of progress and risks. Chris Smith</p> <p><u>Required Control Measure</u> Target Date: 31/12/2021</p> <p>Service Actions</p>							

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

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 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.
 A new DPO has been appointed and a new Head of IG is starting on 17th Oct. This action will be fully reviewed then.
Raj Chand
Required Control Measure
Target Date:
30/12/2022

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 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. Low capacity from NEL to provide vaccination support, including community clinics 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. Business continuity impact from staff absence. Impact on BAU services		3	4	12	Vaccination Programme Vaccine Delivery Plan for Flu & Covid underway through community pharmacies and East London Vacc. Centre. House bounds and care-based settings supported within their homes. Find and Treat service to support residents living in hostels and homeless settings. High profile vaccination event at East London Mosque. Vaccinations being delivered within special schools. Somen Banerjee <u>Required Control Measure</u> Target Date: 31/01/2023 Communications campaign & awareness-raising 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. Bespoke community engagement and comms programmes to support targeted groups including: Faith / Community / Special Schools / Transitional Housing Somen Banerjee <u>Required Control Measure</u> Target Date: 31/03/2023	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			
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. 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	3	4	12									
								<u>Required Control Measure</u> <u>Target Date:</u>				3	3	9	Stephen Halsey	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		
				working with groups that were disproportionately impacted by the pandemic and are at particularly high risk. Ongoing Monitoring CLT and Public Health will continue to monitor the situation and closely and step up the Councils 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.								
DRCP00062	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 Dec 2022 completion of main works - fortnightly review with project team and EA. Impact to Moves is tracked and mitigative measures taken Building completion projected end of Jan 2023 - staff moves from Jan 23 to Feb 23. Co-ordination with contractor on site 1st staff moves from 16.01.23	3	4	12				Yasmin Ali	A Borough That Our Residents Are Proud Of And Love To Live In.
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 -	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	3	4	12				Stephen Halsey	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		Essential Software loss due to Cyber Attack, Office Equipment, Mobile Devices or Vehicles Providers – Example – Failure of Commissioned Providers & Suppliers		<p>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.</p>								

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
- 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

Required Control Measure

Target Date:
31/03/2023

Provision of monthly management information to DLT's, and Directors.

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.

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>Charles Griggs</p> <p><u>Required Control Measure</u></p> <p>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> <p>Charles Griggs</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2023</p>			
PLC00033	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	<p>Key actions</p> <p>a. Develop appropriate Resident Engagement Strategies and inform tenants and leaseholders about the Building Safety Act 2022.</p> <p>In Progress: THH have communicated with residents in the September 2022 leaseholder newsletter.</p> <p>A Letter to landlords and building owners in the borough has been prepared and sent to all building owners with buildings above 18m to try and ensure that they are aware of their responsibilities.</p> <p>The resident engagement strategy needs to be produced before April 2024, the strategy will require consultation with residents.</p> <p>b. Communicate the likely impact of the Building Safety</p>	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		

Bill/Act to Members, CLT and DLT.
 Complete: Presentations have been made to CLT, DLT and discussion with members have taken place regarding the Act. Conversations have continued as the Act passed through Parliament and has become legislation, with updates being shared with the relevant people/groups. New members and the Mayor have been briefed on the Building Safety Act.

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. LBTH will assist with any clarifications the Building Safety Act group require in relation to changes made to the Act when it was enacted and subsequent legislation.

d. Calculate the additional resources required to comply with the Bill when enacted
 Complete: THH and LBTH building safety bill related growth proposals for 2022/23 onwards have been approved as part of

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>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> <p>f. Consider appointing a specialist advisor for support with the Safety Case reviews.</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>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.</p> <p>g. The Council's Building Safety Bill guidance will be updated regularly by Counsel. Complete: 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.</p> <p>h. Potentially review existing contracts to ensure they comply with the Bill's requirements. In progress: LBTH Legal has been asked to carry out the review. - Complete - R Ward</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</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>alongside the Building Safety Lead. Further scoping of the technology requirements will be progressed.</p> <p>David Drury 'Business Analyst' has been assisting with scoping for the ICT project to ensure relevant stakeholders are involved.</p> <p>An ICT solution 'www.activeplan.co.uk' has been secured by THH on a year's contract to allow more time us to investigate a more bespoke system .</p> <p>j. Seek Cabinet approval.</p> <p>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.</p> <p>As the Bill received royal assent 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.</p> <p>Cabinet approval will be sought for any changes to the framework around the time of full</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>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>- 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" in June 2022. THH have delayed the initial pilot safety case a number of months now, staffing seems to be the biggest issue.</p> <p>The Building safety roles that were agreed by cabinet have not be filled yet and are unlikely to be filled before April 2023.</p> <p>Karen Swift</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 11/04/2023</p>			
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	Threat intelligence We receive threat intelligence through Information Security for London and other sources which provides visibility of incidents affecting other organisations so we can prepare our defences Technical Controls We have a wide range of technical controls monitoring our environment for unusual activity which depending on the risk are automatically blocked or flagged for investigation	2 3 6	<p>Procurement process [new suppliers]</p> <p>Partner with IT Security, legal and procurement to implement stage gate for security as a default Detail the questions we will ask/criteria</p> <p>Adamx Evans</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 30/06/2023</p> <p>Where we don't do service reviews [existing suppliers]</p> <p>Draft a questionnaire for</p>	2 2 4	Adamx Evans	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>Contractual measures</p> <p>Contracts which require third parties to advise us in a timely way if they are subject to a cyber security incident</p>				<p>mandatory completion</p> <p>Define plan, timeline, roles and responsibilities to conduct this and share the outcomes/generate actions</p> <p>Adamx Evans</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/07/2023</p> <p>Service reviews [existing suppliers]</p> <ul style="list-style-type: none"> o Review approach by segment <p>Addition of agenda item on cyber security, DR plan, to service review</p> <p>For vendors where we don't have regular service reviews – send a questionnaire – Mary to add questions DHLU (department for levelling up)</p> <p>Cyber essentials plus (we ask for this over cyber essentials) – certification vendor should produce based on independent assessment.</p> <p>Incident management – how and when will they tell us</p> <p>BCP/DR protocols</p> <p>Adamx Evans</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p>				

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		
RS0056	The Council may significantly overspend its budget, fail to deliver savings and continue to rely on dwindling reserves. As of 31 December 2022 the Council is forecasting a balances position for the year, with underlying overspends and savings at risk of non delivery, offset by the application of reserves including additional funds received during the COVID pandemic . Reserves remain robust but there is a risk that the Medium Term Financial Strategy may require a significant draw down of reserves. Reserves can only be used once and therefore should not be used to plug permanent budget requirements.	COVID-19 Virus residual impacts and associated increase in costs. Loss of income in particular council tax, business rates and leisure events. Poor budget management Failure to deliver savings Demographic pressures in Adult Social Care, SEND related pressures in Childrens and Culture, Unfunded discretionary expenditure utilizing temporary reserves.	Significant financial losses, overspent budgets, further drawn down on reserves.	Financial Measures CLT and SLT have prepared savings proposals of £10m for the next financial year, with a further circa £40m to be identified over the MTFS period 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 Director of Finance, Procurement and Audit. Redoubled efforts to deliver previously agreed savings proposals.	5	4	20	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		
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 was enacted and remaining tasks part of BAU from June 2022. Progress on resolving issues pertaining to the accounts will be reported to CLT and the Audit Committee. Main area outstanding related to a review of Corporate Systems and improvements in that regard. Ahsan Khan <u>Required Control Measure</u> <u>Target Date:</u> <u>30/11/2023</u>	2	2	4	Nisar Visram	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To
ICT0076	The IT service is unable to maintain or recover essential services following an incident or event. Relates to - ORG0027 There is an ongoing risk of a cyber-attack and/or major loss of IT.	- Connectivity failure - Service failure (cloud provider) - Provider failure (business disruption or failure)	- Degradation or interruption to public services delivered by the council impacting citizens - Inability to meet statutory, regulatory and contractual obligations - Reputational harm - Colleagues unable to work, time and money wasted - Colleagues need to repeat or catch up on missed or lost work time and money wasted - Loss of morale	Resilient Design Infrastructure is designed to minimize single points of failure Skilled staff Skilled staff employed with relevant training plans to maintain skills Contract management Active contract management for service critical contracts with regular service reviews External assistance Contracts in place to secure assistance where an incident requires external assistance Compliance with standards Compliance with standards with external assessments to ensure appropriate noted practice in place	2	4	8	New policies, procedures, guidelines and audit points covering IT backup/restore, disaster recovery and BCP. - New policies, procedures, guidelines and audit points covering IT backup/restore, disaster recovery, business continuity and resilience covering all IT applications and services - DR policy tabled at CCB - Achievable RTCs and RTOs being loaded onto Clearview - done - IT Disaster Recovery guidance review underway - to be incorporated into latest version of ClearView --> Castellan once live - Register of applications and services updated to include IT backup/restore, disaster recovery, business continuity and resilience covering all IT applications and services - this is an EPIC and need some further thought - Technical solutions to implement policy and procedure - ongoing	2	3	6	Adamx Evans	

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>- Test plan to ensure technical solutions perform as designed and meet requirements set out in policy and procedure. Adamx Evans</p> <p><u>Required Control Measure</u> Target Date:</p> <p>Review of control measures in place cyclically.</p> <p>The impact of control measures will be reviewed to gauge how effective they have been and whether additional work is needed. Adamx Evans</p> <p><u>Required Control Measure</u> Target Date:</p> <p>Procure as below after requisite sign off obtained</p> <p>Cyber security - Managed Service. 24 * 7 * 365 cyber security detection and response. Cyber security - M365 Back-Up. Immutable - cannot be encrypted / deleted by ransomware backup</p> <p>Currently going through G-cloud procurement Adamx Evans</p> <p><u>Required Control Measure</u> Target Date: 30/06/2023</p> <p>Develop a first pass of an IT Risk Register</p> <p>Implement an IT Service Risk Register that would capture non-Corporate risks, this would bring together those risks held at a team level that would worthy of note. This would be a live artefact and will be reviewed by HoS on a regular basis</p>						

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						Adamx Evans <u>Required Control Measure</u> Target Date: 30/09/2023			
ICT0070	Failure to deliver ICT change/transformation - Change Management is not managed and controlled, responsibilities are not defined etc. Failure to deliver effective and appropriate ICT change/transformation in a timely manner which ends up hindering progress leading to dissatisfaction.	<ul style="list-style-type: none"> - Insufficient funding to meet agreed demand for IT change/transformation - Some of the change work has been postponed or staggered due to lockdown and Covid-19. Priority is to deliver BAU IT service and EUC (End user computing), particularly rollout out of laptops with O365 - Insufficient capacity to meet agreed demand for IT change/transformation and sustain it. Unable to secure necessary people to deliver and sustain technical and organisational change. - Insufficient capability to meeting agreed demand for IT change - Resource, difficulties in recruiting and retaining both perm and agency project management staff will lead to delays in project delivery and therefore realisation of benefits. Included in this risk is project management resource sourced via partners. - Availability of technical resource to work on projects is limited, and it is extremely challenging to bring in staff to back-fill or work directly 	<ul style="list-style-type: none"> - Inability of wider council to sustain services - Failure to deliver ICT for the civic centre move. - Failure to provide requisite services. - Failure to obtain the full benefits from the investment in new hardware/software. - Misallocation of scarce resources. - Diminished reputation of the IT Service - Inability to deliver IT MTFS savings through service efficiencies - Inability to delivery wider council MTFS savings through service efficiencies 	<p>Secure People through various forms</p> <p>Securing the people needed to complete our work remains exceptionally difficult due to intense competition for technical skills and we are using direct recruitment, agency recruitment and commissioning services and still struggling.</p> <p>Our Corporate Director has authorised a review of agency rates to see if this attracts more and better applicants.</p> <p>"develop a recruitment plan and check if it works" run - review - close.</p> <p>Monitor Progress & Sustainability</p> <ul style="list-style-type: none"> - Business change element of IT Transformation and Change recognised and established Digital Portfolio Board established to provide governance, receives monthly reports. - Oversight by CLT Transformation Board. - Monitor progress on IT transformation through IT Portfolio Management, - RAG ratings defined and consistently applied - IT management of IT projects. - Business change with IT portfolio team <p>Funding and benefits</p> <p>Benefits realisation - did the project achieve what it set out to do</p> <p>Benefits should be publicised in all Comms including Yammer</p>	2 3 6	<p>Governance Review</p> <p>Review of governance including Digital Portfolio Board to ensure appropriate mechanism for prioritization and funding</p> <p>Adrian Gorst</p> <p><u>Required Control Measure</u></p> <p>Target Date: 21/06/2023</p> <p>Funding mechanism</p> <p>Clarity on funding available and how it is prioritised, allocated and monitored</p> <p>Adrian Gorst</p> <p><u>Required Control Measure</u></p> <p>Target Date: 21/06/2023</p>	1 3 3	Adrian Gorst	A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>on projects.</p> <ul style="list-style-type: none"> - New technology does not work as anticipated or is not adopted by the organisation - Slow decision making and inability to prioritise IT change activities through governance processes - Inability to stabilise prioritisation through to delivery, projects that have been prioritised are constrained by willingness and availability of stakeholders to engage with projects - another capacity issue. - Changes in the wider environment result in benefits not being achieved - Project deficiencies result in the anticipated benefits not being achieved - Relationship with providers - Achievement of MTFs savings, challenging timelines are being set without full consultation with project delivery, uncoordinated approach to savings proposals which will lead to savings not being achieved as envisioned. 		<p>Request More funding Benefits realization in PM toolkit Failure to obtain decisions</p> <ul style="list-style-type: none"> - Establish robust and agreed mechanism to make decisions on project prioritisation and funding. Create a forward plan to address slow decision making - IT contracts forward plan has been developed and is being updated regularly <p>Controls</p> <ul style="list-style-type: none"> - Project managers accountable for project budgets - Budget monitoring at project level - Enhance lesson learned from projects to improve future performance undertaken <p>Establish a Three Year Plan</p> <ul style="list-style-type: none"> - Establish a rolling three year plan to allow time to identify change activities, agree priority, secure funding, align capacity and capability and implement governance. <p>Streamline Procurement and Legal route to market</p> <p>Create an informed document the describes the route to market for all in IT to be able to reference, especially new PM's and Vendor Mgt.</p> <p>This document will describe all compliant routes to market as well and any levers available used to accelerate activates</p> <p>It should get legal and procurement acceptance and be presented the RDLT</p> <p>It should be regarded as a live document and updated as necessary</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
ICT0081	Exploitation of supply chain security vulnerability impacting vendors/partners/service s	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	Threat intelligence We receive threat intelligence through Information Security for London and other sources which provides visibility of incidents affecting other organisations so we can prepare our defences Technical Controls We have a wide range of technical controls monitoring our environment for unusual activity which depending on the risk are automatically blocked or flagged for investigation Contractual measures Contracts which require third parties to advise us in a timely way if they are subject to a cyber security incident	2	3	6	2	2	4	Adamx Evans	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
<p style="text-align: center;">Page 193</p>						<p><i>Adamx Evans</i></p> <p><u><i>Required Control Measure</i></u></p> <p><i>Target Date:</i></p>			

This page is intentionally left blank



AUDIT COMMITTEE WORK PLAN 2023/24

Contact Officer:	Farhana Zia Democratic Services
Email:	farhana.zia@towerhamlets.gov.uk
Telephone:	020 7364 0842
Website:	www.towerhamlets.gov.uk/committee
Last updated:	18 th May 2023

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
23RD MAY 2023	Audit Committee Training		
	Informal meeting to explain the Financial Accounts and outstanding audits	Tim Harlock/ Caroline Holland/Nisar Visram	
30TH MAY 2023			
1. Appointment of Vice-Chair	Appointment of the vice-chair for municipal year 2022-23.	Audit Committee	
2. Terms of Reference	Terms of reference 2022/23 to be approved by the Committee.	Farhana Zia/ David Dobbs	
3. Deloitte (the Council's appointed external auditor)	Standing Item	Jonathan Gooding/Angus Fish	
4. Management letters of representation to the external auditor.		John Harrison/ Tim Harlock/Caroline Holland	
5. Statement of Accounts for 2018/19 & 2019/20		Nisar Visram/ John Harrison/ Tim Harlock	
6. Annual Internal Audit and Counter-Fraud Strategy & Plan 2023/24 (Annual Report)	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.	David Dobbs	
7. Internal Audit and Anti-Fraud update 2023/24 Q1 Progress update	An update on the progress against the delivery of the 2023/24 Annual Internal Plan. Highlights any significant issues since the last report to the Audit Committee.	David Dobbs	
8. Risk Management Report 2023-24 – Progress update & Resources Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
9. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
11TH JULY 2023	Audit Committee Training		
	Overview of the role of the Audit Committee		
20TH JULY 2023			
1. Deloitte	Standing item	Jonathan Gooding / Angus Fish	
2. Internal Audit Annual Report for 2022/23 including Head of Internal Audit's annual opinion		David Dobbs	
3. Internal Audit's Annual report on schools	Annual report on school audits	David Dobbs	
4. Internal Audit and Anti-Fraud update 2023/24 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.	David Dobbs	
5. Risk Management Report 2023-24 –Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	
6. Annual Risk Management Report 2023/24	Report assessing the key risks facing the Council.	David Dobbs	
7. Anti-Money Laundering Policy Report 2023-24	Annual Report updating the Anti-Money Laundering Policy.	David Dobbs/ Agnes Adrien	
8. Annual Insurance Report 2023-24	Presents a summary of insurance activity for 2023/24.	David Dobbs	

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
9. Review of Code of Corporate Governance 2022-23	To report on an annual basis. Monitoring Officer.	Stephen Bramah/ Sharon Godman	Deferred to new municipal year 2023-24 *30 th May 2023
10. RIPA Policy	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 and 2023-24
16TH NOVEMBER 2023	Audit Committee Training		
	Risk Management		
23RD NOVEMBER 2023			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Statement of Accounts 2020/21		Caroline Holland/ John Harrison / Tim Harlock/ Ahsan Khan	
3. Internal Audit Charter	Annual review and approval of the Internal Audit Charter.	David Dobbs	
4. Annual Review of Anti-Bribery Policy	Annual review and approval of the Council's Anti-Bribery policy.	David Dobbs	
5. Internal Audit and Anti-Fraud update 2023/24 Progress update	An update on the progress against the delivery of the 2023/24 Annual Internal Plan. Highlights any significant issues since the last report to the Audit Committee.	David Dobbs	

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
6. Risk Management Report 2023-24 –Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	
7. Treasury Management Annual report		Miriam Adams	
8. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
17TH JANUARY 2024	Audit Committee Training		
	Treasury Management		
22ND JANUARY 2024			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Internal Audit and Anti-Fraud update 2023/24 Progress update		David Dobbs	
3. Draft Annual Governance Statement 2021/22 and 2022/23	For Review. Approval with Annual Accounts 2021/22 and 2022/23	David Dobbs	
4. Review of Code of Corporate Governance 2024/25	To report on an annual basis. Monitoring Office. Approval in July 2023 with Annual Accounts.	Stephen Bramah / Sharon Godman	
5. Risk Management Report 2023-24 – Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	
6. Treasury Management Report and Mid-Year Review	Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators	John Harrison/ Miriam Adams	

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
7. Treasury Management Strategy Statement, Investment Strategy and Capital Strategy Report for 2023-24		Miriam Adams	
8. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	

DRAFT

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
15TH APRIL 2024	Audit Committee Training		
	Anti-Fraud Investigations		
18TH APRIL 2024			
1. Deloitte			
2.			
3. Annual Internal Audit and Counter-Fraud Strategy & Plan 2024/25	Draft Internal Audit Plan for 2024/25. For review and approval by the Committee.	David Dobbs	
4. Internal Audit and Anti-Fraud update 2023/24 Progress update		David Dobbs	
5. Risk Management Report 2023-24 – Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	
6. Draft Terms of reference for 2024/25	Review. To be approved in July 2023.	David Dobbs	
7. Annual Self-Assessment and report of the Audit Committee	Self –Assessment – Report by the Audit Chair to go to Full Council	David Dobbs/ Charlotte Webster	
CARRY FORWARD ITEMS – 2024/25			
1.			

AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
2.			
3.			

DRAFT