

# Audit Committee

## Agenda

**Thursday, 20 July 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 Ahmodur Khan

Councillor Kabir Ahmed, Councillor Saied Ahmed, 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:**

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

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



## Public Information

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## **A Guide to Audit Committee**

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

This includes:

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

## **Public Engagement**

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

# London Borough of Tower Hamlets



## Audit Committee

Thursday, 20 July 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. MINUTES OF THE PREVIOUS MEETING(S) (PAGES 9 - 16)

To confirm the minutes of the Audit Committee held on 30<sup>th</sup> May 2023.

#### 3. DELOITTE ITEMS FOR CONSIDERATION

#### 4. TOWER HAMLETS ITEMS FOR CONSIDERATION

- 4 .1 Update on Financial Accounts and Audits of 2018/19, 2019/20 and 2020/21 (Pages 17 - 20)
- 4 .2 Internal Audit Annual Report: 2022-23 including Head of Internal Audit's Annual Opinion (Pages 21 - 36)
- 4 .3 Schools Annual Audit Report 2022-23 (Pages 37 - 54)
- 4 .4 Risk Management Annual Report: 2022-23 (Pages 55 - 68)



**Tower Hamlets Council**  
Tower Hamlets Town Hall  
160 Whitechapel Road  
London E1 1BJ

**4.5 Insurance Annual Report (Pages 69 - 80)**

**4.6 Code of Corporate Governance (Pages 81 - 112)**

**5. AUDIT COMMITTEE WORK PLAN**

**6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT**

**Next Meeting of the Audit Committee**

Thursday, 23 November 2023 at 6.30 p.m. to be held in Committee Room - Tower Hamlets Town Hall, 160 Whitechapel Road, London E1 1BJ



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# Agenda Item 1

## **DECLARATIONS OF INTERESTS AT MEETINGS– NOTE FROM THE MONITORING OFFICER**

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

### **(i) Disclosable Pecuniary Interests (DPI)**

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

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

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

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

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

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

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

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

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

### **Guidance on Predetermination and Bias**

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

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

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

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

## APPENDIX A: Definition of a Disclosable Pecuniary Interest

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

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



## LONDON BOROUGH OF TOWER HAMLETS

### MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.38 P.M. ON TUESDAY, 30 MAY 2023

COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL ROAD, LONDON E1 1BJ

#### Members Present in Person:

Councillor Harun Miah	
Councillor Kabir Ahmed	(Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)
Councillor Ahmodur Khan	
Councillor Maisha Begum	
Councillor Rachel Blake	
Councillor Mufeedah Bustin	
Councillor Asma Islam	
Charlotte Webster	Independent Person

#### Officers Present in Person:

David Dobbs	(Head of Internal Audit)
Tim Harlock	Interim Chief Accountant
Ahsan Khan	(Chief Accountant)
Matthew Mannion	(Head of Democratic Services)

#### Officers In Attendance Virtually:

Janet Fasan	(Director of Legal & Monitoring Officer)
John Harrison	Interim Director of Finance, Procurement and Audit
Caroline Holland	(Interim Corporate Director, Resources)
Katie O'Driscoll	(Director of Adult Social Care)

#### 1. DECLARATIONS OF INTEREST

There were no Declarations of Disclosable Pecuniary Interest.

#### 2. APPOINTMENT OF VICE-CHAIR

Councillor Kabir Ahmed Proposed, and Councillor Saied Ahmed Seconded, that Councillor Ahmodur Khan be appointed as the Vice-Chair of the Audit Committee for the 2023-24 municipal year. This was put to the vote and was agreed:

#### RESOLVED

1. That Councillor Akhmodur Khan be appointed Vice-Chair of the Audit Committee for the 2023-24 municipal year.

### **3. MINUTES OF THE PREVIOUS MEETING(S)**

#### **RESOLVED**

1. That the unrestricted minutes of the Audit Committee held on 26 January 2023 be approved and signed by the Chair as a correct record of proceedings.

### **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**

Agenda Items 4.1 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019) and 4.2 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2020) were taken together and the combined minute is presented here:

Jonathan Gooding and Angus Fish from Deloitte presented their update report in relation to the audits for the years to 31 March 2019 and 31 March 2020. They explained that more comprehensive reports had been provided to the Committee at its last meeting on 26 January 2023 and that these reports provided an update to the position. In particular they highlighted:

- They continue to recommend that the Committee receive a future paper on dealing with the recommendations for action that are set out in relation to the audits.
- The significant audit risks are set out along with the related work undertaken.
- The audits were now substantially complete but one matter remained to be completed in relation to Pensions (along with a few minor matters).
- In relation to pensions, the actuary had significantly reduced the Council's pension liability which meant this was no longer qualified in the accounts but the fact of making a large reduction was a concern and was being investigated.
- A few other more minor matters were also set out in the report.

Finally, the Committee were asked to consider the recommendation from August 2019 that a public meeting be held to consider the review of PFI Contracts to ensure they were operating satisfactorily.

It was noted that the matters set out in the report for the year to 31 March 2020 were generally the same or very similar.

The Committee then discussed the report and in response to questions, it was noted that:

- With the exception of the matter around pension liability the auditors were now generally satisfied with the information received.

- It was expected the pensions investigation work would take roughly a month to complete. The data itself was quite complex and was expected in a week with the remainder of the time to review that information.
- The previous auditors had expected that the Council would undertake a public meeting to consider PFI contracts; given the actions that the Council had actually taken, the question for the Committee now was to consider whether a public meeting was still required.

The Committee thanked the auditors for their work.

## **RESOLVED**

1. That the report be noted.

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

Agenda Items 4.1 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2019) and 4.2 (Update to Final Report to the Audit Committee on the audit for the year ended 31 March 2020) were taken together and the combined minute is presented under the previous item.

## **RESOLVED**

1. That the report be noted.

## **5. TOWER HAMLETS ITEMS FOR CONSIDERATION**

### **5.1 Management letters of representation to the external auditor**

Tim Harlock, Interim Chief Accountant, introduced the report asking the Committee to agree to a process to complete the signing-off of the Management Letters of Representation to the Auditors.

This would normally be a business as usual process but on this occasion, as it had taken so long, the Committee were being asked to note the situation and it was also being asked to agree that the Chair be a co-signatory to the letter.

However, the accounts were not quite ready to sign off and so the Committee were asked to agree to delegate to the Section 151 Chief Finance Officer to conclude the process and that the Chair sign at that point.

The committee discussed the report and considered a number of issues as set out in a presentation to the Committee. Some of the main points of discussion included:

- Whether there was sufficient detail in the report.
- How land values were being calculated on the schools' estate and whether these were appropriate and the valuations had been correctly conducted.

- It was noted that external support was used in supporting the valuations and that the process would be monitored for future audits.
- Importance to be confident of the valuations of assets in the proposed housing joint venture.
- Working was ongoing in relation to net pension liabilities.
- Related party and group accounts was an important area of work. It was noted that the King George's Field Trust Board had become a bigger entity once its assets were fully accounted.
- Group accounts take time, the plan is to get the single entity accounts signed off first for the older years and then move to producing group accounts for 2020/21 onwards.
- There was still an issue in receiving related party declarations from retired councillors and officers are alert to the risks, better processes were being implemented for the future.
- There was no apparent significant longer-term impact from the reduction in collection rates during the Covid-19 pandemic.
- The biggest provision in the accounts was in relation to Business Rate Appeals. There is a nationwide backlog of appeals and this does have an impact.
- Lots of work has been undertaken reviewing where cases of fraud may have had an impact on the financial accounts. The internal auditors investigate potential instances of fraud and report back in summary form on an ongoing basis to the Committee.
- It was recommended that a report is presented to the committee in response to fraud control recommendations.
- The Committee would like to see the recommendations coming out of the review of the pension liability valuations, either as a report or a briefing depending on the level of issues shown.

Finally in response to questions, it was reported that mistakes had been corrected where they were material to the accounts and new processes embedded where possible. It was likely that there would still be some issues for the 2020-21 accounts but beyond that the newer procedures should result in fewer issues. It was noted that Deloitte were expecting the Committee to confirm they were content that issues had been addressed and that the processes were in place to capture any future issues. They also reconfirmed their strong recommendation that the Committee receive a report addressing the control observations that they had presented in their January 2023 reports to the Committee. The Committee asked that such a report be prepared at the appropriate time.

Officers reported that the report for the 22-23 accounts should show the improvements that have been made and that a new register of recommendations from any statutory inspections was being created and monitored.

The Committee thanked officers for the presentation and discussion. It was noted that the work on the pension liability was likely to conclude shortly before the next scheduled meeting of the Committee. Members therefore

concluded that instead of delegating authority to sign off the letters of management, a report should be presented to the next meeting when it was hoped all matters would have been concluded. The recommendations were changed on that basis.

### **RESOLVED**

1. That the report be noted.
2. That a further report be brought to the Committee at its next meeting to confirm sign off of the letters of management representation.

## **5.2 Statement of Accounts for 2018/19 & 2019/20**

John Harrison, Interim Director of Finance, Procurement and Audit introduced the report on the Statements of Account for 2018/19 and 2019/20. He explained that, subject to the net pensions liability, matters had now been concluded and that the accounts should be ready to be signed shortly. He also noted that a lack of historical knowledge was a potential problem but that officers had concluded matters to their best of their knowledge.

The original recommendation in the report was that the Committee delegate the power to sign off the accounts. The Committee discussed this and determined that, because the conclusion of all final matters was expected shortly before the next scheduled Audit Committee meeting, the report should return to that meeting where final sign-off could be agreed.

### **RESOLVED**

1. That the report be represented to the Committee at its next meeting following completion of the above matters.

## **5.3 Audit Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2023-2024**

Matthew Mannion, Head of Democratic Services, introduced the standard Terms of Reference report. He explained that each Committee is presented with its Terms of Reference and related information for noting.

In discussion of the report concerns were expressed that having Cabinet Members on the Committee could be a risk in relation to a conflict with their role in the Executive. Other Members considered that there was no automatic conflict (and that different memberships hadn't stopped problems with the accounts previously), that Members could declare an interest where this was required and that it hadn't been a problem for the last year.

### **RESOLVED**

1. That the report be noted.

#### **5.4 Internal Audit and Anti-Fraud - Quarterly Progress Report on 2022/23 Audit Plan**

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the quarterly progress report on the 2022/23 Audit Plan. The report set out progress and results from audits that were being undertaken through 2022-23 and the latter part of 2021-22.

This meeting would usually be when the Annual Audit Report and Head of Audit's Audit Opinion would be presented to the Committee. However, it had been delayed in large part due to issues over staffing and sourcing external partners. The report should be available for the next meeting.

David Dobbs also drew the Committee's attention to:

- Four audits with limited assurance that were listed in the report.
- Follow up work reviewing agreed actions from previous audits.

In response to questions raised by the Committee, officers reported:

- There is an escalation process where managers don't implement agreed actions.
- The Committee has an important role in monitoring the audit plan and whether resources were sufficient.
- Audit reviews won't necessarily change ratings on the Council's Risk Register.

The Committee request the full reports on homelessness assessments and management and the control of cost of living payments at the next meeting.

#### **RESOLVED**

1. That the report be noted.

#### **5.5 Internal Audit & Anti-Fraud Annual Plan 2023/24**

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the report on the audit plan for 2023/24. In relation to this report it was highlighted that the staffing resource available had a significant impact on the number of audits that could be undertaken. Officers would be looking at whether the resources available to the internal audit service was sufficient to enable it to undertake a good level of auditing. The Committee were likely to receive a specific report on this at a future date. It was also important to ensure that the audit service chose some audits to undertake themselves rather than just looking at areas suggested by service managers.

#### **RESOLVED**

1. That the report be noted.

## 5.6 Risk Management - Corporate and Directorate Risk Registers

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the Risk Management report. At this meeting its specific focus was on the Resources Directorate. The Risk Team support management across the Council to manage their risks but it was important to recognise that the organisation as a whole needed to own its risks.

The Committee discussed the report and looked at a number of issues including:

- The high risk areas around children safeguarding needed to be carefully monitored especially around budget overspend. The Committee asked for an update on this at a future meeting.
- It was agreed that in future the report should include trend lines/analysis so it was easier to see which risks were become more of an issue.
- General risks around budget overspends and the need to make sure that control measures were being updated properly in the system.
- How risks around the recessions were managed.
- It was noted that last year's budget outturn and medium term financial management reports would be presented to Cabinet in due course. These would contain information around budget risks/management.

The Committee thanked officers for their update.

### RESOLVED

1. That the report be noted.

## 6. AUDIT COMMITTEE WORK PLAN

The Committee examined the workplan and a couple of points were noted:

- There was a request to ensure that any training offered would be available in hybrid to help attendance.
- That officers confirm how they will be reporting back to the Committee on how they will report on actions being required by the auditors.

## 7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT


Nil items.

The meeting ended at 8.44 p.m.

Chair, Councillor Harun Miah  
Audit Committee

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Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 20 July, 2023	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Interim Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Update on Financial Accounts and Audits of 2018/19, 2019/20 and 2020/21</b>	

<b>Originating Officer(s)</b>	Ahsan Khan, Head of Strategic Finance – Chief Accountant
<b>Wards affected</b>	All wards

**Executive Summary**

This report provides a progress update on the Statements of Accounts for 2018/19, 2019/20 and 2020/21.

**Recommendations:**

The Audit Committee is recommended to:

1. Note the contents of this report.

**1. REASONS FOR THE DECISIONS**

- 1.1 No decisions are required.

**2. ALTERNATIVE OPTIONS**

- 2.1 Non-applicable.

### **3. DETAILS OF THE REPORT**

#### Progress towards sign-off of the 2018/19 and 2019/20 accounts

- 3.1 This committee previously received substantial update reports in January and May 2023. This report will only cover subsequent progress to the May position.
- 3.2 At the May meeting it was stated that there was still a significant issue that was being investigated by the auditor, Deloitte. The work involved has proved to be very time-consuming and is therefore making slower progress than the timeframes originally envisaged.
- 3.3 The issue being investigated revolves around the movements in some of the member data as supplied to the actuary, Hymans Robertson, between the triennial valuations of 2016 and 2019, and then how those movements have been interpreted and applied to the net pension liability.
- 3.4 This is the last outstanding issue remaining on the accounts for 2018/19 and 2019/20. However, if it doesn't get resolved satisfactorily it might lead to a qualification on the 2019/20 balance sheet, and would then automatically lead to further qualifications in later years too (until the 2022 triennial valuation replaces the impacts of the 2019 valuation).

#### Progress on 2020/21 accounts and audit

- 3.5 The draft 2020/21 accounts were published in January 2022, and were subsequently updated with some of the requirements arising from identification of errors and deficiencies in the 2018/19 and 2019/20 accounts that continued to arise subsequently. These revised accounts were presented to Deloitte in March 2023.
- 3.6 The audit of the 2020/21 accounts has started now, with a wider Deloitte audit team commencing from early July.
- 3.7 Officers are already aware that a further revision to the March 2023 accounts will be required in order to update some of the more challenging notes (for example, the officer remuneration note, for which the 2018/19 and 2019/20 accounts are being qualified).
- 3.8 At this stage, officers acknowledge that it may be difficult to correct all of the deficiencies arising in the informational notes. There will, again, need to be a consideration of the benefits of such information set against the need to address other priorities, such as identifying budget savings for next year.

### **4. EQUALITIES IMPLICATIONS**

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

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 Approval of the accounts, once Members are satisfied, is a statutory responsibility that falls to Audit Committee.

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

- 6.1 This whole report presents matters that are directly concerned with fulfilment of the role and responsibilities of the s151 officer.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial years starting in 2019 and 2021, not later than 30 November, and, for the financial years starting in 2020 and 2022, not later than 30 September. These dates have not been kept.
- 7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.
- 7.3 Save as mentioned above, the matters set out in this report comply with the above legislation.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- There have been various updates provided to this committee since July 2019 from both Deloitte and officers, but this report is self-contained for the purposes of updating on progress.

### **Appendices**

- NONE

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

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

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

- NONE.

#### **Officer contact details for documents:**

N/A

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Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 20 <sup>th</sup> July 2023	
<b>Report of: Caroline Holland</b> Corporate Director, Resources (S. 151 Officer)	<b>Classification:</b> Open (Unrestricted)
<b>Head of Internal Audit's Annual Report and Opinion: 2022-23</b>	

<b>Originating Officer(s)</b>	David Dobbs – Head of Internal Audit, Fraud & Risk
<b>Wards affected</b>	(All Wards)

## Executive Summary

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

## Recommendations:

The Audit Committee is recommended to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2022-23.

## 1. REASONS FOR THE DECISIONS

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

## 2. ALTERNATIVE OPTIONS

- 2.1 None.

### **3. DETAILS OF THE REPORT**

- 3.1 Internal Audit is a statutory requirement under the Accounts & Audit Regulations 2015 for English local authorities (including police and fire bodies). The regulations state that a local authority shall maintain an adequate and effective system of internal audit and recognise the need to follow public sector internal audit standards.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's governance, risk management, and internal control frameworks. The annual opinion supports the Annual Governance Statement, which is required under Regulation 6 of the Accounts and Audit Regulations 2015.
- 3.3 The attached report summarises the work undertaken by Internal Audit during the 2022-23 financial year. It focusses on the outcomes of audit reviews, management actions, anti-fraud activities and service performance.
- 3.4 The regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The annual audit opinion together with the review of conformance with the Public Sector Internal Audit Standards provides this assurance.
- 3.5 The annual assurance opinion provided within the annual internal audit report informs and forms part of the 2021/22 Annual Governance Statement (AGS), which will be presented to the Audit Committee separately and included in the Statement of Accounts for the corresponding period.

### **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no specific statutory implications.

### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 There are no other statutory implications.

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

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

## **7. COMMENTS OF LEGAL SERVICES**

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

#### **Linked Report**

- NONE

#### **Appendices**

- Head of Internal Audit Annual Report and Opinion: 2022-23

#### **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:**

David Dobbs, Head of Internal Audit, Fraud and Risk

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# **Head of Internal Audit's Annual Report and Opinion 2022-23**

## 1. Background

### Introduction

- 1.1 This report summarises the results of the work that Internal Audit has carried out in accordance with its annual plan for 2022-23.
- 1.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which encompass the mandatory elements of the Global Institute of Internal Auditors' (IIA Global) International Professional Practices Framework (IPPF). They also include additional requirements and interpretations for the UK public sector.

### Content of this Report

- 1.3 The PSIAS require the Head of Internal Audit to provide an annual report to the Council, timed to support the Annual Governance Statement. They also state that the Head of Internal Audit should report periodically on significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management. This report is designed to meeting those requirements for 2022-23 and it also includes:
- The Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e., the control environment) including:
    - a summary of audit work from which the opinion is derived, including any reliance placed on work by other assurance bodies
    - any qualifications to the opinion, together with explanation
    - disclosure of any impairments or limitations in the scope of Internal Audit work carried out during 2022-23.
  - Any significant risk or control issues that are judged relevant to the preparation of the Annual Governance Statement and the Council's Statement of Accounts.
  - The work undertaken in line with Internal Audit's Quality Assurance and Improvement Programme (QAIP) including:
    - a statement on conformance with the with the PSIAS and IIA Code of Ethics
    - annual confirmation of the organisational independence of Internal Audit's activity

### Disclaimer

- 1.4 This report has been prepared for the use of the Audit Committee and Senior Management of the Council. Details may be made available to specified external agencies, including the external auditor, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

## 2. Head of Internal Audit's Annual Opinion

### Basis of the Annual Opinion

- 2.1 The outcome of the audits undertaken during the year by Internal Audit forms the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk, and control framework. Additionally, there has also been recourse to the following sources of evidence and assurance:
- Anti-fraud and fraud investigations
  - Follow up of management actions
  - The Council's governance and risk management framework
  - Inspections and external reviews, including work undertaken by the external auditor.
- 2.2 As agreed by the Audit Committee in May 2020, a revised four-point opinion scale was adopted and has continued to be used throughout 2022-23. Further details are included at Appendix A. This opinion scale is used for grading individual audit reviews and the Head of Internal Audit's annual opinion, as set out below.

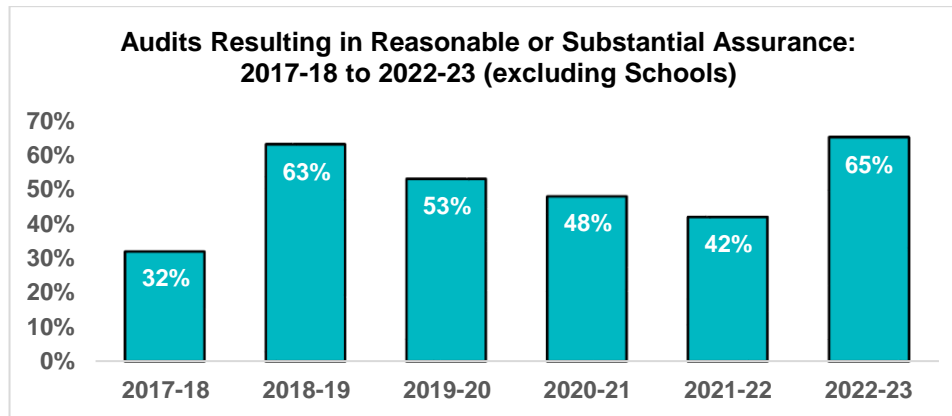
<b>Head of Internal Audit's Opinion Statement for 2022-23</b>	The Head of Internal Audit's Opinion for 2022-23 is that having considered the relevant evidence, it is my opinion that I can provide <b>Reasonable Assurance</b> that the Council has adequate systems of governance, risk management and internal control.
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- 2.3 When considering the opinion readers should note the following:
- This opinion is based solely upon the areas taken into consideration and it is not affected by any specific impairments or scope limitations
  - Assurance can never be absolute, neither can Internal Audit's work be designed to identify or address all weaknesses that might exist
  - Responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the Council's management and not Internal Audit.
- 2.4 The opinion for 2022-23 is an improvement on the previous year [when a Limited Assurance opinion was issued] and is driven primarily by an improvement in the results of Internal Audit work with 65% of audits resulting in Substantial or Reasonable Assurance. The equivalent figure for 2022-23 the figure was 42%.

### 3. Detailed Audit Results

#### 2022-23 Deliverables

- 3.1 This report summarises the results of the work that Internal Audit has carried out in accordance with its annual plan for 2022-23 and supplemented by any agreed management requests for audit or consultancy work during the year. Any changes to the agreed plan, including audits that were deferred or cancelled have been reported to Audit Committee for approval. Appendix B summarises the results of the audits carried out during 2022-23 (excluding schools).
- 3.2 23 audit assurance reviews (excluding schools) were completed out during 2022-23 which yielded the following breakdown of audit opinions:
- 1 (4%) Substantial Assurance
  - 14 (61%) Reasonable Assurance
  - 8 (35%) Limited Assurance
  - 0 (0%) Low Assurance
- 3.3 As shown below, the graph clearly demonstrates that the results of Internal Audit work improved considerably from 2021-22 to 2022-23. Moreover, it also breaks the trend which saw Internal Audit results deteriorate progressively year on year from 2018-19 to 2021-22.



#### Schools Audits

- 3.4 Following the Covid-19 Pandemic a full programme of schools' audits was reinstated during 2022-23. 15 schools were audited during this period resulting in 10 Reasonable Assurance, 4 Limited Assurance and 1 Substantial Assurance audit opinion (refer to Appendix C for further details). A separate report detailing the key themes from this will be presented to the Audit Committee.

### Implementation of Agreed Management Actions

- 3.5 In each instance where it was identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has obtained an agreed management action plan to address the weaknesses identified and improve the system of control and compliance.
- 3.6 Of the 9 follow up audits that were completed during 2022-23, Internal Audit can confirm that of the 11 high priority issues/recommendations raised, 4 were fully implemented, 4 were partially implemented, and 3 had not been implemented. Of the 26 medium priority issues/recommendations raised, 13 were fully implemented, 12 were partially implemented, and 1 had not been implemented. Further details are shown in the table below.

#### Implementation of Agreed Management Actions

	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%

- 3.7 Overall, this shows a reasonable response to agreed actions, which is consistent with the previous year's performance. For 2022-23, 72% (2021-22: 86%) of the high priority actions and 96% (2021-22: 86%) of the medium priority actions reviewed have either been fully or partially implemented. An improvement in the timely implementation of high priority actions is something that management should address during 2023-24.

### Future Outlook

- 3.8 A number of risks lie ahead for the Council, some of which are localised, and some which are common across the sector (e.g., financial sustainability, cyber-attack causing data loss/service denial, and the failure of safeguarding processes). Perhaps most significantly will be the organisational challenges associated with delivering on the Council's Strategic Plan for 2022-26 against a backdrop of significant organisational transformation and change, coupled with the need to identify £37m of savings from 2024/25. Maintaining a robust system of internal control and risk governance will help to navigate these challenges, though some instability should be expected, which may in turn impact the outcomes of Internal Audit's work for 2023-24.

## 4. Anti-Fraud and Investigations

### Investigations

- 4.1 During 2022-23 anti-fraud and investigations activity has been regularly reported to the Audit Committee. The Fraud Investigations Team is comprised of the following sub-teams:
- Intelligence
  - Social Housing
  - Corporate Investigations
  - Blue Badge Parking Permits
- 4.2 There is also an investigator in the Insurance Service who examines the integrity of insurance claims to eliminate fraudulent submissions and repudiate inappropriate claims. In addition, the Internal Audit and Fraud Prevention Team undertakes activity to support the Council in reducing its fraud and corruption risks, this includes co-ordinating the Council's participation in the National Fraud Initiative, a biennial proactive data matching exercise run by the Cabinet Office in which each local authority must participate, along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture.
- 4.3 During 2022-23, 38 corporate/internal referrals in respect of alleged fraud were received. These included referrals received via the Council's whistleblowing procedure. 275 referrals were received in respect of suspected social housing fraud matters. In addition, 71 insurance claims have been investigated.
- 4.4 The positive outcomes achieved following the investigation of the above matters includes the following:
- 44 Insurance claims were repudiated or discontinued with a reserve value of £380,428
  - 33 Social Housing properties were recovered
  - 7 Right to Buy applications were stopped
  - 1 criminal conviction
  - 2 profit orders totalling £267,207.51
  - 105 Blue Badges were seized.
- ### National Fraud Initiative
- 4.5 Initial matches from the biennial National Fraud Initiative (NFI 2022-23) data matching exercise were received by the Council in January 2022. The potential fraud matches have been reviewed using the recommended prioritisation filters, with services instructed to review selected cases. The total number of matches received so far is 9,978 and of these 1,992 were considered high or medium risk. To date, a total of 223 have been reviewed, with 155 closed with no issues, 7 identified as errors, and 61 cases identified where fraud may have occurred, and appropriate actions have been taken to resolve. Detailed reports about the current NFI arrangements and progress made have been regularly provided to the Audit Committee.

- 4.6 The Internal Audit and Fraud Prevention Team also included detailed reviews of ‘No Recourse to Public Funds’ applications, and the Corporate Anti-Fraud Manager has been an active member of the London Borough’s Fraud Investigation Group.

## 5. Other Sources of Assurance

### Third Party Assurance

- 5.1 The Head of Internal Audit’s Opinion is also informed by the work and assurances that available from third parties resulting from work undertaken during 2022-23, the results of which are summarised below:

### External Audit

- 5.2 This remains a challenging area both locally and nationally in the local government sector. The Council’s external auditor has recently indicated that sign-off of the 2018-19 and 2019-20 statement of accounts is imminent, though it is expected that the audit opinion will be qualified both years.
- 5.3 Whilst positive steps have been taken to address the timeliness and accuracy of the Council’s financial statements, the 2020-21, 2021-22 and 2022-23 accounts audits remain outstanding, and this is therefore an area which requires ongoing work to ensure improvements are embedded and that positive momentum continues. Similarly, the Annual Governance Statements for the period 2020-21 onwards have yet to be prepared. Whilst this represents a considerable backlog of work, it should be acknowledged that this is national issue with the backlog of local government audits in England standing at 632 in December 2022, with a reported possibility that the number may exceed 1,000 by the end of 2023.

### Other Inspection Work

- 5.4 Following the pandemic, there was a phased return to most inspection activity with a bias towards understanding the impact and challenges that the pandemic brought about. During the 2022-23 work by external review bodies/inspectors comprised the following:
- An inspection of the Youth Offending Service which issued an overall rating of Requires Improvement in July 2022. An external peer review of Youth Justice was commissioned and took place in February 2023 and their judgement was that good progress had been made in driving the improvement plan that was put in place with new leadership following the inspection
  - An Ofsted Focused visit to London Borough of Tower Hamlets children’s services was carried out in July 2022. The report from this inspection was very positive about the service that the Council is providing to its children in care
  - An Ofsted short inspection of Idea Store Learning was carried out in January 2023 – this concluded with an overall ‘good provider’ rating
  - A Home Office Prevent Benchmark Performance Review was carried out in March 2023 – this concluded that the ‘service is exceeding requirements against all duties’.

## 6. Quality and Improvement

### Quality Assurance

6.1 The PSIAS state that Head of Internal Audit must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. These arrangements currently include:

- regular internal and external quality assessments to gauge the level of compliance with the PSIAS and IIA Code of Ethics
- undertaking, reviewing, and acting on client satisfaction feedback - 30 survey responses were received during this period and they will be used to drive improvements in the audit process lifecycle
- using performance measures to assess performance of the service, such as the implementation [by management] of agreed actions

### Compliance with the Standards

6.2 A self-assessment Internal Audit's compliance with the PSIAS was undertaken during the year. This concluded that out of the 56 areas of compliance there were three standards where the current Internal Audit practices were only partially conforming; in all other respects, the service was compliant with the Public Sector Internal Audit Standards.



- adequacy of resources – this has been a challenging area during 2022-23 as the service had multiple vacancies and faced delays in renewing its contract with the external contractor, BDO
- co-ordination with other assurance providers – this remains an area which is progressing but is not yet fully developed. To help better direct and inform the work of Internal Audit and co-ordinate with second line of defence, an assurance map will be developed during 2023-24
- an External Quality Assessment is now overdue – the PSIAS require that such a review should be conducted at least once every 5 years and it is intended that this be taken forward during 2023-24 through a peer group assessment process facilitated by the London Audit Group. Once completed, the results of the EQA will be reported to Senior Management and the Audit Committee.

6.3 As was the case in the previous year, the self-assessment confirmed that Internal Audit has continued to comply with the IIA's Code of Ethics.

### Internal Audit's Independence

6.4 As previously reported to the Audit Committee, the Head of Internal Audit is also responsible for the Council's Risk Management and Insurance services. To manage the risk to organisational independence, as and when these areas are subject to internal audits, the work is undertaken by the audit contractor and reported to Management and the Audit Committee in the usual fashion. Since, these services were not audited during 2022-23 and therefore Internal Audit has operated independently of the organisation and there were no compromises of Internal Audit's independence in its operation during this period.



Opinion		Definition
<b>Substantial</b>	Positive 	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>		There is a generally sound system of governance, risk management and control in place. Some issues, noncompliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	 Adverse	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the areas audited.
<b>Low</b>		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the areas audited.

## Appendix B: Detailed audit results

Audit Title		Priority	Opinion	Status
1	Management and Monitoring of Council's Contribution to Climate Change Agenda		Limited	Final
2	Mobile Device Management		Reasonable	Final
3	Staff Recruitment and Pre-employment checks		Reasonable	Final
4	Management of Regeneration Projects		Reasonable	Final
5	Contract Monitoring of Electrical MTC Works		Reasonable	Final
6	Readiness for the New Building Safety Legislation		Reasonable	Final
7	Management of Members' Interests, including Related Party Interests		Limited	Final
8	Payments without orders (AP1 Payments)		Reasonable	Final
9	Acting Up and Honoraria Payments		Reasonable	Final
10	Educational Psychologists - Service Review		Reasonable	Final
11	Contract Management and Monitoring of a sample of IT Contracts		Reasonable	Final
12	Compliance Testing of Schools Licensed Deficit process		Reasonable	Final
13	Brady Arts Centre – Regularity Audit		Reasonable	Final
14	Property Disposals – Place		Limited	Final
15	Section 106 Planning Obligations - Place		Reasonable	Draft
16	Compliance Testing of Bank Reconciliation Process		Substantial	Draft
17	Homelessness Assessments		Limited	Draft
18	Management and control of cost-of-living payments		Limited	Draft
19	Eva Armsby Family Centre		Limited	Draft
20	Children and Culture – Petty Cash Management		Limited	Final
21	Signing and Sealing of Documents (including Retention)		N/A	In Progress
22	Council Tax		N/A	In Progress
23	Revenue Budgetary Control		Reasonable	Final
24	Equality Assessment		N/A	In Progress
25	Children's Safeguarding Partnership – Monitoring of the Action Plan		Reasonable	Draft
26	Land Searches		N/A	In Progress
27	Control and Monitoring of DBS Checks		Limited	Draft

	School	Opinion	Status
1	Bangabandhu Primary School	Limited	Final
2	Blue Gate Fields Junior School	Limited	Final
3	Central Foundation Girls Secondary School	Reasonable	Final
4	Chisenhale Primary School	Reasonable	Final
5	English Martyrs Primary School	Reasonable	Final
6	Hague Primary School	Reasonable	Final
7	Hermitage Primary School	Reasonable	Final
8	Mowlem Primary School	Reasonable	Final
9	Stepney All Saints Secondary School	Limited	Final
10	Stepney Park School	Substantial	Final
11	St Mary's and St Michael's RC Primary School	Limited	Final
12	St Peters London Dock Primary School	Reasonable	Final
13	Stewart Headlam Primary School	Reasonable	Final
14	William Davis Primary School	Reasonable	Final
15	Bow Secondary School	Reasonable	Final

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Non-Executive Report of the:  <b>Audit Committee</b>  Thursday 20 <sup>th</sup> July 2023	
<b>Report of:</b> Caroline Holland - Corporate Director, Resources (S.151 Officer)	<b>Classification:</b> Open (Unrestricted)
<b>Annual Schools Report for 2022-23</b>	

<b>Originating Officer(s)</b>	David Dobbs – Head of Internal Audit, Fraud & Risk
<b>Wards affected</b>	(All Wards)

## Executive Summary

This report provides a thematic summary of the work of Internal Audit in relation to the audit of schools for the financial year 2022-23.

## Recommendations:

The Audit Committee is recommended to:

1. Note the contents of this report including the themes highlighted by Internal Audit in relation to the audit of schools as undertaken during 2022-23.

### 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

- 3.1 The purpose of the report is to provide an overview of audit findings and facilitate a thematic assessment of the matters raised by Audit. It is envisaged that this assessment will be used by the Schools

Finance Team and the Schools Governance Team to enhance the financial management and governance framework within the Local Authority maintained schools.

- 3.2 During Covid-19 Pandemic, the cyclical programme of audit visits to schools to carry out regularity and compliance audits was paused with the agreement of the Corporate Director of Children and Culture in consultation with the Head Teachers. The programme of schools' visits was resumed in 2022-23. During the financial year, 15 school audit visits were carried out by our audit contractor BDO LLP. Each audit visit involved compliance testing of system and procedures in 8 key areas of control in accordance with a pre-agreed audit test programme.
- 3.3 The detailed annual report for schools is attached to this report.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no specific statutory implications.

#### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 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.

#### **7. COMMENTS OF LEGAL SERVICES**

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

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None.

### **Appendices**

- Appendix – Schools Annual Report for 2022-23

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

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

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

- None.

#### **Officer contact details for documents:**

Bharat Mehta

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LONDON BOROUGH OF TOWER HAMLETS

# INTERNAL AUDIT SUMMARY REPORT SCHOOLS PROGRAMME 2022-23

June 2023

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# 1. INTRODUCTION AND BACKGROUND

## PURPOSE OF REPORT

This report summarises the approach and key findings regarding the London Borough of Tower Hamlets school audits which were completed during 2022/23 by BDO LLP on behalf of the Council.

## INTERNAL AUDIT

### *What is Internal Audit?*

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” (Source: *International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors*)

### *Why is Internal Audit needed?*

- Legislation
- Public Accountability
- Risk management, governance, and control expertise
- Assurance on systems of control
- Fraud prevention, detection and/or investigation
- Objective advice
- Assistance in managing risks.

## APPROACH TO INTERNAL AUDIT OF SCHOOLS

A cyclical plan to complete internal audits of every school over a three to four year period is in place. The programme of audits is agreed by the Chief Internal Auditor and completed on behalf of the Corporate Director of Children’s Services.

Due to the Covid-19 pandemic, schools audits were paused in the latter stages of 2019/20 which continued throughout 2020/21 and 2021/22. In 2022/23 the full programme of school audits was resumed, with 15 schools being audited between April 2022 and March 2023.

The purpose of a school audit is to assess whether adequate controls are in place to help prevent financial management weaknesses within the school that could result in budget overspend or inappropriate expenditure.

The work in 2022-23 was designed to assess the design and operational effectiveness of the controls in place to mitigate the key risks in eight areas:

1. **Governance Arrangements** are inadequate or not formally documented to support effective governance and decision making that is in the best interests of the school.
2. **The School's Budget** is not balanced or aimed at recovering a deficit or achieving a prudent, but not excessive, level of unspent balances resulting in inefficient use of school funds.
3. **The Bank Account** is not adequately controlled, monitored, and reconciled to avoid the

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school becoming overdrawn or suffering financial loss.

4. **Procurement and Leasing** are not well controlled resulting in purchases of goods and services that are not appropriate or do not provide value for money.
5. **Income Collection and Banking** is not controlled leading to unidentified loss or theft.
6. **Payroll and Personnel Controls** are inadequate without appropriate checks and separation of duties for making changes to personnel and payroll data leading to invalid or inappropriate payments.
7. **Inventory Records** are not managed to enable the school to know its true asset base and identify losses.
8. **Data** is not adequately protected by allowing unauthorised access, leading to potential misuse or risk of harm to pupils and staff.

The limitations to the scope of our work are as follows:

- Testing is performed on a sample basis, selected from transactions processed in the previous 12 months.
- The audit does not assess the adequacy of teaching arrangements at the school.
- Our work does not provide any guarantee against material errors, loss, or fraud, nor provide an absolute assurance that material error, loss or fraud do not exist.

## **RECOMMENDATIONS AND ASSURANCE OPINIONS**

Recommendations are rated based on the risks associated with the findings arising from our audit work, where controls are not in place or not being complied with. Recommendations are rated as High, Medium, or Low.

We provide an overall assurance opinion on all school audits undertaken based on the categories and numbers of recommendations.

- The highest opinion is Substantial Assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- The lowest opinion is No Assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Please refer to Appendix 1 for all definitions for recommendations and assurance opinions.

## 2. SCHOOLS AUDITED FROM APRIL 2022 TO MARCH 2023

The table below provides the financial context at the date that the final report was issued, and summarises the recommendations raised, and audit assurance opinion provided.

SCHOOL	FINAL REPORT	FINANCIAL CONTEXT	High	Medium	Low	ASSURANCE OPINION
<b>William Davis Primary School</b>	July 2022	Deficit of £49,554. A licensed deficit agreement is in place with the Council	-	1	2	<b>Reasonable</b>
<b>Hague Primary School</b>	August 2022	Surplus of £164,060 forecast.	-	3	-	<b>Reasonable</b>
<b>Mowlem Primary School</b>	September 2022	Small surplus of £2,556 for 2022/23.	-	7	-	<b>Reasonable</b>
<b>Blue Gates Field Junior School</b>	November 2022	Surplus of £107,974 which was carried forward into the 2023-24 financial year.	2	2	2	<b>Limited</b>
<b>Central Foundation Girl's School</b>	November 2022	Surplus of £448,217 forecast.	-	11	5	<b>Reasonable</b>
<b>Hermitage Primary School</b>	November 2022	The surplus brought forward from 2021/22 was £199,852 resulting in a cumulative budgeted surplus of £200,090.	-	4	3	<b>Reasonable</b>
<b>Stepney All Saints Church of England Secondary School</b>	November 2022	Surplus of £478,500.	1	4	2	<b>Limited</b>
<b>English Martyrs</b>	December 2022	The budget for 2022/23 was £1,649,204 which	-	4	2	<b>Reasonable</b>

SCHOOL	FINAL REPORT	FINANCIAL CONTEXT	High	Medium	Low	ASSURANCE OPINION
Primary School		the school forecast a breakeven position.				
St Marys & St Michaels RC School	December 2022	Surplus of £23,312.	1	6	1	Limited
Stewart Headlam Primary School	December 2022	Surplus of £225,453 for 2022/23.	-	5	1	Reasonable
Bangabandhu Primary School	January 2023	Surplus of £74,188 which was carried forward into the 2023/24 financial year.	1	5	-	Limited
Chisenhale Primary School	January 2023	Deficit of approximately £30,000 forecast in 2022/23.	-	1	2	Reasonable
St Peters London Docks Primary School	February 2023	Surplus of £243K. The brought forward balance from 2021/22 was £231,476 which was planned to be used for various projects at the school	-	4	2	Reasonable
Bow Secondary School	March 2023	The bought forward balance from 2021/22 was £1,275,543, resulting in a cumulative budgeted surplus for 2022/23 being £1,275, 926	1	4	3	Reasonable
Stepney Park Primary School	March 2023	Surplus budget of £480,130 for 2023/24.	-	1	2	Substantial

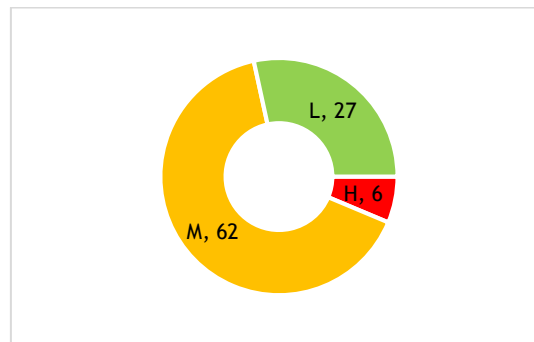
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### 3. SUMMARY OF RECOMMENDATIONS RAISED IN 2022/23 AND ASSURANCE OPINIONS

The summaries of findings within this report are based on all school audits completed between April 2022 and March 2023.

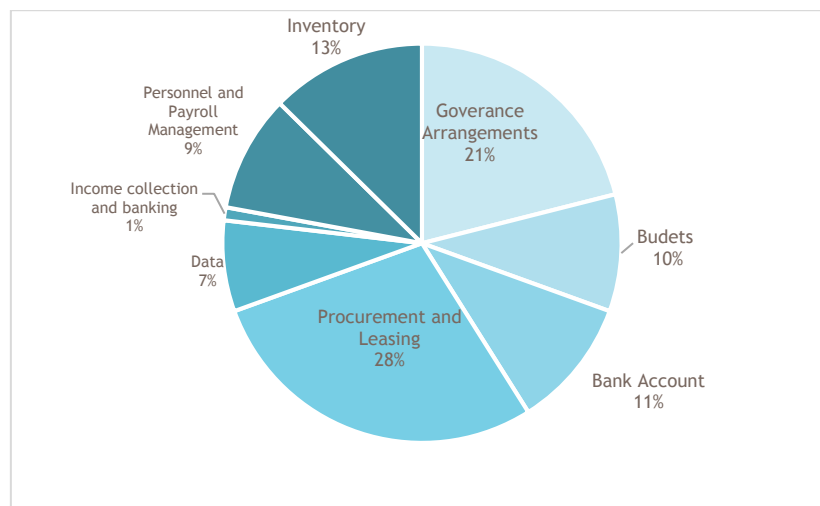
#### Number of Recommendations

The number of recommendations raised and the ratings of High, Medium, or Low is summarised below:



In 2022-23 a total of 95 recommendations were raised across 15 schools. This represents an average of six recommendations raised per school with the Borough. This compares to an average number of 12 recommendations made in the last full round of school audits, indicating improvement in general terms.

A summary of the relative proportion of recommendations raised in each risk area is shown below:



As in previous audit cycles, most recommendations continue to be raised in the areas of governance arrangements and procurement, with Budgets and Bank Accounts also showing similarity to previous reports.

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## Assurance Opinions

The assurance levels provided during 2022-23 are summarised below.

Overall Audit Opinion	Percentage of schools
Substantial	6.67% - 1 school
Reasonable	66.67% - 10 schools
Limited	26.67% - 4 schools
No	0%

The assurance opinions have been refreshed since the last summary report; therefore, the numbers are not directly comparable. However, the relative proportions across assurance opinions is similar to that previously reported.

The results indicate that whilst the number of recommendations has on average reduced, there are several key areas of improvements that were identified and require addressing, to ensure that the schools audited have a well-controlled financial environment.



#### 4. COMMON THEMES ARISING

Area	Number of Recommendations			Common Themes 2022/23
	H	M	L	
<b>Governance Arrangements</b>	1	8	11	<ul style="list-style-type: none"> <li>Key strategic documents, including the Scheme of Delegation, Terms of Reference and Financial Procedures Manual were all in place, however, in several cases they were not up to date with evidence of regular review by the Governing Body.</li> <li>In several schools, the Register of Business Interests was not up to date with missing declarations or incomplete declarations for Governors on the Governing Body and staff with financial management responsibilities.</li> <li>The key policy and procedure documents were not formally reviewed and approved by the full Governing Body and a Register of Policies was not maintained to aid the timely review of policies.</li> <li>There were instances where evidence of the Governing Body and sub-committee meeting minutes being approved by the appropriate Chair could not be evidenced.</li> </ul>
<b>Budgets</b>	-	4	5	<ul style="list-style-type: none"> <li>In most cases, budget monitoring reports had not been evidenced as reviewed by the Head Teacher and were not appropriately signed to evidence the review.</li> <li>In some instances, the budget plan approval was not evidenced adequately in minutes of meetings. In addition, the plan did not always include resource requirements and relevant costings where appropriate.</li> </ul>
<b>Bank Accounts</b>	-	8	2	<ul style="list-style-type: none"> <li>Bank reconciliations had not been signed by both the individual performing the reconciliation and the individual carrying out its independent review to evidence the segregation of duties.</li> </ul>

<b>Personnel and Payroll Management</b>	-	7	2	<ul style="list-style-type: none"> <li>From the examination of samples of payments made to self-employed individuals, there was no evidence that the suppliers have confirmed that they are fully responsible for their NI and Tax payments.</li> <li>Evidence of pre-recruitment checks was not always obtained / retained, such as identity checks, references, right to work checks, medical checks, and qualifications checks. Letters of resignation / termination and other relevant documentation were not always held on file in respect of leavers.</li> <li>Payroll reconciliations were undertaken in all schools. However, in many cases there was no evidence of a staff having performed an independent review of the reconciliation.</li> </ul>
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


Area	Number of Recommendations			Common Themes 2022/23
	H	M	L	
<b>Procurement and Leasing</b>	5	19	3	<ul style="list-style-type: none"> <li>Purchase orders were not always raised for all appropriate purchases and authorised in accordance with the Financial Procedures Manual. In addition, a clear segregation of duties was not always evident between the raising of purchase order and the receipting of goods/services.</li> <li>Some invoice payments were more than 30 days overdue, and some purchases were not supported by a valid invoice.</li> <li>There was a lack of documentary evidence in some instances that the goods received are checked for accuracy and that delivery documentation was appropriately annotated.</li> <li>In several instances, the appropriate number of quotes were not obtained as part of the procurement process and retained on file in line with the School's Financial Procedures. In several instances an adequate audit trail was not maintained for final supplier selection. In some cases, Governing Body approval was not obtained for higher value purchases.</li> <li>Weaknesses in the petty cash process were identified relating to vouchers not being authorised, no petty cash reclaim limit being in place, missing petty cash banking</li> </ul>

				documentation, etc.
<b>Income Collection and Banking</b>	-	1	-	<ul style="list-style-type: none"> <li>No cash handling procedure document in place to ensure a consistent approach to handling and recording cash.</li> </ul>
<b>Inventory</b>	-	12	-	<ul style="list-style-type: none"> <li>There were cases where the asset register of the school needed to be updated. Furthermore, there were also instances of assets not being security marked which made it difficult to reconcile to the register.</li> <li>Inventory checks are not always performed to confirm the accuracy and completeness of inventory records and disposals, and the results of the inventory check are not always reported to the Governing Body.</li> <li>Equipment loan forms are not always being completed fully in respect of equipment loaned to staff.</li> </ul>
<b>Data</b>	-	4	3	<ul style="list-style-type: none"> <li>There were cases identified where there was no formal system in place for notifying the ICT of leavers.</li> <li>In some instances, password controls were inadequate, as passwords were not changed periodically due to system constraints.</li> <li>School's Disaster Recovery/Business Continuity Plan/Data Protection Policy documents had not been reviewed or subject to approval by the Governing Body annually.</li> </ul>
<b>TOTALS</b>	<b>6</b>	<b>62</b>	<b>27</b>	



## APPENDIX 1- DEFINITIONS

The table below sets out the Council’s definitions of assurance opinions and risk ratings, which are used for all internal audit assurance engagements.

### Assurance Opinions

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

### Risk Ratings

 <b>High</b>	Fundamental weaknesses in governance, risk management and/or control where there is substantial risk of loss, fraud, error, impropriety, poor value for money, or failure to achieve organisational objectives. If these risks materialise it could lead to a significant adverse impact on the Council. Urgent remedial action is requirement by management.
 <b>Medium</b>	A weakness in the governance, risk management and/or controls which, although not fundamental, relate to shortcomings which expose individual systems to a less immediate level of risk and/or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.



**Low**

A minor weakness in governance, risk management and/or control that individually has little impact but would benefit from improvement to develop effectiveness and/or efficiency.

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Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 20 <sup>th</sup> July 2023	
<b>Report of: Caroline Holland</b> Corporate Director, Resources (S. 151 Officer)	<b>Classification:</b> Open (Unrestricted)
<b>Annual Risk Management Report 2022-23</b>	

<b>Originating Officer(s)</b>	David Dobbs – Head of Internal Audit, Fraud & Risk
<b>Wards affected</b>	(All Wards)

## Executive Summary

The following report summarises the Risk Management activity during the course of 2022-23 and provides an updated action plan designed to improve the Risk Management framework across the Council.

## Recommendations:

The Audit Committee is recommended to:

1. Note the annual Risk Management report and agree the proposed action 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 terms of reference of the Audit Committee state the committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the internal control environment. It is responsible for monitoring the

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

- 1.3 This report summarises the risk management activity undertaken during 2022-23 and supports the Audit Committee in discharging its responsibilities.

## **2. ALTERNATIVE OPTIONS**

- 2.1 None.

## **3. DETAILS OF THE REPORT**

- 3.1 The attached report and associated appendices summarise the risk management activity during the course of 2022-23, provides an update on progress made against the previously agreed actions and proposes an updated action plan.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no specific statutory implications.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 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 the public sector internal auditing standards and guidance. This report also demonstrates compliance with these legal duties.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE

#### **Appendices**

- Appendix – Annual Risk Report for 2022-23.

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

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

- NONE

#### **Officer contact details for documents:**

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# **Risk Management Annual Report 2022-23**

## 1. Background

- 1.1 Risk is inherent in running any business – understanding those risks and knowing how much risk to take is often the difference between success and failure. Many high-profile failures in organisational governance have shone a light on Risk Management and heightened the expectations on senior management for not only understanding and approving Risk Management processes, but also identifying and assessing key risks. This has led to the practice of Risk Management evolving into a more fully developed, integrated process in which senior management, directorates, service managers and the risk team all have distinctly defined roles – this approach has informed the Risk Management strategy at the Council.
- 1.2 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - b) ensures that the financial and operational management of the authority is effective; and
  - c) includes effective arrangements for the management of risk.
- 1.3 The terms of reference of the Audit Committee state that the committee has responsibility for providing independent assurance for Members over the adequacy of the Risk Management framework and the internal control environment. It is responsible for monitoring the effective development and operation of Risk Management in the Council and progress in addressing risk-related issues reported to the committee.
- 1.4 This report summarises the Risk Management activity undertaken during 2022-23 and supports the Audit Committee in discharging its responsibilities.

## 2. Risk Management Strategy

- 2.1 Management has articulated a 5-year Risk Management strategy that was updated and ratified by CLT and the Audit Committee during 2020-21. The strategy sets out a formal and structured approach to identifying, assessing, managing, and reporting risk within the Council and describes six objectives:
- 1) Ensure that Risk Management effectively supports corporate governance arrangements in the Council
  - 2) Maintain and Improve leadership and collaboration of Risk Management activity across the Council
  - 3) Integrate Risk Management into the culture of the Council as well as into its key management processes, programmes, projects, performance, and financial management
  - 4) Ensure that the Risk Management process for identifying, evaluating, controlling, reviewing, reporting, and communicating risks across the Council is in line with best practice, consistently applied, understood, and owned by all staff
  - 5) Ensure that the Corporate Leadership Team, Directorate leadership teams, Audit Committee, Mayors Advisory Board, external regulators, and other stakeholders obtain necessary assurance that the Council is managing and mitigating its risks effectively
  - 6) Continuously improve Risk Management through learning and experience and actively communicate the LBTH Risk Management approach to all employees and stakeholders.

### 3. Roles and Responsibilities

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

#### Audit Committee

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

#### Corporate Leadership Team

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

#### Directorate Leadership Teams

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

#### Risk Champions (One in each directorate)

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

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

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

## 4. Risk Management Audit

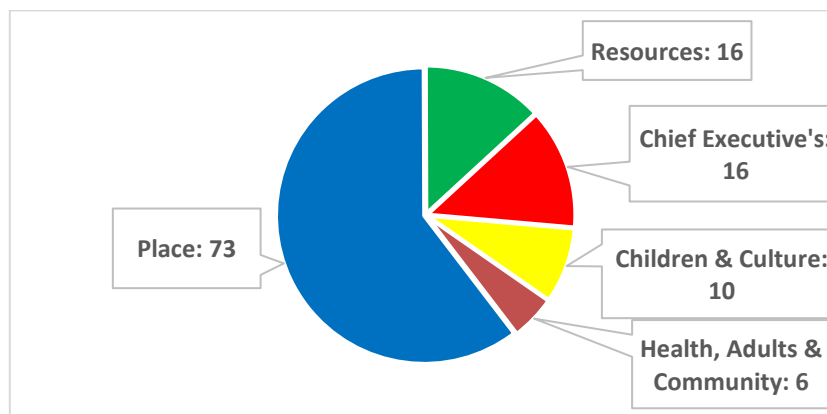
- 4.1 The Council's approach to Risk Management was audited in early 2020, with the outcome reported to CLT and the Audit Committee. The audit resulted in a split assurance opinion. The auditors assessed the design of the Council's approach to Risk Management as Substantial but its application/operation as Limited. Whilst the framework, strategy and procedures are well documented, compliance with these was variable across the Council and review and engagement with Risk Management by directorates required improvement. The report was presented to CLT in March 2020, and it gave its firm commitment to improve Risk Management across the Council.
- 4.2 The recommendations arising from the audit were accepted by CLT and an action plan was developed, and the majority of actions were completed, with the remainder carried forward into 2022-23. However, overall progress in addressing the outstanding actions has been slower than anticipated for several reasons including a lack of capacity and capability in Internal Audit to lead the process of facilitation and provide a suitable structure for engaging with DLTs and CLT. Specifically, the post of Risk Officer (located in the Internal Audit team) remains vacant and for most of 2022-23 there was no permanent Head of Internal Audit.
- 4.3 The current position at the Council is that Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.
- 4.4 It is important that the issues described above are addressed and proposed actions to improve the Council's risk maturity and related processes are included in Section 6 of this report.

## 5. Risk Management Activity during 2022-23 and Current Risk Profile

- 5.1 In March 2022, following the end of the Covid-19 pandemic Risk Management reverted to its BAU processes, which included
- Regular risk reporting to CLT (quarterly) and various DLTs (directorate risks) to identify actions, update and/or close out of date active risks and identify/articulate new risks
  - The Directorate risk registers for Place, Health Adults and Community, Children's and Culture, and Resources have all been subject to 'spotlight' reviews by CLT and the Audit Committee
  - The Audit Committee has been regularly presented with the Corporate Risk Register as well as each Directorate risk register on an agreed rolling timetable
  - The Joint Health and Safety Committee has continued to receive regular risk reports.
- 5.2 The Council's risks are primarily recorded, managed, and monitored using JCAD (the Council's Risk Management software). The system allows risk registers to be produced as well as individual risks to be managed.
- 5.3 A summary of the Council's current Corporate Risk Register is included at Appendix 1 to this report and the organisational Heat Map is shown at Appendix 2.

5.4 There are currently (as of 29<sup>th</sup> June 2023) 121 active risks recorded across the directorates and they can be further analysed as follows:

**Chart 1 – Risks by Directorate**



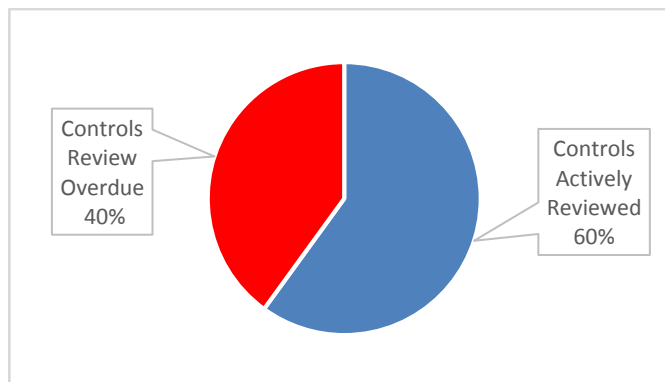
5.5 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

**Chart 2 - Average Risk Rating by Directorate**

Directorate	Average Risk Rating: 2022-23	Average Risk Rating: 2021-22	Average Risk Rating: 2020-21
Children and Culture	14	13	12
Health, Adults and Community	12	11	10
Place	10	10	11
Resources	10	13	10
Chief Executive's Office (previously Governance)	10	10	10

5.6 As noted, it is evident from the diagram below that not all mitigating controls recorded on JCAD are being reviewed and updated in a timely fashion

**Chart 3 – Control Review Profile**



## 6. Risk Management Annual Plan

6.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve Risk Management. The actions below include some carried forward from the previous action plan that were agreed but have not been fully implemented:

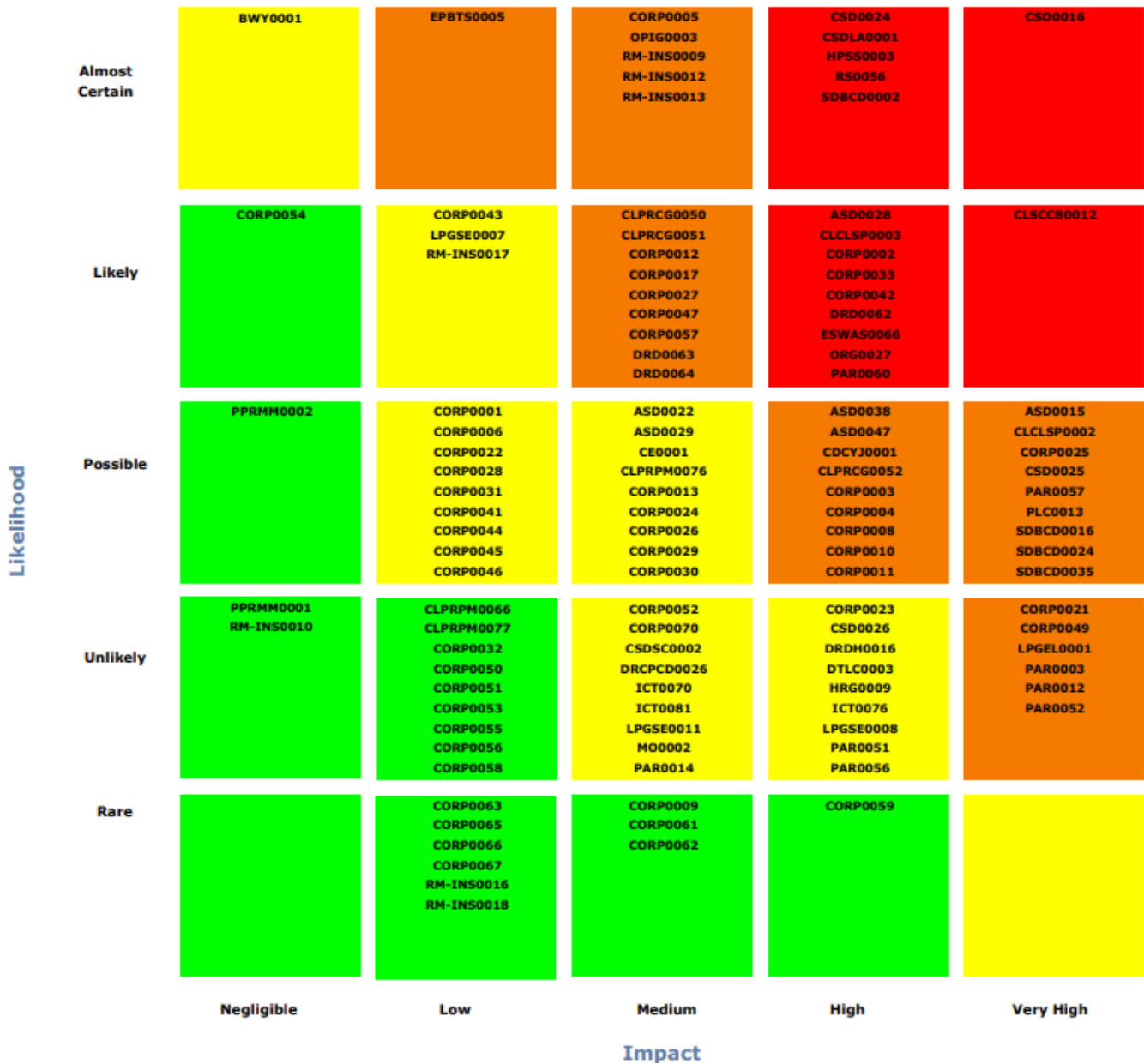
- In her capacity as Deputy Chief Executive, the Corporate Director of Health, Adults and Community, will take on the role of Risk Champion for a limited period of time to review and refresh the overall arrangements for Risk Management
- Permanent recruitment to the post of Risk Officer to be initiated by Internal Audit during 2023
- Data held in JCAD to be reviewed in conjunction with DLTs and cleansed appropriately (e.g. to remove redundant risks, update user access etc)
- Provide annual Risk Management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks
- Refreshing and re-energising the Directorate Risk Champions network to support risk maturity across the Council and help to co-ordinate and support more periodic new risk identification exercises within each Directorate
- Review the functionality of JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed. This will include consideration of how other Councils have successfully utilised JCAD
- Enhanced quarterly reporting of the Corporate Risk Register to CLT to be implemented to include consideration of:
  - Decision-making on the addition/removal of individual risks to/from the Corporate Risk Register
  - Systematic horizon scanning to inform CLT discussion on new/emerging risks (e.g., regulatory, or technological developments)
  - Deep dives on individual risks from the Corporate Risk Register



## 7. Conclusion

- 7.1 Risk Management is a key feature of good governance and the Council's current approach relies on established processes and risk infrastructure. In practice, these arrangements are not fully embedded within the Council and need to be reinvigorated and enhanced to ensure that they are effective. The actions proposed in this report will be a key focus of improvement work during 2023-24.

#	Risk Reference	Risk Definition
1.	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.
2.	CLSCCB0012	Major health and safety incident.
3.	RS0056	The Council may significantly overspend its budget, fail to deliver savings, and continue to rely on dwindling reserves. 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.
4.	ORG0027	There is an ongoing risk of a cyber-attack and/or major loss of IT.
5.	RSB0023	There is a risk that the statement of accounts will receive a qualified opinion for 2020-21.
6.	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.
7.	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.
8.	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.
9.	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.
10.	COVID0001	Risk to essential service delivery, the workforce and public safety as a result of the coronavirus and variants of concern.
11.	DRCPCD00 62	Town Hall - delay with completion impacting fit out and moves programme.
12.	ORG0026	There is a risk the Council will be unable to deliver critical and essential services.
13.	PLC0023	Failure to prepare and take action in relation to the proposed Building Safety Bill.
14.	ICT0081	Exploitation of supply chain security vulnerability impacting vendors/partners/services.



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Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 20 <sup>th</sup> July 2023	 <b>TOWER HAMLETS</b>
<b>Report of: Caroline Holland</b> Corporate Director, Resources (S. 151 Officer)	<b>Classification:</b> Open (Unrestricted)
<b>Annual Insurance Report 2022/23</b>	

<b>Originating Officer(s)</b>	David Dobbs – Head of Internal Audit, Fraud & Risk and Cheryl Williams – Insurance Manager
<b>Wards affected</b>	(All Wards)

## Executive Summary

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

### Recommendations:

The Audit Committee is recommended to:

1. Note the contents of this report.

### 1. REASONS FOR THE DECISIONS

- 1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:
  - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - ensures that the financial and operational management of the authority is effective; and
  - includes effective arrangements for the management of risk.
- 1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

## 2. ALTERNATIVE OPTIONS

2.1 None.

## 3. DETAILS OF THE REPORT

### Background

3.1 Through the identification and evaluation of risks facing the authority, the Insurance Section organises the procurement of Insurance policies and manages the annual renewals in order to protect the Council's assets, liabilities and to promote effective financial management in the pursuit of value for money.

3.2 The Insurance Section provides expert advice and guidance to all levels of staff, Members and residents on any issues related to risk, insurance and claims, working collaboratively with key stakeholders including Divisional Directors, Heads of Services, Headteachers, Governors, partner organisations, ILC, brokers and Insurers.

3.3 The Insurance Service provides insurance cover to its stakeholders through a combination of self-insurance and external 'catastrophe' insurance. It also provides in-house claims handling services for all claims up to the policy excess. The 2022/23 main external policies had the following excesses and aggregate limit per year. The aggregate limit is the maximum amount the insurer will reimburse for all covered losses during the policy year.

3.4

Policy	Excess Per Incident	Aggregate Limit Per Year
Liability	£500,000	£2.81 million
Property	£2 million	£4 million
Motor	£0 (Zero)	£0 – No Aggregate/Stop Loss

3.5 Most losses will fall within the policy excess and are self-insured by the Council's insurance fund. There is also financial protection of the insurance fund through the aggregate limits, restricting the exposure per policy year. The insurer funds all claim costs above the excess or aggregate (if breached). The annual fund review carried out by an external insurance actuary assists the council in maintaining an appropriate fund.

3.6 Below are the limits of cover under our policies.

Policy	Limits
Public/Employer's Liability	£50m for any one occurrence or all occurrences attributable to one cause
Property	Full reinstatement up to £100m per loss

	New Town Hall limit increased to £200m
Motor	£50m for any third-party motor vehicle £25m for commercial vehicles

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

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

3.8 Typically, this means that, on average, the approximate target for an insurer is for claims levels to not exceed 60% of the premium charged, thereby allowing for the above expenses and profit margins.

3.9 This approach also generates additional savings and benefits to the Council such as:

- Reduced premiums and a reduction in its Insurance Premium Tax liability, which is currently charged at 12%;
- The possibility of additional income from the investment returns earned on the insurance fund reserve; and
- increased risk ownership which reduces insured losses; the savings from which are immediately realised by the Council rather than awaiting the prospect of future insurance premium reductions.

3.10 Finally, reduced dependence on external insurance enables improved budget control by:

- lessening the impact of insurers' reactions to UK and Global events, which would result in increased premiums.
- lessening the impact of the typical business cycles between 'soft' and 'hard' markets. A hard insurance market is characterised by a high demand for insurance coverage and a reduced supply. Insurers impose strict underwriting standards and issue a limited number of policies. Premiums are high and insurers are disinclined to negotiate terms. A soft insurance market is when the market is soft many insurers are competing for business and premiums are generally low. Insurers relax their underwriting

standards and coverage is widely available. Underwriters are generally flexible and willing to negotiate coverage terms. Broad coverage is available with some extensions available for free.

- having the ability to self-fund risks rather than incur external insurance premiums for example Assault, Office Machinery, Money and Computers.
- 3.11 The Insurance Section currently handles personal injury, property damage and employer's liability claims in-house. Motor claims are handled by the external insurer as the cover is 3<sup>rd</sup> party and there is a Nil policy excess.
- 3.12 All claims are investigated in-house with appropriate site visits to determine the legal liability. External specialist solicitors are used to support liability decisions when necessary. In the event of legal proceedings being issued, external solicitors are appointed but importantly, the Council remain the decision makers and drive the case management.
- 3.13 Over the past year quarterly claims reporting has been established for THH, Highways, Waste and Legal, thus developing a better understanding of each departments needs and better working relationships. Claims data has also been cleansed to improve the quality of reports.
- 3.14 The Underwriting officers within the Insurance Section have been actively involved in the management of 2 large fire claims (Maddocks House and Bentworth Court), the handling of which has been complex and has required persuasive liaison with loss adjusters, insurers, THH and external solicitors. Both incidents have had to be handled professionally and with sensitivity. The work undertaken on Maddocks House by the Insurance Section and other key officers of LBTH/THH has been recently praised by the Mayor.
- 3.15 The Underwriting officers successfully sought Buildings and Terrorism Insurance for the New Town Hall. This was a difficult task due to the sheer value of the building exceeding the standard limits imposed by the insurer. Cover was purchased by way of excess layer.
- 3.16 The Insurance Section has reviewed and improved its processes, creating workflows for enhanced claims handling.
- 3.17 Training has been pushed forward this year. Apprenticeships have commenced and training developed with external solicitors by way of seminars, regular updates and published articles on litigated cases and developments.



## Partnerships

- 3.18 The Council is a member of the Insurance London Consortium (ILC), a consortium of nine London Boroughs launched in July 2009 to provide strategic focus for insurance procurement and collaborative risk management. The consortium is governed by an agreement pursuant to section 101 Local Government Act 1972. Croydon Council is the accountable body and leads the procurement activity. Tower Hamlets continues to have an active role in ensuring underwriting criteria is met for procurement and renewal purposes and has an active role in the evaluation of all tenders,
- 3.19 The Insurance Section continues to provide insurance cover and claims handling for Tower Hamlets Homes. A service level agreement is in place between both parties.

## Tenants (and leaseholders) Contents Insurance Scheme

- 3.20 This opt-in scheme is provided for the benefit of Tower Hamlets tenants at their own discretion. Leaseholders (owner occupiers) can also take advantage of the scheme. The tenant or leaseholder has an arrangement directly with the insurer for appropriate cover. All claims are made directly with the insurer and the premium paid weekly/monthly/annually, whichever suits the financial situation of the insured. The scheme is operated by Crystal Insurance. There is no policy claims excess and has low sum insured options for persons over 60 years of age.
- 3.21 As of 31 March 2023, the scheme had 289 policyholders out of circa 9,000 potential tenants. There are also a potential 9,000 leaseholders who can take advantage of the scheme. Although the take up is low, the scheme offers insurance cover for tenants at preferred rates to meet their personal needs.

## Financial Management

### Insurance Fund and Provisions

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

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

#### Reserve and Provision Management

3.24 The adequacy of the reserve and provisions is subject to annual actuarial reviews. The last of which was undertaken by Marsh in May 2023.

3.25 Analysis is based on data as at 27<sup>th</sup> March 2023. It covers the years 2008/09 to 2022/23.

- Their best estimate of the total historical funding requirement for these years is £6.57 million.
- Adding amounts for known prior years and Municipal Mutual Insurance (MMI) gives a total, best estimate, funding requirement of £8.75 million.
- including a buffer at the 90% confidence level increases the total to £11.5 million.

3.26 Their best estimated loss forecast for 2023/24, covering the three main insurance classes (employers' liability, public liability, and property) is £1.89 million.

3.27 MMI insured many public sector authorities before it ceased underwriting operations in September 1992. Most of MMI's public sector members elected to participate in the Scheme of Arrangement and effectively became scheme creditors. In November 2012, following several years of deteriorating financials with a significant and growing deficit, the Directors announced that they were triggering the Scheme of Arrangement. The scheme's levy is currently 25%.

#### Insurance Recharge

3.28 Every year the insurance service reviews the recharges required to sustain the insurance fund. The recharges are calculated in three parts and are always set prior to the applicable year:

- internal funding requirements – the amount of money calculated that will be spent in the following year on self-insured losses, i.e., those below external insurance policy excess;
- external insurance premiums – the cost of the external 'catastrophe' insurance which is estimated based on the current premiums plus inflationary uplifts; and

- share of service costs – the share of the costs to operate the service, including salaries, IT costs and any other expenses incurred.

3.29 The current arrangements for recharging remain under review as part of completing the Finance Improvement Plan. Insurances that are based on headcount i.e. Liability, Travel and Crime have now been centralised.

### Benchmarking

3.30 In the past the Council has undertaken benchmarking using CIPFA's benchmarking services. However, due to relevant comparators in that exercise falling below four, the Council no longer takes part because of its limited value. Benchmarking is likely to be undertaken in future by the ILC.

### Claims summary

3.31 During the period 1 April 2022 – 31 March 2023 a total of 234 claims were received, with a reserve value (potential cost) of £5,679,291.

3.32 A total of 109 claims have so far been repudiated, representing a saving of £385,661. The tables below provide the breakdown of claims and position.

Public Liability	
Claims received	211
Of which are Schools claims	7
Total estimated value	£948,926
No. Repudiated	99
Rep. value	£342,281
Settled	68
Value settled	£111,245
Outstanding claims	44
Outstanding claims value	£495,399

3.33 The majority of Public Liability claims are Highway/Roadway and Housing (THH) related.

3.34 Highway incident claims are in the majority equally divided between pavement tripping injuries (26) and vehicle damage (28) caused mainly by potholes. There are an additional 13 claims of other causes, such as defective utility covers and lighting defects. Of the 67 Highway incident claims 11 have been settled, 48 repudiated and the remaining 8 claims ongoing.

- 3.35 Housing (THH) incident claims totalled 98. Of these, 34 claims were water leak related (burst pipe) incidents. There were also 16 claims relating to roof leaks and back-surges/blocked drains. 13 claims were for trips/slips on the estate. The other 35 claims were for other building defects, fire, rodents, lifts falling objects and claims caused by third parties (contractors).
- 3.36 Of the 98 claims received 52 have been settled, 23 repudiated and the remaining 23 claims ongoing.

<b>Employers Liability</b>	
Claims received	13
Of which are School claims	8
Total estimated value	£1,289,020
No. Repudiated	8
Rep. value	£43,380
Settled	0
Value settled	£0
Outstanding claims	5
Outstanding claims value	£1,245,640

<b>Property &amp; Miscellaneous (in-house policies)</b>	
Claims received	10
Of which are School claims	5
Total estimated value	£3,137,086
No. Repudiated	2
Rep. value	£0
Settled	3
Value settled	£60,086
Outstanding claims	5
Outstanding claims value	£3,077,000

- 3.37 The property claims feature a single large claim for Bentworth Court to the value of £3M - £1M of which will be paid by insurers.
- 3.38 In comparison, the number of claims over the past 5 years has remained stable, as demonstrated in the table below, with the average being 239. There was a dip in claims for 2020-2021 which reflects the impact of Covid-19.

2018-2019	222
2019-2020	279
2020-2021	204
2021-2022	258
2022-2023	234

### Future Plans

- 3.39 The Insurance Section has an establishment of 8 personnel, with 2 vacant positions (Senior Insurance Officer and Risk Officer). Recruitment has commenced for the Senior Insurance Officer and the role of Risk Management is under review. The Insurance Section is divided into two groups – Underwriting, which deals with the procurement of insurance policies and renewals, insured loss and finance, and Claims, which deal with claimants who pursue the council for negligence.
- 3.40 The current Property, Terrorism and Liability policies were entered into on 1<sup>st</sup> April 2022 following a tender exercise via the ILC. The ILC also managed the tender for Engineering Inspections, Motor, School Travel, Business Travel, Crime, Commercial Property and Buildings Insurance for RTB Leaseholders. The policies are for a 5-year period and commenced on 1<sup>st</sup> April 2023.
- 3.34 The Legal Panel is currently being tendered by via the ILC. Rather than a traditional tender the ILC is in effect looking to establish and maintain a Preferred Suppliers List of panel solicitors, (liability litigation experts) to a maximum of 5 members for 5 years. This contract only relates to claims where external legal providers are appointed by Consortium members. Appointment is dependent on the nature/complexity of claim and where it is litigated, the majority of claims will be handled in-house.
- 3.35 A standard process will be developed with stakeholders for the handling of large complex property claims (e.g. Maddocks House, Bentworth Court and Hadleigh House).
- 3.36 Recoveries on claims where liability rests with contractors or other third parties will be reviewed in order to claw back monies paid to claimants.
- 3.37 Property Valuations will include Housing and be part of the rolling valuation programme procured by Asset Management. It is a requirement that valuations are kept up to date to ensure there is no under or over insurance.
- 3.38 Communications from the Insurance Section are to be developed to ensure effectiveness.

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no specific statutory implications.

#### **5. OTHER STATUTORY IMPLICATIONS**

5.1 There are various statutory insurances the Council is required to hold by law. These include Employers Liability (Employers Liability Compulsory Insurance Act 1969), Fidelity Guarantee (Crime) Insurance (Local Government Act 1972), insurance and inspection services for boilers and lifts etc. (various Health and Safety Acts) and Motor Vehicle Insurance (Road Traffic Act of 1930). Other insurances purchased by the Council are not compulsory, however, having insurance is a safety net against an unforeseen incident where large losses may occur which exceed the policy excess in place. It is a requirement of the Civil Procedure Rules (low value pre-action protocol) that liability is admitted or denied within 30 days (Public Liability) and 40 days (Employers Liability) giving a short time frame for investigation.

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

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

#### **7. COMMENTS OF LEGAL SERVICES**

7.1 The Council is lawfully entitled to hold reserves to cover various aspects and volumes of financial risk that might otherwise be covered by obtaining an external insurance policy. The mode of managing risk described in this report is therefore lawful and one that is similar to that followed by many larger local authorities. This allows the Council to balance premium levels against potential expenditure against the chance of crystallisation of such risks. This in turn means the Council is offered better value premiums as the market is itself protected from exposure to certain levels of risk that the Council is willing to take on itself.

7.2 However, the policies allow the Council to be protected from catastrophic levels of risk. There are some areas where the law requires the Council to have external policy cover.

7.3 The report therefore demonstrates that the Council has an appropriate methodology of risk management relating to insurance which complies with the Council's legal duties relating to risk management. Also, the mode delivers risk management in a way which is Economic Effective and Efficient and therefore compliant with the Council's Best Value Duty.

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- NONE

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

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

- NONE


#### **Officer contact details for documents:**

David Dobbs, Head of Internal Audit, Fraud and Risk

Email: [david.dobbs@towerhamlets.gov.uk](mailto:david.dobbs@towerhamlets.gov.uk)

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Non-Executive Report of the:  <b>Audit Committee</b>  20/07/2023	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Sharon Godman, Director of Strategy, Transformation, and Improvement.	<b>Classification:</b> Open (Unrestricted)
Code of Corporate Governance	

<b>Originating Officer(s)</b>	
<b>Wards affected</b>	All (All Wards);

### Executive Summary

The Code of Corporate Governance sets out the Council’s commitment to uphold the highest standards of good governance. The Code was first created in 2018 and has been reviewed each year since. This report presents the 2023/24 review version for comment and endorsement by the Committee.

### Recommendations:

The Audit Committee is recommended to:

1. Review and comment on the revised Code of Corporate Governance
2. Endorse the Code and agree that it be published on the Council’s website.

### 1. REASONS FOR THE DECISIONS

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

## **2. ALTERNATIVE OPTIONS**

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

## **3. DETAILS OF THE REPORT**

- 3.1 The Council's Annual Governance Statement produced by the Council each year, sets out its view on the effectiveness of the Council's Corporate Governance.
- 3.2 Corporate Governance is defined as the systems, processes and values by which local government bodies are directed and controlled.
- 3.3 One of the key documents consulted when preparing the Annual Governance Statement is the Code of Corporate Governance. The Code sets out the key documents, policies and activities that underpin the Council's work.
- 3.4 It does this by splitting Governance into 7 key themes (listed as A – G in the document) and then setting out against each one the relevant activities and documentation.
- 3.5 The Code of Corporate Governance was first created in 2018 and has been reviewed each year since that date. The Code is also published under the 'Transparency' section of the website.
- 3.6 In undertaking the review, officers from across the Council have been consulted as to the appropriate content of the Code.
- 3.7 The updated Code is set out in Appendix 1 to this report.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 The Code of Corporate Governance includes a number of key documents in the Council's work to tackle equalities issues such as the Borough Profile, Equality Analysis work and staff training programmes.
- 4.2 The layout and appearance of the Code for 2023/24 has been adapted to ensure it is accessible in line with public sector accessibility regulations. This means the Code can be read by those using adaptive software or tools (for example, those with impaired vision; motor difficulties; cognitive impairments or learning disabilities; deafness or impaired hearing).

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are

required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

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

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

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

6.1 Robust corporate governance arrangements support strong and effective financial management and effective use of resources. There are no specific financial implications arising from this report.

## **7. COMMENTS OF LEGAL SERVICES**

7.1 The Accounts and Audit Regulations 2015 require a local authority to have a sound system of internal control facilitates the effective exercise of its functions and the achievement of its aims and objectives and ensures that the financial and operational management of the authority is effective. An authority is also required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance.

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

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

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

### **Appendices**

- Appendix 1 - The Code of Corporate Governance 2023/24

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

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

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

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

**Officer contact details for documents:**

Or state N/A



# **TOWER HAMLETS CODE OF CORPORATE GOVERNANCE**

July 2023

## **Foreword**

From Stephen Halsey, Interim Chief Executive

This Code of Corporate Governance sets out the commitment of the London Borough of Tower Hamlets to work to uphold the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for.

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

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

## Introduction

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

### Our Commitment

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

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

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed. The effectiveness of the policies and procedures set out are evaluated as part of the Annual Governance Statement (AGS). All local authorities are required to report publicly about how they have met their governance arrangements and do so through an AGS. The latest AGS was published in January 2022. It confirmed that the Council had adequate governance arrangements in place but set out a number of areas requiring significant improvement.

The Council has agreed an action plan in relation to those actions which has been presented to the Audit Committee. The Audit Committee is scheduled to consider the Draft Annual Governance Statement 2021/22 and 2022/23 at its meeting in January 2024<sup>1</sup>.

## Applying the Seven Core Principles

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

#### **Supporting principles:**

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

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

- The Council's constitution sets out the rules under which the organisation must operate. This includes ensuring decisions are taken appropriately, by the correct body and with all relevant information presented.
- Section 24 of the Constitution sets out the role of the Monitoring Officer. The Divisional Director – Legal currently has this assigned role. The Monitoring Officer is responsible for dealing with many issues relating to integrity in decision making including around the work of the Standards (Advisory) Committee and Member Conduct.
- The Strategic Plan is the main strategic business planning document of the council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Strategic Plan outlines the Council's approach to tackling

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<sup>1</sup> A delay in signing off the Councils financial accounts has led to the delay in publishing the AGS for 2020/21. The accounts are due to be formally signed off in November at the Audit committee, and then draft AGS' for 2021/22 and 2022/23 will be going to the next Audit Committee which is in January 2024.



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

- The Tower Hamlets Plan is the over-arching plan for the borough's local strategic partnership. Partners wanted to work together to identify creative and innovative new ways of delivering effective and efficient services and providing strategic leadership on complex, cross-cutting issues. The current 2018-2023 plan has now expired, a new plan is being developed to be published in November 2023.
- There is a whistleblowing policy and it can be found on the intranet (The Bridge). It provides a route for officers to bring to the monitoring officers attention areas of malpractice.
- Reports and decisions of the Executive (Mayor and Cabinet) are routinely published online to ensure transparency and Executive decisions are subject to the 'Call-In' process by backbench Councillors who have the opportunity to raise any concerns they may have.
- There is a Register of Interests (for officers and Members) and the requirement to declare interests at meetings. This includes the need to leave the meeting when any items for which they have a Pecuniary Interest are discussed.
- Likewise, the Gifts and Hospitalities register ensures that Members, co-optees and officers declare any relations with outside people or bodies that could be an issue.
- The Member Induction and Member Development Programmes ensure Members are aware of their responsibilities around good decision making and behaving with integrity. This programme includes committee specific training where required.
- A scrutiny toolkit has been developed to support Members, Council officers, and partner agencies engage with the Overview and Scrutiny Committee.
- Raising Awareness of Information Governance Regulations and Obligations as set out in the Council's procedures and framework.
- Promoting TOWER values which are important because they shape the culture and standards of the organisation.
- The Council's Legal Services are tasked with ensuring Council decision making is not ultra vires and follows relevant regulations and legal processes as required.

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

- The Council's Constitution including sections on:
  - Officer code of conduct
  - Member code of conduct

- Member Officer Relations Protocol
  - Scheme of Delegation
- Register of Interests and Declarations at Meetings
- Gifts and Hospitality Registers
- Cabinet, Council and Committee reports online
- Member Induction and Development Programme
- Strategic Plan
- Tower Hamlets Plan
- Borough Equality Assessment
- Equality Policy
- Whistleblowing Policy
- Corporate and Statutory Complaints Procedures
- Information Governance Framework, including Data Protection, Information Security and Computer Use Policies.
- Social Media Policy
- TOWER values and new Competency Framework
- Investors in People accreditation
- Declarations of interest and secondary employment for officers
- Grievance Policy
- Disciplinary Policy
- Supply Chain Ethical Code of Conduct
- Scrutiny Toolkit

## **Core Principle B: Ensuring openness and comprehensive stakeholder engagement**

### **Supporting principles:**

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

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

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

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

- The Communications teams provide advice on designing, running and analysing consultations and surveys to Officers around the Council, using the Council's consultation and engagement hub with its various engagement tools. The Council actively engages specific groups depending on the nature of the consultation / survey. The Council commissions a specialist market research company to undertake its Annual Resident Survey with key findings made public.
- The Council has an established Voluntary and Community Sector Strategy. In March 2023, Cabinet agreed a new Grants Policy and Outcomes Framework and associated grants programmes. This will replace the current Local Community Fund and Small Grants Programme, which comes to an end in October 2023. The new policy and outcomes framework has been developed in consultation with the voluntary and community sector, local residents and council departments. The Mayor's Community Grants Programme which will replace the Local Community Fund, is expected to start delivering from November 2023.
- The Tower Hamlets Plan sets out how we will work with our key strategic partners through the Tower Hamlets Partnership and sub groups to deliver cross cutting actions for the borough. The current 2018-2023 plan expires this year, and a new plan is due to be published in November.
- The Council belongs to a range of public sector information sharing networks for example sharing performance data for benchmarking and improvement with London LAs through London Councils. We are working with the GLA to develop London level data analysis, and with our health partners through a partnership board Tower Hamlets Together.
- The Council makes use of modern committee management software to support the efficient and transparent publication of all information related to the Council's decision-making functions including Councillor contact details, registers of interest, agendas, petitions, ways to get involved and similar.
- The Council maintains a public register of Members interests and declarations made at meetings. These are published on the Council website and monitoring on interests for Members is undertaken by the Standards Advisory Committee.
- Freedom of Information processes to allow for the submission and publication of Freedom of Information requests
- Complaints systems to allow residents to challenge the Council.
- Use of the Open Government Licence for Public Sector Information ensures that people can make use of our data without having to apply for permission.

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

- The Council's Constitution
- Publication of committee agendas and minutes of meetings.

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

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

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

### **The Council supports Core Principle C in the following ways:**

- The Council has an established Voluntary and Community Sector Strategy. In March 2023 Cabinet agreed a new Grants Policy and Outcomes Framework and associated grants programmes. This will replace the current Local Community Fund and Small Grants Programme, which comes to an end in October 2023. The new policy and outcomes framework has been developed in consultation with the voluntary and community sector, local residents and council departments. The Mayor's Community Grants Programme which will replace the Local Community Fund is expected to start delivering from November 2023.
- The Strategic Plan is the main strategic business planning document of the council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Council has a structured set of plans which turn our vision into actions, through Directorate, Key Council Strategies and Business Plans.
- Works with key partners in the Tower Hamlets Partnership Executive Group to identify and deliver on borough wide social, economic and environmental outcomes the Tower Hamlets Partnership partners are seeking to achieve.
- The report templates for all Council, Cabinet and Committee reports contains specific sections to highlight key risks such as those around equalities, environment, and crime .
- The Council has a clear vision of the quality and nature of service delivery which we need to provide to meet the needs of our local community. To do this, ongoing investment needs to be made in our staff through our People Strategy.
- The Council's Local Plan sets out the spatial vision for the borough and when supplemented by our planning policies puts in place the tools for how the council works with stakeholders to shape the built environment to deliver economic, social and environment outcomes identified within the strategic and TH Plan. Tower Hamlets adopted its current Local Plan in January 2020 and provides the planning policy framework for the borough up to 2031. However, a number of the objectives, policies and guidance contained within it could be considered outdated as national and regional guidance is progressively updated. A new Local Plan is being prepared and scoped to ensure the policy framework for the borough remains up-to-date and takes into account emerging challenges and opportunities. The new plan is expected to be published later in 2023.
- These documents are further complemented by a range of key strategies which also set out clear economic, social and environmental outcomes.

- The Council is committed to sustainable development and has a Net Zero Carbon Management Plan, and an Air Quality Action Plan to improve environmental outcomes for local residents. We also have in place a Transport Strategy which promotes sustainable transport and a Waste Strategy which promotes waste reduction which complements our environmental objectives.
- The council is committed to maximising the benefit of economic growth and ensuring the benefits from this growth are shared amongst those who live and work in the borough. Our Growth Plan seeks to improve the employment outcomes for residents and support the growth of businesses operating and is supplemented by our High Streets and Town Centre Strategy.
- Our Housing Strategy puts in place a range of actions to improve access to housing of all tenures, prioritising the delivery of affordable homes and seeks to improve the quality and condition of housing across the Borough. This is supplemented by our Homelessness and Rough Sleeping strategy which sets out the council's priorities for tackling homelessness and rough sleeping over the next five years.
- This cannot be done alone, and the Tower Hamlets Housing Forum is a partnership between housing associations and the Council to deliver on our housing, social and environmental and economic objectives.
- The Community Safety Partnership Plan 2021-24 sets out how we will make Tower Hamlets a safer and more cohesive place to live.
- These outcomes as they relate to Children and Families are addressed in various strategies, including the Children and Families Strategy (2019 – 24) which is currently being refreshed, and by children's partnership boards, including the Every Chance for Every Child Forum and the Children and Families Executive.

#### **Supporting documentation and evidence of compliance for Core Principle C:**

- Voluntary and Community Sector Strategy
- Strategic Plan and Business Plans
- Community Engagement Strategy
- Risk Implications section in all reports
- Local Plan 2031: and related Planning policies and documents
- Growth Plan
- High Street and Town Centre Strategy
- Air Quality Action Plan



- Biodiversity Action Plan
- Transport Strategy
- Waste Management Strategy
- Our East End
- Financial and Budget Planning Consultations
- Risk Management Policy and Procedures
- Corporate Risk Register
- Annual Statement of Accounts
- Quarterly and annual finance and performance reporting being presented alongside one another
- Capital Strategy
- The work of the external auditors
- Housing Strategy
- Tower Hamlets Housing Forum
- Self-Build Policy
- Homelessness and Rough Sleeping Strategy
- Community Safety Partnership Plan
- Health and Wellbeing Strategy
- Substance Misuse Strategy
- Mental Health Strategy
- Violence Against Women & Girls Strategy
- Safeguarding Adults Board Strategy
- Suicide Prevention Strategy
- Children and Families Strategy 2019-24
- Special educational needs and disability (SEND) Strategy.

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

### **Supporting principles:**

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

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

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

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

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

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

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

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

### **Supporting principles:**

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

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

- The Constitution is published on the website and has been reviewed within the last year with the General Purposes Committee receiving regular reports on the Constitution. It contains many relevant sections including the Scheme of Officer delegations, Terms of References for committees and panels, Member and Officer Codes of Conduct and the Member / Officer relations protocol.
- The Corporate Leadership Team (CLT), Cabinet, Council and Committees receive reports on how the Council is performing and to highlight areas of weaker performance. CLT in particular receive regular reports on matters of performance.
- The Overview and Scrutiny Committee has reviewed its processes and has implemented recommendations to further strengthen its effectiveness and support a culture of Overview and Scrutiny throughout the Council. This review also takes place at the end of each municipal year.
- New members are supported through an induction programme to scrutiny, which includes effective questioning techniques and training throughout the year, covering budget scrutiny, performance reporting and one-to-one chairing skills. Further, scrutiny Members are provided with tools, advice and guidance through a scrutiny toolkit.
- Key to the Overview and Scrutiny Committee's effectiveness is a well-developed work programme.
- The Partnership Governance structure includes a Partnership Executive Group led by the Mayor with chief officers from key local partner organisations and a range of Partnership groups/ board including statutory boards.
- The Tower Hamlets Partnership has in place a borough wide Plan 'Tower Hamlets Plan' to provide system wider leadership on priority areas. A new partnership plan is in development and is expected to be approved in late 2023.
- Led by CLT and managed by the Corporate Portfolio Management Office, the Council's Transformation programme is called SMARTER TOGETHER. Focusing on ensuring the Council is more agile, leaner, and strategic to achieve the best outcomes with our limited resources. Six new boards are being set up to help drive our transformation, so that we are in the

strongest position possible to deliver the objectives detailed in our strategic plan, while establishing higher levels of corporate control over our budgets and to ensure that we achieve those efficiencies detailed in our MTFS. These boards will help us to reorganise and restructure the council. The boards have been approved and are now operational, but they will be reviewed after 3 months . They include a new Transformation Advisory Board, to replace our existing Transformation Board, which will meet quarterly and be outwardly focused. It will comprise industry experts who we can learn from, be mentored by and who can help guide us on our transformation journey. The five other boards comprising this 'reset programme' are:

- Efficiency Board: Tests and embeds council-wide efficiencies.
- Budget Board: Approves and monitors all budget efficiencies.
- People Resourcing Board: Monitors and manages workforce spend.
- Reorganisation Board: Oversees efficient council reorganisation.
- Directorate Budget Monitoring Groups: Ensures directorate savings and efficiencies.
- A comprehensive programme of member induction sessions was provided after the Local Elections. These are followed by an ongoing member development programme. The programme provides annual updates on mandatory training areas, opportunities for training in specialist portfolio areas as well as personal development for members. In addition, training can be provided on an ad-hoc basis should issues become apparent.
- Members have been provided with an online portal giving them access to many useful documents and links to assist them in carrying out their roles.

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

- The Council's Constitution, including:
  - Scheme of Delegation
  - Committee Terms of Reference
  - 'Other Bodies' Terms of Reference
  - Member Code of Conduct
  - Officer Code of Conduct
  - Member Officer Relations Protocol
- Partnerships Governance Structure
- Tower Hamlets Plan
- Partnership Annual Report
- Smarter Together Transformation Programme

- Corporate Portfolio Management Office Scrutiny Committees
- Reports to CLT, Cabinet, Council and Committees
- Member Induction Programme and wider Member Development Programme
- Members' Hub
- People Resource Plan
- Corporate Training Programme
- PDP/PDR Process
- Job descriptions and person specifications
- Continuous professional development for officers
- Secondment policy
- Recruitment and Selection Policy and Toolkit
- Workforce Development Strategies
- Corporate Induction and wider induction policies
- TOWER values and new Competency Framework
- Quarterly and annual finance and performance reporting being presented alongside one another
- Corporate Risk Register
- Role of Internal Audit
- Business Planning Processes
- Employee Assistance Programme.

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

### **Supporting principle F1 Managing risk**

#### **The Council supports Principle F1 in the following ways:**

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

#### **Supporting documentation and evidence of compliance for Supporting Principle F1:**

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

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

### **Supporting Principle F2 Managing performance**

#### **The Council supports Principle F2 in the following ways:**

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



**Supporting documentation and evidence of compliance for Principle F2:**

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

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

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

**Supporting documentation and evidence of compliance for Principle F3:**

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

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

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

**Supporting documentation and evidence of compliance for Principle F4:**

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

- Data Sharing Agreements
- Data protection impact assessments

### **Supporting principle F5 Strong public financial management**

#### **The Council supports Principle F5 in the following ways:**

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

#### **Supporting documentation and evidence of compliance for Principle F5:**

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

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

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

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

**Supporting principle G1: Implementing good practice in transparency**

**The Council supports Principle G1 in the following ways:**

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

## Supporting documentation and evidence of compliance for Principle G1:

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

## **Supporting principle G2 Implementing good practice in reporting**

### **The Council supports Principle G2 in the following ways:**

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

### **Supporting documentation and evidence of compliance for Principle G2:**

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

## **Supporting principle G3 Assurance and effective accountability**

### **The Council supports Principle G3 in the following ways:**

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

- There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.
- As part of our extensive improvement journey since 2014, the Council has taken part in a tailored Peer Challenge managed by the LGA. The Council are due to take part in a new LGA Corporate Peer Challenge review in September 2023. We take part in service specific peer reviews – for example a peer review of our planning service took place in 2018-19.
- The Council uses the results from external inspections to action plan improvements. There is an extensive improvement structure in the Council including Member oversight and Officer operational groups.
- As the Council's senior decision-making body tasked with overseeing this work, the Audit Committee, and any other relevant non-executive committee including Scrutiny, can report up to it any concerns they have regarding actions that have not been undertaken. Council is also a forum for members and the public to formally raise concerns that meeting may direct the Council to act upon.

#### **Supporting documentation and evidence of compliance for Principle G3:**

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

#### **Supporting principle G4 Managing data.**

See supporting documentation for G1 and G3.





# AUDIT COMMITTEE WORK PLAN 2023/24

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Last updated:	10 <sup>th</sup> July 2023

**AUDIT COMMITTEE WORK PLAN 2023/24**

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
<b>11<sup>TH</sup> JULY 2023</b>	<b>Audit Committee Training</b>		
	<b>Overview of the role of the Audit Committee</b>		
<b>20<sup>TH</sup> JULY 2023</b>			
1. Deloitte	Standing item	Jonathan Gooding / Angus Fish	
2. Management letters of representation to the external auditor.		John Harrison/ Tim Harlock/Caroline Holland	*Committee requested this report return to the committee for approval.
3. Statement of Accounts for 2018/19 & 2019/20		John Harrison/ Tim Harlock	*Committee requested this report return to the committee for approval.
4. Internal Audit Annual Report for 2022/23 including Head of Internal Audit's annual opinion		David Dobbs	
5. Internal Audit's Annual report on schools	Annual report on school audits	David Dobbs	
6. 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	Deferred to next mtg

**AUDIT COMMITTEE WORK PLAN 2023/24**

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
7. Risk Management Report 2023-24 –Progress update & Directorate Risk Register	An update on risks in the Corporate Risk Register.	David Dobbs	Deferred to next mtg
8. Annual Risk Management Report 2023/24	Report assessing the key risks facing the Council.	David Dobbs	
9. Anti-Money Laundering Policy Report 2023-24	Annual Report updating the Anti-Money Laundering Policy.	David Dobbs/ Agnes Adrien	Deferred to next mtg
10. Annual Insurance Report 2023-24	Presents a summary of insurance activity for 2023/24.	David Dobbs	
11. 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 <sup>th</sup> May 2023
12. 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
<b>16<sup>TH</sup> NOVEMBER 2023</b>	<b>Audit Committee Training</b>		
	<b>Risk Management</b>		
<b>23<sup>RD</sup> NOVEMBER 2023</b>			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Statement of Accounts 2020/21		Caroline Holland/ John Harrison / Tim Harlock/ Ahsan Khan	

**AUDIT COMMITTEE WORK PLAN 2023/24**

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
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	
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	
<b>17<sup>TH</sup> JANUARY 2024</b>	<b>Audit Committee Training</b>		
	<b>Treasury Management</b>		
<b>22<sup>ND</sup> JANUARY 2024</b>			
1. Deloitte	Standing item	Jonathan Gooding/ Angus Fish	
2. Internal Audit and Anti-Fraud update 2023/24 Progress update		David Dobbs	

## AUDIT COMMITTEE WORK PLAN 2023/24

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
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	
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	

**AUDIT COMMITTEE WORK PLAN 2023/24**

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
<b>15<sup>TH</sup> APRIL 2024</b>	<b>Audit Committee Training</b>		
	<b>Anti-Fraud Investigations</b>		
<b>18<sup>TH</sup> APRIL 2024</b>			
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	
<b>CARRY FORWARD ITEMS – 2024/25</b>			
1.			

**AUDIT COMMITTEE WORK PLAN 2023/24**

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

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