

Audit Committee

Agenda

**Thursday, 23 November 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:

Farhana Zia, Democratic Services,

farhana.zia@towerhamlets.gov.uk

020 7364 0842

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

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



Public Information

Viewing or Participating in Committee Meetings

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

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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, 23 November 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 - 18)

To confirm the minutes of the Audit Committee held on 20th July and 19th October 2023.

2.1 Consideration of 2018/19 and 2019/20 Management Representations

To follow.

2.2 Statement of Accounts for 2018/19 and 2019/20

To follow.

3. DELOITTE ITEMS FOR CONSIDERATION

3.1 Deloitte 2018/19 and 2019/20 update



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

To follow.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

- 4 .1 Timetable for the accounts for 2020/21-2022/23 (Pages 19 - 22)**
- 4 .2 Control Observations for 2019-20 and progress in addressing these (Pages 23 - 30)**
- 4 .3 Annual Whistleblowing Report and Policy Review (Pages 31 - 42)**
- 4 .4 Annual Review of the Anti-Money Laundering Policy and Guidance (Pages 43 - 86)**
- 4 .5 Internal Audit and Anti-Fraud - Progress Report (Pages 87 - 112)**
- 4 .6 Risk Management – Corporate and Directorate Risk Registers (Pages 113 - 148)**
- 4 .7 Treasury Management Outturn Report for 2022-23 (To Follow)**
- 4 .8 Review of CIPFA Guidance on the management of Audit Committees (Pages 149 - 242)**

5. AUDIT COMMITTEE WORK PLAN

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Next Meeting of the Audit Committee

Monday, 22 January 2024 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 6.35 P.M. ON THURSDAY, 20 JULY 2023

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

Members Present in Person:

Councillor Harun Miah
Councillor Ahmodur Khan
Councillor Kabir Ahmed (Cabinet Member for Regeneration, Inclusive
Development and Housebuilding)
Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of
Living)
Councillor Abdul Wahid (Cabinet Member for Jobs, Skills and Growth)
Councillor Maisha Begum
Councillor Asma Islam

Members In Attendance Virtually:

Councillor Mufeedah Bustin
Charlotte Webster Independent Person

Apologies:

Councillor Rachel Blake

Others In Attendance Virtually:

Angus Fish Deloitte
Jonathan Gooding Deloitte
Michael Ingram Deloitte

Officers Present in Person:

Jill Bayley (Head of Legal Safeguarding)
Farhana Zia (Democratic Services Officer, Committees,
Governance)

Officers In Attendance Virtually:

Stephen Bramah (Corporate Head of Strategy and Improvement)
David Dobbs (Head of Internal Audit)
John Harrison Interim Director of Finance, Procurement and Audit
Caroline Holland (Interim Corporate Director, Resources)

1. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interests declared by members of the committee.

2. MINUTES OF THE PREVIOUS MEETING(S)**RESOLVED**

That the unrestricted minutes of the Audit Committee held on the 30th May 2023 be approved and signed by the Chair as a correct record of the proceedings.

3. DELOITTE ITEMS FOR CONSIDERATION

There were no Deloitte reports for consideration.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION**4.1 Update on Financial Accounts and Audits of 2018/19, 2019/20 and 2020/21**

Ms Caroline Holland, Interim Corporate Director for Resources said the report provided an update on the Statement of Accounts for years 2018/19, 2019/20 and 2020/21. She said the issues raised had not been solved in their entirety and as such the audits from the outstanding years could not be presented to the Committee at this meeting. However, she hoped they could be presented by the November meeting of the Committee.

Ms Holland stated Deloitte Auditors were present for the meeting, to help answer questions from members.

Mr Gooding, external auditor said the audits had been largely completed save for queries relating to pensions liability. Mr Ingram, from Deloitte had reviewed the data used by the council's actuary for the triennial valuations of 2016 and 2019 and said there was a mismatch of data. As such they were trying to understand why this was.

In response to comments and questions the following was noted:

- Deloitte were investigating the issues and were attempting to reconcile the figures from the two valuations of 2016 and 2019. They wanted to understand why there was inconsistent data.
- Councillor Bustin asked if the figures affected materiality. Mr Gooding responded stating the figure was about £20M for one of the years.
- In response to if data from pension actuaries would normally form part of the external auditors' assessments, Mr Gooding said they would expect a control to be in place.
- Ms Holland said that the interpretation of data sets could likely have an impact on future accounts with a qualification on those accounts too.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

4.2 Internal Audit Annual Report: 2022-23 including Head of Internal Audit's Annual Opinion

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report provided the Annual Audit Opinion of the Head of Internal Audit and had been produced in accordance with the Public Sector Internal Audit Standards. Mr Dobbs said the opinion supported the governance conclusions included in the Annual Governance Statement, which formed the Statement of Accounts required under the Accounts and Audits Regulations 2015.

Mr Dobbs drew attention to paragraph 2.2 of his report, page 27 of the agenda and said that he could provide a 'Reasonable Assurance' that the Council has adequate systems of governance, risk management and internal control. He said this was a positive outcome and an improvement from the opinions previously given. He said section 3 of the report detailed the audit results.

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

- Mr Dobbs stated the annual report provided general comments about risks and future risks that the Council would be exposed to. Ms Holland, Corporate Director for Resources added that whilst the insourcing of Tower Hamlets Homes and Leisure facilities were an identified risk, there were controls in place to ensure the switch would be as seamless as possible.
- In reference to appendix B and the audits undertaken, Mr Dobbs was asked to elaborate on the audits of schools. He said of the schools audited 4 had achieved limited assurance. He said there had been a lull in the number of audits undertaken due to the pandemic, however they were now picking up the pace and were auditing schools more regularly.
- **ACTION:** In respect to paragraph 3.8 page 29, Mr Dobbs said he would re-look at the numbers quoted for savings.
- Mr Dobbs said the annual opinion was primarily based on the results of audit activity undertaken during 2022/23 as set out in the audit plan that had been agreed with the Audit Committee.
- He said he was happy with the breadth and depth of audit which formulated his annual opinion.
- Mr Dobbs said resources for the team were a challenge, however they were currently recruiting 2 internal audit officers and were also carrying a vacancy in the Insurance team too.

The Audit Committee **RESOLVED** to:

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

4.3 Schools Annual Audit Report 2022-23

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk said their third-party partner undertook audit of schools and attached was the thematic summary of the internal audits for schools for the financial year 2022-23. He said the aim was to audit a school once every five years. He referred members to the summary of recommendations for 2022/23 and the assurance opinions.

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

- Members had no questions for Mr Dobbs.

The Audit Committee **RESOLVED** to:

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

4.4 Risk Management Annual Report: 2022-23

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report summarised the risk management activity during the course of 2022-23 and provided an updated action plan designed to improve the Risk Management framework across the Council.

Mr Dobbs referred to page 62 of the agenda and paragraphs 4.2 and 4.3. He said an action plan had been devised, as per paragraph 6.1, which objectives to improve Risk management identification and management.

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

- In reference to the table at paragraph 5.5, Mr Dobbs said there was no specific answer as to why the Children and Culture Directorate had a higher average risk rating than other Directorates. He said risk managers were aware of risk in their areas of responsibility with risk ratings either go up or down.
 - **ACTION:** The Committee requested that in future reports, a short synopsis giving context to the figures be provided, in order for members to better grasp why a particular trend is emerging.
- In relation to the chart at 5.6 and the number of control reviews overdue, Mr Dobbs said that this may be due to JCAD not being

updated by risk owners. He said it was important for risk owners to ensure it was updated.

- In response to if an alert or RAG model could be used to alert risk owners of overdue controls, Mr Dobbs said the JCAD system already sent alerts however the action plan and the reviewing of the Directorate risk register by the Committee were ways to ensure risks are reviewed in a timely manner.

The Audit Committee **RESOLVED** to:

1. Note the annual Risk Management report and agree the proposed action plan.

4.5 Insurance Annual Report

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk introduced the Insurance annual report and stated this was presented to the Committee to give an update on the internal insurance service and performance.

Mr Dobbs provided an explanation in relation to how insurance claims are risk assessed and referred members to the table at paragraph 3.32 and the table at paragraph 3.38 which showed the number of claims dealt with over the last five years.

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

- **ACTION:** Mr Dobbs said he would clarify via email if the data in the table at paragraph 3.38 related to claims made or claims that had been processed and agreed.
- Regarding, if any of the claims related to housing - damp/mould and repairs, Mr Dobbs said the service hadn't yet seen an increase in such claims.
- Mr Dobbs said the figures in the table related to the financial years April to March.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

4.6 Code of Corporate Governance

Mr Stephen Bramah, Corporate Head of Strategy and Improvement introduced the report and stated the code of Corporate Governance was first presented to the Committee in 2018 and is reviewed annually. H said the code was a checklist which verified the governance controls in place.

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

- Members had no questions for Mr Bramah.

The Audit Committee **RESOLVED** to:

1. Note the revised Code of Corporate Governance; and
2. Endorse the Code and agree that it be published on the Council's website.

5. **AUDIT COMMITTEE WORK PLAN**

The Committee agreed the work plan for the Committee however raised the following concerns:

- In relation to the training sessions, Councillor Ahmed enquired why these were scheduled a week in advance of the main meeting. Ms Zia explained that the Audit Committee had a rolling programme of training, with training provided to members in bitesize format.
- **ACTION:** Members requested that the training scheduled be re-examined with a suggestion of having two session per year.

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

There were no other items of business discussed by the Committee.

The meeting ended at 8.20 p.m.

Chair, Councillor Harun Miah
Audit Committee

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.35 P.M. ON THURSDAY, 19 OCTOBER 2023

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

Members Present in Person:

Councillor Harun Miah
Councillor Ahmodur Khan
Councillor Kabir Ahmed (Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Abdul Wahid (Cabinet Member for Jobs, Skills and Growth)
Councillor Maisha Begum
Councillor Mufeedah Bustin
Councillor Asma Islam
Charlotte Webster Independent Person

Members In Attendance Virtually:

Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living)

Apologies:

Councillor Rachel Blake

Officers Present in Person:

David Dobbs (Head of Internal Audit, Anti-Fraud and Risk)
Farhana Zia (Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Julie Lorraine (Corporate Director Resources)

1. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interest made by members of the committee.

2. TOWER HAMLETS ITEMS FOR CONSIDERATION

2.1 Annual Governance Statements: 2020/21, 2021/22 and 2022/23

Ms Julie Lorraine Corporate Director for Resources introduced the item stating the Governance Statements had been brought to the Extraordinary Audit Committee meeting because it was her view that they needed to be in

the public domain. She said that in the absence of the financial statements, it was vital to have the Annual Governance Statements published on the Council's website.

Ms Lorraine explained that usually the Annual Governance Statements are produced with the financial statement of accounts but as some of the financial statements, were in the midst of being finalised, it was her opinion that the Annual Governance Statements for 2020/21, 2021/22 and 2022/23 ought to be produced as the two were not inextricably linked to the Financial Statements. Ms Lorraine said she had asked Mr Dobbs, Head of Internal Audit, Anti-Fraud and Risk to produce the reports attached.

Mr Dobbs referred members to the report in the supplementary agenda pack and said that the Annual Governance Statement were a requirement of the CIPFA/SOLACE principals of Good Governance, whereby the Council was required to undertake a review of its corporate governance processes, systems and give an assurance on the governance framework to support the creation of an Annual Governance Statement.

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

- Mr Dobbs stated that it had been difficult to produce statements for the past years, but he had attempted to strike a balance in compiling the narrative. He said that the three statements aimed to show the progress made by the Council in dealing with its governance issues over the period of time concerned. He said he took on board the comment made about the Mayor's and Chief Executive forward on page 10 of the supplemental agenda and said the comment that the current Chief Executive was not the Chief Executive at the time of the statement had been discussed, but that the Chief Executive had not requested any further explanatory narrative to be added.
- Ms Julie Lorraine said that the approval of the three Governance statements would bring the Council up to date with the AGS's outstanding. She said the 2023/24 AGS would be brought to Committee by July 2024 and thereafter everything would be synchronized.
- Ms Lorraine said that there had been a change of approach to how the Annual Governance Statements are produced. She said her view was that the publication of the statements was in the public interest and therefore needed to be on the Council's website. She said previous rules determined the AGS was integral to the statement of accounts and could not be separated, however these rules had since changed, and as such she felt it important to publish these AGS statements as soon as possible. She said she had spoken with the Administration and the Chief Executive before bringing the statements to the extraordinary meeting. Ms Lorraine said they still carried a risk that the statements may not align with the external auditor's opinion once the audited positions are known, however the statements needed to be in the public domain as will, in time any adjustments needed to the statements once the relevant audit processes are complete.

The Audit Committee **RESOLVED** to:

1. Review and agree the Council's Annual Governance Statements in relation to 2020/21, 2021/22 and 2022/23.

The meeting ended at 6.55 p.m.

Chair, Councillor Harun Miah
Audit Committee

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|---|---|
| Non-Executive Report of the: Audit Committee 23 November, 2023 |  TOWER HAMLETS |
| Report of: Julie Lorraine, Corporate Director - Resources (Section 151 Officer) | Classification: Unrestricted |
| Timetable for the Accounts for 2020/21 – 2022/23 | |

| | |
|-------------------------------|--|
| Originating Officer(s) | Tim Harlock, Interim Head of Strategic Finance – Chief Accountant |
| Wards affected | All wards |

Executive Summary

The Council has experienced great difficulty in recent years in completing the proper processes with regards to its financial accounts, resulting in a backlog of historical accounts that need to be completed.

Therefore, senior Finance management, although recognising the benefit of having a financial position that has been fully audited, consider that under these exceptional circumstances it will be in the greater public interest to accelerate the production of accounts, in order to clarify and confirm the baselines of available resources again. Once the 2018/19 and 2019/20 accounts are approved, Tower Hamlets will not be exceptional in having three years of accounts still incomplete – there are many other councils in this position too.

In order to address this deficiency, officers have drafted an action plan to accelerate the production of accounts for the historical backlog.

This report presents that timetable and identifies some risks, with the associated consideration of senior Finance management.

Recommendations:

The Audit Committee is recommended to:

1. Note the Council’s anticipated action plan.

1. REASONS FOR THE DECISIONS

1.1 No decision required.

2. ALTERNATIVE OPTIONS

2.1 Alternative options may emerge from announcements due from central government over the coming months, and officers will keep a watching brief to ensure an optimised solution for the Council.

3. DETAILS OF THE REPORT

3.1 Members will be aware that the Council has experienced great difficulty, since 2016/17, in getting its financial accounts through to completion of all the associated proper processes. (The certificates for 2016/17 and 2017/18 accounts were finally issued in March 2023).

3.2 Delays in producing financial accounts and getting audit sign-off could lead to knock-on effects on the quality of the financial management, and possibly result in sub-optimal decision-making; and clearly, the greater the number of years outstanding since accounts were last completed, the greater the risk of errors arising in financial management.

3.3 Therefore, senior Finance management consider that it will be in the greater public interest to accelerate the production of accounts, in order to clarify and confirm the baselines of available resources again.

3.4 The plan to achieve that is as follows:

- The 2018/19 and 2019/20 accounts were required to have been published in their final, audited, version some four and three years ago respectively; *it is anticipated at the time of writing that they will be approved in November 2023*
- The 2020/21 accounts were required to have been published in their final, audited, version some two years ago; *it is planned that they will be re-published by 31st December 2023*
- The 2021/22 accounts were required to have been published in their final, audited, version one year ago; *it is planned that they will be published by 31st December 2023*
- Similarly, the audit of the 2022/23 accounts should have been completed by 31st July 2023; *it is planned that they will be published by 31st January 2024*

- 3.5 The context of this action plan is against a backdrop of a national problem in completing accounts and their audits to the deadlines set by the statutory timetable, to the extent that there is a substantial backlog of accounts relating to the last three years. Indeed, for 2022/23 only 1% of English councils managed to meet the statutory deadlines.
- 3.6 Central government has recognised there is a systemic problem and over recent months has been in informal consultation with relevant stakeholders, including the audit firms, to understand the issues, and most importantly to find a way to catch up. Their intention is to begin implementing changes following further engagement.
- 3.7 The plan as presented in paragraph 3.4 is to enable this Council to seize the initiative, in a decisive move, that will facilitate a transition to normality in terms of production of the accounts for 2023/24 onwards.
- 3.8 It should be recognised that there are also some risks to this approach, but senior management consider them acceptable and proportionate in view of the greater public interest benefit. These risks to this approach are principally:
- There are some disclosures where the 2018/19 and 2019/20 accounts received qualifications; these are notes of an informational nature (regarding remuneration of officers, and related party transactions) where, due to time constraints, comprehensive collation of all required data could either not be achieved, or satisfactorily demonstrated; it is possible that these shortcomings will not be better addressed until 2023/24, but these disclosures are very unlikely to impact on financial management and decision-making for the Council.
 - Due to time constraints, there will not be time to prepare group accounts; officers consider this will have negligible impact on the quality of financial management and decision-making for the Council.
 - More substantially, we know that information on scheme members feeding into our actuarial valuations is flawed in some respects; further work is required in order to improve the quality of this data, but it might take some months yet to complete. Therefore, the consideration applied is that we shouldn't hold up everything else, and the correlating benefits, for this one item.
 - Taken together with the widely expected government initiative to catch up on the historical backlog of accounts, we don't know precisely how auditors will respond. It is possible, or indeed likely, that audit firms will not have time to perform satisfactory audits and will therefore issue "disclaimers" up to the year, yet to be decided, when a true-up is required (ie a return to normal full audits).

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 year starting in 2019, not later than 30 November. These dates have not been kept, as noted in the report.

7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.

7.3 This report demonstrates the Council's efforts to comply with the above legislation.

Linked Reports, Appendices and Background Documents


Linked Report

- Various updates provided to this committee since July 2019 from both Deloitte and officers.

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

Officer contact details for documents:

Tim Harlock – Interim Chief Accountant

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|---|---|
| Non-Executive Report of the: Audit Committee 23 November, 2023 |  TOWER HAMLETS |
| Report of: Julie Lorraine, Corporate Director - Resources (Section 151 Officer) | Classification: Unrestricted |
| Control Observations for 2019-20, and progress in addressing these | |

| | |
|-------------------------------|--|
| Originating Officer(s) | Tim Harlock, Interim Head of Strategic Finance – Chief Accountant |
| Wards affected | All wards |

Executive Summary

This report provides officer consideration of control observations as presented by the external auditor, Deloitte, in their report on the 2019/20 accounts, to this committee on 26 January 2023.

Far from being just an analysis of historical issues, the overarching purpose of this report is to ensure Members are sighted on the improvements being made to financial controls, such that at year-end the accounts can be brought together more reliably and more efficiently in future years.

Recommendations:

The Audit Committee is recommended to:

1. Note the Council's progress to date.

1. REASONS FOR THE DECISIONS

- 1.1 No decision required.

2. ALTERNATIVE OPTIONS

- 2.1 Non-applicable.

3. DETAILS OF THE REPORT

- 3.1 As well as “signing off” the Statement of Accounts, the external auditor also performs another function, that of making control observations on the framework of processes that underpin the production of the accounts. A substantial report was presented to this committee, by Deloitte, on 26 January 2023 which included a section on control observations (section 6 of the report).
- 3.2 The purpose of this officer report is to provide a response to those findings, and to inform Members of the continuing improvements underway in order to address the wider implications of audit findings.
- 3.3 Before detailed examination of those findings, the wider context of the accounts and the extended audit is worth a little consideration:
- The 2018/19 and 2019/20 accounts were required to have been published in their final, audited, version some four and three years ago respectively.
 - Financial reporting arrangements have clearly been strained over recent years. Although senior finance officers believe that significant improvements have been taking place, they acknowledge that not everything had been fixed by the time the 2020/21 accounts were compiled.
 - Interim anecdotal feedback from Deloitte is that the quality of working papers has improved during the 2020/21 audit, but still has further to go.
 - Risk management and internal controls had been within the work programme of the Finance Improvement Board (which presented its final report to this committee in June 2022), and significant progress had been made; however, it should be appreciated that officers had taken a risk-based approach to addressing the problems laid out in those reports, and that in some areas further improvement may still be necessary.
- 3.4 Dealing with the recommendations themselves now, in the following sections the Deloitte recommendation will be presented in bold, and the response of the Council will follow immediately afterwards.
- 3.5 **Recommendation 1: Preparation of accounting papers**
- **We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the audit committee at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the audit committee's approval of the draft statement of accounts.**
 - Officers agree that further improvement was required in preparing papers, and the Council continues to seek to embed a more comprehensive process that addresses this shortcoming (notwithstanding the improvement already noted for 2020/21); however, only significant

changes in accounting policy would be reported to the Audit Committee, it would not be necessary or beneficial to present all detailed accounting papers to the audit committee.

3.6 Recommendation 2: Accounts closure resourcing and quality assurance processes.

- **We recommend that the Council considers the resourcing of the closure process, the assignment of tasks, the training needs of those involved in the process and the quality assurance processes that will apply. We also recommend the Council considers whether there are year-end processes which can be streamlined or pulled forward to earlier in the year.**
- The experience of recent years has led to many lessons learnt, and has had the engagement of CLT, and the wider organisation. The Finance Improvement Board was set up in order to address many of the underlying issues, though officers advise that we are still in a transitional phase of improvement without the benefit of a further year's completed audit to confirm progress, or confirmation that improvements have completely embedded.
- Year-end training has been provided to service management to enable better engagement with requirements, and with a wider group of staff to support more accurate capture of supplier costs and resourcing of the audit is kept under review to ensure there are no bottlenecks or capacity issues.
- Although officers have been endeavouring to improve processes, both of a wide-ranging and more detailed nature, the experience of the 2020/21 audit so far is that there are still areas where there is further work required which will be fed into future years' preparation of accounts.
- Officers pro-actively continue to learn from the 2020/21 audit process, and capture lessons learnt, which may require further training for some officers, enhanced approaches to quality assurance, and in some areas re-design of processes to ensure they are comprehensive and reliable.

3.7 Recommendation 3: Reconciliation of general ledger control accounts and segregation of duties. We recommend:

- **Responsibility for each control account is assigned to a named preparer and reviewer (with those roles allocated to different officers).**
- **The frequency and timescale for preparation and review of reconciliations is set down in written instructions to staff.**
- **A monitoring arrangement is designed to ensure reconciliations are carried out and reviewed in accordance with instructions and any exceptions reported to senior management for action.**
- As part of the work of the Finance Improvement Plan, a dashboard of key controls and reconciliations was developed, which set out the ownership of each key control and the expected actions required. This dashboard is presented on a monthly basis to the Finance Department Leadership Team – Strategy meetings, which are chaired by the Director of Finance, Procurement and Audit. Status of reconciliations are RAG rated and areas of exception are followed up to resolve issues on a more timely basis.

- This dashboard is evolving, and is also used to highlight system changes that could improve processes.

3.8 Recommendation 4: Completeness of disclosures

- **We recommend a detailed review of the completed CIPFA disclosure checklist is carried out.**
 - For purposes of the 2020/21 accounts, the key foundation of the preparation work was to incorporate as much of the learning from the previous years as possible, thus implicitly building on the previous findings of the auditors, in the knowledge that there had been minimal significant amendments to the CIPFA Code since 2019/20.
 - For future years' accounts a check against the CIPFA checklist will be completed.

3.9 Recommendation 5: Valuation of properties

- **We recommend the Council prepares and maintains a schedule which sets out the information which is provided to the valuer (including management assumptions and information provided to the valuer to inform assumptions made by the valuer) and identifies the controls over each category of information.**
- **We recommend the Council design and document their review of the outcome of the valuation. This would require formalising the criteria for selection of individual asset values for investigation, consistently applying these criteria and then documenting the conclusion on exceptions for review and approval.**
- **We recommend the council implement standard spreadsheet controls within the fixed asset register. This principle should be applied to any other spreadsheets used in the preparation of any other significant information in the statement of accounts.**
- **We recommend the Council prepare a paper to support the decision not to value particular assets prior to publishing its draft statement of accounts.**
 - As part of the work within the Finance Improvement Plan, the Council has developed a far more robust approach to valuations of properties, whereby the internal expertise of the Asset Management team is very much engaged. Within this approach, consideration is given to:
 - Categorisation of asset class (with a particular emphasis on movements out of Assets under Construction, and movements into or out of Surplus Assets).
 - Whether there has been any impairment.
 - Identifying, at draft valuation stage, whether there have been significant movements in the proposed valuation, and then following up with the valuers to either validate, or amend, the approach accordingly, including reviewing/challenging inputs and assumptions.
 - Although this engagement with the Asset Management team is considered to have brought about significant improvement in valuations over previous years, officers acknowledge that further refinement of the process may be beneficial and will examine the most efficient and effective way to achieve this.

- Standard spreadsheet controls have been applied to the fixed asset register.
- In future years, as part of the assurance process regarding adequacy of valuations, officers will prepare a comprehensive paper of which assets have not been revalued, together with the rationale behind this.

3.10 Recommendation 6: Journals

- **Re-visit which types and amounts can be posted without approval by a second officer and implement controls which prevent or detect the posting of journals which have not been approved in accordance with those agreed arrangements.**
- There has been a significant piece of work undertaken, as part of the Finance Improvement Plan, to address the efficacy and efficiency of posting journals.
- Changes have been made to the Agresso workflow such that most “bulk upload” journals require an approval (on the system) before posting; this new process has been live only since August 2023, and will require review to ensure that it is achieving objectives.

3.11 Recommendation 7: Recognition of grants and contributions. We recommend:

- **Grant agreements are reviewed on notification of entitlement and a preliminary assessment made of whether there are conditions attached to the grant. This assessment is documented and subject to review by a second officer.**
- **The decision is reflected in the type of general ledger code set-up to record the grant.**
- **For grants or contributions involving conditions, a working paper is prepared showing the calculation of the amount to be recognised and which is subject to review by a second officer.**
- A new framework of control, the maintenance of a grants register, was implemented in 2020/21 as part of the Finance Improvement Plan.
- This management tool improved the capture of data over the previous year, but it will be necessary to undertake thorough review of implementation, as it appears that (coming out of the experience of the audit process of 2020/21) there have also been incidents of incomplete information and some inaccuracies being captured.
- Notwithstanding recognising the need for further improvement in this area, officers would, however, like to draw Members’ attention to the fact that the circumstances of Covid-19, and the welcome government response of providing numerous one-off emergency grants, made this a very challenging year for bedding in best practice with respect to grants accounting.

3.12 Recommendation 8: Classification of expenditure as capital

- **We recommend the Council implements a control to prevent revenue expenditure being erroneously treated as capital.**
- A corporate approach to capitalisation was developed through the Capital Delivery Board in time for the 2020/21 accounts.

- In the 2020/21 accounts detailed examination of the capitalisation of salary costs was conducted, and the underpinning control process is the filling out of timesheets.
- Where decisions have been made to stop a capital scheme in a more recent year (ie 2022/23), both in-year and previous years' expenditure was reviewed in accordance with the definitions and controls and written off to revenue cost centres.

3.13 Recommendation 9: Other matters, miscellaneous

- **Assets in Vehicles, Plant and Equipment and Infrastructure categories do not always contain detailed descriptions and in some cases have been aggregated by type and year of acquisition. As a result, it is not readily possible to determine whether assets remain in operational existence.**
- **Incorrect classification of non-current assets was identified in our testing including fixtures, fittings and equipment purchased as part of a larger project (for example a refurbishment) were incorrectly classified as other land and buildings and as a consequence written out when the buildings was not revalued.**
 - Officers accept the observations as presented (with the caveat that to large extent the matters noted regarding Infrastructure Assets have been largely addressed by dint of amendments to the Code and statute), and will look to review the register, taking into account the availability and timing of resources.
- **The coding structure within the council's main accounting system has codes designated for recharge income and expenditure. These were not consistently used. This complicated the year end process for eliminating internal income and expenditure amounts and incomplete elimination of such income and expenditure in the initial version of the accounts. We understand the council proposes to discontinue or limit the system of recharges going forwards. We also identified instances where internal trading between the council and schools had not been correctly eliminated.**
 - Fundamental and substantial progress has been made on this front, and officers continue to be alert to this risk; however, some errors, albeit on a far lesser scale, have been identified in the 2020/21 audit. Work to date has transformed this from being a widespread systemic error to being residual instances of one-off errors, and officers will continue to correct these instances if and when they are discovered and inform officers not to use the incorrect codes.
- **Bank reconciliations were not carried out for all corporate accounts and for others the analysis of reconciling items was presented in a way which readily showed which items represented true reconciling differences at the reporting date. The reconciliation of schools' bank accounts was complicated by the use of a single general ledger control account and reconciling items included amounts which were**

not valid reconciling items, including amounts relating to input VAT to be reclaimed and outstanding creditors.

- Corporate bank accounts are now all reconciled through a re-designed reconciliation template which provides far greater transparency and assurance.
- Schools' bank accounts were again impossible to reconcile flawlessly in the 2020/21 financial year due to the continuation of the previously recognised inadequate framework of coding and controls; however, this was completely re-designed as a key element of the Finance Improvement Plan, and the new control framework went live at the start of 2021/22.

- **Three other observations.**

- There were three other matters, deemed by senior finance officers to be of lesser significance, for which the relevant officers in other departments have been advised, for their consideration.

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

Linked Reports, Appendices and Background Documents

Linked Report

- Various updates provided to this committee since July 2019 from both Deloitte and officers.

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

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

- Deloitte Report to the Audit Committee 26 January 2023 on the audit for the year ended 31 March 2020.

Officer contact details for documents:

Tim Harlock

Interim Head of Strategic Finance - Chief Accountant

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| Non-Executive Report of the: Audit Committee Thursday 23 rd November 2023 |  TOWER HAMLETS |
| Report of: Julie Lorraine, Corporate Director, Resources | Classification: Open (Unrestricted) |
| Annual Whistleblowing Report and Policy Review | |

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| Originating Officer(s) | David Dobbs – Head of Internal Audit, Anti-Fraud & Risk |
| Wards affected | (All Wards) |

Executive Summary

The following report provides an Annual Report of the Council’s whistleblowing arrangements and a review of the whistleblowing policy

Recommendations:

The Audit Committee is recommended to:

1. Consider and note the Annual Report.
2. Approve the updated Whistleblowing Policy (refer Appendix 1)

1. REASONS FOR THE DECISIONS

- 1.1 The Council’s Whistleblowing Policy requires an annual review to take place and be reported to the Audit Committee. This process affords the opportunity to highlight good practice and to identify any areas requiring improvement. The annual review of the policy is best practice and includes consideration of any legislative or regulatory changes that should be incorporated into the policy.

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

- 3.1 The Council has well established whistleblowing arrangements and related policy documents that have been in place for a number of

years. The current policy and related matters were last reviewed and approved by the Audit Committee in January 2021

- 3.2 Recent data on whistleblowing submissions, based on items received to the designated mailbox, through the whistleblowing e-form or in writing, is as follows:

| | |
|---------------------|-----|
| 2021 | : 8 |
| 2022 | : 4 |
| 2023 (year to date) | : 4 |

- 3.3 It is important to note that the data shown above is unrefined and that only a small proportion of these matters qualified [and were therefore treated as] genuine whistleblowing disclosures as defined by the Council's policy. Most of the items received are redirected elsewhere for resolution. This typically includes, for example, forwarding to a service department, Human Resources, the Complaints Team or to the governing body of a school.
- 3.4 The Whistleblowing Policy document (previously updated and approved by the Committee as of April 2021) has been amended to improve its narrative clarity and to ensure that it is visually consistent with the Council's suite of policies. The updated policy document is attached as Appendix A. Additionally, it was noted that the Policy document included on the Council's intranet was not the latest version – this will be remediated as matter of priority.
- 3.5 The updated policy will be republished on the Council's intranet and recirculated to all senior officers for cascading throughout the organisation.
- 3.6 To support officers in ensuring that they have the confidence to raise a whistleblowing matter when they see something wrong, and also that they have an awareness of the Policy and related procedures whistleblowing is included in the Council's suite of mandatory corporate training that should be completed by all new starters in order to pass probation and by other staff on an annual cycle.
- 3.7 In March 2023 the Government announced a review of the UK's whistleblowing framework with the aim of developing and reviewing the existing regime and reviewing whether the aims of Public Interest Disclosure Act (1998) are still being met. The review, which will gather evidence from whistleblowers, employers, regulators and charities, is taking place in the context of the sharp increase in whistleblowing disclosures received by the Care Quality Commission and the Health and Safety Executive during the Covid-19 pandemic.
- 3.8 The review is timely in light of implementation by EU member states of the EU Whistleblowing Directive (to which the UK is not subject, following Brexit), which imposes more stringent obligations than those

imposed by UK legislation. Some UK employers are already implementing these more stringent obligations into their policies and procedures.

- 3.9 First introduced nearly 25 years ago, the UK's current whistleblowing framework is increasingly criticised as out-dated and complex. Often cited gaps in the current regime include the fact that whistleblowers only have legal protections if they are subject to a detriment or dismissed as a result of their disclosure, and that there is no protection for people who do not meet the category of worker or employee, leaving individuals such as job applicants, trainees, trustees and volunteers unprotected.
- 3.10 The outcome of the Government's review, once announced, will be considered by the Council in the context of its whistleblowing policy and supporting arrangements.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 The statutory basis for whistleblowing is contained in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for the worker to take a case to an employment tribunal if they have been victimised at work or they have lost their job because they have 'blown the whistle'.
- 5.2 The law does not require employers to have a whistleblowing policy but it is accepted good practice for the Council, as an employer, to create an open, transparent and safe working environment where workers feel able to speak up. Government guidance, in the form of the Whistleblowing Code of Practice, states that it is best practice to have a whistleblowing policy or appropriate written procedures in place.
- 5,3 The current whistleblowing arrangements confirm the employee's statutory rights and aim to create an organisational culture where employees feel safe to raise a concern in the knowledge that they will not be victimised in doing so.

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 The statutory basis for whistleblowing is contained in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for a worker to take a case to an employment tribunal if they have been victimised at work or they have lost their job because they have 'blown the whistle'.
- 7.2 The law does not require employers to have a whistleblowing policy in place but it is accepted good practice for the Council, as an employer, to create an open, transparent and safe working environment where workers feel able to speak up. The Department for Business Innovation & Skills (now the Department for Business, Energy and Industrial Strategy) Whistleblowing Code of Practice provides that it is best practice for employers to have a whistleblowing policy or appropriate written procedures in place.
- 7.3 The new whistleblowing arrangements confirm the employee's statutory rights and aim to create an organisational culture where employees feel safe to raise a concern in the knowledge that they will not be victimised in doing so.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 – Update Whistleblowing Policy.

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, Anti-Fraud and Risk

Email: david.dobbs@towerhamlets.gov.uk

London Borough of Tower Hamlets

Whistleblowing Policy

23/11/2023



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1. Introduction

- 1.1 Tower Hamlets is committed to the highest standards of behaviour, openness, probity and accountability of all employees, Councillors, and its contractors and as such takes very seriously any form of malpractice that is identified or discovered.
- 1.2 Whistleblowing is the term used when a worker passes on information concerning wrongdoing. The wrongdoing will typically (although not necessarily) be something you have witnessed at work.
- 1.3 An important aspect of accountability and transparency is to provide a mechanism that enables employees and others to voice concerns about wrongdoings in a responsible and effective manner. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may not express your concerns because you feel that speaking up would be disloyal to your colleagues, managers, or to the Council. You may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.4 We expect employees, and others who have concerns about any aspect of the Council's work which they believe shows malpractice or wrongdoing, to bring it to our attention. This Policy sets out the mechanism to do so.
- 1.5 All employees of London Borough of Tower Hamlets may use this Policy. This includes permanent and temporary employees. It also covers agency workers and employees seconded to the Council.
- 1.6 Contractors working for the Council may also use this Policy in order to make us aware of any concerns that they, their employees or sub-contractors may have with regard to any contractual or other arrangement with the Council. Any concerns relating to non-Council business, however, should be raised with the relevant contractor's organisation, regulator or other suitable agency.

2. Scope

- 2.1 This Policy and associated procedure is not designed to be used where more appropriate procedures are available. For example, your issue may be a personal grievance about a problem or concern you have about your work, working conditions or relationships with colleagues. If so, then you should raise these with your line manager in the first instance or use the Council's Dispute Resolution processes.
- 2.2 Further, this Policy and associated procedure are in addition to the Council's complaints procedures and other statutory reporting procedures applying to services provided by your Directorates. You are responsible for making service users aware of the existence of these additional procedures.

- 2.3 This Policy and associated procedure/guidance are designed to enable you to raise concerns at a high level and to disclose information which you believe shows malpractice, impropriety, criminal activity, or dangers to health and safety. This policy is intended to cover concerns which are in the public interest and may at least initially be investigated separately but might then lead to the instigation of other procedures e.g., disciplinary.
- 2.4 Further you need to be acting in the public interest which is why personal grievances and complaints are not usually covered by this Policy.
- 2.5 The Policy is intended to cover concerns where you reasonably believe that the disclosure tends to show past, present, or likely future wrongdoing falling into one or more of the following categories:
- criminal offences (this may include, for example, types of financial impropriety such as fraud);
 - unauthorised use or misuse of public funds
 - failure to comply with an obligation set out in law;
 - abuse of position, whether or not for personal gain
 - miscarriages of justice;
 - endangering of someone's health and safety;
 - damage to the environment;
 - conduct which may damage the Council's reputation;
 - other unethical conduct; and
 - covering up wrongdoing in the above categories.

3. Our Assurances to You

Your safety

- 3.1 The Mayor, Councillors, the Chief Executive and Corporate Leadership Team are committed to this Policy and recognise that the decision to report a concern can be a difficult one to make. If you raise a genuine concern under this Policy, you should have nothing to fear, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in good faith, it does not matter if you are mistaken, no action will be taken against you.
- 3.2 It is important to note that this assurance does not extend to those who make malicious or vexatious allegations or who make an allegation for personal gain. This could be construed as gross misconduct and disciplinary action may be taken against you.

Statutory protection

- 3.3 Whistleblowing law is located in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for you to take a case to an employment tribunal if you have been victimised at work or you have lost their job because they have 'blown the whistle'. This is on the basis that you have a reasonable belief that what you have reported is true and the report is in good faith.

Harassment or victimisation

- 3.4 The Council will not tolerate any harassment or victimisation (including informal pressures) from your colleagues, peers, managers, or from external sources, and will take appropriate action to protect you when you raise a concern in good faith.
- 3.5 If you consider that you have been, are being or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this procedure, you should report your concerns to the Council's Monitoring Officer. The matter will then be dealt with as a new referral under this policy.
- 3.6 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, capability, or redundancy procedures that already affect you.

Your confidentiality

- 3.7 We will treat all concerns raised in a confidential and sensitive manner. Your identity will be kept confidential so long as it does not hinder or frustrate any investigation. However, the investigation process could reveal the source of the information and you may need to provide a statement as part of the evidence required. In such cases, we will always ask your consent to disclose your identity. Further, it is always possible that your identity could be guessed.

Anonymous allegations

- 3.8 It is not unusual for individuals who are thinking about raising a concern to want to make it anonymously. However, it is best that concerns are raised openly as it makes it easier for consideration and investigation of the concern. It is recognised, however, that there are circumstances when you would wish to keep your identity confidential.
- 3.9 Anonymous concerns that do not have a point of contact to which correspondence can be sent (e.g., an email address) will be considered at the discretion of the Council. In exercising this discretion, the following factors will be taken into account
- the seriousness of the issues raised;
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

- 3.10 Therefore, whilst we do not rule out the possibility of conducting investigations where you have not given a point of contact, it should be noted that, in

practice, we are unlikely to be able to proceed in the majority of such cases because of the practical difficulties that arise. No contact point will often present a barrier to effective investigation because it is impossible to contact you to check information received, ask for more details, or give feedback.

4. The Responsible Officer

- 4.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy.

5. Recording and Monitoring

- 5.1 The Monitoring Officer will maintain a confidential and secure register of all concerns raised through this Whistleblowing Policy. Investigations undertaken as a result of concerns being raised through these channels will be reported to the Audit Committee. Furthermore, weaknesses in Tower Hamlets controls may be identified through our investigations and recommendations to improve these will be raised with relevant managers and Chief Officers.
- 5.2 All records will be treated as confidential and kept no longer than necessary in accordance with Data Protection rules. Individuals have a right to request and have access to certain personal data: however, some information may be withheld in order to protect a third party.

6. Review of the Whistleblowing Policy

- 6.1 This Policy and reports made under it will be reviewed annually by the Monitoring Officer who will make a report to the Audit Committee.

7. External Contacts

- 7.1 Whilst we hope this Policy gives you the reassurance you need to raise such matters internally, we would rather you raised a matter with the appropriate regulator than not at all. If you do not wish to report your concern to the Monitoring Officer: you can get legal advice from a lawyer, or tell a prescribed person or body.
- 7.2 A Prescribed person or body as set out in the “prescribed persons list” published by the Department for Business, Innovation and Skills. The organisations and individuals on the list have usually been designated as prescribed persons because they have an authoritative or oversight relationship with the sector, often as a regulatory body. An up-to-date list can be found here:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>

- 7.3 If you tell a prescribed person or body, it must be one that deals with the issue you are raising, e.g., a disclosure about wrongdoing in a care home can be made to the Care Quality Commission.
- 7.4 If you raise concerns outside the Council you should ensure that it is to either one of the prescribed persons or bodies as set out in the “prescribed persons list” published by the Department for Business, Innovation and Skill. Through this Policy however, the Council also guarantees like protection if it is a qualified disclosure made to:
- The Police
 - Protect: The whistleblowing charity who can provide free advice.
 - 020 3117 2520
 - <https://protect-advice.org.uk/>
 - The Local Government Ombudsman
 - 0300 061 0614
 - http://www.lgo.org.uk/forms/ShowForm.asp?fm_fid=62
- 7.5 You should not disclose information that is confidential to the Council or to anyone else, such as a client or contractor of the Council, except to either one of the prescribed persons or bodies as set out in the “prescribed persons list” or 7.4 above.

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| Non-Executive Report of the: Audit Committee Thursday, 20 rd November 2023 |  TOWER HAMLETS |
| Report of: Julie Lorraine, Corporate Director, Resources | Classification: Open (Unrestricted) |
| Annual Review of the Anti-Money Laundering Policy and Guidance | |

| | |
|-------------------------------|--|
| Originating Officer(s) | David Dobbs – Head of Internal Audit, Fraud & Risk |
| Wards affected | (All Wards) |

Executive Summary

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

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

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

Recommendations:

The Audit Committee is recommended to:

1. Note and approve the Council’s updated Anti-Money Laundering policy

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

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

3.2 The previous reviews of this policy were reported to the Audit Committee in July 2021 and in November 2022, so the annual review for 2023 has fallen due.

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

3.4 The AML Policy sets out the:

- Context of money laundering and how money launderers may target local councils in any money laundering operations
- Statutory provisions on money laundering, including the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Money Laundering Regulations 2007, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering Regulations 2020
- Procedures that must be followed to enable both the Council and its employees to comply with their legal duties to prevent and address suspected money laundering in terms of disclosing any suspected money laundering
- Role of the Council's Money Laundering Reporting Officer ('MLRO') in facilitating compliance with the AML Policy. For the Council, this role is fulfilled by the Corporate Director of Resources (s151 Officer)
- Amendments to the previous reference to the Serious Organised Crime Agency ('SOCA') to what is now the National Crime Agency ('NCA') for the purpose of disclosing knowledge or suspicion of money laundering
- The Policy also includes reference to the General Data Protection Regulation 2016 (as amended) ('GDPR') to cover the right of access by the data subject and request for information by external customers.

- 3.5 Whilst AML legislation, regulations and other provisions are subject to ongoing change and update, review of the policy from the Council's legal team confirmed that the substance of the policy can remain unchanged.
- 3.6 However, some minor changes were identified, these being:
- The addition of an introductory paragraph explaining the purpose of the policy and the key contacts
 - Replace references to the Financial Service Authority with the Financial Conduct Authority as the main financial regulator in the UK
 - Update of various internal contact details, email addresses and Intranet/Internet links.
- 3.7 The updated policy will be republished on the Council's intranet and recirculated to all senior officers for cascading throughout the organisation.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 There are no other statutory implications to consider.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Other than the financial control aspect there are no specific financial implications arising from the content of this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 This report is presented for the purpose of noting and approving the Council's proposed updated policy and guidance on anti-money laundering and sets out the relevant law and procedures in place for employees to be able to address suspected cases of money laundering in the course of their employment. There are no immediate legal implications arising from the recommendations proposed in this report.
- 7.2 The Terrorism Act 2000, Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place the Council under a duty to take reasonable steps to minimise the risk of becoming involved in money

laundering and to have in place safeguards and reporting arrangements for those purposes.

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix – Anti-Money Laundering Policy

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

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

- NONE

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Anti-money laundering policy

Anti-Money Laundering Policy

Policy Owner: Coporate Director Resources

23/11/2023

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Introduction

The Council is at risk of being used as a pathway to legitimise funds as a means of disguising their origins thus we may unknowingly be used as a means of 'cleaning' criminal funds. This carries both a corporate and personal responsibility so any person receiving funds on behalf of the Council must be aware of the policy and the path of reporting. The legal and strategic responsibility lies with the Council's Section 151 Officer (Corporate Director of Resources) whilst any investigation and day to day compliance rests with the Investigations Manager (Anti-Fraud, Internal Audit, Risk and Insurance) who should be the first point of contact.

Policy statement

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

The Scope of the policy

The This Policy applies to all officers and employees of London Borough of Tower Hamlets (the Council). The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations and the consequences of not doing so. Within this policy the term 'persons' shall be used to refer to all officers and employees, both permanent and temporary, of the Council.

All persons must be familiar with their legal responsibilities. Failure to comply may be a criminal offence and disciplinary matter.

The Council views compliance with the money laundering legislation as a high priority and aims to develop a robust and vigilant anti-money laundering culture. Money launderers are seeking to infiltrate reputable organisations including local authorities. Organisations perceived as having weak controls will be targeted first. Significant damage will be caused to the Council's reputation if it were to be

associated, however innocently, with laundering the proceeds of crime, particularly if a person working within the Council was subsequently prosecuted.

Even if the Council is used as an innocent vehicle for money laundering, the cost of being involved in an investigation, both in terms of legal monetary fees, business disruption and overall reputational damage would be considerable.

It is therefore essential that all persons follow the Council's money laundering procedures in this document to ensure compliance with the relevant statutory regulations.

Failure by any person to comply with the procedures set out in this Policy may also lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

The Money Laundering Reporting Officer (MLRO) is the Corporate Director of Resources (Section 151 Officer) and they are responsible for the strategic management and adherence to the policy, whilst day to day oversight and investigation rests with the Investigations Manager (Anti-Fraud, Internal Audit, Risk and Insurance). However, all senior officers recognise that they are ultimately responsible for ensuring that the Council's control processes and procedures are appropriately designed and implemented and effectively operated to reduce the risk of the Council being used in connection with money laundering or terrorist financing.

This Policy should be read in conjunction with the Council's Anti-fraud and Corruption strategy.

This Policy and guidance have been updated incorporating amendments made to the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 because of the European Union's (EU) 5th Money Laundering Directive (Directive (EU) 2018/843) which came into force on 30 May 2018 and the exit of the United Kingdom from the European Union on 31 December 2020. These amendments were made by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 SI 2019 No 1511 and the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 SI 2020 No 991 respectively.

Introduction – What is money laundering?

The phrase 'money laundering' means the process by which the identity and true ownership of 'dirty money', i.e., the proceeds of any crime, is changed so that these proceeds appear to originate from a legitimate source.

Most crime, for example the drugs trade, is almost wholly cash driven. For many years, the most common means of laundering money was to deposit large sums of cash at banks. However, as the high street banks have tightened their controls in this area, the launderers have turned to more obscure methods, frequently involving buying and selling assets, property, and businesses, often via complex transactions, sometimes across geographical boundaries, to achieve their aims. This has made it much more difficult for the enforcement authorities to detect and prevent money laundering.

If you are involved, in any way, in dealing with or facilitating an arrangement regarding 'criminal property', you are engaged in the offence of money laundering. 'Criminal property' is the proceeds of any crime under UK law. It is not limited to dealing in cash. If you handle the benefit of acquisitive crimes such as theft, fraud, and tax evasion, or are involved in handling or processing stolen goods or assets purchased with the proceeds of crime, from cars to paintings and antiques, you are money laundering.

Terrorists also need to launder money to fund their criminal enterprises. The acts of terrorism that have occurred over the years in the UK have focused attention on the need to enforce anti-money laundering rules to combat terrorists, as well as drug dealers and organised crime.

As well as changes to how we live our lives, COVID-19 is also changing the economy. An economic downturn may make individuals and businesses more susceptible to financial difficulties or other pressures, which creates risk and potential weaknesses for criminals to exploit. As the UK economy enters a period of uncertainty, employees must be particularly alert to the dangers of money laundering.

The laundering process

The money launderer will seek to launder 'dirty money' via a series of transactions to separate the direct (usually cash) proceeds of an offence from the final bank account. Passing the funds through different accounts/investments and transferring it into different guises helps to muddy the audit trail.

There are three distinct, recognised phases to the laundering process:

Placement - the initial disposal of cash representing the proceeds of crime into the system by deposit at a bank or similar but increasingly likely to involve the purchase of property, or other assets such as a business.

Layering - to break any link back to the direct proceeds of the crime. This is done by a variety of routes, including buying and selling properties, companies, or assets (such as shares, antiques, and art) back-to-back and transferring funds around the world via various accounts in many institutions. Often launderers will use a front company, carrying on legitimate business, to hide their illegal activities.

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

How the Council could become involved in money laundering

The Council carries out transactions for a variety of purposes during which it handles money from customers. These transactions include (but are not limited to), dealings with leaseholders, payments for Council Tax and Business Rates, income from disposal of Council assets, right to buy deposits and financial contributions from planning legal agreements.

It is feasible for the Council to become unwittingly involved in the money laundering process via customers and others who are carrying out apparently normal transactions, if the money, property, or other assets they bring to the transactions are from the proceeds of crime.

As set out above, because the definition of money laundering is very wide, any contact with the proceeds of any offence, from petty theft to tax evasion, extortion, and murder, is likely to constitute money laundering.

Any member of staff who deals with cash paid in by external parties must be alert to the possibility of Council financial systems being used to launder "cash" (which is defined as "notes, coins or travellers' cheques in any currency").

Risk assessments should also be conducted regularly to consider the changes to the business environment and the economy. The Local Authority should be alert to financial scams and business relationships with those susceptible to monetary difficulties or other pressures, which could create risk and potential weaknesses for criminals to exploit.

Accountants, registered Auditors, and legal officers must be especially alert to the possibility of Council financial systems being used to launder cash, particularly if significant sums are involved, such as the purchase price for Council property.

As the UK economy enters a period of uncertainty, employees should be particularly alert to the following risks in new or prospective customers. For example, being asked to work with unusual types of client or on unusual types of matter, resistance from a client regarding compliance with due diligence checks, being pressured to forego necessary due diligence checks or to "speed up" the process, becoming involved in work that is outside of their normal area of experience/expertise (without full understanding of the money laundering and counter terrorism risks associated with the new area of work) and transactions where the business rationale is not clear

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

Consequences

Involvement in money laundering is a criminal offence, punishable by up to 14 years imprisonment. Not only the Council but also its officers and employees may face criminal prosecution if the Council is found to have been involved, even entirely innocently, in a deal involving the proceeds of a crime.

Therefore, it is important that all persons understand this policy and always apply it.

The remainder of this policy document sets out the law concerning money laundering and the rules you must follow to protect yourself and the Council from prosecution. The policy includes some technical information, but it has been drafted carefully to be as user-friendly as possible.

If there is anything you do not understand, please ask your manager, or direct queries to the MLRO or Investigations Manager, Rob Watt

The relevant law

The Proceeds of Crime Act 2002 (POCA)

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

- concealing, disguising, converting, or transferring criminal property or removing criminal property from the UK (section 327)
- entering or becoming concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property (section 328)
- acquiring, using, or having possession of criminal property (section 329) (however, it is a defence to this charge if it can be shown that there were no grounds on which to suspect money laundering and the property was acquired for adequate consideration).

- failing, in the case of the ‘regulated sector’¹, to disclose knowledge or suspicion of money laundering to the MLRO or the failure by the MLRO (in the regulated sector and otherwise) to disclose such knowledge or suspicion to the National Crime Agency (NCA (sections 330, 331 and 332).

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

If you are found guilty of any of the offences in paragraphs Proceeds of Crime Act the maximum penalty on conviction in the Magistrates Court is up to 6 months imprisonment or a an unlimited fine or both a fine and imprisonment. The maximum penalty on summary conviction at the Crown Court is up to 14 years imprisonment or a fine or both a fine and imprisonment.

As shown above, these offences are very broad in scope. If the Council or its officers or employees receive criminal property, even if in payment for an apparently legitimate commercial transaction, they may commit the offence of acquiring or having possession of it, and therefore be guilty of money laundering. However, you will have a defence if you make a formal written report in any case where you suspect money laundering (an authorised disclosure). All persons should make authorised disclosures internally, to the MLRO who can then decide whether to make a formal report to the authorities. Further details on how to make a disclosure are at section (making a disclosure).

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

The Terrorism Act 2000

This Act establishes offences in relation to involvement in facilitating, raising, possessing, or using funds for terrorism purposes that are similar to those under POCA. There are further parallels with POCA in relation to failing to report suspicious transactions ². HM Treasury maintains and updates a financial sanctions list which records individuals and organisations with whom it is prohibited to enter any business relationship.

The list can be viewed at http://www.hm-treasury.gov.uk/fin_sanctions_index.htm

As well as relying upon this list each person should consider whether there is a risk of terrorist financing in each transaction which takes place. This will involve considering the source and destination of funds.

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

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

- a) by extending the scope of due diligence checks, so that identity is fully checked. This includes a list of high-risk jurisdictions, which if involved in a transaction makes enhanced due diligence and additional risk assessments compulsory.

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

- b) introduction of enhanced due diligence, which includes extra checks to confirm identity, checking financial information, involving senior management with stricter ongoing monitoring of transactions and client relationships.
- c) enhanced restrictions on the reliance of a third party to carry out customer due diligence. Where an organisation relies on a third party, they are required to obtain copies of all documentation and ensure that there is a written agreement in place with the third party who must be compliant with the regulations.
- d) the introduction of Transparency of Ownership, so in addition to the UK Companies register, the regulations require a new Trust Register, requiring Trustees to register and report all Trusts that generate tax consequences.
- e) regulated business to apply stringent due diligence checks to business relationships with political exposed persons (PEPs), their family members and their known close associates
- f) a requirement for regulated businesses to carry out an initial and periodic screening of relevant employees. This means an assessment of integrity, conduct, skills, knowledge, and expertise of the individuals to carry out their functions effectively
- g) introducing a new criminal offence: any individual who recklessly makes a statement in the context of money laundering which is false, or misleading commits an offence punishable by a fine and/or up to 2 years imprisonment.

Relevant Guidance – Assessing Risk

The Council has adopted a risk-based approach to anti-money laundering in accordance with guidance set down by the Joint Money Laundering Steering Group (available at www.jmlsg.org.uk). This recognises that most customers and contacts are not money launderers or terrorist financiers and that the systems and controls in place to combat the risk of money laundering should focus on identifying higher risk customers/contacts and situations and responding to them proportionately.

Generally, the Council's business will pose a low-to-moderate risk of being used as a vehicle for money laundering. It is involved in relatively few transactions (compared

to say, a law firm, a bank or building society) and the nature of these is such that the participants are likely to come under scrutiny as to their bona fides, as well as their financial status. So, opportunities for would-be money launderers to pass money through the Council with relative anonymity are limited.

Having reviewed its risk profile, the senior management of the Council have approved a policy which embodies appropriate controls to manage and mitigate those risks. A minimum standard of identification is required for all. This is known as "simplified customer due diligence". Where a transaction or individual is considered to pose a higher risk, additional checks are required. This is known as "enhanced customer due diligence". See (Customer Due Diligence Procedures) for more details. If in doubt regarding the level of risk in individual situations, you must seek advice from the MLRO.

Customer due diligence procedures

The Legal Requirement

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

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

Customer due diligence is more than just a box ticking exercise; it is each person's responsibility to risk assess each transaction.

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

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

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

- Any person or body for which the Council has power, in exercise of its power to trade, to carry out or provide any services or work or provide any facilities or supplies under statutory powers, including under the well-being power
- The bodies or organisations designated as "public bodies" for the purposes of the Local Authorities (Goods and Services) Act 1970
- Partnership undertakings including the third sector.

The identity evidence must:

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

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

If such evidence of identity is not obtained the business relationship or the one-off transaction in question must not proceed any further. The Regulations require the

verification of identity as soon as reasonably practicable after the first contact. The Council's policy is that the requisite identification check(s) should take place within a minimum of five working days of the first business contact. If there is an unjustifiable delay in the evidence of identity being obtained from the customer or where the customer is deliberately failing to provide the information, a disclosure will have to be made.

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

The Identification and Verification Process

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

Individual

full name

current residential address

previous address if the customer has changed address in the last three months

date of birth

nationality

country of residence

whether they constitute a Politically Exposed Person

Companies (most of the following should be available on their letterhead)

full name of business

registered number

registered office

business address

country of incorporation

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(for private companies only) the names of all directors (or equivalent) and the names of all beneficial owners holding over 25% of the shares or voting rights.

Trusts

full name of the Trust

nature of trust (discretionary, bare, etc)

donor of the funds

nature of business or activity

location of business or activity

country of establishment

names of all trustees

name of any protector or controller

names or classes of beneficiaries

Charities (most of the following should be available from the Central Register of Charities)

registered name

registration number

address of the Charity Commission's correspondent for the charity.

Second, the identification information should be verified using reliable, independent source documents, data, or information. This may be produced by the customer or be obtained via electronic systems of identification (for example a credit reference bureau check).

For face-to-face identification of individuals, production of a valid passport or photo card driving licence should be sufficient (simplified due diligence). However, if there are any unusual circumstances which would indicate a higher-than-normal risk (e.g., a foreign national, or a discrepancy in the details given and those recorded) then further checks will be required (enhanced due diligence).

For corporations, verification requires a search of the relevant company registry, a copy of the certificate of incorporation or confirmation of the company's listing on a regulated market. You must also take steps to be reasonably satisfied that the person you are dealing with is authorised to represent the company and is who he/she says they are. For private companies, it may be appropriate to verify the identity of one or more directors in accordance with the rules for identifying individuals. Verification may be limited to the individual giving instructions or someone who appears to be in active management or control of the company. Similarly, where the risk posed by a company is considered sufficient to warrant it, or the principal owner of a private company is another corporate entity or trust, it may be appropriate to verify the identity of beneficial owners.

Partnerships (including LLPs) and unincorporated businesses, if very well known, (e.g., law and accountancy firms) may be treated as publicly quoted companies). Otherwise, they may be verified by checking their regulated status by reference to membership of the relevant professional body (the Law Society or accountancy body). If neither of these is applicable, they should be treated as private companies.

Charities can take several legal forms. Some may be companies limited by guarantee and should be treated as private companies. Other charities take the form of trusts. Details of registered charities are kept by the Charity Commission in a Central Register of Charities and information can be obtained from their website www.gov.uk/government/organisations/charity-commission

Churches are in general exempted by law from registering as charities and may not therefore have a registered number. Their identity can be verified by reference to the appropriate headquarters or regional organisation of the denomination.

The standard identification may be used for clubs and societies that serve a limited social or regional purpose. Following an assessment of the money laundering risk presented by the club or society, it may be appropriate to verify the identity of additional trustees (or equivalent).

In most cases simplified due diligence will be sufficient. In circumstances which present a higher-than-normal risk of money laundering, however, either because of the nature of the customer or the transaction, or perhaps because the standard check gives rise to concern or uncertainty over identity, enhanced verification checks

are likely to be appropriate, this is known as "enhanced customer due diligence" (see (Enhanced due diligence for further information)

Banks and building societies are generally exempt from the verification requirements (see High Risk Transactions below), and much less stringent requirements apply where the company is listed or is FCA regulated.

Unless otherwise specified, all documents examined should be originals and as recent as possible. Having inspected the original, you must take a copy for the Council's records. Always consider whether the documents provided appear genuine or may be forged. Where you are dealing with an agent, the identity and address of the actual principal should also be verified.

As well as obtaining satisfactory evidence of the identity and address, all persons must complete an appropriate Identity Verification Form.

Once completed the Identity Verification Form must be sent to the MLRO to check compliance with the Regulations. Only once the MLRO has approved this and related documents, will identity be considered to have been verified. No money or property should be received or transferred before identity has been verified. Once verified the forms and supporting documents will be kept by the MLRO in a central file.

For future instructions/transactions, customers who have already been identified, where the Identity Verification Form is centrally filed, do not normally have to be identified again. However, where changes in their business set up have occurred, it may be necessary to do so (for example, if an individual has moved from one limited company to another).

In addition to the steps mentioned above, additional steps should be taken where appropriate to:

- establish the customer's circumstances and business, including, where appropriate, the customer's source of funds, and the purpose of specific transactions and the expected nature and level of those transactions
- update information held on the customer to ensure the information held is valid

- review information held on the customer to ensure it is current and valid; and
- monitor the customer's business activity and business transactions to ensure that the Council is not being used as a vehicle for money laundering.

Enhanced customer due diligence

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

Non-face to face transactions

There is a greater likelihood of impersonation fraud and money laundering activity in non-face-to-face transactions. In most cases, this will warrant an additional verification check, which may involve seeing a separate document or, for example, requiring transactions to be carried out through an account in the person's name with a UK or an EU regulated credit institution, making telephone contact on a verified home or business land line; and communicating at an address which has been verified.

EDD - Red flag transactions

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

where the transaction is complex.

where the transaction is unusually large or

where there is an unusual pattern of transactions, or the transaction or transactions have no apparent economic or legal purpose (formerly both conditions had to be satisfied).

Whether a transaction is “complex” or “unusually large” should be judged in relation to the normal activity of the practice and the normal activity of the client.

Politically Exposed Persons (PEPS)

If the customer is a PEP it is necessary to:

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

High risk transactions/customers

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

Ongoing monitoring

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

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

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

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

Exemptions from the identification process

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

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

Where a one-off transaction is carried out (but not where there is a business relationship) pursuant to an introduction effected by an FCA-regulated firm or individual, and that firm or individual has provided written assurance that satisfactory

⁵ Regulation 27(2), 2017 Regulations

evidence of individual identity of the contact introduced by him has been obtained and recorded, evidence of identity is not required.

Where the customer is:

a publicly quoted company

a majority-owned and consolidated subsidiary of a publicly quoted company

subject to the licensing and prudential regulatory regime of a statutory regulator (e.g., OFGEM, OFWAT, OFCOM)

nothing is required beyond the standard identification.

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

Information management issues

Data Protection

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

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

⁶ Article 15, GDPR

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

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

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

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

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

The Council's Data Protection Policy can be viewed on the Council's intranet, [Data Protection Policy \(towerhamlets.gov.uk\)](#) and in the Council's Data Protection Manual. Guidance on the application of the policy and the 2018 Act can be obtained from the Council's Information Governance Team at DPO@towerhamlets.gov.uk

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

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

Freedom of Information

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

- Information held by a public authority is exempt information
- if it was directly or indirectly supplied to a public authority by, or relates to various government bodies, which includes NCA (section 23)
- if its disclosure would, or would be likely to, prejudice the prevention or detection of crime or apprehension or prosecution of offenders (section 31).

These exemptions should not be applied without taking advice from the MLRO.

Details on Freedom of Information can be viewed on the Council's Intranet at:

[Freedom of information \(towerhamlets.gov.uk\)](https://towerhamlets.gov.uk/freedom-of-information)

Details about the how the Council manages records can be found in the Council's Information Management and Governance Policy.

Advice about Freedom of Information can be obtained from the Information Governance Manager.

Making a disclosure

How to make an authorised disclosure – internal reporting procedures

If you are involved in any transaction – for example, the sale or purchase of shares or property - where you either know or suspect that the money or property concerned is the proceeds of any crime, you risk being found personally guilty of money laundering unless you make an authorised disclosure. This is a disclosure, in the prescribed form, to the designated Money Laundering Reporting Officer (MLRO). It must be made as soon as is reasonably practicable, i.e., within hours of the relevant information coming to your attention, or the very next day at the latest. What is likely to constitute suspicion is dealt with in section 13.

Where any person is aware of, or has reason to suspect, money laundering, they must complete a Money Laundering Disclosure Form (Disclosure Form) indicating the reason for their suspicions. Please see Appendix A for pro-forma of this form. In no circumstances should a copy of the Disclosure Form be put on the file or otherwise disclosed to anyone other than the MLRO.

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

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

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

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

The offence of failing to disclose

If you know or suspect or, have reasonable grounds for knowing or suspecting that another person is engaged in money laundering, you commit an offence if you do not disclose it to the MLRO as soon as practicable after you receive the information (POCA section 330).

It is important to note that this is an objective test. Even if you genuinely do not know or suspect that someone is engaged in money laundering, you may commit an offence if there are reasonable grounds for knowing or suspecting money laundering. So, if you deliberately shut your mind to the obvious, you may be culpable. To protect yourself, you must think very carefully whether, in any given transaction, there is anything slightly odd or 'iffy'. If so, you must make a disclosure to the MLRO. Please read section 03 below, which will give you some pointers as to behaviour or circumstances which may appear unusual. Whilst this clearly cannot be exhaustive, as no two situations are identical, it should help you develop an enquiring approach.

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

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

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

The Role of the MLRO

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

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

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

The MLRO must undertake such other reasonable inquiries he thinks appropriate to ensure that all available information is considered in deciding whether a report to

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

¹⁰ Regulation 21(5) of the 2017 Regulations.

NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved).

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

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

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether he needs to seek consent from NCA for a transaction to proceed.

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

If the MLRO decides that the information does give rise to a suspicion of money laundering, he is required to make a SAR to the law enforcement authorities as soon as practicable, unless he has a reasonable excuse for non-disclosure. If he concludes that such a reasonable excuse exists (after taking legal advice if appropriate), the MLRO must mark the report accordingly before giving his consent for any ongoing or imminent transactions to proceed.

Any material which it is concluded should be disclosed may be subject to legal privilege. Please refer to section 11 below.

If there is no reasonable excuse for not reporting to NCA, the MLRO must make his report on the standard report form and submit it in hard copy or electronically in accordance with the procedure set out on the NCA website (www.nca.gov.uk). This website also includes helpful guidance for MLROs on how to complete an SAR.

In the absence of a reasonable excuse for not reporting to the authorities, the MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, (because of a disclosure made to him), that another person is engaged in money laundering and he does not disclose this as soon as practicable to NCA.

Once a report has been made, no further action should be taken about the matter until it is expressly or impliedly permitted by NCA (see Tipping off below).

Legal professional privilege

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

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

Legal Advice Privilege

Legal advice privilege applies to.

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

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

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

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

Litigation privilege

Litigation privilege applies to:

- confidential communications when litigation is pending or contemplated which pass between members of the Council or other Council staff and solicitors and other legal services' staff; and
- which pass between the Council's solicitors or legal services' staff and the solicitors or legal advisers of the other party or parties to the proceedings.

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

Checks for Lawyers

Consider any unusual transactions and do appropriate due diligence particularly in relation to source of funds.

Carry out enhanced verification checks in relation to identity, property, trusts, monetary activity as a minimum.

Seek to understand the rationale for any litigation/business transactions.

Document any transactions and adopt a risk-based approach.

Monitor ongoing business/client relationships.

Ensure transactions are appropriate for the instructions.

Review existing records and consider the reasoning for every transaction/contract.

Consider whether there is the possibility of sham litigation and/or suspicious instructions.

After a disclosure has been made

Caution

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

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

Consent

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

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

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

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

Tipping off

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

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

What Is suspicious?

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

Secretive individuals or companies. Be particularly cautious if you don't meet people in person, or if there is any attempt to conceal identity, for example, via the use of post office boxes.

Unusual arrangements, for example complex company structures or trusts with no apparent commercial purpose or companies with nominee directors.

Receipt of, or a request for payment in, substantial sums of cash (over €15,000).

Any request to hold sealed boxes/parcels.

Unusual Settlements by cash or bearer cheques of any large transactions involving the purchase of property or other investments.

A deal which is uncommercial for one or more participants; launderers are prepared to lose a high percentage of the initial funds, just to 'wash' large sums of cash.

Overpayments by any party.

A transaction is proposed but the person you are dealing with is not the person behind the deal/company and you do not meet this person.

Illogical third-party transactions, for example unnecessary routing or receipt of funds from third parties or via third party accounts.

Payment by way of third-party cheque or money transfer, where there is a variation between the account holder, the signatory, and a prospective investor.

Funds for deposits or completion on a property transaction which come from an unexpected source; alternatively, where instructions are given for settlement funds to be paid to an unusual destination.

Any other involvement of an unconnected third party without logical reason or explanation.

An abortive transaction which has fallen through for no good reason.

Radical changes/developments to an original proposition for no discernible reason.

Poor business records and internal accounting controls.

Proof of identity documents which don't look or feel quite right.

A transaction which is unusually large, or small.

An unusual deal/contact either in terms of size or location.

Any matter having a link with countries where production of drugs or drug trafficking may be prevalent. The Financial Action Task Force (FATF) publishes a list of non-co-operative countries and territories annually (refer to www.fatf-gafi.org).

Fellow employees whose lifestyle indicates an income in excess of position/salary or whose level of performance falls. Money launderers have been known to 'buy off' or blackmail staff whom they have enticed into drug use to turn a blind eye to laundering transactions.

Funds being received from, or going to, an offshore location may be a possible indicator that money coming into or being paid out on a transaction is not being declared properly for tax.

Transactions significantly above or below market price or which appear uneconomic inefficient or irrational.

Anything which seems too good to be true.

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

Record keeping procedures

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

¹¹ See Regulations 21(8) and 40.

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

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

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

Training

The Regulations require that staff involved in relevant business and any clerical, secretarial, administrative or accounts staff assisting them, be provided with adequate training to ensure they are aware of, and understand, their legal and regulatory responsibilities and their role in implementing the Council's internal procedures.¹²

The MLRO will ensure that all relevant staff undergo an electronic training course on money laundering which covers the legislation, an explanation of what money laundering is, what is likely to amount to suspicious activity and the processes and procedures to be followed to comply with this policy. All persons will be required to undertake updated training as necessary (to be determined by the MLRO).

The MLRO will maintain records of appropriate training given to each officer and employee.

¹² Regulation 24 of the 2017 Regulations.

If any person is contacted by NCA, the police, HM Revenue and Customs or any other law enforcement body regarding a money laundering matter, they should refer the enquiring party to the MLRO in the first instance, who will obtain details of their requirements and decide how to proceed.

Summary of responsibilities

All relevant persons must:

1. Read and follow this policy.
2. Know and understand the legislation.
3. Take reasonable steps in accordance with procedures to identify and verify the identity of any person or company with whom it is proposed to deal.
4. Always remain vigilant and alert to suspicions.
5. Report any suspicions to the Money Laundering Reporting Officer (MLRO) in accordance with internal procedures.
6. Complete the multimedia training programme and pass the test to reinforce understanding of the law, internal rules, and procedures.
7. Keep appropriate records for at least five years, and indefinitely in cases where an SAR has been made.

The MLRO must.

Monitor compliance.

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

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

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

Anti-money laundering policy

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

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

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

Anti-Money Laundering Reporting Form

Your contact details

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

| | |
|--------------------|--|
| Name: | |
| Role: | |
| Email: | |
| Contact Telephone: | |

Main subject

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

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

Transaction(s)

Please enter the details of the transactions you think are suspicious

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

| | |
|-------|--|
| Date: | |
|-------|--|

| | |
|----------------------------|--|
| Amount: | |
| Currency: | |
| Credit/Debit | |
| Reason for the transaction | |

Account(s)

Please enter details of the account(s) used.

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

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

Associated subjects

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

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

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

Linked addresses


Please enter details of any linked addresses:

| |
|-----------------------------------|
| Address Type: (Home, work etc) |
| |
| |

Reason for suspicion

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

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|---|---|
| Non-Executive Report of the: Audit Committee Thursday 23 rd November 2023 |  TOWER HAMLETS |
| Report of: Julie Lorraine - Corporate Director, Resources | Classification: Open (Unrestricted) |
| Internal Audit and Anti-Fraud - Progress Report against the 2023-24 Audit Plan | |

| | |
|-------------------------------|---|
| Originating Officer(s) | David Dobbs – Head of Internal Audit, Anti-Fraud & Risk |
| Wards affected | (All Wards) |

Executive Summary

This report provides an update on progress against the delivery of the 2023-24 Annual Internal Audit Plan, and an update on investigations activity, fraud prevention and anti-fraud work. The report also highlights any significant issues and concerns since the last update to the Audit Committee in July 2023.

Recommendations:

The Audit Committee is recommended to:

1. Note the contents of the attached report and the overall progress and assurance opinions for audits carried out as part of the 2023-24 Audit Plan.

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

2.1. None.

3. DETAILS OF THE REPORT

3.1 The attached report (refer Appendix) details progress against the 2023-24 Internal Audit Plan, which was agreed by the Audit Committee at its May 2023 meeting.

3.2 The report also includes details of the significant findings and concerns from the internal audits that have been completed during this period that resulted in Limited or No Assurance audit opinions, namely:

- Management & Monitoring of Disclosure & Barring Service Checks
- Signing and Sealing of Documents (including Retention)
- Property Disposals
- Management and Control of Cost-of-Living Payments
- Management and Control of Children's Services Petty Cash Accounts
- Eva Armsby Family Centre – Regularity Audit

3.3 Additionally, the report details year to date activity and progress in Fraud Investigations and Proactive Anti-Fraud work.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities 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 compliance requirements set out the Accounts and Audit Regulations 2015 there are no specific financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

7.1 Regulation 3 of the Accounts and Audit Regulations 2015 requires local authorities to have a sound system of internal control which

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

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

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

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1: Internal Audit and Anti-Fraud Progress report

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:

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk

Email: david.dobbs@towerhamlets.gov.uk

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Internal Audit and Anti-Fraud Progress Report 2023-24

1. Background

Introduction

- 1.1 This report provides a progress update of the work that Internal Audit has carried out in accordance with its annual plan for 2023-24 which was approved by the Audit Committee at its May 2023 meeting.
- 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.

2. Progress Update

2023-24 Deliverables

- 2.1 Appendix A contains the Council's main audit plan with details of progress, namely that in the seven-month period to the end of October:
 - 1 Substantial Assurance opinion has been issued
 - 7 Reasonable Assurance opinions have been issued
 - 9 Limited Assurance opinions have been issued
 - 6 Advisory audits have been undertaken
 - 1 Monthly Grant Certification audit
- 2.2 Appendix B – Schools audit plan (carried out by the co-source partner, BDO)
 - 1 Substantial Assurance opinion has been issued.
 - 7 Reasonable Assurance opinions have been issued
 - 1 Limited Assurance has been issued
 - A further five schools audits are scheduled to take place during 2023-24.
- 2.3 A summary of findings in relation to the six Limited Assurance audits finalised during this period is included at Appendix C.
- 2.4 Overall progress in undertaking and completing the audit plan for 2023-24 has been slower than expected. This is largely due to ongoing and persistent resourcing issues. During August, we were successful in recruiting to two Auditor posts that has been vacant for some months – one was filled through an internal promotion from within the audit team and the other appointee is awaiting clearance to start. Additionally, a Senior Auditor exited the Council during September. Currently, therefore there are 2 vacancies and recruitment activity is ongoing.
- 2.5 When the Audit Plan was developed, in recognition of resourcing pressures, individual assignments were split into Priority 1 and Priority 2 audits as agreed with Directors and their DLTs. Those audits which are classified as High Importance audits were assigned Priority 1 and these will now take precedence during the last 5 months of 2023-24. If any audits have not progressed beyond the planning phase by 31 March 2024, they will be deferred and re-assessed for inclusion in the 2024-25 Audit Plan.

2.6 Internal Audit also provides a service to Tower Hamlets Homes (THH). As THH has been brought back in-house (as of 1st November 2023), further consideration is being given to how best to absorb the 2023-24 THH Audit Plan into the main audit plan for the same period, including revisiting the underlying risk assessment in conjunction with management.

Unplanned Work

2.7 Additional audit work, undertaken outside of the Audit Plan at the request of management included an advisory review into the Licensing and Management of HMOs (Houses in multiple occupation). The report, which is currently in draft status, raises 31 recommendations across nine operational areas.

3. Anti-Fraud and Investigations Investigations

3.1 The Fraud Investigations Team is comprised of the following sub-teams:

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge Parking Permits

3.2 During the year to date, 24 corporate/internal referrals (38: 2022-23) in respect of alleged fraud have been received. These included referrals received via the Council's whistleblowing procedure. 170 referrals (275: 2022-23) have been received in respect of suspected social housing fraud matters.

3.3 In addition, 42 insurance claims (71: 2022-23) have been investigated, 15 of which have been repudiated with a reserve value of £159,244.47 and 27 claims are still being investigated with a reserve value of £270,548.20.

Proactive Anti-Fraud Work

3.4 This element of work focuses on identifying potential fraud risks and implementing fraud risk strategies to mitigate possible payment fraud activity in Council operations

3.5 During this period, fraud awareness training has been delivered to the following areas:

- Right to Buy
- Blue Badge Team
- Housing Options
- Lettings team
- Planning and Development

3.6 Additional fraud awareness sessions are being scheduled for the Capital Delivery team, Information Governance team and Schools.

3.7 Other work in this area has included:

- Social Housing fraud awareness article featured prominently in the Council's newspaper 'OurEastEnd'
- Ongoing Fraud support to the No Recourse to Public Funds panel
- Making preparations for publicity for International Fraud Awareness week (week commencing 12th November)
- Work underway to conduct a fraud awareness survey which will provide a barometer of the Council's 'fraud health'.

Appendix A: Details audit results

| Audit Title | | Directorate | Priority | Opinion | Status |
|-------------|---|-------------------|----------|-------------|---------------------|
| 1 | Equality Assessment | Corporate | 1 | | In Progress |
| 2 | Corporate Governance Improvement Plan – Follow Up | Corporate | 1 | Advisory | Draft |
| 3 | Management of Waivers to Financial Regulations | Corporate | 1 | Limited | Draft |
| 4 | Management and Control of Staff Gifts and Hospitality | Corporate | 2 | Reasonable | Draft |
| 5 | Performance Management | Corporate | 1 | | In Progress |
| 6 | Scheme of publication (Transparency Code) | Corporate | 1 | Limited | Draft |
| 7 | Risk Management | Corporate | 1 | | |
| 8 | Management and Control of Market Supplements | Corporate | 2 | | |
| 9 | Attendance Management | Corporate | 1 | | In Progress |
| 10 | Data Quality | Corporate | 2 | | |
| 11 | Management & Monitoring of Disclosure & Barring Service Checks | Corporate | 1 | Limited | Final |
| 12 | Signing and Sealing of Documents (including Retention) | Chief Executive’s | 1 | Limited | Final |
| 13 | Grants to Voluntary and Community Organisations | Chief Executive’s | 1 | Reasonable | Final |
| 14 | Management of Transformation Programme and Projects | Chief Executive’s | 2 | | |
| 15 | Procurement of Legal Advice | Chief Executive’s | 2 | | |
| 16 | Financial Systems - Council Tax | Resources | 1 | Reasonable | Final |
| 17 | Financial Systems - Creditors | Resources | 1 | | In Progress |
| 18 | Financial Systems - Debtors | Resources | 1 | | |
| 19 | Financial Systems - General Ledger | Resources | 1 | | |
| 20 | Financial Systems - School Accounts End of Year Reconciliations | Resources | 1 | | In Progress |
| 21 | Homeless – Arrears Management | Resources | 1 | | In Progress |
| 22 | Pre-payment Cards | Resources | 2 | | In Progress |
| 23 | Housing Benefit quality assurance systems | Resources | 1 | Advisory | Draft Report |
| 24 | Registrars Service | Resources | 1 | Substantial | Final |
| 25 | Procurement – Requisition for Quotation (RFQ) system | Resources | 1 | Limited | Draft |
| 26 | Business Support SLAs delivery and performance | Resources | 2 | | |
| 27 | Free Schools Meals Eligibility | Resources | 1 | | Deferred to 2024/25 |
| 28 | Management of Members’ Enquiries | Resources | 2 | | |
| 29 | IR35 – Off Payroll Engagement | Resources | 1 | | |

Appendix A: Detailed audit results

| | | | | | |
|----|--|----------------------------|---|-------------|---------------------|
| 30 | Idea Stores – Regularity Audit | Resources | 2 | | |
| 31 | Cloud strategy and virtual infrastructure (IT Audit) | Resources | 1 | | In Progress |
| 32 | Cyber Security Controls over Supply Chain and Trusted Partners | Resources | 1 | | |
| 33 | Software Licenses - Management and Control | Resources | 1 | | |
| 34 | Management of Video Surveillance systems | Health, Adults & Community | 1 | | Deferred to 2024/25 |
| 35 | Recruitment and Vetting of Enforcement Officers | Health, Adults & Community | 1 | Advisory | Draft |
| 36 | Quality Assurance Board and Framework | Health, Adults & Community | 1 | | In Progress |
| 37 | Management and Monitoring of Fixed Penalty Notices | Health, Adults & Community | 2 | | |
| 38 | Domiciliary Care - Procurement Advisory work | Health, Adults & Community | 1 | Advisory | On-going |
| 39 | Telecare Service | Health, Adults & Community | 1 | | |
| 40 | Direct Payments | Health, Adults & Community | 1 | | In Progress |
| 41 | Contract Monitoring | Health, Adults & Community | 1 | | |
| 42 | Holiday Playschemes | Children's and Culture | 1 | | |
| 43 | Supporting Stronger Families Grant Certification | Children's and Culture | 1 | Grant Audit | On-going |
| 44 | SEND Improvement Plan | Children's and Culture | 1 | | In Progress |
| 45 | King George Field's Trust – governance | Children's and Culture | 2 | | |
| 46 | Education Maintenance Allowances and Bursary Payments | Children's and Culture | 1 | Reasonable | Draft |
| 47 | Youth Service Insourcing – Advisory | Children's and Culture | 1 | | |
| 48 | Commissioning of Sports Activities – Advisory | Children's and Culture | 1 | Advisory | Draft |
| 49 | Land Searches | Place | 1 | Reasonable | Final |
| 50 | Passenger Transport Services | Place | 1 | | |
| 51 | Management and Monitoring of S106 Planning Obligations | Place | 1 | Reasonable | Final |
| 52 | Property Disposals | Place | 1 | Limited | Final |
| 53 | Planning and Building Control Fees and Charges | Place | 2 | | |
| 54 | Licensing | Place | 1 | | |
| 55 | Procurement and Management of Consultants for Capital Works | Place | 1 | | |
| 56 | THH Insourcing | Place | 1 | | |
| 57 | Post Contract Review – New Town Hall | Place | 2 | | |
| 58 | Management of Lettings of Community and Commercial Properties | Place | 1 | | |
| 59 | Management of Markets | Place | 1 | | |

Appendix A: Detailed audit results

| | | | | | |
|----|---|---------------------|---|------------|-------------|
| 60 | Management of Grants | Place | 2 | | |
| 61 | Penalty Charge Notices – Appeals Procedure | Place | 1 | Reasonable | Final |
| 62 | Waste Management – Operational Control | Place | 2 | | |
| 63 | Homelessness Assessment | Place | 1 | | In Progress |
| 64 | Management of Houses in Multiple Occupation (HMO) | Place | 1 | Advisory | Draft |
| 65 | Management and Control of Cost-of-Living Payments | Place | 1 | Limited | Final |
| 66 | Management and Control of Children’s Services Petty Cash Accounts | Children’s Services | 1 | Limited | Final |
| 67 | Eva Armsby Family Centre – Regularity Audit | Children’s Services | 1 | Limited | Final |

| Schools Audits | | Opinion | Status |
|----------------|---------------------------------------|-------------|---------------|
| 1 | Columbia Primary School | Reasonable | Final |
| 2 | St Anne's and Guardian Angels | Reasonable | Final |
| 3 | Woolmore Primary School | Reasonable | Final |
| 4 | Cayley Primary School | Reasonable | Final |
| 5 | Wellington Primary School | Substantial | Final |
| 6 | Halley Primary School | Reasonable | Draft |
| 7 | Langdon Park School | Reasonable | Draft |
| 8 | Malmesbury Primary School | Limited | Draft |
| 9 | Thomas Buxton Primary School | Reasonable | Draft |
| 10 | Bonner - Bethnal Green both sites | - | Timing agreed |
| 11 | Phoenix Primary and Secondary Schools | - | Timing agreed |
| 12 | Stephen Hawking School | - | Timing agreed |
| 13 | Ben Jonson Primary School | - | Timing agreed |
| 14 | Olga Primary School | - | Timing agreed |

| Title | Date of Report | Comments / Findings | Scale of Service |
|--|----------------|---|------------------|
| Management and Control of Cost-of-Living Payments to FSM Pupils in Schools | July 2023 | <p>This audit was undertaken at the request of the previous s151 Officer. The audit sought to provide assurance that systems for managing and controlling cost of living cash payments to Free School Meals children in LBTH schools, were sound and secure to manage risks that can be present when cash payments to individuals are made by the Council.</p> <p>On 11th July 2022, Cabinet received a report on "Supporting residents through the cost-of-living crisis", as part of the Mayor's priority. An overall cost of £2.691m was identified within the Cabinet report to provide additional support to households.</p> <p>The scheme involved a one-off payment of £100 (cash voucher) made to all households on FSM with total cost of £1.550m to be distributed via schools by the Tackling Poverty team, funded from reserves. In addition, due to an increase in the numbers of additional children notified by the schools, extra funding of £250k was approved by the Mayor. There were ninety-four schools which took part in the scheme with total of 19,771 vouchers issued to schools for distribution (total value of £1,977,100).</p> <p>As part of audit process, a sample of seven schools (two secondary and five primary) were visited by Audit to carry out the necessary audit testing. During our visits to schools, we were mindful that schools were informed about the procedures they needed to follow for distributing the vouchers on 14/12/2022. This was due to the Mayor's decision that the vouchers must be distributed before Christmas break. Therefore, schools had a very limited time for planning the system and controls for distribution. In addition, there was a postal strike just before Christmas which posed a further challenge for both Council officers and schools to meet the deadline set by the Mayor. The issues and findings raised in this report should be considered in the light of these challenges.</p> <p>During the audit we identified areas of good practice which included the following:</p> <ul style="list-style-type: none"> • Schools were sent guidance on the 14/12/2022 outlining the Free School Meals (FSM) Support process and procedure. The guidance highlighted the school's responsibility for distributing the FSM vouchers and for keeping them safe between receiving them and handing them out. It was recommended that the vouchers should be stored in a safe. The schools were also required to keep an internal list of which parents had/had not received the letter (voucher), and to note the barcode on the letter which would assist the council in identifying and tracking which vouchers had been redeemed or not. • A contract with the Post Office was in place, which required the PO to maintain an account of all amounts paid into the nominated account and of all payments made by it based on Payment Instruction received (Pay-out voucher with barcode). Any unused balance was required to be made | Extensive |

| Title | Date of Report | Comments / Findings | Scale of Service |
|-------|----------------|--|------------------|
| | | <p>by the Post Office to the Council by way of payment. Upon receipt of their voucher, customers can redeem the £100 cash payment at any Post Office.</p> <ul style="list-style-type: none"> A detailed Post Office Management Information (MI) report was provided each working day which could be downloaded and saved locally by the Tackling Poverty team. The MI report was updated with status changes since the last run report. This reporting requirement formed part of the Post Office Pay-out Contract. <p>The audit highlighted the following key Issues/Findings and Risks</p> <ul style="list-style-type: none"> The Cabinet (11/07/2022) was presented with 4 methods by Officers for distributing the support funding to FSM households. At paragraph 3.12. of the report, Members were recommended that the Council should use a hybrid option, with the Post Office being the default but supermarket vouchers being used where residents were best served with this route. Audit was advised that the use of supermarket vouchers (a previously used scheme) was rejected as an alternative option at MAB, and it was decided to use the Post Office method, although concerns were raised by officers about the PO method. We noted that as the Post Office method was already determined, a full options appraisal and risk assessment was not undertaken in order to objectively select the best possible payment method. Although the Post Office contract provided the facility for identification checks to be undertaken when the Pay-out voucher (Letter) was presented for payment, IDs were not required. This was due to data held by the council only related to the child and not the parent and the information held would not be up to date. Therefore, schools were asked how many vouchers they required, and these were sent direct to the schools to distribute and there would be no checks to ensure that these were getting through to the right households. Concerns regarding individuals being able to exchange it for cash without any requirement to identify themselves or the letter not identifying them were expressed by the Acting Head of Tackling Poverty. In addition, these issues were also highlighted as a clear risk and unsatisfactory control by the s151 Officer and Deputy s151 Officer. Officers were informed by s151 Officer that if they were to progress the funding scheme on this basis, they were doing so at risk and against the advice of Corporate Finance. We also noted that these risks were not identified and captured on a Risk Register. Members required Officers to distribute the vouchers via schools before the Christmas break. However, due to Royal Mail strikes taking place the week before Christmas, and the added internal delays resulting from the review of the FSM scheme distribution process and procedures, there was insufficient time available for the Post Office to guarantee delivery of the vouchers to schools to distribute them out to parents before schools broke up for Christmas. Therefore, officers were | |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>required to print-off the vouchers emailed by the Post Office in the Office, batch them-up and deliver the vouchers directly to the schools by Council staff prior to the Christmas break. Our testing confirmed that there were no supporting batch records provided to the schools which confirmed the total number of vouchers delivered, including the internal reference number/ barcode number.</p> <ul style="list-style-type: none"> • In addition, Audit also confirmed that several schools did not count the vouchers upon delivery as it was assumed that the exact number of requested vouchers were delivered. Schools also stated that the vouchers were placed in an open box with no batch controls and in some cases, the box was left at the reception unattended and without receipt being acknowledged at handover, although this could not be substantiated by Audit. We have recommended that in future, blank cash vouchers should not be used and a more robust process which provides for built-in safeguards should be considered. • It was recognised by officers that written guidance was issued late in the process and some schools highlighted short turnaround period between being issued with the guidance, the school receiving the vouchers (on the last day of term) and issuing them to parents. As a consequence, schools were given insufficient time to enable them to adjust and properly plan for the introduction of the new FSM distribution process. This was evidenced in our testing which showed that not all schools were maintaining records in line with the procedures issued to them by the Council. This resulted in poor audit trail. • None of the schools we tested counted the vouchers at the point when they were delivered by the Council to ensure that the number and the bar code sequence reconciled with the number of vouchers they had requested. This resulted in 2 of 7 schools we tested claiming that they had not received the full number of vouchers they requested. The missing vouchers could not be accounted for in any way. • One school had ordered more vouchers than it required. Audit was informed that this school needed 230 FSM vouchers and 20/30 vouchers for vulnerable pupils. However, the school had requested 400 vouchers from the Council. At the same school we noted that duplicate ticks were made against some pupil names to show that the vouchers had been issued/sent out to pupils/parents, so we were not clear whether these parents received two or more vouchers. • Audit carried out an independent reconciliation of vouchers received by schools, vouchers issued to parents and vouchers still left in school safe. This reconciliation showed that in 5 of 7 schools we tested, we could not fully reconcile. There was a shortage of 54 vouchers (total value of £5,400) in | |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>3 schools, which could not be accounted for, of which, 13 vouchers were stolen by a member of the school staff.</p> <ul style="list-style-type: none"> The delivery of vouchers to the 94 schools took place between Thursday 15th December and Tuesday 20th December 2022, just prior to the schools breaking up for the Christmas period. Schools advised this left limited time to properly organise the distribution of vouchers before the Christmas holidays. At one school, it was decided to post the vouchers to parents on the Friday 6th January 2023 (thus incurring postal charges). Therefore, vouchers to the value of £67,500 were held in the school safe during the Christmas period. Audit confirmed that the current standard insurance cover for cash is only £250 when kept in a safe unless the school had requested a temporary or permanent increase. However, schools were storing far more than £250 in their safes during this period, increasing the risk of uninsured losses. As part of the audit testing, enquiries were made to ensure that the school had an adequate reconciliation process in place which required regular checks on the number of FSM vouchers received by the school to those issued and unclaimed and held at the school. However, it is apparent from the audit testing undertaken, several schools have not carried out a reconciliation. This would have helped schools to highlight any missing or misappropriated FSM vouchers at an earlier stage. <p>All findings and recommendations were agreed with the Acting Director Growth and Economic Development and Corporate Director of Children’s Services. The final report was issued to the [then] s151 Officer and the Chief Executive. The reports finding have also been discussed with the recently appointed Corporate Director Resources (s151 Officer) to ensure that appropriate mitigations are in place for similar payments that are planned to take place in the near future.</p> | |
| Property Disposals | June 2023 | <p>This audit sought to provide assurance that the Council has sound governance, risk management and control arrangements in place for disposal of property which is surplus to requirements.</p> <p>At the time of the final report, a Mayoral decision had been made to cease the sale of Council properties. Therefore, the recommendations within this report are made to improve past practices if and when property sales are resumed in the future.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> The latest Constitution at the time of the audit dated 2021/22 required the Director to issue best practice guidelines for the disposal of land-based assets. Our review identified that there were asset management and disposals best practice guidelines and procedures, which were approved | Extensive |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>by Cabinet on 31 July 2019. However, we found no evidence of review / consideration of the best practice guidelines and procedures. Therefore, it is not clear from evidence reviewed that officers were sufficiently aware of the best practice guidelines and procedures in place for property disposals.</p> <ul style="list-style-type: none"> • We selected a sample of 10 of the 14 properties and land which at the time were expected to provide £4.816m of cost savings over the next 25 years, along with £47m worth of potential capital receipts. We sought to verify that the method of disposal had been approved and that the required processes for that method of disposal had been correctly followed. Our review of these complex and often necessarily lengthy disposal transactions due to the processes and number of parties involved, considered Cabinet reports, advisory emails, emails regarding title, valuation reports, electronic bids opened, and first, second and subsequent rounds of bid evaluations. However, the processes adopted were not always sufficiently clear and documented to fully demonstrate that the Council's approach adopted in these disposals followed the property disposals guidelines and procedures. No evidence was available or could be provided of a first or final round of bids received, and of the bid opening procedures adopted, or the first and final rounds of bid evaluations all in accordance with the latest Property Procedures for Disposals and Lettings dated 2019. • Whilst it was acknowledged that due to the complexities of the sales process, it was not always possible to determine indicative timescales for key activities for the disposals, the progress of the disposals at key junctures was not reported to appropriate management groups, and evidence provided did not sufficiently clearly explain long slippage and delays. • The Council's Anti-money Laundering, Bribery, and Corruption procedures state that Legal Services issue completion statements to internal stakeholders. However, our review identified that the statements do not provide an assurance opinion or sign off that sufficient verification checks have been undertaken by external agents and the Council before a sale is processed regarding the source and legitimacy of funds to mitigate the risk of money laundering, and bribery and corruption through the disposals and sales process. We also noted that there is no annual mandatory learning or ethical standards declaration required of the Asset Management Team linked to the anti-money laundering, bribery, and corruption procedures in place. <p>All findings and recommendations were discussed and agreed with the then Acting Director of Property and Major Programmes and final report was issued to then Corporate Director of Place.</p> | |
| Signing and Sealing of Documents | Sept.2023 | This audit reviewed the systems and procedures for preparing, signing, and sealing of contractual and other legal documents by the Council, and the retention of these documents. | Extensive |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>During the audit we identified following areas of good practice:</p> <ul style="list-style-type: none"> • We confirmed that policies and procedures were up to date and available to staff, enabling them to carry out their duties. The Council's Constitution sets out delegated authority for the signing of contracts, as well as the authority of staff within Legal to sign documents and attest the Council's seal. The Legal Office Manual sets out information on the Authority to Act and Sealing of Documents. This specifies that the source of authority for the signing and sealing of documents must be confirmed and documented by Legal. The document also specifies that Legal Services may utilise DocuSign for the delivery of and digital Sealing of Documents. This Manual was last updated in November 2022. • Our review concluded that roles and responsibilities regarding the signing and sealing of documents were appropriately documented. The job titles of those who are authorised to sign legal documents, sign claim forms, attest seal and sign documents on behalf of the Council are all documented in the Council's Constitution. • In a walkthrough of use of the council seal, updating the seal register and use of DocuSign, staff demonstrated they had received appropriate training. Through discussion with the Director of Legal and Practice Manager it was determined that there is no formalised training programme. However, training is carried out when a new member joins the team as they are walked through their duties. The signing of legal documents is a responsibility only given to Senior members of staff. During a walkthrough of the contract signing process, it was clear staff were aware of the process to be followed. • Physical sealed legal documents reviewed as part of the audit were all correctly signed, with the appropriate approval recorded. We reviewed a sample of five documents to confirm appropriate authority to sign the contracts had been received prior to their signing. For two of these documents the request for sealing form was signed by the employee completing the form, as well as the correct line manager from the service with authority to give permission. In the remaining three cases the Request for Sealing form was not available but the authority under which the document was signed was clearly recorded in the Sign and Seal Register. No issues were identified with any of our sample being signed after the commencement of the contracts. A walkthrough of the process of signing the document was observed and successfully demonstrated that staff could carry out their responsibilities regarding signing and sealing documents and adding them correctly to the Seal Register. The Seal itself is kept locked away to control against fraudulent use. | |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The signing and sealing of commercial contracts should take place in a timely manner prior to the commencement of the contract. However, in nine out of ten cases, the commercial contracts reviewed as part of the audit had been signed after the contract start date. These ranged in time from two days to over three years after the contract commencement date. It is not clear what the cause of this issue is as the Legal Team are reliant on other services and external signatories to get these contracts signed. A record of delays to support monitoring of contractual signatures was not available. • The retention and disposal of documents is managed centrally using Restore Records Management. While an example of a destruction certificate was provided, no evidence was produced indicating that Legal Services can reconcile records to confirm that destroyed documents were no longer required prior to disposal. The Legal Team does not currently have an up-to-date list of documents held by Restore on their behalf, preventing effective contract monitoring of the records management service. <p>All findings and recommendations were discussed and agreed with Director of Legal in August 2023, and the final report was issued in September 2023.</p> | |
| Control and Monitoring of DBS Checks | Sept. 2023 | <p>This audit sought to provide assurance over the systems for managing and controlling Disclosure and Barring Service checks for LBTH staff. The DBS was established in 2012, merging the previous functions of the Criminal Record Bureau (CRB) and those of the Independent Safeguarding Authority (ISA). It conducts criminal record checks for specific positions, professions, employment, offices, works, and licences included in the Rehabilitation Offenders Act 1974 (Exceptions) Order 1975 and those prescribed in the Police Act 1997 (Criminal Records) Regulations.</p> <p>In accordance with the Council's procedure, all current employees, including Agency and Interim workers whose posts require them to have a DBS check, must have the relevant DBS clearance before they commence employment, and these checks will need to be renewed every 3 years.</p> <p>At the time of audit, there were 6,387 posts on the LBTH Establish List of which 3,051 posts were listed as requiring some form of DBS checks.</p> <p>Of 3,051 posts listed as requiring DBS checks, 87 were filled by Agency staff. During the previous 12 months, there were 363 staff with DBS Disclosure Certificates (issued between 05/04/2022 and 21/03/2023).</p> | Extensive |



| Title | Date of Report | Comments / Findings | Scale of Service |
|-------|----------------|--|------------------|
| | | <p>During the audit we identified the following areas of good practice:</p> <ul style="list-style-type: none"> • There are DBS Procedures in place which require employees, casual and sessional workers, whose posts require a DBS check, to apply for a new DBS check at least once every three years. In addition, the procedures covers the requirement for Agency workers and states that for posts requiring DBS checks covered by Agency workers, Interim Managers and Consultants, the relevant Hiring Managers must obtain and verify that appropriate DBS checks for the workers occupying these posts are in place at the point of hiring and subsequently DBS checks renewed every 3 years via the supplying agency or company. • The Council's DBS policy, procedures, standard DBS risk assessment forms and DBS waivers are available on the staff intranet. • A standard template form is used to document the risk assessment process on DBS disclosure information. The standard DBS Risk assessment form provides an adequate risk assessment methodology, thus ensuring the relevant disclosure information is captured, recorded, and used to assess any safeguarding issues resulting from the disclosure. • Through E-Bulk system (DBS applications online), real time information and reports are available to HR Advisors for checking every employee requiring DBS and the status of the DBS check. <p>The key Issues, Findings and Risks from this audit include the following:</p> <ul style="list-style-type: none"> • Although there was clear DBS policy and guidance available for Managers on the staff intranet, we noted that most of the procedures and forms have not been updated since 2018. Accordingly, we have recommended that the current DBS guidance and associated forms should be reviewed to ensure that it is in line with the current DBS Code of Practice and current DBS internal procedures. • A database of all posts requiring DBS Checks and the level and type of checks required for each post is held within HR Resource Link system. This should detail DBS information for every employee whose post has been designated requiring a DBS check. However, our testing showed that this database is out of date and could not be fully relied upon. We noted a number of inconsistencies within this database. • Our testing also highlighted inconsistencies concerning the type of DBS check required; for example, of the 23 Tower Hamlets Enforcement Officers posts recorded on the database, 10 required standard DBS, 10 required Enhanced and 3 E&BCAW. If the Resource Link database does not correctly capture all the posts which require DBS checks, then there is a mismatch | |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>between the requirements in the JDs and what is recorded on Resource link. This may raise significant implications for the Council.</p> <ul style="list-style-type: none"> • We tested 20 posts from the Resource Link database which were occupied by Agency workers/interim staff, and which were shown as subject to DBS checks. These Agency/interim staff are managed via the Matrix system. Our testing showed in 10 of 20 cases, there was no evidence of DBS check in place. Therefore, the adequacy and robustness of DBS checking and monitoring system for Agency/Interim workers was not as sound as it should be. • The risk assessment process for dealing with DBS Disclosures for existing staff specifies that if there is a disclosure, HR will inform the manager that they need to view the employees DBS certificate as soon as possible. However, there is no requirement or target set for HR to notify the manager specified in the DBS procedure. Therefore, managers are not always informed on a consistent basis. • We were informed that a management report on DBS Waivers could not be run from Resource Link system. Hence, Audit was unable to confirm if the required DBS Waivers were in place for those staff whose DBS checks are still pending. • Our review confirmed that of the 18 DBS certificates with disclosure information which needed to be reviewed, 14 were risk assessed by Line Managers in accordance with procedures. The remaining 4 disclosures were not risk assessed. • Our testing showed that of 46 staff with expired DBS between April 2022 and March 2023 which required necessary remedial action by the manager, in 42 cases there appeared to be no approved DBS waiver in place. The waiver is required for these staff to continue working in their roles until the DBS clearance is obtained. We have recommended that there should be monitoring process put in place to ensure that in cases where DBS has expired and staff have continued to work in their roles without a valid DBS check, this should be escalated to Head of Service and then the Director. (See issue 5) • Of the 5 active DBS Counter signatories in place, only one had an Enhanced DBS check in place. There were 3 Counter signatories for whom DBS checks had still to be completed. • DBS Procedure requires that a monitoring report be made available to the Directors monthly by the Business Support Relationship Manager and Senior Business Support Officer. Audit was advised that although managers can view their teams DBS status within HRSS (HR Self Service system), management reports are not produced for Directors detailing those DBS checks in date, DBS | |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <p>applications undertaken, DBS checks approaching expiry and those that had expired requiring action.</p> <ul style="list-style-type: none"> The Council is registered as an Umbrella Body which means it can undertake disclosure checks for other employers, for example, voluntary groups and third sector organisations that receive grants or contracts from the Council. The Council has a responsibility to take reasonable steps to ensure that organisations, for which it requests Disclosures, comply with the DBS Code of Practice. However, it was unclear whether the council takes appropriate steps to ensure these outside organisations comply with the Code of Practice. <p>All findings and recommendations were agreed with the Head of HR and Director of HR and WD. Final report was issued to all Corporate Directors and the Chief Executive. <i>Owing to the nature of findings and their potential implications it was also agreed that an Urgent Task Force be deployed to provide immediate remediation and assurance that all risk exposures have been fully addressed.</i></p> | |
| <p>Management of Petty Cash Accounts at:</p> <ol style="list-style-type: none"> Cheviot House Kitcat Terrace Family Support and Protection Children Looked After | <p>August 2023</p> | <p>This audit reviewed the management and administration of Petty Cash accounts operated by Children’s Services. The objective was to provide assurance that systems and controls were sound and procedures were being followed. In addition, we reviewed the justification for having petty cash accounts in view of Council’s policy to reduce reliance on cash and make increased use of cash less systems.</p> <p>The following issues, findings and risks were highlighted in the audit report:</p> <ul style="list-style-type: none"> There was no approved business case for any of the 4 petty cash accounts we looked at. In 3 out of 4 petty cash accounts, the annual turnover of cash had reduced over the last three years. We have therefore recommended that alternative cashless methods of payment should be considered before the option of petty cash is approved and that where there is a good business case, the petty cash accounts should be merged. A number poor and non-compliant practices were identified such as loaning of cash from one account to another without proper authority and records, providing IOUs to officers, cash books not being kept up to date, regular monthly reconciliations not taking place, regular petty cash claims not being made, End of Year Certificates not reconciling with closing balances in petty cash books, receipts not being kept to support cash paid out, petty cash vouchers not being approved, cash collected by social workers on behalf of clients not being signed by clients at handover, cash discrepancies not being investigated and documents not being uploaded on Mosaic which affected full audit trail. | <p>Moderate</p> |

| Title | Date of Report | Comments / Findings | Scale of Service |
|---|----------------|---|------------------|
| | | <ul style="list-style-type: none"> We also noted that there was no system of quality checks and spot checks by Business Support managers to ensure that Business Support staff were complying with procedures. <p>As most of the audit findings related to the operation of Business Support function, audit findings and recommendations were agreed with Acting Head of Business Support, Business Support Managers, Childrens; Services Service Managers and Director of Supporting Families. Final reports for each Centre were sent to the Corporate Director of Childrens Services, Director of HR and WD and Corporate Director Resources.</p> | |
| Eva Armsby Family Centre – Regularity Audit | Aug. 2023 | <p>This audit was a regularity visit to the Eva Armsby Family Centre, in order to provide assurance that the Council's procedures for managing petty cash, raising purchase orders, procuring goods and services, payments of invoices, purchase cards administration, inventory control, budgetary control and performance management are complied with. The administration support to the Centre is provided by the Business Support Team which is within the Resources Directorate. Please note that this audit did not cover the social work practice of the Centre as this was not within the scope. The Eva Armsby Family Service opened in 1994. The centre provides a range of child-focused services to children and their families across Tower Hamlets. The service is part of the Children's Social Care, MASH and Assessment & Intervention Service. The 2022/23 revenue budget for the Centre was £1,660,570.</p> <p>The following key issues, findings and risks were reported:</p> <ul style="list-style-type: none"> The Centre has a number of procedures in place for example on petty cash, purchase card and processing of requisitions. Most of the procedures in place had not been reviewed either by the Corporate Centre or by the Centre locally and were not subject to date and version control. A review of the petty cash payments confirmed that the Centre did not use the petty cash system regularly and goods and services were generally purchased via raising a purchase order or using a purchase card. During the period April to December 2022, only 15 petty cash payments were made totalling £203.41, and two petty cash re-impbursement claims were processed. The main items of petty cash expenses were Taxi fares, Oyster cards and provisions, all of which can be supported by cashless methods. Therefore, there was no real need and justification for having a petty cash imprest of £700.39 at the Centre. We have, therefore, recommended that this petty cash account should be closed. Audit testing of petty cash transactions showed some poor practices such as receipts not available to support petty cash payments, regular imprest claims not being made, and cash borrowed from another petty cash account. | Moderate |

| Title | Date of Report | Comments / Findings | Scale of Service |
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| | | <ul style="list-style-type: none"> • In 5 out of 8 invoice payments tested, we noted that requisitions were not completed and hence purchase orders were not raised. These invoices were paid without the supporting purchase orders. As there were no official purchase orders and payments were made after invoices were received, Council procedures were not complied with. Initially, audit testing appeared to show that the invoices were from sole traders and consultants, and it was not clear how these providers were sourced and procured. However, further conversation with the Centre Manager showed that these invoices were created by staff or ex-members of staff and submitted to the Centre for expenses incurred or for additional work done by them. Creating invoices by staff or ex-members of staff and paying them through the Creditors system was not in accordance with Council procedures and this may have income tax implications. • On a monthly basis a designated senior officer from Business Support is required to review all purchase card transactions processed on the Nat West Portal system and a different senior officer is required to approve these transactions. Audit testing showed that for the period April 2022 to January 2023, 43 purchase card transactions were not reviewed, and 39 transactions were not approved by a designated senior officer. We were informed that the approver is from Business Support and Administration team and not managed by the Social Work structure. • Our review confirmed that the budget holder received monthly budget statements. However, we were informed by the Finance Service that due to IT technical issues the budget-holder could not up-load the budget forecast information on to the Agresso system. Therefore, the budget forecast information was up-loaded on to the system by the Centre's Accountant. We were informed that due to delay in getting the budget holder to approve the budget on Agresso, it was agreed that the Accountant would upload the budget. • The Centre is required to meet key performance requirements and KPIs . We were not clear during the audit whether these KPIs have targets attached to them. We were informed by Management that there were targets for each KPI and the targets were achieved. However, as the performance management framework does not appear to be in writing, we have recommended that there should be a clear performance framework for the service to measure, monitor and report the KPIs and targets to higher level management. <p>All findings and recommendations were agreed with Business Support and Head of Service and final report was issued to the Director of Supporting Families, Corporate Director of Childrens Services, Director of HR and WD and Corporate Director Resources.</p> | |

| Opinion | | Definition |
|--------------------|---|--|
| Substantial | 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. |
| Reasonable | | 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. |
| Limited |  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. |
| No | | 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. |

Disclaimer
 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.

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| Non-Executive Report of the: Audit Committee Thursday, 23 rd November 2023 |  |
| Report of: Julie Lorraine Corporate Director, Resources | Classification: Open (Unrestricted) |
| Risk Management – Corporate and Directorate Risk Registers | |

| | |
|-------------------------------|---|
| Originating Officer(s) | David Dobbs – Head of Internal Audit, Anti-Fraud & Risk |
| Wards affected | (All Wards) |

Executive Summary

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

This report presents the Audit Committee with the opportunity to review the Corporate Risk Register (CRR) and also the Children’s Services Directorate Risk Register. This is in accordance with the Audit Committee’s decision that it will review both the Council’s Corporate Risks at all its meetings and each Directorate’s Risk Register on a rolling programme basis. The Audit Committee meeting on 30th May 2023 reviewed the Resources Directorate Risk Register and a review of the Children’s Services Directorate Risk Register is now due.

Recommendations:

The Audit Committee is recommended to:

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

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF THE REPORT

Corporate Risk Register

- 3.1 The Head of Internal Audit, Anti-Fraud and Risk continues to work with Corporate and service Directors to maintain the Corporate Risk Register. The updated register is attached at Appendix A. This register was presented to CLT on 2nd May 2023 for review and agreement.

- 3.2 The Audit Committee should review the Corporate Risks and be satisfied that the risks are appropriate. In doing so the Audit Committee may wish to consider the following questions:

- a. Are these the key, corporate level risks that might prevent the Council from achieving its objectives?
- b. Are there any key, corporate levels risks missing, bearing in mind there are many more risks being managed at Directorate and Service level?
- c. Do you want to request any of the risk owner(s) to provide a more detailed update on the treatment and mitigation of their respective risk(s) including impact on the corporate objectives?
- d. Do you require any independent assurance from Internal Audit or elsewhere that the corporate risks are being appropriately managed?

- 3.3 Since the last presentation of the Corporate Risk Register to Audit Committee, a number of changes have been made. The total number of risks on the CRR has reduced from 13 to 11. This is owing to three risks being withdrawn and one new risk being added, namely:

New Risks

CLSCCB0012: Major Health and Safety Incident

Withdrawn Risks

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.

COVID0001: Risk to essential service delivery, the workforce and public safety as a result of the coronavirus and variants of concern.

DRPCD0062: Town Hall - delay with completion beyond 2022; impacting fit out and moves programme by Dec 2022.

- 3.4 A further risk will be added shortly which relates to the Council's arrangements for accounting for VAT and complying with the related HMRC requirements. This matter was disclosed in the Council's Annual Governance Statement for 2022-23.
- 3.5 Other changes have occurred where risk ownership has been reassigned owing to officers exiting the Council, to better reflect officer's operational responsibilities, and to ensure that risks are managed at the appropriate level of seniority.

Children's Services Directorate Risk Register

- 3.6 The Audit Committee should review the risks identified for the Children's Services Directorate and be satisfied that the risks are appropriate. In doing so the Audit Committee may wish to consider similar challenge questions as those presented in paragraph 3.2.

Future Directorate Risk Register Reviews

- 3.7 Going forward the Audit Committee will be presented with the other directorates risk registers on a rolling programme, in the following order:
- The Chief Executive's Office
 - Health and Social Care
 - Communities
 - Housing and Regeneration

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.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A – Corporate Risk Register.
- Appendix B – Children's Services Directorate Risk Register

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, Anti-Fraud and Risk

Email: david.dobbs@towerhamlets.gov.uk

Detailed Risk Report (incl Control Measure Target Date)

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
|----------|---|--|---|---|--------------|---|-------|-------------|---|-------|----------------|--|
| | | | | | L | I | Total | L | I | Total | | |
| CSD0016 | Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm. | Our most recent Ofsted report (June 2019) rates Children's Social Care and Early Help service's as "Good". However, there will be a need to regularly review and scrutinise the quality of services for vulnerable young people. This scrutiny and challenge will need to have a focus on; <ul style="list-style-type: none"> Overall management oversight and quality of supervision. Compliance with core statutory and local requirements. Adherence to key safeguarding thresholds. Regular assessments of cases, and emerging /changing risks. Strong planning for children, with regular reviews to avoid drift and delay. Maintaining strong quality assurance and auditing mechanisms. | <ul style="list-style-type: none"> Harm to individual Children and young people being left in situations of risk and or unassisted harm. Poorer than expected outcomes for a child. Poor audit/review findings Reputational damage to the council. Poor Staff development and competence. Poor Quality assurance and Performance Management Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss | <p>Monthly meeting of the Continuous Improvement Board, chaired by the DCS, and involving the Lead member.</p> <p>The Tower Hamlets Children's Safeguarding Partnership, delivering the statutory multi-agency oversight of safeguarding.</p> <p>The Tower Hamlets Safeguarding Children's Partnership is jointly led by the Council, Police and CCG, and benefits from the support and challenge of an Independent Scrutineer. The Partnership provides routine oversight of multi-agency data and quality assurance findings.</p> <p>Monthly service level performance meetings held by the Divisional Director.</p> <p>Underpinned by monthly Performance Surgeries held by each Head of Service.</p> <p>Practice Week which is held twice a year (May and November) which involves all Corporate Directors and members.</p> <p>Bi-monthly and bi-annual plans in place.</p> | 5 | 5 | 25 | 4 | 4 | 16 | James Thomas | People Are Aspirational, Independent And Have Equal Access To Opportunities. |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT | |
|----------|-----------|----------------------------------|---|---|--|---|-------|---|---|-------|----------------|-----|----------------|
| | | | | | L | I | Total | L | I | Total | | | |
| Page 18 | | | | | | | | Annual Conversation with Ofsted indicated our next inspection will be the full ILACS, expected later in 2023. James Thomas <u>Required Control Measure</u> Target Date: 31/10/2023 Tower Hamlets Safeguarding Children's Partnership and increased quality assurance. The THSCP is delivering for 23/24 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews. On track James Thomas <u>Required Control Measure</u> Target Date: 31/03/2024 | | | | | |
| | CLSC00012 | Major health and safety incident | The job: including areas such as the nature of the task, workload, the working environment, the design of displays and controls, and the role of procedures. Tasks not designed in accordance with ergonomic principles to take account of both human limitations and strengths. Not matching the job to the physical and the mental strengths and limitations of people. Mental aspects would include perceptual, attentional, and decision-making requirements. | Injury/ill health/death, direct and indirect costs, disruption to service, reputational damage and possible prosecution | Existing Control Measures Arrangements and performance monitored, audited, and reviewed via Joint Health and Safety Committee 6 x corporate specialist Health and Safety Advisors, with 1 allocated to each directorate Corporate H&S training via the Learning Hub and advertised locally Provision of communication around changes in legislation, standards, and industry best practice to schools and services. Updated guidance, templates, and resources available from the H&S section of The Bridge | 4 | 5 | 20 | Required Control Measures Process required to mitigate staff from harm through residents who may be potentially violent – 'CoC' process is currently passing through DLTs/CLT Edward Farrelly <u>Required Control Measure</u> Target Date: 30/10/2023 Required Control Measures LBTH Contract Management – Guidance and Toolkit does not contain guidance around management of Health and Safety for contractors, so corporate process may be required Edward Farrelly <u>Required Control Measure</u> Target Date: Required Control Measures | 3 | 5 | 15 | Stephen Halsey |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
|----------|---|--|--|---|--------------|---|-------|-------------|---|-------|----------------|----------------------|
| | | | | | L | I | Total | L | I | Total | | |
| | | <p>The individual: including a person's competence, skills, personality, attitude, and risk perception. Individual characteristics influence behaviour in complex ways. Some characteristics such as personality are fixed; others such as skills and attitudes may be changed or enhanced.</p> <p>The organisation: including work patterns, the culture of the workplace, resources, communications, leadership and so on. Such factors are often overlooked during the design of jobs but have a significant influence on individual and group behaviour.</p> | | Investigation of accident notifications received via the online AIR Form system, in accordance with the CHSS policies and Accident Investigation procedure, with RIDDOR Accident notifications being made on behalf of schools and services | | | | | | | | |
| RS0056 | <p>The Council may overspend its budget, fail to deliver savings and rely on reserves. Reserves remain robust but there is a risk that the Medium Term Financial Strategy may require a draw down of reserves. Reserves can only be used once and therefore should not be used to plug permanent budget requirements.</p> | <p>Loss of income in particular council tax, business rates and leisure events. Poor budget management Failure to deliver savings Demographic pressures in Adult Social Care, SEND related pressures in Children's and Unfunded discretionary expenditure from temporary reserves.</p> | Significant financial losses, overspent budgets, drawn down on reserves. | <p>Financial Measures CLT and SLT have prepared savings proposals of £10m for the next financial year, with a further circa £40m to be identified over the MTFS period</p> <p>Financial Actions Increased focus on budget management. Budget Managers Handbook Issued. All budget managers directed by CLT to remain in budget. High risk budgets reviewed by the Corporate Director Resources or the Director of Finance, Procurement and Audit. Redoubled efforts to deliver previously agreed savings proposals.</p> | 5 | 4 | 20 | 4 | 3 | 12 | John Harrison | Risk Corporate Plans |
| | | | | <p>Investigation of accident notifications received via the online AIR Form system, in accordance with the CHSS policies and Accident Investigation procedure, with RIDDOR Accident notifications being made on behalf of schools and services</p> | | | | | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
|----------|---|--|--|--|--------------|---|-------|--|---|-------|-------------|--------------|-------|----------------|-----|
| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| ORG0027 | There is an ongoing risk of a cyber attack and/or major loss of IT. | Cyber attacks could include ransomware, denial of service, social engineering, phishing, malware and/or an active attack exploiting network security vulnerabilities. Attacks could be enabled through miss-sent emails, inappropriate sharing, insecure design, inappropriate access, introduction of unauthorized software to the network, users clicking on phishing scam email links, and/or divulging sensitive information | Significant and prolonged loss of IT services. Inability to deliver critical and essential services. Failure to comply with statutory duties or other legal responsibilities. Breach of data protection legislation Financial loss Reputational damage | <p>Current activity</p> <p>Internal internal and external reviews.</p> <p>Internal vulnerability scanning is on-going, occurring every week and the critical / high vulnerabilities discovered continue to be escalated for urgent remediation.</p> <p>Annual independent penetration tests.</p> <p>Implementation of a SIEM solution</p> <p>Recruiting additional specialist resources to support the SIEM.</p> <p>Take a risk-based approach to data security.</p> <p>Embed the risk assessment culture within service delivery.</p> <p>Ensure architectural decisions taken are supported by adequate risk assessments.</p> <p>Ensure Policies are aligned with identified risks and communicated effectively.</p> <p>Ensure policy exceptions are supported with fully documented and signed off risk assessments and controls are continually monitored</p> <p>Review of BCP</p> <p>At the request of the Corporate Directors of Health, Adults and Community, Internal Audit reviewed a sample of BCP's in quarter 4 of 2021/22 to form a view on whether the BCP's adequately address a complete loss of IT infrastructure for a prolonged period. The outcome was complete and was presented to CLT members and the CCB in June 2022. Actions and recommendations shared to inform ongoing improvements.</p> <p>Proposed follow up of updates / improvements during 2022/23 IA</p> | 4 | 4 | 16 | <p>Zero Tolerance to unsupported software in the council live environment without a mitigation plan in place.</p> <p>Recent events with a number of local authorities have led to severe disruptions and impacted their ability to deliver key services. In an attempt safeguard LBTH from such an event a Zero Tolerance approach to "unsupported software" will be adopted. This will include:</p> <ul style="list-style-type: none"> - Run weekly vulnerability scan (NESSUS) - Identify and publicise any systems that have unsupported software installed - For those systems identified: <ul style="list-style-type: none"> - If non-production, disable immediately - if production, Applications Team to work with the Service and Information Security to identify the most appropriate course of action. <p>11 Oct - moved owner to MU, remaining list of unsupported software to be supplied and action plan agreed to address by end of FY</p> <p>Mary Umoh</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/10/2023</p> <p>Governance</p> <p>The terms of reference for the Strategic Information Governance Board need to be reviewed and agreed by CLT. Consideration to include oversight of cyber security matters. The action is being incorporated into the IG</p> | 4 | 3 | 12 | Adrian Gorst | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
|----------|-------|----------|--------------|---|--------------|---|-------|---|---|-------|----------------|-----|
| | | | | | L | I | Total | L | I | Total | | |
| | | | | <p>Plan and beyond to maintain effectiveness of BCP plans.</p> <p>Cyber Security/Attack Exercise</p> <p>The Council has run a table top cyber security/attack scenario with both CLT and the CCB. Lessons learned have been identified and actions will be assigned to responsible officers and monitored by the CCB.</p> | | | | <p>Review which is progressing and reporting into the Support Services Board.</p> <p>New Head of IG starts in Oct and full review of the IGG and SIGB will be carried out</p> <p>TOR's in draft will be signed of by newly formed SIGB by the end of June.</p> <p>Raj Chand</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 30/06/2023</p> <p>Information/Cyber Security Incident Response Procedures</p> <p>The Council's Information/Cyber Security Incident Response Procedures need to be reviewed and updated with key details .</p> <p>This has been updated to include the cyber security mailbox as first point of contact. Adding individual names would need the document to be updated regularly as staff leave and so this should be the roles rather than specific names and contact information. Roles to be included to be discussed at the most appropriate forum, tbd.</p> <p>12/01/23 - independent assessment due Q4 FY22/23 which will evidence be used to evidence the CM</p> <p>The Incident response policies and procedures have been reviewed by external SMEs and recommendations are being drafted for SIRO sign-off by September Security Monthly Operations Meeting (MOM).</p> | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT | |
|----------|---|--|---|---------------------------|--------------|---|-------|-------------|---|-------|----------------|---------------|--|
| | | | | | L | I | Total | L | I | Total | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| RSB0228 | There is a risk that the statement of accounts will received a qualified opinion for 2020-21. | External audit of the statement of accounts and the subsequent findings/outcome. | Qualified opinion on statement of accounts. Reputational damage to the Council. | | 4 | 4 | 16 | | 2 | 2 | 4 | John Harrison | A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To |

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| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
|----------|---|--|---|---|--------------|---|-------|---|---|-------|-------------|---------------|--|----------------|-----|
| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| ASD0015 | Death or serious harm to a vulnerable adult who was or should have been, in receipt of services, either from the council or a partner agency. | There is a failure of one or more of the controls in place to identify the degree of risk to a vulnerable adult (multi-agency safeguarding procedures) Poor practice, insufficient information sharing and/or inadequate management oversight. Failure of quality control systems. Service user fails to work to agreed partnership / agency arrangements. Poor communication and partnership work. Poor resourcing of service areas against increased demand. Local authority contracted out service do not have sufficiently robust safeguarding arrangements. | Harm to an individual. Reputational damage to the Council. Potential for legal proceedings against the council leading to financial loss. Loss of confidence in safeguarding capability. | Safeguarding issues as part of contract management procedures Procedures overseen by Joint Director for Integrated Commissioning - contract management procedures continue to focus on safeguarding. Care Quality Commission embargo list used. This list is available from the Care Quality Commission highlighting all providers where the CQC has raised concerns. London ADASS branch circulate any service suspensions or restarts due to safeguarding concerns and these are passed to the Brokerage service. Provider Concerns and interface with Adult Safeguarding is a standard agenda item at Joint Adult Social Care and Integrated Commissioning Senior Management Team meeting. Failed visit policy and procedures in place. The Failed visits policy and procedures were originally agreed in 2018 and have been reviewed over the last year. They are currently in use and should be reviewed and amended if necessary annually. | 3 | 5 | 15 | Oversight through management reporting Social workers have 1:1 supervision monthly on their casework includes safeguarding cases. Safeguarding case work is managed via s.42 Safeguarding Procedures in line with the Care Act 2014 High risk cases are present to the High-Risk panel The Senior Management Team managers are responsible for the review and monitor Adult Safeguarding cases in their services in supervision with their Team Managers. The Principal Social Worker leads on implementing learning from Safeguarding Adult Reviews in the Council alongside the Safeguarding Adults Board Hoarding Panel. Evictions Panel - MH Cases - supported accommodation in borough. Safety Huddles / MDTs with GP's Interface documents - pending. Waiting List - RAG rated Katie O'Driscoll <u>Required Control Measure</u> Target Date: 31/03/2024 Information campaigns to raise awareness of safeguarding with oversight from Safeguarding Adult's Board This is an ongoing priority for the Safeguarding Adults Board and includes the annual 'Safeguarding Month' campaign in November each year. The Independent Chair takes a key role in this and | 2 | 5 | 10 | Denise Radley | People Are Aspirational, Independent And Have Equal Access To Opportunities. | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
|----------|-------|----------|--------------|---------------------------|--------------|---|-------|---|---|-------|-------------|---|-------|----------------|-----|
| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| | | | | | | | | <p>all SAB partners participate. Specific campaigns are run at other times including financial abuse & scams, modern slavery, domestic abuse etc.</p> <p>Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 31/03/2024</p> <p>5 year (2019 – 2024) Safeguarding Adults Board Strategy</p> <p>The actions within the SAB strategy aim to mitigate the risks associated with safeguarding. These are linked to the principles of Safeguarding with is Empowerment, Prevention, Proportionality, Partnership, Protection and Accountability. They are also linked to the principles of Making Safeguarding Personal. The SAB will be focusing on 3 key priorities relating to transitions, self neglect and homelessness.</p> <p>Katie O'Driscoll</p> <p><u>Required Control Measure</u> Target Date: 31/03/2024</p> <p>Safeguarding Adult Reviews Action Plan - implementation of recommendations of all SARs</p> <p>We have a Safeguarding Adults Review Tracker in place to monitor and oversee the implementation of actions arising out of Safeguarding Adult Reviews.</p> <p>This is monitored for the Safeguarding Adult Review sub group and Board.</p> | | | | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
|----------|--|--|--|---|--------------|---|-------|---------------------------|--|-------|-------------|---|-------|----------------|--|
| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| | | | | | | | | | Katie O'Driscoll <u>Required Control Measure</u> Target Date: 31/03/2024 | | | | | | |
| PLC0013 | Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety. | Accountability for fire safety is not correctly designated, communicated and understood Fire Risk Assessments: * are incomplete, inadequate or not carried out in accordance with the latest advice from DCLG and fire and rescue services * are not published in accordance with the Mayor's commitment * do not include the time limits on recommendations Fire Risk Assessment Action Plans: are not produced and/or delivered within appropriate timescales Limited current contractor supplier chain for scale of identified fire safety works Constrained and limited ability for Tower Hamlets Homes to complete all the Fire Risk Assessment work identified in the new round of comprehensive Fire Risk Assessments Unable to justify block prioritisation policy for programmes of Fire Risk Assessment works Leaseholders do not fit fire rated flat entry doors | Loss of life Loss of housing stock Lobbying and/or protesting The council and local housing management organisations lose the trust of residents Individual prosecution under a number of Acts of Parliament and common law offences with potential penalties including unlimited fines and a maximum of life imprisonment Corporate prosecution with potential penalties of unlimited fines, remedial orders and publicity orders Adverse national media coverage Uninsured financial loss Council perceived as not having fulfilled statutory duty to keep local housing conditions under review | Work with MHCLG to ensure owners of private residential tower blocks are taking measures to ensure their residents safety 1. Officers within the Council, representing Environmental Health, Planning, and Building Control, and Housing and Regeneration meet weekly at the Fire Safety meeting, to discuss progress with the remediation of ACM from tall buildings, this also includes progress on responses to EWS survey. Information from the EWS survey is inputted into the Department for Levelling Up's (DLUHC) DELTA system and details of the information received are sent to a Technical Officer in the Building Control Team for analysis. 2. Council Officers are in weekly contact with the GLA on the progress of each development's individual grant application to remediate ACM from particular buildings and this is reported back to the Fire Safety Meeting. 3. This has now progressed to EWS work and applications to the Department for Levelling Up's (DLHUC) BSF fund to remediate materials of concern other than ACM. 4. Likewise Officers are in regular dialogue with DLUHC on buildings that are of concern and also to discuss various freeholders and managing agents who are not | 3 | 5 | 15 | | | | | | | Karen Swift | A Borough That Our Residents Are Proud Of And Love To Live In. |

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

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

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
|----------|--|--|------------------------------------|---|--------------|---|-------|---|---|-------|-------------|-----------|--|----------------|-----|
| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| CS0014 | <p>There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems.</p> <p>The Council may also fail to meet the requirements of the Data Protection Act 2018 related to the use and management of video surveillance systems.</p> | <p>A lack of appropriate governance, policy and standard operating procedures.</p> <p>No asset registers for surveillance systems.</p> <p>Out of date or missing Data Processing Impact Assessments</p> <p>No SLAs with major stakeholders such as the Police and Transport for London</p> <p>A lack of compliance with agreed governance, policy and procedures.</p> <p>An inspection by the Surveillance Camera Commissioner.</p> <p>An inspection by the Information Commissioner.</p> <p>A freedom of information request.</p> | Financial, legal and reputational. | <p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> <p>Ensure DLTs and Directors are appraised of progress and risks.</p> | 3 | 4 | 12 | <p>Improvement Action Plan Completion</p> <p>Update the action plan to ensure progress against the requirements & regulations - this is a cross-Council action plan as services sit within multiple directorates. Draft the Council policies and procedures. All the client departments such as Parks, FM, Parking and CCTV will need to ensure that they implement the action plan, policies and procedures. The action plan will be monitored by the Information Governance Board. Each client department to nominate a lead, a Single Point of Contact (SPOC) who will be responsible for all operational matters relating to surveillance cameras and they will act as the main contact point for anything related to surveillance camera systems. They SPOCs will support the SRO regarding compliance with Protection of Freedoms Act.</p> <p>Joseph Lacey-Holland</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/03/2023</p> <p>Service Actions</p> <p>Ensure an updated DPIA is in place for all departmental VSS systems.</p> <p>Ensure DPIAs are quality assured by Information & Governance Team and signed off</p> <p>Ensure robust information sharing agreements are in place where appropriate for all departmental VSS</p> <p>Ensure Asset management registers are maintained.</p> | 2 | 2 | 4 | Raj Chand | A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To | | |

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

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
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Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
Sam Brown
Required Control Measure
Target Date:
31/03/2023
 Service Actions

Ensure an updated DPIA is in place for all departmental VSS systems.
 Ensure DPIAs are quality assured by Information & Governance Team and signed off
 Ensure robust information sharing agreements are in place where appropriate for all departmental VSS
 Ensure Asset management registers are maintained.
 Ensure DLTs and Directors are appraised of progress and risks.
 A new DPO has been appointed and a new Head of IG is starting on 17th Oct. This action will be fully reviewed then.
Raj Chand
Required Control Measure
Target Date:
30/12/2022

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
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| | | | | | L | I | Total | L | I | Total | L | I | Total | | |
| ORG0026 | There is a risk the Council will be unable to deliver critical and essential services. | Denial of access to, or loss of one or more of the following (4 P's): People – Example -Staffing loss due to industrial action or pandemic Places – Example - Premises/ Location unable to carry out services due to fire/flood/utility failure etc. Processes – Example - Essential Software loss due to Cyber Attack, Office Equipment, Mobile Devices or Vehicles Providers – Example – Failure of Commissioned Providers & Suppliers | Loss of one or more of the 4 P's may impact on these area's - Inability to deliver, or disruption to Critical Services - Finance - Reputation - Delivery of KPI's - Safeguarding/ Health & Safety | A fully functioning and embedded Business Continuity Framework The Corporate Leadership Team has adopted a business continuity policy and civil contingencies arrangements. The development & maintenance of these arrangements is managed through the Civil Contingencies Board which is chaired by Denise Radley. The CCB meeting quarterly and more frequently when required. In 2019/20, new business continuity software (Clearview) to support directorates and services to manage key risks was implemented. This software will be upgraded to 'Castellan' during late 22/23 once all BC plans are up to date on the current ClearView system. | 3 | 4 | 12 | Ownership of Business Continuity (BC) at senior level (CLT/DLT) and embedded into culture of the organisation. Corporate Directors to ensure BC is a standing agenda item at DLT Meetings and Directors are held to account for: - Approving reviews and updates to BC plans within their areas - Providing assurance that their plans are active and exercised to test effectiveness, and - Attending relevant BC and ClearView training. Where failures in BC processes are found, record the action that is taken to rectify. N.B. Directors - Approve all BC plans and reviews in their areas on time - Ensure Service Managers take ownership of their plans, that they are updated and submitted for review every 6 months - Confirm plans have manual workarounds in the event of failure/denial of one or more of the 4 P's - Ensure BC Plans of commissioned providers within their areas are audited in line with the services RTO's (Recovery Time Objectives) - Require Service Managers to attend relevant BC and ClearView training, and Simon Smith <u>Required Control Measure</u> Target Date: 31/03/2024 | 3 | 4 | 12 | Stephen Halsey | A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
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| | | | | | | Provision of monthly management information to DLT's, and Directors. The CPU will provide a monthly report from the Business Continuity Management System providing relevant management information to DLTs and directors, and the provision of support to directors to achieve good levels of compliance. Simon Smith <u>Required Control Measure</u> Target Date: 31/03/2024 Annual Audit of Business Continuity Plans In 2022 a consultancy review 'Testing of Business Continuity Plans' was conducted by Internal Audit. It is proposed that this is conducted again at the end of the year to review progress against the recommendations. An annual audit thereafter will provide assurance as to compliance and resilience of the organisation. Simon Smith <u>Required Control Measure</u> Target Date: 31/03/2024 | | | |
| PLC0023 | Failure to prepare and take action in relation to the Building Safety Act | Lack of leadership Insufficient resources Poor understanding of the requirements and consequences Passage of the bill is faster than anticipated | Potential Injury or death of residents Criminal and/or civil litigation for the Council and/or individual senior leadership Delays in construction Regulatory breaches Financial penalties | Research, Legal Advice and Monitoring Key officers are involved in researching the implications of the bill Legal advice has been sought LBTH/THH Building Safety Bill Group monthly meetings to monitor impact and progress and sub-groups to consider impacts and develop new processes. | 3 4 12 | Key actions a. Develop appropriate Resident Engagement Strategies and inform tenants and leaseholders about the Building Safety Act 2022. In Progress: THH have communicated with residents in the September 2022 leaseholder newsletter. A Letter to landlords and building owners in the borough has been prepared and sent to all building | 2 3 6 | Karen Swift | A Borough That Our Residents Are Proud Of And Love To Live In. |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
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| | | | <p>Poor building safety</p> <p>Reputational damage</p> | <p>Liaise with London wide forums and Federation of ALMOS on implementation</p> <p>Obtain Human Resources advice when required.</p> | | | | | | | | |
| | | | | | | | | <p>owners with buildings above 18m to try and ensure that they are aware of their responsibilities. The resident engagement strategy needs to be produced before April 2024, the strategy will require consultation with residents.</p> <p>b. Communicate the likely impact of the Building Safety Bill/Act to Members, CLT and DLT. Complete: Presentations have been made to CLT, DLT and discussion with members have taken place regarding the Act. Conversations have continued as the Act passed through Parliament and has become legislation, with updates being shared with the relevant people/groups. New members and the Mayor have been briefed on the Building Safety Act.</p> <p>c. Working with LBTH, Legal Services, CLT and Members to examine the responsibilities linked to the Bill. Complete: Presentations/discussion are taking place, taking into consideration the changes from the draft Bill to the Bill that was published on 5 July 2 and factsheets published in Oct 21. The Building Safety Bill received Royal Assent 28 April 22 - the Building Safety Act Working Group discusses the impacts and preparedness considering any changes from the Bill. LBTH will assist with any clarifications the Building Safety Act group require in relation to</p> | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
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| | | | | | | | | changes made to the Act when it was enacted and subsequent legislation. | | | | | | | |
| | | | | | | | | <p>d. Calculate the additional resources required to comply with the Bill when enacted</p> <p>Complete: THH and LBTH building safety bill related growth proposals for 2022/23 onwards have been approved as part of the budget setting process. Both growth proposals are for funding the new additional roles required to deliver the building safety regime. LBTH's growth proposal is for £108K for 2021/22 and £356k thereafter. THH approved growth proposal is £476k p.a from 2022/23 onwards. In addition THH had £350k previously approved for 2021/22. Additional growth may be required in response to the Government releasing secondary legislation.</p> <p>e. Consider appointing a building safety lead in the council to undertake the assurance work needed for the council to carry out its Accountable Person role. Complete: David Leslie, commenced with the Council as our Building Safety Lead. The Building Safety Lead will be responsible for the preparations for the building safety regime. Once the Building Safety Act is fully implemented the Safety Lead will oversee relevant department's/THH's delivery of aspects of the Council's building safety regime, ensuring the Council is compliant with the Act.</p> | | | | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
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David will be the named person (on behalf of the Council, as Accountable Person) for the Building Safety Regulator and will review all statutory returns before submission to the Regulator.

f. Consider appointing a specialist advisor for support with the Safety Case reviews.
 Complete: THH has procured Adelard to assist with developing the Safety Case template, provide licences and training to use their IT system and support for a period. THH will commence training with Adelard towards the end of April 22.

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

h. Potentially review existing contracts to ensure they comply with the Bill's requirements.
 In progress: LBTH Legal has been asked to carry out the review. - Complete - R Ward

i. Investigating digital storage methods to maintain the "Golden

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
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| | | | | | | | | | <p>Thread of information" (GTI). In progress: Goy Roper and his colleagues from Socitm Advisory have provided an interim IT scoping report which considers the options for the GTI and other ICT requirements related to delivering LBTH's building safety regime. Theo Langlais, IT Project Manager will take the IT scoping/delivery project forward alongside the Building Safety Lead. Further scoping of the technology requirements will be progressed. David Drury 'Business Analyst' has been assisting with scoping for the ICT project to ensure relevant stakeholders are involved. An ICT solution 'www.activeplan.co.uk' has been secured by THH on a year's contract to allow more time us to investigate a more bespoke system .</p> <p>j. Seek Cabinet approval. In Progress: A Shadow Building Safety Framework report was approved by Cabinet on 27/11/21. Approval included progressing appointing to the Building Safety Lead role, appointing THH as interim Building Safety Manager (amendments made to the Bill in April 2022 removed the Building Safety Manager role with all duties now sitting under the Accountable Person) and make necessary changes to the constitution where necessary. As the Bill received royal assent on 28 April 2022 there will be consideration into whether the</p> | | | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Required Control Measures | | | Target Risk | | | Responsibility | CPT |
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| | | | | | | | | | <p>Council's (including THH's) building safety framework for residential buildings needs revising. This is pending the publication of secondary legislation and an understanding of the full requirements of the Act.</p> <p>Cabinet approval will be sought for any changes to the framework around the time of full implementation of the Act (prior to October 2023).</p> <p>k. Review THH's Preparedness for their building safety responsibilities (previously classed as the Building Safety Manager)</p> <p>- LBTH Internal Audit has examine THH's arrangements and plans for readiness for implementing the Building Safety legislative requirements and meeting regulatory requirements for Council's owned-buildings managed by THH. The Audit report provided "reasonable assurance" in June 2022.</p> <p>THH have delayed the initial pilot safety case a number of months now, staffing seems to be the biggest issue.</p> <p>The Building safety roles that were agreed by cabinet have not be filled yet and are unlikely to be filled before April 2023.</p> <p>Karen Swift</p> <p><u>Required Control Measure</u></p> <p>Target Date: 11/04/2023</p> | | | | | | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
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| ICT0081 | Exploitation of supply chain security vulnerability impacting vendors/partners/service s | Cyber attack exploits vulnerability of key supplier Key supplier has inadequate DR and BC to recover from attack in a timely fashion | Inability to deliver services as a result of service outage or disruption – e.g. exploitation of log4j vulnerability in line of business applications Attack is terminal for the supplier i.e. triple threat - ransom of data, deletion of data, publicly expose data | Threat intelligence We receive threat intelligence through Information Security for London and other sources which provides visibility of incidents affecting other organisations so we can prepare our defences Technical Controls We have a wide range of technical controls monitoring our environment for unusual activity which depending on the risk are automatically blocked or flagged for investigation Contractual measures Contracts which require third parties to advise us in a timely way if they are subject to a cyber security incident | 2 | 3 | 6 | 2 | 2 | 4 | Steven Tinkler | |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
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| <p style="text-align: center;">Page 139</p> | | | | | | <p><i>Adamx Evans</i> <u>Required Control Measure</u> Target Date: 06/11/2023</p> | | | |
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Detailed Risk Report (incl Control Measure Target Date)

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
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| CSD0016 | Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm. | Our most recent Ofsted report (June 2019) rates Children's Social Care and Early Help service's as "Good". However, there will be a need to regularly review and scrutinise the quality of services for vulnerable young people. This scrutiny and challenge will need to have a focus on; <ul style="list-style-type: none"> Overall management oversight and quality of supervision. Compliance with core statutory and local requirements. Adherence to key safeguarding thresholds. Regular assessments of cases, and emerging /changing risks. Strong planning for children, with regular reviews to avoid drift and delay. Maintaining strong quality assurance and auditing mechanisms. | <ul style="list-style-type: none"> Harm to individual Children and young people being left in situations of risk and or unassisted harm. Poorer than expected outcomes for a child. Poor audit/review findings Reputational damage to the council. Poor Staff development and competence. Poor Quality assurance and Performance Management Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss | <p>Monthly meeting of the Continuous Improvement Board, chaired by the DCS, and involving the Lead member.</p> <p>The Tower Hamlets Children's Safeguarding Partnership, delivering the statutory multi-agency oversight of safeguarding.</p> <p>The Tower Hamlets Safeguarding Children's Partnership is jointly led by the Council, Police and CCG, and benefits from the support and challenge of an Independent Scrutineer. The Partnership provides routine oversight of multi-agency data and quality assurance findings.</p> <p>Monthly service level performance meetings held by the Divisional Director.</p> <p>Underpinned by monthly Performance Surgeries held by each Head of Service.</p> <p>Practice Week which is held twice a year (May and November) which involves all Corporate Directors and members.</p> <p>Bi-monthly and bi-annual plans in place.</p> | 5 | 5 | 25 | 4 | 4 | 16 | James Thomas | People Are Aspirational, Independent And Have Equal Access To Opportunities. |
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| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT | |
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| | | | | | | | | Annual Conversation with Ofsted indicated our next inspection will be the full ILACS, expected later in 2023. James Thomas <u>Required Control Measure</u> Target Date: 31/10/2023 Tower Hamlets Safeguarding Children's Partnership and increased quality assurance. The THSCP is delivering for 23/24 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews. On track James Thomas <u>Required Control Measure</u> Target Date: 31/03/2024 | | | | | |
| CSD000004 | Quality of provision for children with SEND in LBTH local area | The last local area SEND inspection identified significant failings, particularly in respect of oversight of EHC plans. The local area is subject to monitoring from the DfE on our Written Statement of Action - should the DfE determine that there is insufficient progress on the WSoA, this could trigger a full Ofsted Local Area SEND inspection. An Inspection of Local Authority Children's Services is anticipated in the autumn of 2023 which will also include scrutiny of this area. | Local area is unable to meet the needs of children and young people with SEND Increased pressure on the DSG Statutory deadlines not met and poor response times to communications from parents/carers Lack of confidence and trust in SEND provision in the local area | | 5 | 4 | 20 | Action owners - John O'Shea, Lewis Teasdale, Emma Shelton Increase the number of SEN Caseworkers. Implement EHCP and Annual review workflow tracking through Synergy. Implement quality Assurance process for EHCPs and annual reviews and associated workforce training and development. Signpost available support to parents/cares prior to requesting an EHCP needs assessment. Increase capacity of Educationla Psychology Service by 4 EPs John O'Shea <u>Required Control Measure</u> Target Date: 31/08/2024 Recovery plans | 4 | 3 | 12 | Lisa Fraser | |

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| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
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| | | | | | | <p>Recovery plan in place to address known weakness: EHCP and timeliness and quality Annual reviews DSG recovery plan in place Send Improvement Action Plan and the Witten Statement of Action with oversight from SEND Improvement Board DSG Recovery plan in place Weekly monitoring of EHCP timeliness and quality includes Educational Psychology and therapy advices Capacity of the SEN Caseworkers increased to address increased demand and process out of date EHCPs and Annual Reviews. Lisa Fraser <u>Required Control Measure</u> Target Date: 31/08/2023</p> | | | |
| CSDLA001 | <p>Special Educational Needs (SEN) Budgets over-spend including transport costs. There remains a significant deficit in the High Needs Funding block subject to a Management Plan monitored by the DFE – which will be updated for October 2021.</p> | <p>Local population growth along with the numbers of children with very complex needs.</p> <p>Significant influx of children with complex needs move into the borough from abroad.</p> <p>New legal framework extends Council duties to children 0-25.</p> <p>Not enough special school places locally.</p> <p>The quality of data held on the system produces inconsistent data reports and a lack of clarity in</p> | <p>Pressure on service resources and budgets</p> <p>Over stretched staff can't complete statutory duties in a timely fashion.</p> <p>Parents take out tribunals against the Council who award them expensive placements</p> <p>Data does not accurately reflect the correct numbers and the finance module is ineffective in tracking spending.</p> | <p>Monthly monitoring of budgets in place.</p> <p>Monthly monitoring of budgets in place.</p> <p>New budget codes set up to separate different elements of funding and improve tracking of spending.</p> <p>New requests of assessment tracked.</p> <p>SEN Grant funds ceased in 2017 and so the current additions to capacity within the service are being sourced by the Children's Finance Team – who are also working on the DSG Recovery plan above.</p> <p>New IT system to be procured though implementation has been delayed. Present IT system modified to accommodate new reporting</p> | 5 4 20 | <p>Children's Digital Steering Board</p> <p>The MIS for SEN, Synergy is undergoing a full review from the Children's Digital Steering Board and the data issues are currently scrutinised by the SEND Improvement Board. John O'Shea <u>Required Control Measure</u> Target Date: 31/12/2021 Further training</p> <p>Further training and work on quality assurance and tracking systems is being put in place with the Strategy and Performance team - This work is being scrutinised and monitored by the SEND Improvement Board.</p> | 4 4 16 | John O'Shea | A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT | |
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| | | terms of the real picture for SEN. | | <p>requirements. New budget codes set up to separate different elements of funding and improve tracking of spending.</p> <p>New requests for EHCP assessment tracked. all new requests for EHCP assessments are now tracked. Improved SEN IT system in place and compliant with all aspects of new legal framework Improved dedicated SEN IT system in place and compliant with all aspects of new legal framework Training Service Staff have undergone recent training (May 2021). Funding The use of the Government capital funding for SEND has meant that 3 special schools have been expanded to meet current capacity and additional resource bases have been set up in 2 primary schools. A further £2.8million pounds of funding has been received and working with the Schools Sufficiency team and schools we will continue to expand resource provision in local schools.</p> | | | | John O'Shea | | | | | |
| | | | | | | | | <u>Required Control Measure</u> | | | | | |
| | | | | | | | | Target Date: | | | | | |
| | | | | | | | | 31/12/2021 | | | | | |
| CSD0025 | Poor pupil placement planning | Surplus places above expected limits - schools not full to capacity Lack of planning and future projection of school places based on birth rate and demographic data | Schools with deficit budgets as per pupil funding declines or schools full to capacity and no places for additional pupils in the Borough Transport costs increase if pupils go out of Borough Borough does not meet its statutory duties | Planning and Oversight SEND School Sufficiency Plan 2021 – 2023 Primary Review School Organisation Changes Plan Sustaining Church of England Provision in Tower Hamlets Oversight from Capital Programme Board | 3 | 5 | 15 | Data analysis More precise data on demographics considering the impact of the pandemic, declining birth rates, Brexit and pan-London migration patterns Families moving out of the Borough/London as a result of Brexit and/or more flexible working arrangements Anlysis for be refined to include | 1 | 5 | 5 | Lisa Fraser | People Are Aspirational, Independent And Have Equal Access To Opportunities. |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
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| | | | | | | different localities across the Borough. Terry Bryan <u>Required Control Measure</u> <u>Target Date:</u> <u>28/11/2024</u> | | | |
| CDCYJ000 1 | Incidents of serious violence where children/young people are simultaneously open to YJS and CSC (current CIN, CP, CLA, or Care Leavers) have perpetrated harm or been victims of harm. April 1st 2022 to date there have been 22 violent related incidences pertaining to 20 young people. Of the 20 young people 6 were open to Youth Justice Service (YJS) at the time of the incident. The 6 open to YJS at the time of the incident 4 were known to Children's Social Care | Tensions between groups of children continue to be a concern within LBTH. The children involved at times may consider themselves to be aligned to a particular group but this is transitory. There is a far greater concern around co-offending groups within LBTH than gangs. Children move between co-offending groups rather than belonging to an identified gang. | Risk of serious harm or death to the young people concerned. Risk of harm to community members who may inadvertently become caught up in the incident. Reputational risk to Local Authority and poor media coverage. | Better co-ordination of intelligence through the appointment of a data analyst A Data Manager has been appointed in the YJS in 2018. An Exploitation Team was set up in Children's Social Care in 2018. A Data Analyst was appointed in the Exploitation Team in January 2020. Partnership working between YJS, Exploitation, Police, MAPPA and through the monthly multi-agency MARP meetings will monitor and control this risk. | 3 4 12 | Targetted or/and specialist intervention Targetted or/and specialist intervention with young people and their families from a range of services within the Community Safety partnership. Monitoring of intelligence through the monthly gangs unit meetings (with the expectation that YJS representative is invited if a case open to YJS is up for discussion) and daily police intelligence meetings in the Youth Justice Service. Regular reviews to assist risk management using the monthly MARP Panel. Serious Youth Violence Strategy and steering group currently in process - lead is Rachel Ringham, Exploitation Team. The Exploitation Service have 5 intensive support workers who provide specialist intervention for children being harmed through exploitation and violence. From April 2022 to date we have supported over 80 children directly with intensive support. The service also provides additional support to professionals working with children being harmed outside the home. In Q3 of 2022-2023 the service attended 44 strategy meetings to provide support and intelligence, undertook 34 consultations with professionals | 3 3 9 | Susannah Beasley-Murray | People Are Aspirational, Independent And Have Equal Access To Opportunities. |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
|-----------|--|---|--|--|---------------------------|--|--------------------------|-------------------------|--|
| | | | | | | and trained 54 professionals in harm outside the home. Continue the development of the locations work to make community spaces and places safer for children. Ensure that appropriate representatives are in attendance a MACE to ensure the child's network is represented. Development of the adolescent offer across the division is currently underway to ensure an effective framework to manage harm and risk outside of the home. Start to develop a plan for more intensive support at a lower level to try to prevent the escalation of risk and harm that is evidentially clear from the research done Susannah Beasley-Murray <u>Required Control Measure</u> Target Date: 30/09/2023 | | | |
| CSDSC0003 | Quality of practice could be impacted negatively by an increased staff churn as a result of high caseloads, poor service offer and ineffective management. Currently caseloads remain on average at an acceptable level. However, in line with the national picture there has been an increase in staff turnover and vacancies which can affect caseloads in areas such as Assessment and Intervention. Caseloads are reviewed on a monthly basis by the Director of Supporting Families and the | The combined impact of Covid, austerity and Brexit. | Inability to meet statutory responsibilities to expected standards. Poor decision-making for children and ineffective impact of professional practice on children's outcomes. Increase in escalations by QA staff as well as partners. Increase in staff leaving, exit interview and other feedback indicating ineffective practice system; SW health Checks; complaints; JR/legal challenges. | Monitoring Staff recruitment and retention data is reviewed monthly at the divisional improvement board. | 3 3 9 | Recruitment and Retention We are updating our recruitment and retention policy in order to ensure that we are able to recruit social workers and retain them. Although we have a history over the last three years of a stable workforce and good recruitment traction (in sharp contrast of our neighbouring authorities). However, post covid and with the cost of living issues the trend is changing. There has been an increase of staff leaving permanent positions to earn higher salaries as agency workers. We are updating our recruitment and retention policy in order to ensure that we are able to recruit social workers and | 3 3 9 | Susannah Beasley-Murray | A Dynamic Outcomes-Based Council Using Digital Innovation And Partnership Working To |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk L I Total | Required Control Measures | Target Risk L I Total | Responsibility | CPT |
|-----------|---|---|---|---|---------------------------|--|--------------------------|-------------------------|--|
| | Corporate Director. | | | | | retain them. We are also working Pan London with the other Local Authorities to take forward initiative to improve recruitment and retention. Some of the initiatives being considered – eg apprenticeships targeting the local communities will have initial funding implications Susannah Beasley-Murray <u>Required Control Measure</u> Target Date: 31/03/2024 | | | |
| CSD0026 | Failure to provide sufficient childcare. | Insufficient places to support the provision of the free early education entitlements (FEEE) due to closure of PVI settings because of falling demand or other financial challenges for settings during and post-pandemic. Historically, a low take up has been attributed to cultural factors of the large BAME population | Eligible parents may not be able to access a FEEE place (or a place near enough to their home). This is especially true for Early Learning for 2-year olds and/ or 30 Hours Childcare. This could lead to LBTH failing in statutory duties; "Local authorities are required to ensure sufficient childcare." Community perception of increased Covid risk to BAME may see providers reduce funded places in favour of paid if business is struggling. | Funding, planning and publicity So far funding of FEEE has remained at "normal" level, however since Spring 2021, funding is to be paid based on actual numbers attending; income may not now cover expenditure for providers. Currently planning business support for providers towards recovery. Increased publicity and outreach, introduction of 'parent portal' to make application easier | 2 4 8 | Communication Promotion and publicity of FEEE to encourage eligible parents to take up their place. Specific work with providers to help them to promote themselves and to maximise their occupancy. Update information to dispel Covid myths. (exploring co- production with HV) Abdul Quddus <u>Required Control Measure</u> Target Date: 31/12/2023 | 2 3 6 | Lisa Fraser | |
| CSDSC0002 | There is a continued risk of rising demand which places pressure on current staffing levels and resources. Since the return of schools to full time "on-site" curriculum, referral levels have gradually risen as school staff have identified concerns for young people. At present we | A potential cumulative affect of Brexit, austerity and Covid-19. | Inability to meet demand/statutory responsibilities within budget leaving risk and poor morale. Overspend on General Fund . Increased threat of JR leading to insurance/legal costs as well as adverse media attention and poor findings from audits/ reviews. Impacts on staff | Demand Management and Monitoring SLT monitors demand via the Childrens Services Improvement Board and via supervision. | 2 3 6 | Demand Management and Monitoring Currently a review into demand taking place in the Through Care and Children in Care Service Susannah Beasley-Murray <u>Required Control Measure</u> Target Date: 30/09/2023 | 2 3 6 | Susannah Beasley-Murray | People Are Aspirational, Independent And Have Equal Access To Opportunities. |

| Risk Ref | Risks | Triggers | Consequences | Existing Control Measures | Current Risk | | | Target Risk | | | Responsibility | CPT |
|----------|---|----------|---|---------------------------|--------------|---|-------|-------------|---|-------|----------------|-----|
| | | | | | L | I | Total | L | I | Total | | |
| | <p>have sufficient staff to manage this increase on demand in Children In Need cases and Child Protection cases.</p> <p>The level of demand to the Front Door has slightly decreased in the last six months.</p> <p>Therefore we currently have sufficient staff to manage this risk of demand in child in need and child protection cases. We continue to monitor the support required by returning care leavers up to the age of 25 years. The risk could be that the service could be overwhelmed and therefore impact on the service provided</p> | | <p>retention. At present the levels of demand remain within capacity, but are regularly reviewed by both the DD and CD.</p> | | | | | | | | | |

| | |
|--|---|
| <p>Audit Committee</p> <p>23 November 2023</p> |  <p>TOWER HAMLETS</p> |
| <p>Report of: Janet Fasan, Director of Legal and Monitoring Officer</p> | <p>Classification: Unrestricted</p> |
| <p>Review of Membership of the Audit Committee</p> | |

| | |
|--------------------------------------|---|
| <p>Originating Officer(s)</p> | <p>Matthew Mannion, Head of Democratic Services</p> |
| <p>Wards affected</p> | <p>All Wards</p> |

Executive Summary

This report invites Audit Committee Members to review the composition and operation of the Audit Committee to reflect updated Guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2022.

This report presents a copy of that document for its review and information.

The guidance covers areas such as:

- The Core Functions of an Audit Committee
- Accountability and Public Reporting
- Assurance and Audit Arrangements
- Structure and Independence
- Membership
- Administrative Arrangements

The Monitoring Officer has reviewed the Guidance and in particular draws the Committee's attention to recommendations around the governance/membership and independence of the Committee.

A number of recommendations to change current arrangements are set out for the Committee to consider.

Any changes made to the membership/operation of the committee as a result of this report are likely to require changes to the Constitution, which will need to be agreed by the General Purposes Committee/Council as appropriate.

Recommendations:

The Audit Committee is recommended to:

1. Review and consider the CIPFA Practical Guidance for Audit Committees attached at Appendix 1 to this report.
2. Consider whether the Committee wishes to make any changes to its operation/membership in light of the Guidance and in particular to consider the options set out in Paragraph 3.23 in relation to the Membership and Independence of the Committee.

1 REASONS FOR THE DECISIONS

- 1.1 The Audit Committee is a key component of the Council's governance framework and as such it is important to review its operation from time to time, especially in light of new guidance, to ensure it is operating as effectively as possible.

2 ALTERNATIVE OPTIONS

- 2.1 A number of options are set out in the report but the Committee may have alternative proposals.
- 2.2 Equally, the Committee may determine that it is operating effectively and that no changes are required.

3 DETAILS OF THE REPORT

- 3.1 As the CIPFA Guidance says, the Audit Committee plays a vital role in the governance of the Council, providing an independent and high-level focus on governance, risk and control arrangements.
- 3.2 The Guidance highlights that where it operates effectively, an audit committee adds value to the authority by supporting improvement across a range of objectives and that to achieve wide-ranging influence the Committee will need energy, appropriate skills/knowledge, commitment from its membership alongside support and openness of the authority.
- 3.3 As a non-executive body, the influence of the Audit Committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

Key points in the Guidance

- 3.4 Members are encouraged to review the whole of the Guidance document set out as Appendix 1 to this report (the existing Terms of Reference are set out

in Appendix 2), however, the following section of the report sets out key points from the Guidance:

Independence and Accountability

3.5 The Committee:

- Should be accountable to the authority's governing body [ie Council].
- Should be independent of both the Executive and the Scrutiny Functions.
- Will have rights of access to and constructive engagement with other committees/functions.
- Can request reports and assurance from relevant officers.
- Be of an appropriate size [A suggestion of 6-8 Members] to operate as a cadre of experienced, trained committee members and to not be merged with other Committees such as those on Standards or Scrutiny.
- Should include co-opted independent members.
- Should meet at least 4 times a year and can meet in private if needed.
- Can meet with the external and internal auditors as required (including in private).
- Have regular attendance from relevant key officers such as the Chief Finance Officer, Head of Internal Audit, Chief Executive, Monitoring Officer as required.
- Report on its work at least annually as required.
- Should have free and unfettered access to the external auditors through the provision of private meetings between them and the committee.

Membership Skills

3.6 Members should be trained to fulfil the role so that Members are objective, have an inquiring mind and independent approach.

3.7 Members will have the ability to promote good governance and look to help achieve the organisation's objectives and hold their discussions in an unbiased and non-political manner.

3.8 Selection of Members - should be based on relevant skills and experience.

Separation from the Executive

3.9 The Mayor must not be a Member of the Audit Committee, the Cabinet Member for Resources should also not be a Member. Appointment of any Cabinet Member to the Audit Committee is discouraged.

3.10 If a Cabinet Member is included then there should be compensating arrangements such as a having an Independent Chair of the Committee or having more Independent members

- 3.11 There should be a two-year gap before a former Cabinet Member is appointed to the Audit Committee.
- 3.12 Members of the Executive should attend Meetings when required to brief the Committee on relevant matters.

Independent Members –

- 3.13 Independent members are recommended for the following reasons:
- To supplement the knowledge and experience of elected representatives in specific areas such as auditing or financial reporting.
 - To provide continuity outside the political cycle (which is particularly important where the membership can change annually).
 - To help achieve a non-political focus on governance, risk and control matters.
 - Having two Independent Members allows recruitment of people with different but complementary knowledge and experience.
 - Having two Independent Members shows a commitment to supporting and investing in the Committee.

Decision Making / Advisory

- 3.13 Finally, CIPFA recommends that the Audit Committee does not have any delegated decision-making powers and should just be advisory.

Current Committee Membership/Operation

- 3.14 The current composition of the Committee is 9 Members (5 Aspire and 4 Labour in line with proportionality). The Committee also have an Independent Person (Charlotte Webster) as an advisor – as the Committee is decision-making it cannot have Co-Opted Members.
- 3.15 The Committee is Chaired by a Councillor, elected at the Annual Meeting of Council. However, the Terms of Reference state that the Chair cannot be a Member of the Executive.
- 3.16 Currently, the Aspire group has 3 cabinet members on the Committee and the Chair is a Non-Executive Member of the Aspire Group.
- 3.17 The current membership and chairing does not reflect the CIPFA guidance and some options for members to consider are set out in paragraph 3.24 below
- 3.18 The Monitoring officer has discussed the Guidance with the Chair of the Committee, the Section 151/Chief Finance Officer and other colleagues.
- 3.19 The Monitoring Officer has also undertaken some research into the composition of Audit Committees or equivalent in some other Local Authorities

(9), including some with the Mayoral system. The outcome of the research is set out in the table at Appendix 3.

- 3.20 The research showed that there was one other Local Authority with the same number of cabinet members on the Audit Committee (3), but with an Independent Chair.
- 3.21 Members should note that the current membership was touched upon in the LGA informal feedback, along with a suggestion to have as Chair and Independent or a Member of the opposition.
- 3.22 Members may also want to consider what additional skills and/or training are required for fulfilling the role described in the Guidance.

Options for Membership/operation

- 3.23 Whilst there are a number of different options and arrangements that the Committee could discuss, the Monitoring Officer recommends that the Committee in particular, considers the options below, and note that changes to the Committee's terms of reference may be required to reflect whichever of the options are agreed.
- Exclude the Cabinet Member for Resources from the Committee Membership and limit the overall number of Cabinet Members on the Committee to no more than 1.
 - Have no Cabinet members on the Committee.
 - That if there are Cabinet Members on the Committee then the Committee should be Chaired by an Independent member.
 - Irrespective of the above, the number of Independent Members should be increased to two.
 - The overall number of Councillors on the Committee be reduced to seven (from nine) appointed on a proportional basis, so that the overall membership does not expand too far beyond the recommended maximum of 8 Members when including independent Members).
 - That the Committee should remain a formal decision-making body and not change to an advisory body.
 - That a Job Description is prepared for the Chair of the Committee setting out the requirements of the role including responsibility to ensure debate is held in an open and transparent and non-political manner.
- 3.24 The Committee are also free to consider any of the other recommendations contained in the report.
- 3.25 As set out earlier in the report, the document produced by CIPFA is guidance rather than statutory. However, it is a thorough guidance document from an important sector organisation and the Audit Committee should give due consideration to what is set out.

3.26 There are also a number of recommendations that the Monitoring Officer does not consider appropriate to implement at this time but the Committee are also welcome to review and consider these as well and a report could be brought back on those issue, these include

- Implementing a two-year restriction on former Cabinet Members from serving on the Committee.
- Turning the Committee into an Advisory Body rather than a Decision-Making Committee.

3.27 Should the Committee agree any changes to its Terms of Reference (such as changes to the Membership) the relevant Constitution changes will be taken to the next meeting of the General Purposes Committee for agreement to add to that document.

4 EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications arising from the report. However, a well-functioning Audit Committee can help ensure the Council is operating the most effective governance arrangements which in turn do cover key equalities matters and safeguards.

5 OTHER STATUTORY IMPLICATIONS

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

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

5.2 The intention of this report is to increase the best value of the Audit Committee by ensuring it is operating in the most effective way.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 An allowance for a second independent person can be contained within existing Democratic Services budgets.

7 COMMENTS OF LEGAL SERVICES

- 7.1 Regulation 3 of the Accounts and Audit Regulations 2015 requires local authorities to have a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk. The CIPFA guidance referred to in this report is not statutorily binding on the Council.
- 7.2 However, the adoption of methodologies and strategies of this report demonstrates the Council's compliance with these duties and with the duties set out in Section 151 of the Local Government Act 1972. This section requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs.
-

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 – CIPFA Guidance on the operation of Council Audit Committees
- Appendix 2 – the current Audit Committee Terms of Reference
- Appendix 3 – Research into Committee arrangements at similar Local Authorities

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None.

Officer contact details for documents:

N/A

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Audit committees:

practical guidance for
local authorities and police

2022 edition

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The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

The audit committee member in a local authority

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- The CIPFA Public Financial Management Board.
- **CIPFA staff:**
Charlotte Radford, Hege Larsen, Sarah Sheen and Alison Bonathan.

CIPFA is keen that the guidance provides practical support to audit committee members and those who work with the committee. It is therefore invaluable that we have interacted with audit committee members and officers through our training courses and events.

Thank you for providing your insights on the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

Diana Melville

Governance Advisor, CIPFA

Introduction to the new guidance

As a member of your authority's audit committee, you play an important role in the good governance of the authority. The audit committee contributes to its overall success by examining how its arrangements for decision making, consideration of risk and operations work. The committee has a unique view – one that is non-political. Instead of focusing on policy and decision making, it examines the 'engine' of the authority – how things get done. Most importantly, it shines a light on areas where things might be missed or need to adapt or improve.

To be a success, your audit committee must have a good grasp of its role and responsibilities. It will also need to follow some good practice principles. These are set out in the [CIPFA Position Statement on Audit Committees](#).

The aim of this practical guide is to support you in your time as an audit committee member.

This section of CIPFA's guidance is for members of an audit committee in an authority. It will support both elected members and co-opted independent members (also known as lay members) to understand the purpose of the committee and its functions and their responsibilities as members of the committee. It will link to other sections of CIPFA's guidance, which will provide additional resources.

FURTHER SECTIONS OF CIPFA'S GUIDANCE

The 2022 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* builds on previous editions but aims to better target the guidance at the most appropriate audience. This section is aimed directly at audit committee members in local authorities. A separate section covers the same material but for police audit committees.

Guiding the audit committee is a supplement to the member guide. It is aimed at those who support the committee, helping them to ensure that its operations are in accordance with the appropriate legislation and good practice. It also includes links to additional resources that are relevant for the committee's work. Audit committee members may also wish to access this supplement.

There are several appendices available, including example terms of reference, improvement tools and a knowledge and skills framework. These are available across all parts of this publication.

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The purpose of audit committees

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

HOW THE AUDIT COMMITTEE SUPPORTS OVERALL GOVERNANCE WITHIN THE AUTHORITY

The overall aim of good governance is to align the authority's processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is appropriate stewardship of public assets and resources
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

Governance for the sector is defined in **Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) as follows:

- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
- *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

Good governance is ultimately the responsibility of the governing body (the full council or equivalent), as well as those with leadership roles and statutory responsibilities in the organisation, including the elected mayor (where applicable), chief executive, the chief financial officer (CFO)

and the monitoring officer. In local government, the governing body is the full council or authority. Putting good governance into practice requires both members and officers to play their part.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, the authority sometimes delegates specific governance responsibilities, though CIPFA's recommendation is that the audit committee should remain an advisory committee.

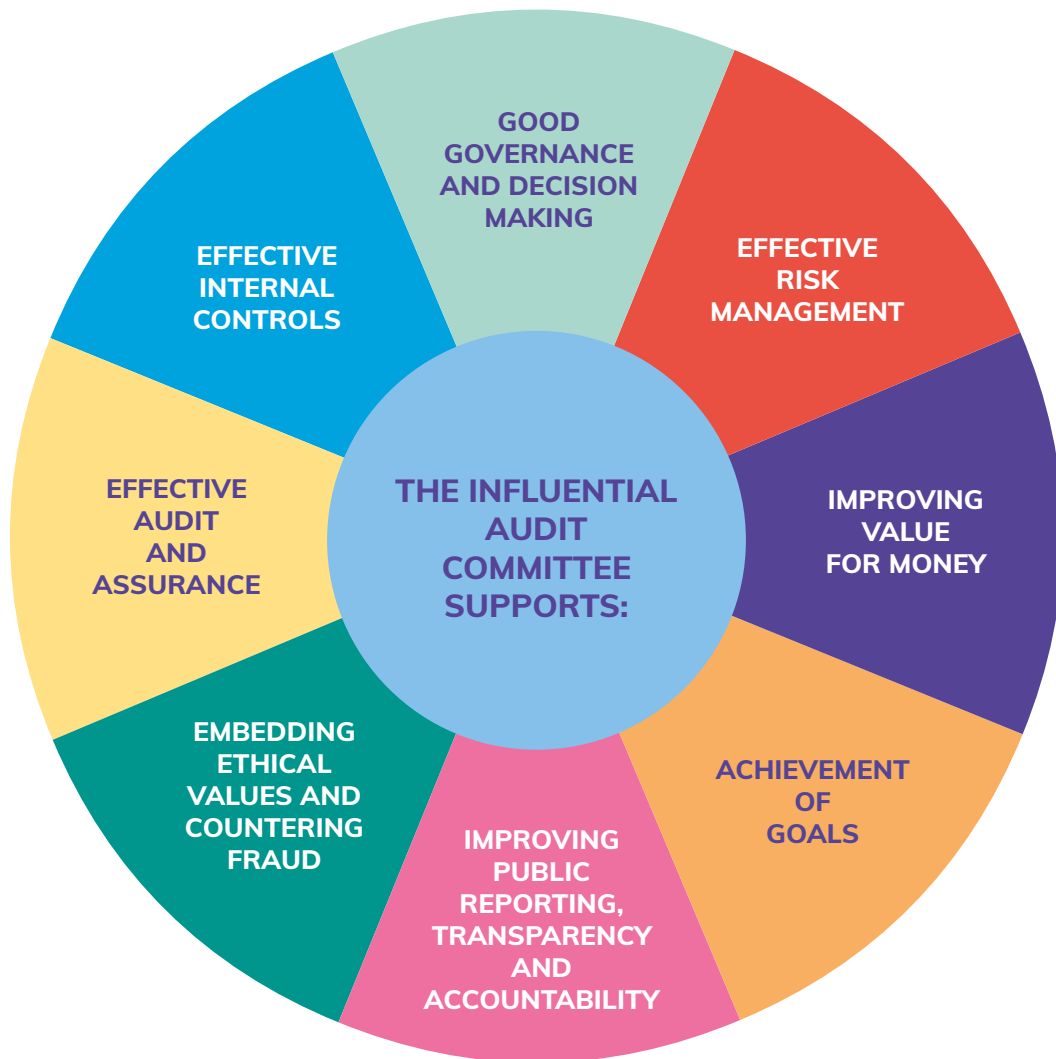
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource for the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership, together with support and openness from the authority.

The principal areas where the committee can exert influence and add value are:

- aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements
- promoting the principles of good governance and how they are applied during decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements to govern risk and for effective arrangements to manage risk
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee can have in these areas is set out in Figure 1.

Figure 1: The influential audit committee



CIPFA's view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other committees, but a dedicated resource is likely to be more knowledgeable and effective, with more time to focus on these important issues.

The core functions of an audit committee

The core functions of audit committees should reflect both standard practice for audit committees across all sectors and the specific legislative and professional standards requirements for local authorities.

This chapter identifies the core areas of business for an audit committee and explains why they are important. The way the audit committee works must align with legislation and recommended guidance for some of these areas. This guidance is consistent with the requirements and key references are identified. *Guiding the audit committee* provides further details where required, together with links to additional resources.

The Position Statement sets out the core functions of the audit committee as follows.

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

The Position Statement sets out the core functions of the audit committee. Essentially, the responsibilities of the committee fall into three broad areas:

- 1 Supporting the establishment and maintenance of good governance, risk management and control arrangements.
- 2 Supporting accountability and public reporting, in particular the financial statements and the annual governance statement, and other statements that accompany the financial statements.
- 3 Supporting the establishment and maintenance of good arrangements for internal audit and external audit.

It's important to understand each area, and each area complements and supports the others. To be effective, the audit committee will need to operate across all areas and not just focus on one or two aspects.

The remainder of this section explains each of these areas in more detail. *Guiding the audit committee* provides more details on legislation, standards and supporting resources.

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Local authorities should actively apply the framework of good governance (**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016)) ('the Framework') and the seven principles of good governance. The audit committee plays an important role in supporting the Framework, not least with its approval of the annual governance statement (AGS), which should align with the Framework. CIPFA recommends that authorities should have a local code of governance to clearly explain how their arrangements are consistent with the principles of good governance. Where there isn't a local code, this information will be available through several sources. Whether or not there is a code, the committee should be able to understand what the authority's arrangements for governance are.

To provide a meaningful review of the AGS, audit committee members should be able to draw on their knowledge of the governance arrangements and on assurances they have received during the year. The audit committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted).
- Ensure that a framework of assurance underpins the AGS (see **Assurance and audit arrangements** for more details on assurance planning).
- Over the course of the year, receive reports and assurances over the application of the governance arrangements in practice.
- Review the governance arrangements being put in place for major developments, such as the establishment of a collaborative arrangement or trading company.
- Monitor implementation of action plans or recommendations to improve governance arrangements.
- Consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee can promote the implementation of good governance across the authority to make things better in the future, not just review what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in **Independence and accountability**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one mechanism an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses to avoid the necessity of government intervention.

Further details on the AGS and the committee's role in reviewing it are included later in **Accountability and public reporting**.

Ethical framework

Public sector entities are accountable for not only how much they spend but also how they use the resources they have been entrusted with. This is at the heart of Principle A of the governance framework:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, authorities have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire authority can show the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements for achieving this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The authority will have specific arrangements in place to oversee and operate standards, such as a standards committee, and the audit committee will not duplicate its responsibilities. Instead, its role is to oversee the arrangements that are in place to establish and maintain ethical standards and to obtain assurance over them. This supports the AGS.

Assurance over ethics will come from internal audit or from other sources of assurance, particularly for the annual review underpinning the AGS.

Risk management

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance the risk management arrangements provide when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas.

- 1** Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the ownership of and accountability for risks. Specifically, this includes:
 - overseeing the authority's risk management policy and strategy and their implementation in practice
 - overseeing the integration of risk management into the governance and decision-making processes of the organisation
 - ensuring that the AGS is an adequate reflection of the risk environment.
- 2** Keeping up to date with the risk profile and the effectiveness of risk management actions by:
 - reviewing arrangements to co-ordinate and lead risk management (an example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency across the organisation)
 - reviewing the risk profile and keeping up to date with significant areas of strategic risks, major operational risks or major project risks and seeking assurance that these are managed effectively and owned appropriately (the committee should avoid duplication of risk monitoring and scrutiny undertaken by other committees)
 - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
 - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- 3** Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
 - overseeing any evaluation or assessment of the body's arrangements, such as a risk maturity assessment or risk benchmarking
 - reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans.

Acting as a risk committee

Local government bodies do not usually establish a dedicated committee with responsibility for risk management. Instead, committees such as policy and resources, cabinet or scrutiny are likely to play a role in the oversight of individual risks and the adequacy of the risk response. The leadership team, including the executive member body, will take the lead in establishing the risk appetite of the authority. The audit committee should understand the roles played by other committees to avoid duplication and confusion with its own role.

Where other member bodies do not actively review key risks, the audit committee could take on additional functions involving more in-depth reviews of risks. In doing so, the committee should be mindful of when it is acting as a risk committee rather than just as an audit committee.

These functions could include:

- regular reviews of risk registers, particularly strategic risks, and significant operational risks to consider their adequacy and effectiveness in capturing and assessing risks
- risk challenge to evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate
- identifying dependencies or links between risks and considering if the planned mitigations recognise this
- considering if risks have been escalated appropriately and in a timely manner
- supporting the leadership team in their review of risk appetite, though the final decision should remain with the leadership team.

The audit committee's terms of reference should make it clear whether risk committee roles are included.

Internal controls

The leadership team and the service managers within the authority are responsible for putting in place appropriate internal control arrangements. The aims of internal controls are to:

- manage risks
- allow agreed policies and processes to be put into practice.

In doing these two things, an effective 'internal control framework' will make it more likely that the authority's objectives will be achieved. The internal control framework is a way of describing the complete set of controls that management have put in place.

Controls may take different forms according to the risks that they are intended to manage and their purpose. Some examples of controls include the following:

- Access controls within an IT system determine who has access to that application and the available functions and data (a preventative control).
- Procurement rules, guidance and relevant training may be used to ensure that procurement decisions are within the law and achieve best value (a directive control).
- An exception report identifies outlier transactions in a process for review and approval by management (a detective control).
- Procedures to ensure that a copy of data is kept secure and away from the primary system to allow for recovery (a corrective control).

The control framework will include many corporate arrangements such as an authority's financial regulations, contract standing orders and human resources policies, as well as service-specific controls embedded within a range of policy documents, guidance notes, training manuals and instructions. Some authorities use a structured framework to classify their control frameworks. Some controls are fundamental to a system; often, they are described as 'key controls'.

The effectiveness of the internal control framework should be considered as part of the annual review on governance. Where there are significant control failures, or an overall weakness in the framework, then it should be considered for disclosure in the AGS. CIPFA's **Financial Management Code** (FM Code) (2019) provides a set of principles covering the operation of financial management throughout the authority to help ensure that internal financial controls operate effectively. Assurance over the level of compliance with the FM Code should be considered as part of the annual review on governance.

The head of internal audit's annual opinion (see [Internal audit](#)) will provide an annual opinion covering the framework of internal control alongside that of risk management and governance. This too will inform the AGS. Reports from internal audit and external audit will provide assurance on the adequacy of specific controls.

Historically, internal audit and the audit committee were expected to focus most on financial controls, but today the focus of both will encompass a much broader set of controls.

While a range of internal controls are essential, the audit committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation. Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources. The committee should strive to ensure that the authority has an appropriate level of internal control linked to the authority's attitude to risk.

Value for money and best value arrangements

Making best use of resources is a key aim for all local authorities and is part of the governance framework. One of the behaviours and actions that underpins Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available". Making best use of resources is an essential enabler to achieving the goals and objectives that the authority has set for itself.

Like other aspects of the committee's responsibilities, the primary focus is on the authority's arrangements for ensuring value for money rather than reviewing the actual performance achieved. This means seeking assurance that the authority has put in place the right mechanisms and is actively pursuing better value for money.

When planning work in relation to value-for-money arrangements, the audit committee should be mindful of what other committees may do. There is a potential overlap with the work of the scrutiny function, so care will be needed to avoid duplication. For example, a scrutiny committee may receive performance reports that show performance against a dashboard of indicators or may benchmark performance against other bodies.

Using this information, the scrutiny committee will challenge whether the authority is on track to achieve its performance targets and meet its objectives. They will highlight areas where value for money may be an issue. The audit committee will first focus on the overall arrangements that are being put in place to achieve value for money. They will receive assurances, from internal audit or from other sources of assurance, on how effectively those arrangements work in practice. As a result of the work of the audit committee, areas of concern about value for money may be identified and recommendations for further action or investigation made.

The audit committee will see references to value for money as part of other areas within its terms of reference. For example:

- Internal audit reports may highlight a value-for-money risk as part of a wider assurance review. It may feature in the head of internal audit's annual opinion.
- The AGS should include reference to how effectively the value-for-money aspect of governance is operating in practice. A value-for-money concern could be included as a recommendation for action if it were significant.
- Output from the risk management arrangements may highlight risks to value for money.

One major area where the audit committee will receive assurance on the adequacy and effectiveness of value-for-money arrangements is from the authority's external auditors. Across the UK, the different audit arrangements have resulted in differences in how value for money and best value are considered by the auditors. Further detail of audit codes are set out in *Guiding the audit committee*.

Countering fraud and corruption

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. If money is misdirected or assets lost to fraud, it means that limited budgets are less able to meet service demands and fulfil the authority's objectives. When any authority experiences a significant fraud or case of corruption, it damages public perception of that authority and undermines public trust. Effective counter fraud and anti-corruption arrangements also relate to the ethical standards that the public expects members and officers to uphold.

The audit committee should have oversight of the authority's arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose. The arrangements should extend beyond having the facility to investigate an allegation or other evidence of fraud. It should include a much broader strategy and understanding of the risks. Guidance on establishing such arrangements is available to authorities in the [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014).

Oversight of counter fraud plans and availability of resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community
- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the overall performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses
- consideration of assurance provided by internal audit.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported in the AGS using the counter fraud code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice.

Arrangements for partnerships, collaborations and subsidiaries

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises. Authorities may also be the accountable body for local enterprise partnerships (LEPs). Increasingly, authorities have subsidiary arrangements such as commercial trading companies.

Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is important, as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider assurances on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and that standards of probity are maintained.

For subsidiary arrangements such as the establishment of a trading company, the audit committee will also need to receive assurances that the governance, risk and control arrangements of the authority's oversight of the company are robust.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage. When reviewing the proposed structure, the committee should consider whether the authority has the necessary expertise, advice and training in place to take on new governance roles.

It is also important that the committee clarifies its own responsibilities in relation to the governance arrangements of the new service delivery organisation. Will they act as the audit committee for the new structure, for instance?

The audit committee should consider assurances that underpin the AGS to make sure that partnerships are covered. Where a partner organisation (such as a shared service entity) does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body to support the CFO.

ACCOUNTABILITY AND PUBLIC REPORTING

Public bodies must operate transparently, and being accountable to the public and stakeholder groups is a fundamental aspect of governance arrangements. The audit committee plays a key role in supporting the body's accountability for the use of public money and for the way it is governed. While other public reports are also available, the annual financial reports and the annual governance statements are important accountability statements that are mandated by legislation and guided by professional standards. These accountability statements are the responsibility of those charged with governance, but the audit committee will play a key role in reviewing the arrangements that underpin them and reviewing the statements themselves.

Financial reporting

Local government bodies are required to produce their statutory statements of accounts in accordance with professional accounting standards to ensure a consistent approach and appropriate treatment. This provides confidence to the user in the financial results. The accounting standards are determined by CIPFA/LASAAC and are set out in the **Code of Practice on Local Authority Accounting in the United Kingdom**, updated annually. These standards must incorporate both International Financial Reporting Standards (IFRS) and any adaptations or interpretations necessary for the local government context and local government legislation. A particularly important part of this is the legislative framework that changes what is charged to a revenue account under accounting standards (IFRS) to mitigate or manage the impact of those standards on council taxpayers. As a result, the accounts have an extra layer of complexity that an organisation such as a limited company would not have.

The primary users of financial statements are the recipients of the local services provided and their representatives, together with the providers of the resources required to deliver those

services. Local authority members and Members of Parliament are primary users of local authority financial statements in their capacity as representatives of the interests of service recipients and resource providers.

CIPFA's [Guide to Local Government Finance](#) (2019) sets out details of accounting concepts and principles that underpin the financial reports. The key financial statements are as follows:

| Key statements in annual accounts | |
|---|---|
| Comprehensive Income and Expenditure Statement | This is where all the income and expenditure of the authority is recorded in line with accounting rules. This statement is similar to the one you would find in a private company. |
| Movement in Reserves Statement | This statement shows the impact of the financial year on the authority's reserves. It also includes all the income and expenditure that is recognised under accounting rules but then removed from the accounts by legislation to give the amount of expenditure that has been funded by the local taxpayer. |
| Balance Sheet | This statement summarises an authority's financial position at each year-end and reports the assets, liabilities and reserves of the authority. Some of the reserves are specific to authorities, such as the pensions reserve and the capital adjustment account, and exist to allow accounting entries required by legislation. This statement is similar to the one you would find in a private company. |
| Cash Flow Statement | This summarises the cash flows that have been made into and out of the authority's bank account during the financial year. This statement is similar to the one you would find in a private company. |

Some authorities will need to include specific statements to account for their activities – for example, the Housing Revenue Account (HRA) or collection fund – and councils in Scotland are required to hold trading accounts (some councils in the rest of the UK may hold these voluntarily). Administering authorities of the Local Government Pension Scheme will also need to produce pension accounts for their fund.

Authorities are required to include a narrative report in the accounts (management commentary in Scotland). This should provide information on the authority, its main objectives and strategies, the principal risks that it faces and how it has used its resources to achieve its desired outcomes in line with its objectives and strategies. For a non-expert reader, this report will help to explain the statements and help demonstrate the extent to which the objectives of the authority have been achieved.

The role of the audit committee is to review the financial statements prior to approval. The statements are the responsibility of all those charged with governance – the full member body – but the audit committee is delegated the responsibility of a detailed review. Some authorities fully delegate responsibility to the audit committee by including final approval of the accounts in the committee's terms of reference, but CIPFA has always set out the committee's role to be one of review rather than decision making. In England and Wales, co-opted independent members cannot vote to approve the accounts under Section 13 of the [Local Government and Housing Act 1989](#) (see [Membership and effectiveness of the audit committee](#)).

Accounts preparation

The preparation of the statutory statements of accounts is the responsibility of the CFO. The deadline for the publication of the statements is set out in regulations by each of the UK governments. Recently, achieving these deadlines has been adversely impacted by the COVID-19 pandemic and delays in the completion of audits. Monitoring the status of both completion of the statements and liaison with the auditors before publication will be important for the audit

committee. The audit committee will want assurance that the finance team can deliver a set of financial statements of appropriate quality in accordance with the statutory deadlines. Factors they will wish the finance team to highlight to them include:

- significant changes in accounting policies and their implications
- significant judgements made by the authority on material transactions
- changes to the operational basis of the authority – for example, the establishment of a trading company that will need to be consolidated into the accounts
- capacity and capability within the finance function to meet quality standards and deadlines
- whether there have been previous problems with the quality of the financial statements – for example, issues and recommendations from the previous year’s audit
- issues arising from any internal assurance or internal audit reviews and actions taken
- any changes to the external audit requirements that could have implications for the preparation of the statements – for example, the drive to improve audit quality has included increased professional scepticism.

Reviewing the statutory statements of accounts

The complexity and length of the financial statements can be daunting for audit committee members, especially if this is an area where they do not have prior experience. CIPFA has resources that will provide more detailed guidance on the statements and underlying concepts, and specific training is also recommended.

Key areas that the committee should focus on in their review are as follows:

- The narrative report, ensuring that the messages are consistent with the financial statements. The committee should also consider the implications of the issues and challenges identified and consistency with other risk information provided.
- What steps have been taken to make the narrative report readable and understandable to a non-expert and whether steps have been taken to make the accounts accessible. CIPFA’s **Streamlining the Accounts** (2019) includes a section on the presentation and layout of the accounts.
- Reviewing the completeness of the information reported and asking about the steps taken to ensure that the disclosures are complete.
- Identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years.
- Monitoring trends and reviewing for consistency against financial performance observed over the course of the year.
- Reviewing the suitability of accounting policies and treatments and any changes to them – for example, asking the CFO to highlight to the committee where accounting treatment is open to different approaches and explaining why the method used has been chosen.
- Seeking explanations for changes in accounting policies and treatments – for example, where there has been a change in the accounting standards.
- Reviewing major judgemental areas – for example, provisions or reserves.

Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority’s statements that audit committee members may find particularly helpful.

A current topic for discussion is whether further steps could be taken to make the financial statements more understandable for the public. A recommendation of the Redmond Review was that a standardised statement of service information and costs should be prepared and presented alongside the statutory accounts. This recommendation is still under discussion and review, and the introduction of such a statement would be a development of interest to the audit committee. The audit committee will be interested in any steps taken to improve transparency and accountability by ensuring that the key messages are accessible to users.

Annual governance statement

The committee's role in supporting the principles of good governance and the local code of governance was outlined in the section on supporting good governance, risk management and internal control. The AGS is the key annual public report that requires the authority to evaluate the effectiveness of its governance arrangements.

While the committee will see other agenda items that describe the governance arrangements that have been established – notably updates to the local code of governance – the AGS is all about evaluation. It is an assessment of how good those arrangements are in practice, leading to an opinion on whether they are fit for purpose. Where there are areas for improvement, these should be identified and an appropriate action plan established.

The audit committee should play a key role in reviewing the AGS prior to its final approval. It is typical for the AGS to be provided in draft, usually at the same time the financial statements are prepared. The timetable for final publication follows the regulations of the relevant UK national government.

Key aspects that the audit committee should consider when reviewing the AGS include:

- whether the statement is user friendly for a lay reader
- whether the statement focuses on evaluation, leading to a clear opinion of whether arrangements are fit for purpose and meet the principles of good governance
- whether the AGS is an accurate representation of arrangements, consistent with other information known to the committee (committee members should be able to recognise their own authority's strengths and weaknesses)
- whether it includes appropriate disclosures on conformance with specified codes and standards and is consistent with current CIPFA guidance
- whether the AGS is supported by an appropriate action plan to implement the required improvements and if this is robust.

Although the AGS publication follows the same timetable as the financial statements, it can also be published as a separate accountability report. This would help raise its prominence and value to local stakeholders, providing improved transparency.

ASSURANCE AND AUDIT ARRANGEMENTS

Assurance frameworks and assurance planning

The term 'assurance framework' is used to describe the various means through which the authority's leaders, managers and decision makers can trust that the policies and procedures they have approved are being implemented in practice and operating as intended. Putting in place this framework is the responsibility of the leadership team.

For the audit committee member, reviewing assurances on the operation of governance, risk management and control arrangements is a core part of their role. The committee should also be concerned to know that an adequate assurance framework exists to inform the leadership team.

The audit committee may see references to the Three Lines Model of assurance developed by the Institute of Internal Auditors (IIA). More details of the model are contained in *Guiding the audit committee*. Briefly, the Three Lines Model identifies three different types of assurance:

- Management assurance – embedded in line management arrangements.
- Oversight and compliance assurance – review and monitoring functions.
- Independent assurance (internal audit).

Occasionally, there might be reference to the ‘fourth line’, referring to assurance that comes from outside the authority such as from external auditors or inspectorates.

Some authorities set out their assurance arrangements in a map or diagram. Typically, these outline key areas of the assurances needed and identify the assurance providers.

Whether or not there is a formal assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should seek to ensure that assurance is planned and delivered, with the following objectives in mind:

- Clarity on what assurance is required.
- Clear allocation of responsibility for providing assurance.
- Avoiding duplication, bearing in mind the differing objectives of assurance activities.
- Improving the efficiency and cost effectiveness of assurance.
- Obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Each authority has core activities that are central to its effective operation, and the audit committee should consider what assurance it receives on these, whether through the annual governance review, internal audit or management assurance. Core arrangements would include financial management and counter fraud, but other key areas include information governance, information security, procurement, ethical governance, human resources and health and safety.

In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the authority, and it should therefore be proportional to the risk.

Supporting and making best use of audit

Supporting the authority’s auditors, both internal audit and external audit, is an important dimension to the committee’s work. Helping to make best use of the process of audit and audit outputs will contribute to the committee’s overall purpose. This section explains the committee’s interactions with both internal and external audit and the role of the committee in supporting effective arrangements.

External audit

Within an authority, the full council – all elected councillors – are characterised as “those charged with governance”. In practice, the exercise of some governance responsibilities is delegated to specific committees. This is of particular importance in relation to external audit, as external auditors are required by auditing standards to report to “those charged with governance”. While

the audit committee is the representative body for much of the interface with the external auditors, it is important to remember that all councillors have a governance responsibility, and it is important that they are familiar with key messages from the authority's external auditors.

The audit committee will have several interactions with the external auditors each year following a regular cycle of planning and reporting. There are also roles for the committee in supporting the independence of the auditors, the effectiveness of the external audit process and the impact of their work. The following sections provide more support for the critical interactions between the auditor and the committee. External audit is subject to stringent professional standards and some of these are highlighted in *Guiding the audit committee*. Committee members should recognise that these standards do require auditors to operate in a certain way.

Appointment

In some other sectors, the audit committee plays a lead role in the appointment of the external auditor. In local government, one of the principles of public audit is that appointment should be independent of the organisation. In local government bodies in Wales, Scotland and Northern Ireland, the national audit bodies are responsible for the delivery of local audit. In England, the **Local Audit and Accountability Act 2014** changed the appointment and delivery model for local government bodies, introducing a more direct role for the authority.

In all authorities, the audit committee's role in appointment includes expressing an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, Public Sector Audit Appointments (PSAA) appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process and provide advice to the authority on the final selection. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

- 1 To provide assurance that the external auditor team maintains independence following its appointment.
- 2 To receive and consider the work of external audit.
- 3 To support the quality and effectiveness of the external audit process.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. These disclosures should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. Usually, this disclosure is included in the audit plan and when reporting. The audit committee should use these opportunities to discuss their assessment of threats to independence with the external auditor and any safeguards.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA, the auditor panel (in England), or from audit quality reviews by the Financial Reporting Council (FRC) or the Institute of Chartered Accountants in England and Wales (ICAEW). Regarding non-audit services, audit committees should monitor the approval of non-audit work and, in England, consider the oversight of either PSAA or the auditor panel as appropriate.

Receiving and considering the work of external audit

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit makes recommendations, the audit committee should discuss the action to be taken with managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit report.

While the Code of Audit Practice for each nation will specify exact outputs, the reports from the external auditors are likely to include the following:

- A plan – including approach, risks, team, timetables and outputs.
- Interim reports – reporting on progress, new developments and interim conclusions.
- An opinion on the financial statements and the outcome from the audit. The auditor will also identify any material errors and recommendations.
- Best value or value-for-money arrangements reports – the format of these vary according to the Code of Audit Practice the auditor is working to.
- An annual report.

In England, the Redmond Review recommended that the auditor's annual report should be submitted to full council by the external auditor. CIPFA's recommended approach is that the report should first be submitted to the audit committee for discussion and then submitted to full council by the auditors, accompanied by the response recommended by the audit committee to any significant issues raised in the report. This will support greater transparency with the public and help all elected members understand the outcome of the audit. It should also help to raise the profile of the audit committee among other elected members.

CIPFA also recommends that this approach is adopted by authorities in the rest of the UK unless other arrangements exist to achieve the same level of transparency and strengthened governance.

Auditors may also report by exception. If they identify an area of concern, then the auditors may investigate and may make a recommendation for improvement or a public report. Any such action should be taken very seriously by the audit committee.

Supporting quality and effectiveness

If the audit committee member has no prior experience of audit committee work or external audit, then reviewing the quality of external audit can be a challenging aspect of the work and one where additional training may be required. It is an important aspect of the work of the committee, as it sets expectations for the auditor for the timely delivery of a high-quality audit. It should also support better engagement and interaction between auditor, committee and management. Overall, active interest from the committee will support better outcomes in terms of confidence in the audit opinion, usability of audit output and better understanding of the audit process.

Guiding the audit committee signposts resources on audit quality that can be of use to audit committees.

Reports from inspectorates or other regulatory bodies

In addition to audit reports, the authority may be inspected where it has particular service responsibilities. For example, social care services are inspected by the Care Quality Commission (CQC), education and skills services are inspected by the Office for Standards in Education, Children's Services and Skills (Ofsted), and a fire and rescue authority will be inspected by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Other regulatory bodies, such as the Information Commissioner's Office (ICO), may also review and inspect arrangements.

Where inspectorates are focused on operational matters, the committee's role may be limited, but all external assessments and recommendations provide assurance on the robustness of governance, risk and controls within the authority. It is therefore important that the committee is aware of the overall conclusions. Where issues are highlighted by inspections within the remit of the committee, it may play a more active role – for example, reviewing the implementation of an improvement plan. The committee will also want to consider how the work of these assurance providers are taken into account as part of external audit or internal audit.

Internal audit

The authority's internal audit service, whether an in-house team or provided through a shared service or outsourced arrangement, is an essential partner for the audit committee. It is a major source of assurance, providing coverage across many areas that the audit committee will want to know about. The committee also plays an important role in the support for and oversight of the internal audit arrangements, helping to hold it to account. This role is in part determined by the professional standards that the internal auditors must adhere to.

The specific roles of the audit committee in relation to internal audit are to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

The activities that underpin these three objectives are below.

Oversee independence, objectivity, performance and professionalism

The Public Sector Internal Audit Standards (PSIAS) set out functional reporting arrangements for internal audit to ensure its organisational independence. These are requirements of the professional standards, so there is an expectation that the audit committee should provide support. Each authority will have an internal audit charter, which will set out reporting relationships for internal audit, and the audit committee terms of reference will need to include those elements that relate to it. The charter is likely to set out the audit committee's responsibility to:

- review or approve the following:
 - the internal audit charter
 - the risk-based internal audit plan
 - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit (referred to in the PSIAS as 'chief audit executive') or the award of a contract for internal audit services

- make enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations on internal audit
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the head of internal audit's annual report, which includes:
 - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
 - a summary of the work on which internal audit has based the opinion
 - a statement on conformance with the PSIAS and the Local Government Application Note (LGAN)
 - the results of the quality assurance and improvement programme (QAIP), including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor
- receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations (the committee should monitor the implementation of the improvement plan).

The head of internal audit, also known as the chief audit executive, must have unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the QAIP, at least once every five years.

Support effective arrangements for internal audit

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. It should help ensure that the authority's internal audit is effective, which will mean that the audit committee is better supported, with access to the assurance it needs. Effective internal audit also supports better governance and control arrangements, which are aligned to the audit committee's overall purpose.

Defining the conditions for effective internal audit is not straightforward – different authorities may feel they have effective arrangements using very different service models, for example. However, there are some essential conditions that internal audit needs to be effective:

- A service that operates in accordance with PSIAS.
- A service with access to sufficient and appropriate capacity and capability.
- Leadership from the head of internal audit.
- Good engagement with the committee and management.
- An organisational culture that actively promotes and understands the role of internal audit.

While the designated head of internal audit can be expected to be responsible for internal audit activity, the audit committee plays an important role in supporting the organisation's attitude to and understanding of internal audit. The [CIPFA Statement on the Role of the Head of Internal Audit](#) (2019) sets out the conditions that can make internal audit effective. It is relevant for audit committee members as well as the head of internal audit. CIPFA's research report [Internal audit: untapped potential](#) (2022) also addresses whether public bodies are getting the most from internal audit.

The following activities form a core part of this:

- Receiving updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work.
- Receiving communications from the head of internal audit on internal audit's performance relative to its plan and other matters.
- Giving approval to internal audit for any significant additional consulting services not already included in the audit plan prior to internal audit accepting an engagement.
- Receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS.
- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates.
- Receiving regular reports on the results of the QAIP, including the external assessment.

Promote the effective use of internal audit within the assurance framework

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan considers the requirement to produce an annual internal audit opinion that can inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- escalating internal audit recommendations where further action is needed
- bearing in mind internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control when considering the AGS.

To get the best out of internal audit, the audit committee's understanding of and support for effective risk management and wider assurance arrangements is helpful.

Periodically, there are changes made to the PSIAS and LGAN, as well as more specific guidance to auditors. As a result, the committee may need to receive updates or briefings to ensure that they are aware of the latest requirements.

ENSURING THE FOCUS OF THE AUDIT COMMITTEE

The core functions of the audit committee are wide ranging. At some meetings, it will be inevitable that certain agenda items take priority to meet statutory deadlines. Audit committees should aim to ensure that within each year there is adequate coverage of each of the core functions. The assurance framework of the authority should be a useful resource to support this.

Independence and accountability covers agenda management and **Membership and effectiveness** of the audit committee covers the annual review of the effectiveness of the committee.

Possible wider functions of an audit committee

In addition to the core functions of the committee defined in the CIPFA Position Statement, there are some wider functions that it may be necessary or appropriate for the committee to take on. For audit committees of councils in Wales, there are some specific requirements set out in legislation.

REQUIREMENTS OF GOVERNANCE AND AUDIT COMMITTEES IN WALES

The **Local Government and Elections (Wales) Act 2021** built on requirements first set out in the **Local Government (Wales) Measure 2011**. The specified responsibilities not already covered by the core functions include:

- review and scrutiny of the authority's financial affairs
- review of the performance assessment arrangements of the authority
- review and assessment of the authority's ability to handle complaints effectively.

Scrutiny of financial affairs

Councils will have scrutiny committees that will undertake budget scrutiny and monitor financial performance. The responsibility of the audit committee is not to duplicate these functions, even though the legislation uses the phrase 'scrutinise'. The committee can ensure that they satisfy this requirement through their review of the financial statements, financial control arrangements and the work of internal audit and external audit.

Performance assessment arrangements

The 2021 Act introduced a duty on a principal council to keep its performance under review and to undertake a self-assessment of performance. The legislation requires the governance and audit committee to review the self-assessment report and the committee can make recommendations. The council is not required to adopt the committee's recommendations, but it should include an explanation of why it has not adopted the change.

There is also a requirement for a periodic panel performance assessment, and there is a similar requirement for the governance and audit committee to consider the panel report.

The Auditor General for Wales will have the power to undertake a special inspection if a council is thought to not be meeting the performance requirements. The governance and audit committee will receive the Auditor General's report and will consider the council's draft response to the report. If the committee makes recommendations on the draft response, the council is not required to adopt the change but must explain why it has not.

Developing the approach to the review

The governance and audit committee's focus is on the adequacy and suitability of arrangements rather than performance monitoring. In reviewing the annual self-assessment report the committee should maintain a similar overview.

CIPFA's suggested approach includes:

- consideration of whether the scope and approach to drawing up the self-assessment report is appropriate to fulfil the expectations of the legislation
- whether the council has established appropriate arrangements to obtain assurance over its performance (these arrangements should form part of the wider assurance framework)
- whether the council has carried out the appropriate consultation as part of the performance review
- considering if the panel appointed and the approach to the panel assessment fulfils the requirements of legislation
- whether the report's conclusions and recommendations are consistent with the review and assurances that underpin it
- consideration of whether there are any inconsistencies in information and assurances received by the committee in respect of its other work
- consideration of the recommendations and whether they will maintain and improve the arrangements for performance management going forward.

Arrangements for handling complaints

Assurance that there are effective arrangements to manage complaints could come within the remit of any audit committee. The specific requirement in Wales does mean that governance and audit committees will have increased focus in this area.

The focus will need to remain on the arrangements and not become a forum for the review of individual complaints. The committee will need to consider how they receive this assurance as part of the wider assurance framework. Complaints may be managed centrally or by individual department, but it should be possible for the committee to receive an overall assessment of the effectiveness of those arrangements. If complaints handling was seen as an area of risk, then it could be included in internal audit plans, but other sources of assurance should be routinely available.

TREASURY MANAGEMENT

Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance

Notes (CIPFA, 2021) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not specify this to be an audit committee role, and a local authority may nominate another committee instead. CIPFA is aware, however, that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee.

Where the committee is undertaking scrutiny, this is likely to involve the following actions:

- Developing greater awareness and understanding of treasury matters among the committee members.
- Reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory.

- Receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause three of the Treasury Management Code, so the purpose of receiving regular reports should be clear.
- Reviewing the treasury risk profile and adequacy of treasury risk management processes.
- Reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

When an authority is working to an improvement programme – perhaps following a best value review or inspection – there is likely to be an oversight role for the audit committee. The committee should receive assurances that actions are being implemented and recommendations addressed. There may be a dedicated board for the programme and the committee would not seek to duplicate their work. It will need to understand progress, as it will be an area of interest to the external auditors and will link to the action plan of the AGS. Where there are areas of improvement directly within the remit of the committee, it may play a more active role.

CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

Occasionally, the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee in the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples of where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role as set out in the Position Statement: advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place.

Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.

Independence and accountability

The audit committee of an authority should be established in accordance with the principles set out in the 2022 Position Statement. These will ensure that the committee is independent from other committees in the authority and is accountable to those charged with governance.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body
- in local authorities, be independent of both the executive and the scrutiny functions
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

CIPFA Position Statement 2022

STRUCTURE AND INDEPENDENCE

Committee size

In other sectors, audit committees typically have fewer than six members. This is more difficult to achieve in a local authority. CIPFA's recommendation is that authorities should strive to have no more than eight members.

A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

The use of substitutes on the committee is not recommended. The most effective membership will be based on knowledgeable and skilled members who are able to build on information gained at previous meetings. For example, when reviewing progress on the external audit, the committee member should have been sighted on the audit plan discussed at an earlier meeting.

Reporting lines

The audit committee is an advisory committee on behalf of those charged with governance. As a result, the committee should report to the full council, fire authority or other local government governing body. It is not appropriate to be a sub-committee of the cabinet, scrutiny or policy and resources committee.

Dedicated focus

To ensure a focus on the core functions, the committee should not be combined with other council committees such as scrutiny or standards or policy and resources. A combined committee can result in the distinction between the functions of the committees becoming blurred. The audit committee is non-political and should contain co-opted independent members. These arrangements are different to those of scrutiny. While a standards committee is also non-political and may contain lay members, its focus is different. An appropriate lay member for the audit committee may not be suitable for the work of the standards committee and vice versa. More details on the membership of the committee and role of the co-opted independent member are available in [Membership and effectiveness of the audit committee](#).

Decision-making powers and delegations

CIPFA does not recommend that the audit committee be delegated decision-making powers, as it is advisory.

The committee should be able to make recommendations to other bodies for decisions – for example, to a scrutiny committee for further scrutiny review, and to cabinet, policy and resources or full council for decision. The committee can also make recommendations to the leadership team and service managers – for example, in response to issues raised by auditors.

CIPFA is aware that some authorities do delegate decisions, such as the approval of the financial statements. While the audit committee should lead on the detailed review of the statements, ultimately the statements are the responsibility of all those charged with governance. This is the equivalent of shareholders approving the annual report and accounts of a company.

Rights of access to documents and requesting attendance at committee

As a committee of the authority, the audit committee can request information relevant to its role and agenda. It is good practice to agree **Page 194** so there is clarity for all parties. Generally,

authorities operate on a principle of openness and transparency, so there should not be a difficulty in providing relevant information. At all times, the authority will need to have regard for maintaining confidentiality of personal or commercially sensitive data in accordance with guidance.

There may be times when it is not considered timely to provide the information requested – for example, where information is sensitive because of an investigation. In such cases, an adequate explanation should be given and an indication of when information might be available. The chair in particular needs to be briefed.

It is important for audit committee members to maintain an apolitical approach and a focus on overall arrangements rather than individual cases. The committee is not an investigative forum.

It will be helpful to request the attendance of officers at the committee to support discussion of a topic or to agree on the next steps. For example, if the committee wishes to review an internal audit report that identified significant areas for improvement, then it would be appropriate for the lead manager or director responsible for that service to attend the committee to discuss how they will address the weaknesses.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Supporting the audit committee

As a full committee of the authority, the committee will receive secretariat support. It will also receive guidance on the proper conduct of the meeting under the authority's constitution and legislation.

The chair of the committee should take part in planning the agenda, helping to ensure that the committee addresses its terms of reference.

Frequency of meetings

CIPFA recommends the committee should meet a minimum of four times per year. The number and frequency of meetings should be determined by what is efficient and effective to cover the work of the committee.

Some agenda items need to be considered at certain times of the year, such as the financial statements and AGS. Other items will be more flexible and others determined by urgency. An annual meetings planner can help to schedule core business throughout the year to achieve adequate coverage and a balance of activity.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken in balancing the frequency of meetings against the need to give the committee's business sufficient focused attention, without lengthy and unproductive meetings. Equally, the audit committee should review whether including each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Take care to avoid straying into matters of operational detail that service managers should resolve. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Transparency

Audit committees will normally meet in public, and agendas and minutes will be published. On occasion, there will be agenda items that meet the criteria to be heard in private. The chair should receive advice when a 'part 2' report is scheduled. The rationale for this should be stated.

Some authorities provide facilities for public questions at the start of a meeting. This supports openness and transparency but requires committee support to ensure questions are relevant for the scope of the committee.

Meetings and interaction outside scheduled meetings

The committee may meet informally as required to fulfil other requirements – for example, to take part in training or briefing or conduct a self-assessment.

It is typical for political group meetings to take place before a policy committee meeting; however, the apolitical nature of the audit committee should make such meetings unnecessary.

It is likely that some information will be shared with committee members outside scheduled meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Private meetings with the external auditor and head of internal audit

It is standard practice for the external auditors and head of internal audit to have direct access to the audit committee. This helps to reinforce the independence of the auditors, helping them to maintain their professional standards. It also reinforces the independence of the audit committee. A private meeting provides a safe space for discussions and questions. Even if the auditor has no concerns, the meeting provides additional assurance of that.

Suggested questions to ask at a meeting include the following:

- Are you free to determine the scope of internal audit without interference?
- Do you have the access to senior management that you need?
- Do you have any concerns about governance arrangements that you are not comfortable sharing in front of management or in public?
- Are there any emerging governance risks that the committee should be alert to?

The meeting could also be used to test out a question on the auditor, perhaps when the audit committee member is not sure if it is an appropriate question to ask. The meeting thus provides a safe space for committee members and enables the member to ask with confidence in the open meeting. However, it is important that a private meeting is not used as a substitute for formal committee meetings, as this would undermine openness and transparency. Like all aspects of the committee's work, a private meeting should be non-political.

As a minimum, there should be a facility for a private meeting once a year, but they should be made available on request. The committee can meet separately with external audit and the head of internal audit, but a joint meeting could also be an option. To support transparency, the chair should report that a private meeting has taken place at the next audit committee meeting and summarise the topics discussed.

If governance concerns are raised with the audit committee in a private meeting, the chair of the audit committee should agree appropriate steps with the auditor. This would normally include follow-up discussions with one or more of the statutory officers.

KEY RELATIONSHIPS

To be effective, an audit committee will need to engage with a wide range of officers. Representatives of finance and internal audit will attend regularly and often are a source of support to the committee, but other senior officers would normally be expected to attend. While it is for each audit committee to determine who attends its meetings, the following examples show the wide range of officers who can add value to audit committee meetings:

- The chief executive and corporate directors for the AGS and other governance-related issues.
- The monitoring officer for the AGS and ethical governance issues.
- The risk management officer for discussions around risk management.
- The head of counter fraud for agenda items on fraud risks and counter fraud activity.
- Service senior managers for audit, risk or governance discussions on their service areas.
- Scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Interactions with the head of internal audit will need to take account of the professional standards (PSIAS), so that the correct oversight and reporting can be demonstrated.

ACCOUNTABILITY

To those charged with governance

The audit committee should be held to account regularly by those charged with governance – full council or the equivalent body in another authority. Accountability should cover:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control arrangements within the authority.

The audit committee annual report

The committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact. This is a key output of the committee. The report should be publicly available, supporting the authority's accountability to wider stakeholders, including the public.

Suggested content for the report is set out below.

Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
 - The size of the committee.
 - Structure and composition, including the number of independent members.
 - Reporting line and independence from other committees.
 - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members, eg training.

The annual report should be timed to support the annual review of governance and preparation of the AGS. This enables the committee to take stock of the assurances it has received and the extent to which its own performance has contributed to governance arrangements.

The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the influence of the committee is likely to grow. **CIPFA has produced a set of frequently asked questions about the work of the committee** that helps communicate its role and the value it brings.

Supporting accountability to the public and stakeholders

The committee has a key role in reviewing the accountability reports of the authority and in helping the authority to discharge its responsibilities. Committee meetings will normally be held in public, except for exempt items, so this also contributes to the accountability of the authority to the public and stakeholders. The audit committee's own annual report will also support accountability to external stakeholders.

A wider group of stakeholders such as partner organisations may have an interest in the committee's work, although there is no direct accountability relationship between them. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

Supporting internal accountabilities

Through a review of internal and external audit reports, risk management information and other key strategies, the audit committee will hold to account those responsible for implementing recommendations and action plans. In addition, by overseeing the evaluation and improvement of governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority works well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly.

Membership and effectiveness of the audit committee

Choosing elected members for the committee and appointing additional co-opted independent members is an important step in ensuring the committee can carry out its work effectively. This section examines the characteristics needed by members and practical issues. It also considers the importance of evaluating the effectiveness of the committee.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

COMMITTEE MEMBERSHIP

Elected representatives and political balance

Elected members of local authorities are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members with experience in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Ideally, the selection of elected members to the audit committee will take account of aptitude and experience. In practice, most authorities have appointed members according to rules on political balance, even though the committee should be non-political. As long as the committee remains an advisory body and not decision making, then full council can waive the political balance requirement. Potentially, this could increase flexibility in the selection of suitable members.

Separation from executive roles

The leader of the cabinet, administration, chair of the policy and resources committee or the elected mayor must not be a member of the audit committee. Care should also be taken where councillors in senior policy-making roles are considered for membership. Where an authority has a cabinet system of governance, including a member of cabinet on the committee is discouraged. If the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a non-political approach.

If an executive member is included, other compensating arrangements should be made to ensure independence – for example, where there is a majority of independent members or an independent chair of the committee. An executive member should not chair the audit committee.

CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins the audit committee.

An overlap with other committee roles such as scrutiny or standards is not necessarily a problem. It can add value by bringing knowledge of activity in these areas into the committee. Those who are members of other committees should take care to not blur their roles.

It is important that there is engagement between those deciding policy matters and the audit committee. This will support audit committee members in staying up to date and help policy makers understand recommendations made by the committee. Examples of engagement could include the members of the executive attending the committee to brief them on the actions they are taking, or the chair of the audit committee attending cabinet or policy and resources to explain audit committee recommendations.

Including co-opted independent members (also known as lay members)

A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.

Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England.

Where there is no requirement to, CIPFA recommends the committee includes two co-opted independent members.

The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

The role of the co-opted independent member

The role description for a co-opted member of the committee will be the same as for an elected representative who is a committee member. The only substantial difference will be where the committee has been delegated decision-making responsibilities – although such delegations are not advised by CIPFA – a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can, of course, contribute to the discussions prior to the formal decision. The minutes of the meeting should distinguish between a delegated committee decision and a recommendation from the committee to another council body. The latter is part of the role of an advisory committee and the co-opted member should be able to take part fully.

Guiding the audit committee contains additional resources to support the planning for and recruitment of independent members.

Remuneration

It is usual practice to provide some form of payment to the lay committee members and to pay expenses for attending meetings. The allowance recognises the value and time contributed by the member. If an independent member is appointed as the committee chair, an additional sum would be appropriate. Elected members of the committee will be paid allowances and expenses in accordance with the authority's agreed arrangements.

Appointment of the chair

In Wales, a lay member will be recruited specifically to the position of chair, and in other parts of the UK, some authorities have decided on a co-opted independent member for the role. This allows the authority to specify the requirements of the chair during recruitment. In other authorities, the appointment of the committee chair will be decided according to the constitution of the authority. In all cases, it is recommended that the characteristics of an effective chair are considered. These include:

- an ability to plan the work of the committee over the year and beyond
- meeting management skills

- an ability to bring an objective, apolitical attitude and help ensure the apolitical nature of the committee
- core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. When making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

Knowledge and experience

There is a range of knowledge and experience that audit committee members can bring to the committee that will enable it to perform effectively. No one committee member would be expected to be a specialist in all areas, but there are some core areas of knowledge that committee members will need to acquire.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee. It can also be used when recruiting independent members. It distinguishes between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the entire operation of the authority, so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience – for example, in accountancy, audit, governance and risk management – will add value to the committee.

Training and development

Audit committees should have access to support to guide them in their roles, help them to understand the key agenda items, and to keep them informed of new developments. *Guiding the audit committee* includes a suggested training and support programme.

New co-opted members may have technical knowledge and experience, but they will still need to understand the local government context with which they may not be familiar. Support should also be provided to help integrate them into the committee and familiarise them with the council's structure and processes.

Audit committee members should review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.

DEVELOPING EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with knowledgeable and experienced membership, are

essential requirements for delivering effectiveness. The CIPFA Position Statement recommends the committee's annual report should include the results of a performance assessment.

Assessing the effectiveness of the committee should consider the following:

- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate).
- How the committee has fulfilled its terms of reference, including the core functions of the committee.
- The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
- The committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the committee.

Feedback to committee members

It is normal practice in other sectors for the chair of the audit committee to provide feedback to individual members. In the political environment of an authority, this is more difficult to do. Consideration should be given to facilitating general feedback as part of a wider committee self-assessment. Suggested areas for discussion include:

- attendance
- participation in discussions and questioning
- any training needs
- suggestions for how the committee could develop.

Appendices to support evaluation

CIPFA has developed some improvement tools for the committee to use to inform its evaluation. These are available in Appendices E and F.

The audit committee should report on its effectiveness in its annual report, and the annual report should be timed to support the AGS. More information on the annual report is available in [Independence and accountability](#).

Problem solving

Where the committee is experiencing difficulties, the improvement tools may help to identify those areas that need change. For a newly constituted committee, or one with several new members, it can take time to build up effective operations. This is one reason why a comprehensive programme of training and support is needed.

Other difficulties can arise if there is a poor understanding of the role and purpose of the committee among others or if there is insufficient engagement.

Appendix D includes a summary of the difficulties that audit committees sometimes experience and suggestions for addressing them.

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

| Guidance area | England (combined authorities) | Wales (local authorities and corporate joint committees) | England and Wales Police | England, Northern Ireland and Scotland (local authorities) |
|--|--|--|---|---|
| Specific legislation or statutory guidance | <u>Cities and Local Government Devolution Act 2016.</u> <u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u> | <u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u> <u>Local Government and Elections (Wales) Act 2021.</u> | <u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018). | Not applicable |
| Establishment of an audit committee | Required | Required | Required It is recommended that this should be a combined body for both PCC and chief constable. | No guidance |
| Composition of the audit committee | Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council. | The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced. | Police audit committees should comprise between three and five members who are independent of the PCC and the force. | No guidance |

| Guidance area | England (combined authorities) | Wales (local authorities and corporate joint committees) | England and Wales Police | England, Northern Ireland and Scotland (local authorities) |
|--|---|---|--|---|
| Specified functions of the audit committee | <p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p> | <p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p> | <p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p> | No guidance |
| Responsibilities of the audit committee in relation to external audit | No guidance | Oversee external audit arrangements. | Review external audit reports. | No guidance |

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

| | |
|--|---|
| Local authorities in England (including combined authorities and fire and rescue authorities) | |
| Relevant government guidance | <u>Accounts and Audit (England) Regulations 2015</u> |
| Local authorities in Wales | |
| Relevant government guidance | <u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> |
| Local authorities in Scotland | |
| Relevant government guidance | <u>Local Authority Accounts (Scotland) Regulations 2014</u> |
| Local authorities in Northern Ireland | |
| Relevant government guidance | <u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u> |
| Police in England | |
| Relevant government guidance | <u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018)) |
| Police in Wales | |
| Relevant government guidance | <u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>) |

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|---|--|--|
| Organisational knowledge | <ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. | <ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers. |
| Audit committee role and functions | <ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. | <ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report. |
| Governance | <ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. | <ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance. |

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|--|---|--|
| Internal audit | <ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion. | <ul style="list-style-type: none"> • The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. • The committee will also receive the annual report, including an opinion and information on conformance with professional standards. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan. |
| Financial management and financial reporting | <ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). • An overview of the principal financial risks the authority faces. | <ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. • Reviewing both external and internal audit recommendations relating to financial management and controls. • The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS. |
| External audit | <ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken. | <ul style="list-style-type: none"> • The audit committee will meet with the external auditor regularly and receive their reports and opinions. • Monitoring external audit recommendations and maximising the benefit from the audit process. • The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service. |

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|--|---|---|
| Risk management | <ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement. | <ul style="list-style-type: none"> • In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. • Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. • The committee should also review reports and action plans to develop the application of risk management practice. |
| Counter fraud | <ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). • Knowledge of the organisation's arrangements for tackling fraud. | <ul style="list-style-type: none"> • Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. • An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment. |
| Values of good governance | <ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority. | <ul style="list-style-type: none"> • The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. • Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported. |
| Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) | <ul style="list-style-type: none"> • <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management. | <ul style="list-style-type: none"> • Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny. |

See also **Treasure your assets** (Centre for Governance and Scrutiny, 2017).

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

| Skills | Key elements | How the audit committee member is able to apply the skill |
|---|--|--|
| Strategic thinking and understanding of materiality | Able to focus on material issues and the overall position rather than being side tracked by detail. | When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail. |
| Questioning and constructive challenge | Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding. | The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found. |
| Focus on improvement | Ensuring there is a clear plan of action and allocation of responsibility. | The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken. |
| Able to balance practicality against theory | Able to understand the practical implications of recommendations to understand how they might work in practice. | The audit committee should seek assurances that planned actions are practical and realistic. |
| Clear communication skills and focus on the needs of users | Support the use of plain English in communications, avoiding jargon, acronyms, etc. | The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience. |
| Objectivity | Evaluate information based on evidence presented, avoiding bias or subjectivity. | The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views. |
| Meeting management skills | Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting. | These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members. |

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

| Areas of difficulty | Possible causes | Possible improvement options |
|---|--|---|
| Lack of experience and continuity of knowledge among audit committee members. | <ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. | <ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members. |
| Audit committee members do not feel confident in their knowledge of particular areas. | <ul style="list-style-type: none"> Lack of training and support. | <ul style="list-style-type: none"> Enhanced level of support and training to members. |
| Independent members lack knowledge of the organisation and lack connections with key managers. | <ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. | <ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding. |
| Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion. | <ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. | <ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support. |
| The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control. | <ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. | <ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training. |

| Areas of difficulty | Possible causes | Possible improvement options |
|--|--|---|
| <p>The committee lacks focus, and members struggle to gain an overall understanding of their remit.</p> | <ul style="list-style-type: none"> • Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. • The committee is too large or lacks continuity because of regular attendance by substitutes. • Infrequent attendance by senior officers. | <ul style="list-style-type: none"> • Training and emphasis on the non-political and strategic focus of the committee. • Reform of the committee structure to reduce membership and remove use of substitutes. |
| <p>Senior officers do not understand the work of the committee and are not sighted on its output.</p> | <ul style="list-style-type: none"> • The audit committee fails to engage with other committees in the authority. • Attendance is often limited to the CFO and the head of internal audit. | <ul style="list-style-type: none"> • Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely. |
| <p>Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.</p> | <ul style="list-style-type: none"> • Committee recommendations are not directed to appropriate member bodies. • Reporting arrangements are not effective. • Wider induction arrangements do not cover the audit committee. | <ul style="list-style-type: none"> • Invite newly elected members to attend audit committee meetings. • Review reporting and accountability arrangements. • Prepare an annual report that sets out how the committee has fulfilled its responsibilities. • Share the CIPFA guidance (FAQs). |
| <p>Recommendations made by the audit committee are not actioned.</p> | <ul style="list-style-type: none"> • A poor relationship between the committee and the executive or senior officers. • The audit committee's recommendations are not adequately aligned to organisational objectives. | <ul style="list-style-type: none"> • A senior officer provides internal facilitation to support improved relationships. • Improve knowledge and skills among audit committee members. • Ensure better engagement with appropriate managers or the executive at an earlier stage. |
| <p>The audit committee fails to make recommendations or follow up on issues of concern.</p> | <ul style="list-style-type: none"> • A weak or inexperienced chair. • Members are inexperienced or do not fully understand their role. • Poor briefing arrangements prior to meetings. • Committee reports fail to adequately identify the action required by the committee. | <ul style="list-style-type: none"> • Provide guidance and support. • Improve briefing to the chair prior to the meeting. • Ensure reports contain clear recommendations. |
| <p>The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.</p> | <ul style="list-style-type: none"> • The terms of reference do not adequately scope the work of the committee. • Misunderstanding about the role of the committee. • Inadequate guidance from the committee secretary to the chair on its role. | <ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. |

| Areas of difficulty | Possible causes | Possible improvement options |
|--|---|---|
| Political points of view interfere with the work of the audit committee. | <ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. | <ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members. |
| A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management. | <ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. | <ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises. |

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

| Good practice questions | Does not comply | Partially complies and extent of improvement needed* | | | Fully complies |
|-------------------------|-------------------|--|----------------------|-------------------|------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |

Audit committee purpose and governance

| | | | | | | |
|---|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Has the committee maintained its advisory role by not taking on any decision-making powers? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 | Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 | Does the governing body hold the audit committee to account for its performance at least annually? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

| Good practice questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|---|--------------------------|---|--------------------------|--------------------------|--------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |
| 8 Does the committee publish an annual report in accordance with the 2022 guidance, including: | | | | | |
| <ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Functions of the committee | | | | | |
| 9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? | | | | | |
| Governance arrangements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Risk management arrangements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal control arrangements, including: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption | | | | | |
| Annual governance statement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Financial reporting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assurance framework | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal audit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| External audit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 Over the last year, has adequate consideration been given to all core areas? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 Has the committee met privately with the external auditors and head of internal audit in the last year? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Good practice questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|-------------------------|-------------------|---|----------------------|-------------------|------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |

Membership and support

| | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 13 Has the committee been established in accordance with the 2022 guidance as follows? | | | | | |
| <ul style="list-style-type: none"> Separation from executive | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18 Is adequate secretariat and administrative support provided to the committee? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Effectiveness of the committee

| | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22 Are meetings effective with a good level of discussion and engagement from all the members? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 23 Has the committee maintained a non-political approach to discussions throughout? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

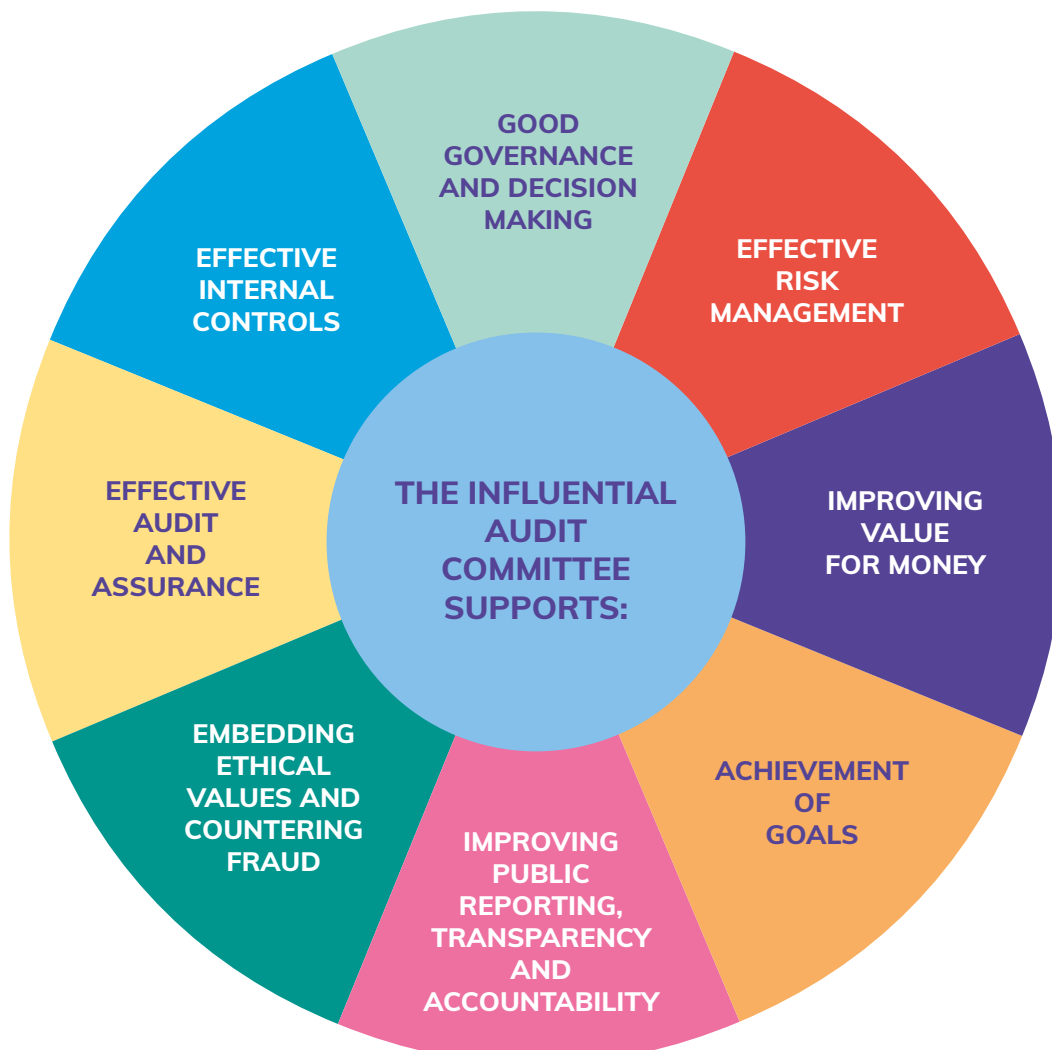
| Good practice questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|---|--------------------------|---|--------------------------|--------------------------|--------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |
| 24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 25 Does the committee make recommendations for the improvement of governance, risk and control arrangements? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 26 Do audit committee recommendations have traction with those in leadership roles? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 27 Has the committee evaluated whether and how it is adding value to the organisation? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 28 Does the committee have an action plan to improve any areas of weakness? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 29 Has this assessment been undertaken collaboratively with the audit committee members? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Subtotal score | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Total score | | | | | |
| Maximum possible score | | | | | 200** |

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

| Areas where the audit committee can have impact by supporting improvement | Examples of how the audit committee can demonstrate its impact | Key indicators of effective arrangements | Your evaluation: strengths, weaknesses and proposed actions |
|---|---|--|---|
| Promoting the principles of good governance and their application to decision making. | <ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. | <ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). | |
| Contributing to the development of an effective control environment. | <ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. | <ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. | |

| Areas where the audit committee can have impact by supporting improvement | Examples of how the audit committee can demonstrate its impact | Key indicators of effective arrangements | Your evaluation: strengths, weaknesses and proposed actions |
|--|---|--|---|
| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks. | <ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. | <ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. | |
| Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively. | <ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. | <ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. | |
| Supporting effective external audit, with a focus on high quality and timely audit work. | <ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. | <ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. | |
| Supporting the quality of the internal audit activity, in particular underpinning its organisational independence. | <ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. | <ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). | |

| Areas where the audit committee can have impact by supporting improvement | Examples of how the audit committee can demonstrate its impact | Key indicators of effective arrangements | Your evaluation: strengths, weaknesses and proposed actions |
|---|---|--|---|
| <p>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p> | <ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. | <ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. | |
| <p>Supporting the development of robust arrangements for ensuring value for money.</p> | <ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. | <ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. | |
| <p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p> | <ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. | <ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. | |

| Areas where the audit committee can have impact by supporting improvement | Examples of how the audit committee can demonstrate its impact | Key indicators of effective arrangements | Your evaluation: strengths, weaknesses and proposed actions |
|--|---|---|---|
| <p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p> | <ul style="list-style-type: none"> • Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. • Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. • Publishing an annual report from the committee. | <ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. | |

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

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10/2022

4. Audit Committee

Summary Description:

1. The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the Audit Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Membership: 9 Councillors. The Audit Committee shall not be chaired by a Member of the Executive.

Independent Person:

The Audit Committee may choose to appoint an Independent Person (IP) to advise and support the Committee. The IP will not be a member of the Audit Committee but would be entitled to attend all the meetings and associated training of the Committee. The IP can receive and comment on any reports submitted to the Committee, including restricted agenda items.

| Functions | Delegation of Functions |
|--|-------------------------|
| <u>Governance, Risk and Control</u> 1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance. | None |
| 2. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. | None |
| 3. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. | None |
| 4. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council. | None |
| 5. To monitor the effective development and operation of risk management in the Council. | None |

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

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| 18. To consider the Head of Internal Audit's annual report, including: a. The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement. b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS. | None |
| 19. To consider summaries of specific internal audit reports as requested. | None |
| 20. To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions. | None |
| 21. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years. | None |
| 22. To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations. | None |
| 23. To provide free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee. | None |
| 24. To commission work from internal audit. | None |
| 25. To consider the Council's RIPA policy under the Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016. | None |
| 26. To consider the Council's use of surveillance in accordance with the Regulation of Investigators Powers Act 2000 and the Investigatory Powers Act 2016. | None |
| <u>External audit</u> 27. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate. | None |
| 28. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance. | None |
| 29. To consider specific reports as agreed with the external auditor. | None |
| 30. To comment on the scope and depth of external audit work and to ensure it gives value for money. | None |

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| 31. To commission work from external audit. | None |
| 32. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. | None |
| <u>Financial reporting</u> 33. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. | None |
| 34. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. | None |
| <u>Accountability arrangements</u> 35. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions. | None |
| 36. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. | None |
| 37. To publish an annual report on the work of the committee. | None |

Quorum: 3 Members of the Committee

| Council | How many councillors and independent members are on your Audit Committee? | How many of the councillors are cabinet members? | Who chairs the committee? |
|-----------------|---|--|---|
| Waltham Forest | looking to appoint 2 independent members | None | Administration back bencher |
| Greenwich | 7 (1 independent) | None | Administration back bencher |
| Harrow & Slough | Harrow 7 / Slough 8 / Barnet 7 | None | Slough has had rules on opposition member chairing, which is another CIPFA idea, although now in no overall control and the 3 member strong lib dems got the chair of Audit |
| Ealing | 6 (1 independent) | None | A majority group councillor who is not a member of cabinet |
| Bexley | 11 (0 independent) | 1 | Members from the Lead Group but not Cabinet Members. |
| Croydon | 7 (1 independent, suitably qualified co-optee) | None | Independent Chair |
| Brent | 7 and 1 independent | None | The Independent member with the Audit focus is the chair. |
| Camden | 10 plus 2 independents | None | Majority Backbencher |
| Lewisham | 6 plus up to 4 independents | None | Back bencher |

Newham

8 plus 1 independent

3 Executive members

Independent Co-optee



AUDIT COMMITTEE WORK PLAN 2023/24

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|------------------|--|
| Contact Officer: | Farhana Zia Democratic Services |
| Email: | farhana.zia@towerhamlets.gov.uk |
| Telephone: | 020 7364 0842 |
| Website: | www.towerhamlets.gov.uk/committee |
| Last updated: | 15 th November 2023 |

AUDIT COMMITTEE WORK PLAN 2023/24

| REPORT TITLE | BRIEF SUMMARY | LEAD OFFICER | OTHER CTTEE MEETINGS |
|--|--|---|-------------------------------|
| 23RD NOVEMBER 2023 | | | |
| 1. Deloitte | Standing item | Jonathan Gooding/ Angus Fish | |
| 2. Consideration of 2018/19 and 2019/20 Management Representations | | Julie Lorraine/ John Harrison / Tim Harlock/ Ahsan Khan | |
| 3. Statement of Accounts for 2018/19 and 2019/20 | | Julie Lorraine/ John Harrison / Tim Harlock/ Ahsan Khan | |
| 4. Timetable for the accounts for 2020/21-2022/23 | | Julie Lorraine/ John Harrison / Tim Harlock/ Ahsan Khan | |
| 5. Control Observations for 2019-20 and progress in addressing these | | Julie Lorraine/ John Harrison / Tim Harlock/ Ahsan Khan | |
| 6. Annual Whistleblowing Report and Policy Review | | David Dobbs | |
| 7. Annual Review of the Anti-Money Laundering Policy and Guidance | | David Dobbs | |
| 8. Internal Audit Charter | Annual review and approval of the Internal Audit Charter. | David Dobbs | Deferred to Jan 24 |
| 9. Annual Review of Anti-Bribery Policy | Annual review and approval of the Council's Anti-Bribery policy. | David Dobbs | Deferred to Jan 24 |
| 10. 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 | David Dobbs | |

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AUDIT COMMITTEE WORK PLAN 2023/24

| REPORT TITLE | BRIEF SUMMARY | LEAD OFFICER | OTHER CTTEE MEETINGS |
|---|--|------------------------------|---------------------------|
| | significant issues since the last report to the Audit Committee. | | |
| 11. Risk Management Report 2023-24 –Progress update & Directorate Risk Register | An update on risks in the Corporate Risk Register. | David Dobbs | |
| 12. Treasury Management Annual report | | Miriam Adams | |
| 13. Terms of reference update | CIPFA recommendations | Julie Lorraine/ Janet Fasan | Terms of reference update |
| 14. Audit Committee Work Plan and Training | Review and agree items on the work plan for the Committee. <u>Training</u> 1. The topics for training 2. Who will provide the training – officers or someone external 3. Agree a date/time | Audit Committee Members | |
| 17TH JANUARY 2024 | Audit Committee Training | | |
| | Treasury Management | | |
| 22ND JANUARY 2024 | | | |
| 1. Deloitte | Standing item | Jonathan Gooding/ Angus Fish | |

AUDIT COMMITTEE WORK PLAN 2023/24

| REPORT TITLE | BRIEF SUMMARY | LEAD OFFICER | OTHER CTTEE MEETINGS |
|--|---|---|----------------------|
| 2. Internal Audit and Anti-Fraud update 2023/24 Progress update | | David Dobbs | |
| 3. Draft Annual Governance Statement 2021/22 and 2022/23 | For Review. Approval with Annual Accounts 2021/22 and 2022/23 | David Dobbs | |
| 4. Internal Audit Charter | Annual review and approval of the Internal Audit Charter. | David Dobbs | Deferred to Jan 24 |
| 5. Annual Review of Anti-Bribery Policy | Annual review and approval of the Council's Anti-Bribery policy. | David Dobbs | Deferred to Jan 24 |
| 6. 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 | |
| 7. Risk Management Report 2023-24 – Progress update & Directorate Risk Register | An update on risks in the Corporate Risk Register. | David Dobbs | |
| 8. Treasury Management Report and Mid-Year Review | Progress on the Treasury Management Strategy Statement and the Treasury Prudential Indicators | John Harrison/ Miriam Adams | |
| 9. Treasury Management Strategy Statement, Investment Strategy and Capital Strategy Report for 2023-24 | | Miriam Adams | |
| 10. 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 |
|---|--|--------------------------------|----------------------|
| 15TH APRIL 2024 | Audit Committee Training | | |
| | Anti-Fraud Investigations | | |
| 18TH APRIL 2024 | | | |
| 1. Deloitte | | | |
| 2. | | | |
| 3. Annual Internal Audit and Counter-Fraud Strategy & Plan 2024/25 | Draft Internal Audit Plan for 2024/25. For review and approval by the Committee. | David Dobbs | |
| 4. Internal Audit and Anti-Fraud update 2023/24 Progress update | | David Dobbs | |
| 5. Risk Management Report 2023-24 – Progress update & Directorate Risk Register | An update on risks in the Corporate Risk Register. | David Dobbs | |
| 6. Draft Terms of reference for 2024/25 | Review. To be approved in July 2023. | David Dobbs | |
| 7. Annual Self-Assessment and report of the Audit Committee | Self –Assessment – Report by the Audit Chair to go to Full Council | David Dobbs/ Charlotte Webster | |
| CARRY FORWARD ITEMS – 2024/25 | | | |
| 1. | | | |

AUDIT COMMITTEE WORK PLAN 2023/24

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

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