

Audit Committee

Agenda

Thursday, 10 October 2024 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 Amin Rahman

Councillor Kabir Ahmed, Councillor Abdul Malik, Councillor Asma Begum, Councillor Mufeedah Bustin and Councillor Marc Francis

Independent Member:

Charlotte Webster

Substitutes: Councillor Bodrul Choudhury, Councillor Jahed Choudhury, Councillor Shahaveer Shubo Hussain, Councillor Asma Islam and Councillor Ahmodur Khan

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

Contact for further enquiries:

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farhana.zia@towerhamlets.gov.uk

020 7364 0842

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

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



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A Guide to Audit Committee

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

This includes:

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

Public Engagement

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

London Borough of Tower Hamlets



Audit Committee

Thursday, 10 October 2024

6.30 p.m.

APOLOGIES FOR ABSENCE

1. DECLARATIONS OF INTEREST (PAGES 7 - 8)

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

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

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

2. MINUTES OF THE PREVIOUS MEETING(S) (PAGES 9 - 16)

To confirm the unrestricted minutes of the Audit Committee held on 8th July 2024.

3. AUDITORS ITEMS FOR CONSIDERATION

3.1 Planning report to the Audit Committee on the 2020/21, 2021/22, 2022/23 audits (Pages 17 - 48)

3.2 London Borough of Tower Hamlets Audit planning report Year ended 31 March 2024 (Pages 49 - 116)

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Internal Audit and Anti-Fraud - Progress Update Report (Pages 117 - 150)

4.2 Risk Management - Corporate and Directorate Risk Registers (Pages 151 - 200)



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

4.3 Treasury Management Outturn Report for 2023-24

To follow.

5. AUDIT COMMITTEE WORK PLAN

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

7. EXCLUSION OF PRESS & PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion: "That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972."

EXEMPT SECTION (Pink Papers)

The Exempt/Confidential (pink) papers for consideration at the meeting will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Democratic Services Officer present or dispose of them in the confidential bins.

7.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING (Pages 207 - 230)

To confirm the restricted minutes of the Audit Committee held on 8th July 2024.

7.2 ADULT SOCIAL CARE PROCUREMENT: VERBAL UPDATE

Next Meeting of the Audit Committee

Thursday, 9 January 2025 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: Linda Walker, Interim Director of Legal and Monitoring Officer, Tel: 0207 364 4348

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 MONDAY, 8 JULY 2024

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

Members Present in Person:

Councillor Harun Miah	Chair
Councillor Amin Rahman	Vice-Chair
Councillor Kabir Ahmed	(Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Abdul Malik	Chair of Human Resources Committee
Councillor Asma Begum	
Councillor Mufeedah Bustin	
Councillor Asma Islam	*substituting for Councillor Marc Francis
Charlotte Webster	Independent Person

Apologies:

Councillor Marc Francis

Others Present in Person:

Others In Attendance Virtually:

Hayley Clark	EY
Angus Fish	Deloitte
Jonathan Gooding	Deloitte
Stephen Reid	EY

Officers Present in Person:

Jill Bayley	(Head of Legal Safeguarding)
David Dobbs	(Head of Internal Audit, Anti-Fraud and Risk)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Ahsan Khan	(Chief Accountant)
Julie Lorraine	(Corporate Director Resources)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

1. DECLARATIONS OF INTEREST

Councillor Kabir Ahmed declared a non-pecuniary interest, in reference to item 4.1, that his wife worked for a non-local authority school in Tower Hamlets. Ms Jill Bayley, Deputy Monitoring Officer stated Councillor Kabir Ahmed could remain for the item as the item did not relate to the school his wife worked at.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Audit Committee **RESOLVED**:

1. That the unrestricted minutes of 23rd May 2024 be **AGREED** and **APPROVED** as an accurate record of the meeting.

3. AUDITORS ITEMS FOR CONSIDERATION

The Audit Committee heard from both external auditors, Deloitte and EY.

Deloitte

Mr Jonathan Gooding, external auditor from Deloitte provided a brief update in relation to the outstanding accounts of 2020/21, 2021/22 and 2022/23.

He said at the 23rd April 2024 meeting, he informed Members of the Government's intention to issue guidance in relation to outstanding accounts, known as the 'backstop'. He said they were still waiting for this further guidance from government, which could be delayed due to the change in Government at the General Election. However, they were on course to deliver their opinions by the September 2024 deadline.

- Members of the Committee had no questions for Mr Gooding.

The Chair, Councillor Harun Miah thanked Mr Gooding for his update.

EY

Mr Stephen Reid, external Auditor for EY said they were making good progress with the preliminary work for the accounts of 2023/24. He said EY hoped to bring an audit work plan, setting out the timetable for auditing the accounts, to the next meeting of the Committee.

Mr Reid said his team had been given late notification of this meeting and requested any changes in date ought to be shared in good time. He acknowledged late notification may have been due to the changeover of auditors and amendments made to the distribution list for the committee.

- Members of the Committee had no questions for Mr Reid.

The Chair, Councillor Harun Miah thanked Mr Reid for this update and his comments.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 School Audits: Annual Report for 2023-24

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk introduced the Schools Audit Annual Report for 2023-24 report. He said school audits were undertaken by a third-party firm BDO, on behalf of the Council.

He said the report appended at appendix 1 showed that a total of 14 schools had been audited over 2023-24, of which 3 had achieved a substantial rating, 10 had achieved a reasonable rating and 1 had achieved a limited assurance rating. He said overall the report showed schools were performing well against the controls in place, which included governance arrangements, budget and procurement.

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

- Referring to page 28 of the agenda pack, under personnel, Mr Dobbs confirmed the auditors did not have specific concerns in relation to safeguarding or DBS checks.
- Mr Dobbs confirmed that the school which had achieved a limited assurance would be assisted in improving their processes, via recommendations made to the Head teacher, Business Manager, and governing body.
- Mr Dobbs confirmed schools were audited on a five-year cycle. He said they did not usually revisit schools more frequently, if they achieved a lower rating, though there may be circumstances where this was considered. He said schools commission the audits which were internally re-charged. He said they communicated with schools quickly and helped them improve controls if there are significant findings.

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 undertaken during 2023-24.

4.2 Risk Management: Annual Report for 2023/24

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report summarised the risk management activity during the course of 2023-24 and provided an updated action plan designed to improve the Risk Management framework across the Council during 2024-25.

Mr Dobbs referred members to the table on page 43 and said the recruitment of the Risk Officer had been a game changer. He said the Officer had assisted in re-assessing the Corporate and Directorate level risk registers and had worked collaboratively with Corporate Directors and Head of Departments to develop the risk management policy.

Mr Dobbs said later in the year, Zurich Municipal would be presenting the findings of their health check, which will assess how effective the controls to mitigate risks are. Mr Dobbs said this would help to drive further improvements.

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

- Referring to paragraph 4.4, page 41 of the agenda pack, members asked what had been done to encourage better monitoring of overdue control measures. Mr Dobbs said Corporate Directors were engaging better in the process and over time, trend data would be presented to the Committee.
 - **ACTION:** Mr Dobbs to provide trend data on how overdue control measures are being remedied.
- In response to why some risks had not moved, Mr Dobbs stated Directorate Level risk registers were regularly provided to the Committee, with senior officers in attendance. He said the spotlight meetings were there, so Members could challenge officers in this regard.
- Referring to page 44-45 of the agenda, members queried why risks such as ORG0027 – cyber-attacks and RSB0023 – Financial Statement of Accounts, the risk rating had increased. Members asked if more resources were required in these areas? Mr Dobbs responded stating the risk relating to cyber-attacks was re-scored following the Interim Director of IT's assessment and the recent attacks other organisations have experienced.
- In reference to the risk strategy being reviewed and re-drafted, members asked if they'd be consulted in the development stage? Mr Dobbs said he'd be happy to facilitate this and would make arrangements for those members who wished to participate.
 - **ACTION:** Mr Dobbs to invite members to assist in the review and re-design of the Risk Management strategy.

The Audit Committee **RESOLVED** to:

1. Note the annual Risk Management report.

4.3 Insurance: Annual Report for 2023-24

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 3.40 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:

- Referring to paragraph 3.38, Members asked if THH had separate insurers to that of the Council. Mr Dobbs said no, they had the same insurers.
- In reference to repudiated claims referred to at paragraph 3.39, members asked if insurers do any analysis on this. Mr Dobbs replied saying some cases can be lengthy before they are drawn to a close. He said only one repudiated claim had to be re-opened, following further evidence.
- **ACTION:** Mr Dobbs said he would provide members with information on how much potholes costs the Council.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

5. **AUDIT COMMITTEE WORK PLAN**

The Chair Councillor Harun Miah referred members to the updated workplan submitted as part of the supplementary agenda and asked members if they had any comments or suggestions to make regarding the Committee work plan.

Members had no comments or suggestions to make.

The Audit Committee **RESOLVED** to:

1. Note the Committee workplan for 2024-25.

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

6.1 **Internal Audit Annual Report: 2023-24 including Head of Internal Audit's Annual Opinion**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk referred to the supplementary agenda and 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 2.3 of his report, page 9 of the supplementary agenda and said that he could provide a 'Limited Assurance' that the Council had adequate systems of governance, risk management and internal control. Referring to the table at paragraph 3.3 he said the number of audits resulting in reasonable or substantial ratings had fallen. He said from the onset the re-organisation of the Council posed a risk and it was clear this had caused some turbulence. Mr Dobbs said he would bring a snapshot of how audits over the last 10 to 12 months i.e. 2024-25 had been progressing at the October meeting of the Committee.

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

- Concern was raised in respect to the 'advisory' opinion shown for several audits listed in the table at appendix A. Members were not clear what 'advisory' meant and asked for more information to be provided.
- Mr Dobbs acknowledged the term 'advisory' was not helpful to members and said he would do more to ensure the term was used more sparingly for future audits.
- Mr Dobbs said he regularly reported on substantial and limited assurance audits as part of reports which came to the Committee and invited members to contact him, if they wished to see the fuller reports for any of the audits conducted by his team.
- **ACTION:** Mr Dobbs said he would report on the progress of the audits listed in appendix A to the next meeting of the Committee.
- Referring to the point 34 'Contract Management', page 18 of the supplementary agenda, Members asked why this audit had been cancelled. Mr Dobbs responded stating this was due to a resourcing issue however it had been included in the audit plan for 2024-25.
- Referring to the paragraph 5.5 'Other inspection work' Councillor Bustin said both the positives and negatives from the inspection reviews ought to be reflected. Mr Dobbs said his wording may be subjective, but it referred to the inspections that had taken place during the reporting year.
- Referring to paragraph 3.2, bullet point 3 and 22 limited assurances, members asked what had been done to tackle this? Mr Dobbs said these had been raised with the Corporate Leadership Team as well as the Heads of Service concerned. He said the Directorate leadership teams had oversight of the risks and these were regularly reported to the committee, with senior officers questioned on the improvement and/or action plans.

The Audit Committee **RESOLVED** to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2023-24.

7. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** and it was:

RESOLVED

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

7.1 RESTRICTED MINUTES FROM THE PREVIOUS MEETING(S)

The restricted minutes for the 23rd May 2024 were **AGREED** and **APPROVED** to be an accurate record of the meeting.

The restricted minutes from the extraordinary meeting of 27th June 2024 were **AGREED** and **APPROVED** to be an accurate record of the meeting save for three points raised under matters arising.

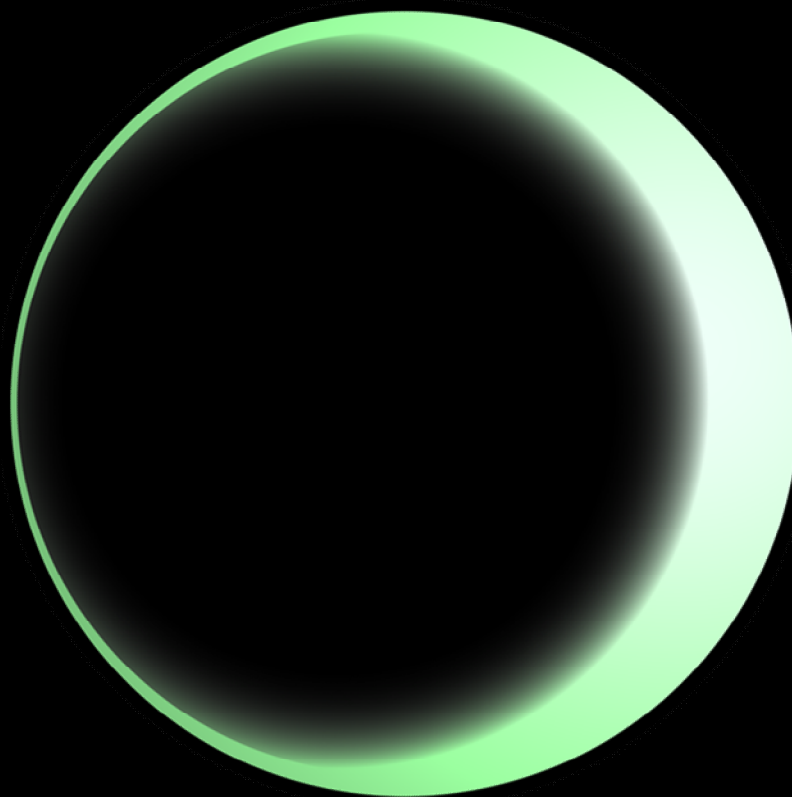
7.2 ADULT SOCIAL CARE PROCUREMENT: VERBAL UPDATE

The minute for this item is restricted.

The meeting ended at 8.26 p.m.

Chair, Councillor Harun Miah
Audit Committee

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London Borough of Tower Hamlets

**Planning report to the Audit Committee on the 2020/21, 2021/22, 2022/23 audits – issued on 27 September 2024
for the audit committee on 10 October 2024**

Contents

01 Planning report

Impact of the backstop provisions	3
Responsibilities of the Council	6
Overview of planned financial statement audit work	9
Materiality	13
Value for Money arrangements	14
Purpose of our report and responsibility statement	15

02 Appendices

Minimum procedures expected of the council	17
Prior year audit adjustments – Council	23
Prior year audit adjustments – Pension scheme	26
Our other responsibilities explained	28
Independence and fees	30

Impact of the backstop provisions

The Government has announced a legislative backstop date of 13 December 2024.

This report sets out how the accounts and audit process will operate for the London Borough of Tower Hamlets (“the Council”) and the London Borough of Tower Hamlets Pension Scheme (“the Pension Scheme”) for the financial years 2020/21, 2021/22 and 2022/23, in accordance with the “backstop” provisions that the Ministry for Housing, Communities and Local Government (“MHCLG”) and the National Audit Office (“NAO”) have announced. Although Parliamentary processes mean these provisions are not yet published in their final form, and the effective date of legislation when opinions can be issued has not yet been confirmed, we have set out our understanding of their impact and the plan for the accounts and audit processes required to be completed before at the latest 13 December 2024. This report should be read alongside management’s paper in response to the original consultation which was presented to the audit committee meeting in April 2024.

Impact of the backstop provisions

Under the backstop provisions, local authorities will be required to publish their statement of accounts and audit report by the backstop date. For financial years up to 31 March 2023, this will be 13 December 2024.

Although we have completed some procedures on the 2020/21 audit, due to the time available to complete the audits of the Council for the financial years 2020/21, 2021/22 and 2022/23, it will not be possible to complete all audit work required under auditing standards before that date.

Under auditing standards, and as envisaged in the backstop proposals, we expect that we will need to include in our audit report a disclaimer of opinion in respect of all remaining financial years in respect of both the Council and the Pension Scheme. This is because we will be unable to obtain sufficient appropriate audit evidence by the backstop date, and that the areas affected would be so material and so pervasive that we would be unable to form a view as to whether the financial statements give a true and fair view. Our audit report will state that this disclaimer of opinion is due to the backstop provisions.

Actions required of the Council

The backstop provisions do not affect the responsibilities of the Council for the preparation, publication and approval of the financial statements for the Council and the Pension Scheme and the annual report for the Pension Scheme. Auditors are only able to provide an audit report, even if modified or disclaimed, on a set of accounts which have been certified by the Section 151 Officer, subject to the statutory 30 working-day inspection period and approved as final by those charged with governance.

Impact of the backstop provisions (continued)

Impact upon our audit procedures

The Council has already published the draft statement of accounts for all outstanding years of account and has completed the public inspection period. The statement of responsibilities in the Council financial statements for 2020/21, 2021/22 and 2022/23 refer to exceptions in relation to compliance with the Code of Practice on Local Authority Accounting, including matters on which we qualified in 2019/20. If these are not resolved and we conclude they are material, we will include them in our audit report as known areas of material misstatement. We have not yet received the narrative sections of the Pension Scheme's annual reports for 2021/22 and 2022/23.

Actions required by the auditor

There are four principal responsibilities of a local authority auditor:

1. The audit of the statement of accounts, including the financial statements of the local authority and the pension scheme administered by the local authority
2. An opinion on the annual report of the pension scheme administered by the local authority as to whether it is consistent with the pension scheme's financial statements included in the local authority's statement of accounts
3. Work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ("Value for Money")
4. Consideration of any objections raised by electors.

Our understanding is that, under the backstop provisions, the auditor will need to have completed their consideration of any objections which may be material to the financial statements, and either completed their work in respect of Value for Money arrangements, or determined that any remaining work will not have a material impact on the financial statements, prior to issue of their audit report (even if they have been unable to complete their financial statement audit).

We have set out from page 9 our planned procedures in respect of the financial statement audit, and on page 14 in respect of our Value for Money responsibilities.

We have not received any objections in respect of the published years of account, and therefore no work is required in respect of these.

We will communicate our findings from our work to the Audit Committee.

Impact of the backstop provisions (continued)

Impact upon our audit procedures

If we identify any misstatements or disclosure deficiencies from our procedures, we will communicate these to management and will include any uncorrected items in our final report to the Audit Committee. If there are any known material misstatements, then we would expect these to be corrected in the final statement of accounts. If we are aware of any material uncorrected misstatements, we will need to include details of these misstatements in our audit report (in addition to our disclaimer of opinion).

We will also issue an Auditor's Annual Report, including our Value for Money commentary, which we expect we will issue on a combined basis covering 2020/21, 2021/22 and 2022/23.

Interaction with the incoming auditor and the 2023/24 accounts and audit process

We will continue to co-operate with EY, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Council and Pension Fund.

Responsibilities of the Council

The Council remains responsible for the preparation, publication and approval of the statement of accounts

Responsibilities of the Council

The Council is responsible for ensuring that there is an appropriate internal control environment that enables the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Prior to publication of the final signed financial statements, the Council need to have:

- Prepared the statement of accounts;
- Completed internal reviews and other procedures required as part of the Council's internal controls over financial reporting (with recommended minimum checks detailed on page 17);
- Published the draft statement of accounts for public inspection;
- Completed the 30 working day public inspection period;
- Amended the draft statement of accounts for any material matters identified or which the Council considers requires correction; and
- Approved the statement of accounts.

The table on the next page summarises the status of preparation and publication for inspection of the open years of account.

Although the procedures that we will be performing (as set out on pages 9 to 12) do not include substantive testing of balances, we have identified material misstatements in previous years through this type of procedure on the financial statements including internal inconsistencies, casting errors, and omitted disclosures. The Council remains responsible for preparation of a statement of accounts that complies with the requirements of the CIPFA Code of Practice on Local Authority Accounting and which gives a true and fair view. The statement of responsibilities set out various exceptions in relation to compliance with the Code in the unaudited accounts for 2020/21, 2021/22 and 2022/23. If further misstatements, disclosure deficiencies, or other issues are identified in the draft statement of accounts, these will potentially require investigation and correction by management before approval of the final statement of accounts, and therefore any issues will need to be considered and addressed on a timely basis to achieve the planned timetable to the backstop date.

Responsibilities of the Council

We will evaluate the impact on our audit report of exceptions detailed in the statement of responsibilities

The table below summarises the status of preparation of the open years of account. The publication and inspection process for each year is complete and no objections were received in the period allowed under legislation for this.

	2020/21	2021/22	2022/23
Draft accounts prepared	Yes	Yes	Yes
Draft accounts consistent with the accounts for preceding year	Yes	Yes	Yes
Draft accounts include group accounts	No – See note 1		
Other known issues with draft of accounts	Yes – see note 1		
Updated draft required before can begin audit procedures	No	No	No
Pension scheme annual report received	Yes	No – see note 2	No – see note 2

Note 1: the council has identified issues over the presentation and disclosure of information in the financial statements for all open years, including the omission of group accounts in 2020/21, 2021/22 and 2022/23, as well as errors in pension membership data which impact on pension liabilities/asset and related entries. As explained by officers in their paper considered at the meeting of the audit committee in January 2024, whilst officers propose to remediate these issues in drafting the financial statements for 2023/24, they do not propose to correct and reissue financial statements for 2020/21, 2021/22 and 2022/23. We will therefore commence our audit procedures on the existing versions of the financial statements, but we will need to consider the impact of the misstatements and deficiencies on our audit reports.

Note 2: Whilst we have received the pension scheme financial statements in the Council’s statement of accounts which will form the “back half” of the pension scheme annual report, we have not yet received the narrative “front half” sections of the pension scheme annual report or the standalone annual report document.

Responsibilities of the Council

MHCLG has stated that it is expected that councils should have sufficient internal controls and processes to provide assurance to the Section 151 Officer that the accounts present a true and fair view, and enable approval of the accounts. In light of the material misstatements and significant control deficiencies identified in previous audits, the Audit Committee may wish to receive a paper from management on the assurances in place including over significant estimates and judgements as part of the approval of the final accounts.

Overview of planned financial statement audit work

Overview of planned procedures

Due to the time available to complete the audits of the Council and Pension Fund for the financial years 2020/21, 2021/22 and 2022/23, it will not be possible to complete all audit work required under auditing standards before that date. We have set out in the table below an overview of the key aspects of the work that we plan to complete (some of which are complete or underway):

Area	Planned procedures
Initial planning activities	<p>We have completed our overall assessment of engagement risk, which will also inform our planned Value for Money procedures.</p> <p>We have performed our engagement acceptance and continuance procedures, including in respect of independence.</p> <p>We have determined materiality for each of the audits.</p>
Risk assessment procedures, including understanding of the Council and its environment, and of internal control.	<p>We have an existing understanding of the Council and Pension Scheme and their environment, and of the internal controls, from previous years' audits and the procedures that had been commenced on the 2020/21 audit.</p> <p>For the open years of account, there is insufficient time prior to the backstop date to complete the audit testing required to respond to identified risks of material misstatement. We therefore have not completed, nor plan to complete, all risk assessment procedures as required by ISAs (UK).</p> <p>As part of our procedures on the financial statements (discussed on the next page), we will perform overall analytical procedures on the draft statement of accounts.</p>
Fraud enquiries	<p>We plan to complete the fraud inquiries required under ISA (UK) 240, as detailed on pages 28 to 29.</p>
Overall audit procedures that also impact upon our Value for Money procedures	<p>There are a number of areas of audit procedures which also inform our Value for Money work. We will complete procedures in these areas including:</p> <ul style="list-style-type: none">• Review of minutes of the Council and its principal committees;• Review of the work of internal audit;

Overview of planned financial statement audit work

Area	Planned procedures
Significant risks	<p>We have not completed the risk assessment procedures required by ISAs to identify any significant risks for the financial years subject to audit, and as noted above do not anticipate doing so as there will not be sufficient time to complete the audit testing required to respond to identified risks of material misstatement.</p> <p>The significant risks which we had identified in respect of the 2020/21 audit, and which the Audit Committee may wish to consider the internal assurances in place in respect of for the open years of account, were:</p> <ul style="list-style-type: none">• Management override of controls (a presumed risk on all audits, and therefore relevant to both the Council and Pension Scheme audits)• Capitalisation of expenditure (Council audit)• Recognition and presentation of income from grants and other contributions (Council audit)• Valuation of property assets (Council audit)• Disclosure of information on higher paid employees and exit packages (Council audit). <p>We had rebutted the presumed risk of fraud in revenue recognition for 2020/21 but have not determined whether this would be a risk for subsequent years.</p> <p>In addition, subsequent to starting our work on the 2020/21 audit, we concluded in respect of our audits for the years ended 31 March 2019 and 31 March 2020, that information provided to the actuary for the purpose of their valuation of pension liabilities was not reliable and, as a result, there was an unquantifiable error in the amount of the pension liability. The statement of responsibilities in the unaudited statement of accounts for 2020/21, 2021/22 and 2022/23 refer to an ongoing uncertainty over the amount of the pension liabilities for those years for the same reason.</p> <p>We reported on other areas of audit focus in relation to the 2019/20 audit and the audit committee may wish to consider how these matters have been treated in the open years of account, including: the impact of the pandemic on the financial statements; the accounting for infrastructure assets; and the accounting for pension obligations relating to Tower Hamlets Homes staff (in particular because of the change in contractual arrangements); and, as above, pension accounting (where the Audit Committee may wish to consider the additional judgement in 2022/23 in relation to the value of the pension asset to be recognised.</p>

Overview of planned financial statement audit work

Area	Planned procedures
Testing of account balances, classes of transactions, and disclosures	We do not plan to perform our audit testing of underlying balances, transactions or disclosures. As noted above, there is not sufficient time to complete work in sufficient areas before the backstop date to be able to form an audit opinion.
Financial statements	<p>We will review the draft financial statements, including performing overall analytical procedures.</p> <p>We will understand management’s process for preparing the financial statements, including updates to the originally published 2020/21 financial statements.</p> <p>We will agree the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), the Housing Revenue Account, and the Collection Fund to supporting accounting records.</p> <p>We will agree the comparative figures and opening balances to the prior year financial statements.</p> <p>We will perform a “call and cast” of the financial statements for internal consistency and arithmetic accuracy.</p> <p>We will review the financial statements against the requirements of the CIPFA disclosure checklist.</p> <p>If we identify any apparent errors, omissions, or inconsistencies that are not clearly trivial, we will discuss these with management and request correction of identified misstatements (including disclosure deficiencies).</p> <p>We will report uncorrected misstatements, or corrected misstatements that we consider to be significant, to the Audit Committee.</p>
Compliance with laws and regulations	<p>We will inquire of management and those charged with governance whether the Council is in compliance with applicable laws and regulations.</p> <p>We will inspect any correspondence with regulators.</p>
Evaluation of misstatements	We will evaluate any misstatements and disclosure deficiencies identified and consider whether any uncorrected items are individually or in aggregate material to the financial statements.

Overview of planned financial statement audit work

Area	Planned procedures
Internal control findings	<p>We will not be performing our usual procedures to understand the Council’s internal controls and will be not be performing our audit testing of balances, which are typically how we identify control findings. However, if we identify any matters through our planned procedures, we will communicate them to management and the Audit Committee, in accordance with ISA (UK) 265.</p> <p>We have reported a number of significant control deficiencies and recommendations to the Council from our previous audits. Given the extent of planned procedures, we will not be evaluating the extent to which management have implemented their responses to these recommendations, some of which the officers reported to the audit committee were still in progress at November 2023. The Audit Committee may wish to receive a further update from management on progress against our previous recommendations as part of their approval of the financial statements.</p>
Subsequent events	<p>We will inquire of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.</p>
Reporting to those charged with governance	<p>We have included in this planning report those matters which we are required to report to you under auditing standards.</p> <p>We will include in our final report our findings from the procedures performed, and any other matters we consider we are required to report to the Audit Committee.</p> <p>As we will not complete our usual audit procedures, we do not anticipate we will form a view on significant qualitative aspects of the Council’s accounting practices (including accounting policies, accounting estimates and financial statement disclosures) and so will not report to you in respect of these matters.</p>
Annual Governance Statement	<p>We will review the Council’s Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work (including from our Value for Money procedures).</p>
Duties as public auditor	<p>No objections have been received in respect of any of the open years of account.</p> <p>We will consider whether any matters are identified through our audit requiring the exercise of any of our other audit powers under the Local Audit and Accountability Act 2014.</p>

Page 28

Materiality

Our approach to materiality

Determination of materiality

- Although the extent of planned procedures does not include testing of balances, we are required to determine materiality for the purposes of evaluation of any misstatements identified (and so whether the financial statements are materially misstated).

Basis of our materiality benchmark

- Based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements, the key audit partner has determined materiality to be £24.0m for the 2020/21, 2021/22 and 2022/23 audits.
- We have used 2% of gross expenditure as stated in the published unaudited financial statements as the benchmark for determining materiality as this is an area of focus for users of the accounts.
- We have set lower materiality thresholds for the audit of disclosures on officer remuneration disclosures, as we have determined that users of the accounts have a closer interest in these disclosures. The thresholds set for the different notes are: Senior employee disclosure – 2.5% of total pay; Higher paid employee disclosures - 10% of band total for bands to £99,000 and 1 employee for bands above that; exit packages disclosure: 20% of number of packages within bands to £60,000 and 10% of number of packages for

employees within bands above that.

- We have set materiality for the audit of the Pension Scheme financial statements at £19.5m, £20.2m and £19.3m respectively for the 2020/21, 2021/22 and 2022/23 audits, based on 1% of the net asset of the scheme.

Reporting to those charged with governance

- We will report to you all misstatements found in the Council's financial statements in excess of £0.5m and all misstatements found in the Pension Scheme financial statements in excess of £0.9m, £1.0m and £0.9m respectively for the 2020/21, 2021/22 and 2022/23 audits.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

Group materiality and scoping

- The original version of the 2020/21 financial statements included group accounts and we performed procedures to determine materiality and the scope of our audit of the group. The group accounts were subsequently removed from the 2020/21 financial statements (and none were included in the financial statements for 2021/22 and 2022/23) and therefore we have not set out planning decisions in this respect.

Value for Money arrangements

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources. Under the requirements we understand will be applicable for the backstop period, our work is by reference to two reporting criteria (financial sustainability and governance). We understand the reporting criterion of improving economy, efficiency and effectiveness will be removed for audits up to and including 2022/23 under the backstop proposals;
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit report.

We anticipate that we will issue a single Auditor's Annual Report covering the open years of account.

Status of our risk assessment and Value for Money procedures

We have identified risks of significant weakness in respect of the identification and management of risks, including the maintenance of an effective system of internal control and taking prompt and effective corrective action and in maintaining adequate processes and systems to support timely and accurate financial reporting. These were reported as weaknesses in our most recent audit report, in respect of 2019/20, and there is a risk that these significant weaknesses continued into 2020/21 to 2022/23.

Our work, including the risk assessment, is proceeding through our internal review processes and will be finalised in late October/early November.

We expect completion of our work in this area to be subject to our consideration of the council's best value inspection report, once issued, and the outcome of the Council's investigation into issues in relation to contract monitoring processes in respect of a homecare services procurement.

Purpose of our report and responsibility statement

Our report is designed to establish our respective responsibilities in relation to the audit, and to communicate our audit plan and planned scope. We will update you if there are any significant changes to the audit plan.

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

Page 31

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

London | 27 September 2024

Appendices

Page 32



Minimum procedures expected of the Council

We have included below a summary of the minimum procedures that we would expect the Council to have undertaken prior to the start of any auditor procedures upon the statement of accounts. These reflect general good accounting practice and the guidance in CIPFA's "Streamlining the Accounts" publication (which includes more extensive guidance on the year-end process and preparation of working papers which the Council may wish to adopt in improving its financial reporting and close process for future years) consistent with our previous control findings in this area.

Overall procedures

Update of the draft financial statements so that comparatives and opening balances match to previous audited accounts, and all expected disclosures included.

Completion of the CIPFA Disclosure Checklist and resolution of any issues arising for this

Consistency check of the figures included in the narrative report to the financial statements

Documented internal review of the financial statements

Documented internal "call and cast" of internal consistency and arithmetic accuracy

Documented check that opening balances and comparative figures agree to previous audited accounts or the updated draft of previous year.

Documented check the figures agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of documented audit trail of any adjustments between ledger and statement of accounts

Documented analytic review of movements in balances of more than set threshold (which we recommend is not more than £12m for the Council and £9m for the Pension Scheme), with a clear and meaningful explanation for all variances.

Consistency checks

Agree the additions in the PPE and other fixed asset notes to the note on Capital Expenditure and Capital Financing

Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the Capital Adjustment Account and Statutory Adjustments notes

Agree the surplus/deficit for the year from the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement, cashflow statement, and Expenditure and Funding Analysis.

Agree the movement on the HRA balances in the Housing Revenue Account to the Movement in Reserves Statement.

Check consistency of statutory overrides and adjustments between the Expenditure and Funding Analysis, Movement in Reserves Statement, and related disclosure notes.

Check that the Capital Financing Requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.

Prior year audit adjustments - Council

Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the 2019/20 audit:

		Debit/ (credit) surplus on provision of services £m	Debit/ (credit) Other comprehensive income £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m
Factual and judgemental misstatements					
Provision for appeals against rateable values	[1]	(0.5)	-	(2.5)	3.0
Error in recording audit journal (£0.6m)	[2]	-	-	-	-
Demolition costs	[3]	0.8	-	(0.8)	-
Assets not in operational existence	[4]	1.1	-	(1.1)	-
Late cut off on capital expenditure (£1.1m)	[5]	-	-	-	-
Income from building council homes fund	[6]	1.5	-	(1.5)	-
Internal receivable not eliminated (£1.0m)	[7]	-	-	-	-
Section 31 income recognition	[8]	(2.4)	-	2.4	-
Apportionment between preceptors (£0.8m)	[9]	-	-	-	-
Invalid NNDR debtor raised in year	[10]	0.5	-	(0.5)	-
Error in unit building cost input	[11]	-	-	1.4	(1.4)
Impact of Goodwin case	[12]	-	-	(4.0)	4.0
Overstatement of H&SE penalty provision	[13]	0.3	-	1.6	(1.9)
Tenant arrears and credit loss calculation	[14]	(0.8)	-	0.8	-

Prior year audit adjustments - Council

Uncorrected misstatements

		Debit/ (credit) surplus on provision of services £m	Debit/ (credit) Other comprehensive income £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m
Factual and judgemental misstatements (continued)					
Other differences between estimates and actuals	[15]	2.6	-	(2.6)	-
Under accrual of CIL income	[16]	(0.4)	-	1.0	(0.6)
Incorrect classification of operational assets as AUC	[17]	0.7	-	(0.7)	-
Understatement of HMO licence income deferral	[18]	0.6	-	(1.5)	0.9
Omission of surplus land assets	[19]	-	-	2.3	(2.3)
Roll forward of valuation of council dwellings	[20]	(4.0)	-	-	4.0
Pension assets values using stale prices	[21]	-	(1.1)	-	1.1
Impact of McCloud/Sargeant rulings	[22]	(1.6)	-	-	1.6
Unreconciled difference on schools cash control account	[23]	1.3	-	-	(1.3)
Recognition of full LPFA pension asset	[24]	-	3.5	-	(3.5)
Total		(0.3)	2.4	(5.7)	3.6

Prior year audit adjustments - Council

Uncorrected misstatements

[1] In estimating the provision for the cost of appeals by ratepayers against rateable values, the council had not taken into account information available on historical experience of such appeals or information which has become available after the reporting date about appeals lodged or determined. We estimated the effect of taking these matters into account would be to increase the provision by £5.2m, of which the council's share would be £2.5m. For similar reasons, we proposed an adjustment to the equivalent provision at 31 March 2019.

[2] An audit journal to correct an error relating to the omission of VAT from a sales invoice was incorrectly posted. The correcting journal is to increase Short term creditors HM Revenue & Customs and reduce Short term debtors HM Revenue & Customs by £585k.

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

[4] Officers carried out a further review of the fixed asset register and identified assets with carrying value of £1.1m which were no longer in operational existence.

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

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

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

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

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

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

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

Prior year audit adjustments - Council

Uncorrected misstatements

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

[13] A provision for penalties payable in relation to a possible Health and Safety Executive prosecution at 31 March 2020 was £1.6m higher than the amount determined during 2020/21 (£1.0m higher at 31 March 2019. In addition, a provision at 31 March 2019 for penalties in a second case of £0.9m was released during 2019/20 as, taking into account the elapse of time, a prosecution is no longer expected.

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

[15] This relates to other differences between estimates used to

close the 2019/20 accounts and actuals identified through budget monitoring processes in subsequent years.

[16] The council performed an additional review of the Community Infrastructure Levy (CIL) income during the 2020/21 audit and identified an under accrual of £1.0m (of which £0.4m related to 2019/20 and £0.6m related to earlier years).

[17] Works on the Collingwood Community Centre were finished during 2019/20, but an entry to reclassify the asset from assets under construction to other land and buildings was not recorded until 2020/21. As a result, the building was incorrectly held at cost at 31 March 2020, rather than at its current valuation. The valuation performed for the purpose of the 2020/21 financial statements resulted in an impairment of £0.7m and we have assumed, had the property been valued at 31 March 2020, this would have resulted in an impairment of similar quantum.

[18] Deferred income relating to the administration of HMO licences is understated by £1.5m. There was a similar error at 31 March 2019 (£0.9m).

[19] During 2023, the council identified that holdings of surplus land had been previously omitted from the fixed asset register. This was identified when the council received offers from developers to purchase these assets. Officers have obtained a valuation for these assets at 31 March 2021 of £2.3m and we have assumed that the amount of the error at previous reporting dates is similar to this.

Prior year audit adjustments - Council

Uncorrected misstatements

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

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

[22] The pension liability at 31 March 2019 did not take into account the impact of the McCloud/ Sargeant rulings.

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

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

Prior year audit adjustments - Council

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements were identified in relation to the 2019/20 audit:

Disclosure

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

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

Classification of commercial rent deposits

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

Disclosure on number of council dwellings

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

Presentation of grant income

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

Pooled budgets

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

Prior year audit adjustments - Council

Disclosures

Disclosure

Operating lease commitments (council as lessee)

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

Movements on provisions

The analysis of movements on provisions should distinguish between amounts used and unused amounts reversed in the year and contributions to provisions and transfers between current and non current provisions. The disclosure does not distinguish between these amounts and instead presents the aggregate amounts used and unused amounts reversed in the year and the aggregate of contributions to provisions and transfers between current and non current provisions [Code: 8.2.4.2]. This is because the council has not been able to analyse movements on the provision for appeals against business rates, in turn because the council has not been able to distinguish between adjustments to business rates income as a consequence of successful appeals and other adjustments to business rates income.

Adjustments to business rates income as a consequence of a successful appeals and other adjustments to business rates income are presented on separate lines within the supplementary collection fund statement (being “Impairment of debts/appeals for non domestic rates” and “Income from non domestic rates”, respectively). As the council has not been able to extract information to determine the correct allocation of adjustments between these lines, it has done so on the basis of estimates.

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

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

Prior year audit adjustments - Council

Disclosures

Disclosure

Short term debtors analysis

An aggregated loss allowance provision was made against both arrears of council tax and council tax collection costs outstanding and included within Short term debtors council tax. Gross council tax collection costs outstanding of £3.1m are disclosed within "Short term debtors other entities and individuals". The loss allowance relating to this balance should be reclassified from "Short term debtors council tax" to "Short term debtors other entities and individuals".

Analysis of movement on pension liability

In the analysis of movement on pension assets and liabilities, the amount recorded for benefits paid is higher than the amounts shown in pension records by £2.4m. This arises because the actuarial calculation has used estimated and not actual cash flows. Similarly, the analysis does not take into account cash flows relating to the council's share of net cash flows relating to the transfers of value and similar payments in respect of leavers of £0.8m. Contributions estimated for the purpose of the roll forward of pension assets are £0.7m lower than the pension scheme records. In principle, this impacts only on pension assets in the disclosure and balance sheet. However, it is most likely that this arises on additional contributions to settle additional liabilities arising from pension strain in respect of terminations in the year which have also not been recorded.

Prior year audit adjustments – Pension Scheme

Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the 2019/20 audit:

		Debit/ (credit) Fund Account £m	Debit/ (credit) Net Asset Statement £m
Factual and judgemental misstatements			
Goodwin Ruling	[1]	N/A – impacts disclosure in note 20	N/A – impacts disclosure in note 20
Total		-	-

[1] In calculating the actuarial liability of the plan in accordance with IAS 26, the actuary has not allowed for the Goodwin ruling. Incorporating this factor would result in an increase of £4m (0.2%) of the actuarial liability.

Disclosures

The following uncorrected disclosure misstatements were identified in relation to the 2019/20 audit:

Disclosure

Nuveen Retail Warehouse Fund - Redemption Restrictions

The material valuation uncertainty clause included within the valuation statement for the Nuveen Retail Warehouse Fund as at the year-end should be disclosed in the financial statements. The fund value at the year-end is c.£2.1m, which is not material.

Prior year audit adjustments – Pension Scheme

Observations

IAS 26 liability

Based on the work of our in-house actuarial team, errors were identified in the information provided by the council to the actuary for the purpose of the valuation of the present value of promised retirement benefits at 31 March 2020. The present value of promised retirement benefits were corrected for some, but not all of these errors. As a result of the volume of member records involved, we were unable to determine whether any further adjustments to these amounts were necessary.

Underpayment of contributions due to employer payroll system error

The automation of pension auto-enrolment within the council payroll system launched in June 2019 and caused any newly enrolled active members using that system to have their 3rd party deductions omitted from the BACS report on the first month upon their enrolment and therefore not paid into the bank for this month. This caused an underpayment in the contributions for the 2019/20 year of £611k. We recommended that the contributions which have been deducted but that have not been paid across to the Fund are transferred to the Fund as soon as is practical. We further recommended that this breach of the regulations is reported to the Pension Regulator (TPR).

Control deficiencies

- 1) During our walkthrough of the journal review process we noted that the level of the review of the investments journals was limited to agreement to the high-level reports provided by Northern Trust (NT). Given the significance and magnitude of the balances reported by NT we recommended that a more detailed review be completed and recorded, which could include agreeing the summary to underlying detailed reports from NT. We do not consider this to be a significant deficiency given the oversight of the reporting from NT that is completed by the investment consultants and is reported to the pensions committee, and also due to the evidence of the controls in place at NT provided by their internal controls report - which flagged no issues in this area.
 - 2) The salary thresholds have not been updated since they were first introduced and as a result they are not reflective of the current salaries in place. Because of this a certain number of employees are selected every time the exception report is run, while not being actual exceptions. This leads to basic "tick-off" exercise and could potentially distract from relevant issues. As the control does not track percentage movements in salaries/wages, we do not believe it is sufficiently precise to identify unusual movements for lower earning employees. We do not consider this to be a significant deficiency as the existing control is sufficient to capture a material issue, this recommendation represents a potential enhancement.
-

Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- Due to the extent of the audit work that we anticipate can be completed prior to the backstop date, our work will not provide assurance that the financial statements are free from material misstatement, whether caused by fraud or error, which will be reflected in the disclaimer of opinion in our audit report.
- We will communicate to you any other matters related to fraud we identify through our audit that are, in our judgment, relevant to your responsibilities.

Page 44

Fraud Characteristics:



- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained

Fraud responsibilities

We intend to make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

Page 45



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the council and its group and will reconfirm our independence and objectivity to the Audit Committee for the years ended 2021, 2022 and 2023 in our final report to the Audit Committee.

Fees

Public Sector Audit Appointments Limited (“PSAA”) has set the amount of the scale fee payable by the Council as £162k for each of the financial years 2020/21, 2021/22 and 2022/23. This scale fee has not reflected the actual scope and cost of performing the audit of the Council (including the additional value for money requirements for 2020/21) and therefore this would have been subject to fee variations if the audit had not been impacted by the backstop provisions. PSAA has not yet published details of how it plans to adjust the scale fee to reflect the actual costs of audits which are affected by the backstop, and so any adjustment that will be made to this scale fee amount.

Non-audit services

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

There were no non-audit services fees proposed or provided in the years ended 31 March 2022 and 31 March 2023.

During the year ended 31 March 2021 we completed a property related service which commenced in an earlier year, details of which, including our assessment of the services, have been previously communicated to you. Fees earned during the year ended 31 March 2021 were £4k and in total over the period from the start of our appointment to completion of the project were £23k.

Relationships

We have no relationships (other than the provision of non-audit services which are covered above) we have with the Council, its members and officers, and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence, together with the related safeguards that are in place. This may include (for example) former partners and staff who have joined the entity.

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London Borough of Tower Hamlets Audit planning report

Year ended 31 March 2024

30 September 2024

Page 49



Agenda Item 3.2

Audit Committee
London Borough of Tower Hamlets
Town Hall
160 Whitechapel Road E11BJ

30 September 2024

Dear Audit Committee Members

Audit planning report

Attached is our audit planning report for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee of London Borough of Tower Hamlets ('the Council') with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. We have been working with the system leaders to understand what their expectations will be on all auditors to implement the government's policy proposals effectively. As you will be aware the legislation to implement the backstop dates was laid in Parliament on 9 September 2024 and will come into force on 30 September. To ensure that we fully comply with the guidance given the relative proximity of the backstop dates and support an effective reset of the system across 2023/24 and 2024/25, it is clear that we, and other local audit firms will have to make difficult prioritisation decisions in how to best deploy finite audit resources.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A). We also draw your attention to the risk rating that we have applied to the audit of the Council, being the highest rating we are able to set an audit at. Further details around the factors that have led to this, and the implications of the rating, are set out in this report.

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 10 October 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

01	Overview of our 2023/24 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit Materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough Tower Hamlets. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Tower Hamlets those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Tower Hamlets for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Ministry of Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. The Ministry of Housing, Communities and Local Government (MHCLG) (previously the Department for Levelling Up, Housing and Communities (DLUHC)), has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

Following the Minister's announcement on 30 July 2024 on the Government's policy proposal for addressing the audit backlog, the legislation to enact the reset and recovery of the system was laid in Parliament on 9 September 2024. This includes:

Changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28. These are:

- | | |
|--|------------------|
| ➤ Financial years up-to-and-including 2022/23: | 13 December 2024 |
| ➤ Financial year 2023/24: | 28 February 2025 |
| ➤ Financial year 2024/25: | 27 February 2026 |
| ➤ Financial year 2025/26: | 31 January 2027 |
| ➤ Financial year 2026/27: | 30 November 2027 |
| ➤ Financial year 2027/28: | 30 November 2028 |

- The National Audit Office (NAO) has proposed amendments to the Code of Audit Practice to :
 - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.

As a result of the system wide implementation of backstop dates we understand that your predecessor auditor is expecting to issue a disclaimer of opinion on the Council's open prior year audits up to 2022/23. The proposed disclaimer of the Council's financial statements for 2020/21, 2021/22 and 2022/23 will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit opinion in 2023/24 and subsequent years during the recovery phase.

The changes proposed by Government will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
 - Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
 - Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- Impact the availability of audit resource to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

Duties and Overall Engagement Risk Rating and potential use of Auditors' Additional Powers

Our client acceptance procedures have assigned an overall risk rating of "Close Monitoring" to the audit of the Council. This is our highest risk rating and has consequences on the level of procedures we are required to perform to complete and conclude the audit. The risk factors driving this designation are:

- The prominence of the Council in relation to the previous removal from office of the Council's Mayor. (Close Monitoring Risk)
- The decision taken by DLUHC (now MHCLG) to send Best Value Inspectors to the Council. (Higher Risk)
- The last audit where an opinion was provided was 2019/20. The opinions for 2018/19 and 2019/20 include qualifications in relation to the preparation of group financial statements, the net pension liability, officers' remuneration and related parties. It is also anticipated that the 2020/21, 2021/22 and 2022/23 financial statements will be subject to a disclaimer of opinion. Although there are sector-wide issues driving audit delays, the volume of outstanding years for the Council increases the risk of financial controls not operating effectively. (Moderate Risk)
- The 2018/19 and 2019/20 report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources being qualified. (Moderate Risk)

In response to the risk designation of this audit we have applied the following safeguards:

- The engagement has been placed on the UK&Ireland Watchlist for engagements with higher risk criteria to ensure that your engagement has access to the Watchlist coaching support. The coaching process involves three panels at planning, interim and year end phase, where representatives from EY's Professional Practice Directorate, Audit Quality and key members of the engagement team discuss progress, any challenges or areas where the team may need additional support.
- The audit has been assigned an experienced quality review partner (EQR - Engagement Quality Review). The objective of the EQR is to provide an objective evaluation, on or before the date of the engagement report, of the significant judgments the engagement team made, and the conclusions reached thereon.
- Assignment of an IFRS pre-issuance technical review. The purpose of an IFRS pre-issuance technical review for audit engagements is to determine that the financial statements are in compliance with IFRS Accounting Standards, IFRIC Interpretations, EY policies, and the CIPFA Code.

After the completion of our acceptance procedures, we also became aware of two separate potential incidences of Non-Compliance with Laws and Regulations, for which we have engaged our forensics team to undertake procedures. More information on this is outlined in Section 6 and also Appendix G of this report.

Due to the potential issues that could arise as a result of the factors outlined above, we will remain alert to our responsibilities under Auditor Guidance Notes 4 and 7 (AGN04 and AGN07) and consider whether we, at any time, need to use any of our discretionary powers, not limited to issuing a report in the public interest. When considering whether, how and when to report, we will consider not only the significance of the matter but;

- whether the Council itself recognises the need to address a concern and is taking appropriate action in a timely way;
- what information is already in the public domain and whether there is merit in bringing the matter to the attention of the public; and
- whether previous reporting has been acted upon and whether more prominent reporting - such a statutory recommendation or a report in the public interest - is necessary.

The 2020 Code requires auditors to raise any significant weaknesses in respect of VFM arrangements promptly with those charged with governance at the body.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Management override: Misstatement due to fraud or error	Fraud risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in expenditure recognition: Inappropriate capitalisation of revenue expenditure	Fraud Risk/ Significant risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed that one of the most likely ways this risk may manifest is through the inappropriate capitalisation of revenue expenditure.
Risk of fraud in revenue recognition: Overstatement of Fees, Charges and Other Service Income and Short-term Debtors (excluding collection fund debtors)	Fraud Risk/ Significant risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of other income (including fees and charges, dwelling rentals and other income), where management may have overstated income in the current financial year. This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors (excluding collection fund debtors), therefore we associate this risk to that balance too.
Risk of fraud in expenditure recognition: Understatement of other operating expenditure and associated accruals balances	Fraud Risk/ Significant risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) in order to manage the Council's financial position. We consider this risk does not apply to payroll. This could also extend to non-recognition of required provisions.
Disclosure of related parties and associated transactions	Fraud risk	As noted in previous years, the Council has received a qualified audit opinion where the Council's former auditor was unable to obtain sufficient appropriate audit evidence concerning the required disclosures in this area. Due to the sensitive nature of related party declarations and the associated disclosures required by the Code, there is increased risk of a material misstatement arising as a result of insufficient data in this area and any breakdown in the controls that should monitor disclosure of related parties and accompanying transactions. This can increase the risk of fraud within the organisation.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Private Finance Initiative	Significant risk	The Council has three PFI and Lease arrangements associated with the Mulberry and Grouped Schools schemes and the Barkantine Heat and Power scheme. These are complex, material transactions and there is a risk that the PFI model is incorrect and therefore the associated accounting treatment and disclosures are not correctly reflected in the financial statements.
Assurance over opening balances	Significant risk	<p>The predecessor auditor has indicated that they are likely to disclaim their opinion for all years between 2020/21 and 2022/23. This means that we will need to perform additional work over opening balances reflecting the risk that unaudited balances may be inappropriately recognised or valued incorrectly, where we disagree with the basis for estimates and judgements made historically or the underlying accounting principles applied by management.</p> <p>The measures to address local audit delays, including the implementation of backstop dates and the rebuilding of assurances over multiple years, will lead to modifications in our audit opinion on opening balances.</p>
Assessment of the Group Boundary	Significant risk	<p>The Council has a controlling interest in several organisations, the most significant being Tower Hamlet Homes, King George's Field and Seahorse Homes. The Local Authority Accounting Code of Practice requires the Council to prepare group financial statements to consolidate the Council's interests, unless these interests are considered not material. The Council conducts an annual review to consider its group boundary and whether its interest in private companies are material; and consequently, whether group financial statements are required. In previous years, the Council has received a qualified audit opinion for its failure to prepare group financial statements which consolidate the results and financial position of its subsidiary undertakings.</p> <p>In the first year of preparing group financial statements, combined with a risk that an incorrect assessment of the group boundary is undertaken, there is a risk that the financial statements may be prepared on an incorrect basis.</p>
Valuation of land and property	Significant risk	<p>Land and buildings represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:</p> <ul style="list-style-type: none"> ➤ Depreciated Replacement Cost (specialised operational assets for which an active market does not exist); ➤ Fair Value (surplus assets valued at the price that would be received to sell an asset); and ➤ Existing Use Value (operational assets for which there is an active market to provide comparable evidence, including those Council Dwellings adjusted for Social Housing use). <p>The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p>

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Minimum revenue provision	Higher Inherent risk	Local authorities are required to charge a Minimum Revenue Provision (MRP) to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is 'prudent'. With significant capital investment at the Council, there is a risk that provision has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances.
Preparedness for implementation of IFRS 16: Leases	Higher Inherent risk	Local authority code board CIPFA LASAAC has confirmed that local authorities will need to implement IFRS 16 Leases from 1 April 2024. For the 2023/24 financial statements, the Council is required to assess the financial impact of these expected changes and disclose them in the financial statements.
Pension Liability/Asset Valuation	Higher Inherent risk	The Local Authority Accounting Code of Practice and IAS19 require the Council to make disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. Previous audit opinions have been qualified due to errors identified in membership data used to calculate the pension liability.

Page 58

Overview of our 2023/24 audit strategy

Group and Council Materiality

£7m Planning materiality

Group Materiality has been set at £6.964 million which represents 0.5% of 2023/24 draft gross expenditure on provision of services.

Council Materiality has been set at £6.960 million.

0.5% represents the lowest level percentage within a range set out in our audit methodology. The public profile of the Council and prior year qualifications of audit opinions as well as the recent Best Value Inspection indicates there is heightened interest in the Council and their financial statements.

£3.5m Performance materiality

Group Performance materiality has been set at £3.481 million, which represents 50% of materiality.

Council Performance materiality has been set at £3.480 million.

The use of 50% of planning materiality to undertake our audit testing is reflective of:

- The designation of the audit as close monitoring.
- This being a first-year audit.
- The last audit where an opinion was provided was 2019/20. The opinions for 2018/19 and 2019/20 include qualifications in relation to the preparation of group financial statements, pensions, officers' remuneration and related parties. It's also anticipated that the 2020/21, 2021/22 and 2022/23 financial statements will be subject to disclaimers of the opinions.
- Observations by your predecessor auditor in their reporting for 2018/19 and 2019/20 where they also identified material amendments to the financial statements, combined with value for money qualifications on the quality and timeliness of the preparation of the financial statements, which also resulted in significant weaknesses being reported to those charged with governance.
- Changes in personnel, especially those in finance related roles.
- Observations on the control environment from internal audit - we note the high number of limited assurances reports and findings across recent years.

As such, there is no recent evidence to demonstrate that the risk of error across the financial statements would be sufficiently reduced, and therefore we must apply 50% in determining our performance materiality.

£0.35m Audit differences

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund) greater than £0.348 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

By taking the above into account, and as articulated in this audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this audit planning report, and we will continue to discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a fully substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis have an impact on the scope of the audit. As set out on slide 11, where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this has an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Due to the timing of the 2023/24 backstop date (February 2025) and progress of the audit to date we will be unable to gain assurance over opening balances, with the rebuilding of assurances taking place over multiple years (as set out in the Minister's announcement in July 2024). This will lead to a modification in our audit opinion for 2023/24.

We have set out in this executive summary the impact on the scope of our audit, including the increased level of audit risks we have identified during our audit planning process.

Overview of our 2023/24 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

Page 6
Section 7 we include a provisional timeline for the audit which has been agreed with management. Our audit resources have been planned in line with this and to ensure compliance with issuing an audit opinion by the 2023/24 backstop date of 28 February 2025. All parties need to work together to ensure this timeline is adhered to.

We recognise that the Council has not delivered to a traditional financial statement preparation and audit timeline for a number of years and has also needed to undertake work to address issues arising from both internal and external audit. Whilst there has been engagement and cooperation between the teams, including frequent meetings to discuss progress, key risks and emerging issues, there have been a high number of audit requests to date that have been received past the agreed timelines and that remain outstanding. There is a risk that issue becomes compounded as more of our sampling requests for audit testing, and associated queries are submitted.

We have raised with the Corporate Director of Resources, the increased likelihood of an impact on our ability to finalise all audit procedures within our assigned resource before the February 2025 backstop date. As noted in the timetable set out in Section 07, the resource we have allocated to perform audit fieldwork, is assigned to the end of November. We continue to monitor this situation closely and may need to evaluate which areas of the financial statements we direct our resources to, with a view to ensuring completion of specific balances to assist with the rebuilding of assurances in future years. This means there is a risk that we will need to modify our opinion in the current year to ensure compliance with the Government imposed backstop date. As the period of our booked resource draws to a close, we will make an assessment in mid-to-late-November on the extent of the impacted balances.

Key Audit Partner and senior audit team

Partner

Stephen Reid

Stephen has over 25 years' experience providing a combination of internal and external audit and other assurance services across a range of publicly funded and not-for-profit clients, including the NHS, local and central government and higher education. Stephen leads our UK Government and Public Sector audit team at EY.



Partner

Hayley Clark

Hayley has over 15 years' experience across all of the sectors in which EY's Government and Public Sector team operate and leads our Birmingham office team.



Senior Manager

Dan Spiller

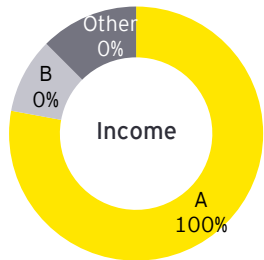
Dan is an experienced Senior Manager who has worked across a number of unitary councils, borough councils, higher education and NHS clients over the past 6 years at EY.



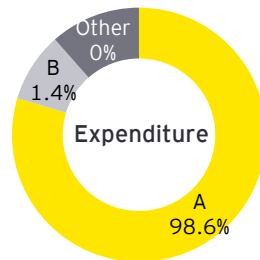
Overview of our 2023/24 audit strategy

Group Audit scope

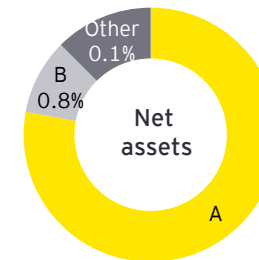
Through our fieldwork we will cover the following percentages, by full scope (A) and specific scope (B) audits, of Income, Expenditure and Net Assets. All components are based in the UK.



100%



100%



99.9%

Page 62

- We have specifically considered the scope of our audit in response to the identified risks above, which has impacted the locations in which we performed our work, and the extent of procedures performed in these areas.
- For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.
- Section 5 of this report sets out more detail on our proposed approach and the subsidiaries covered by our testing.
- We intend to take a fully substantive audit approach.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Management Override:
Misstatements due to fraud or
error ***

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will respond to this risk by:

- Identifying fraud risks during the planning stages;
- Inquiring of management and Internal Audit about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance (the Audit Committee) of management's processes over fraud;
- Discussing with those charged with governance the risks of fraud in the entity;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address those identified risks of fraud;
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- Undertaking procedures to identify significant unusual transactions; and
- Considering whether management bias was present in the key accounting estimates and judgments in the financial statements.

Our procedures in this area will be supported by the use EY forensic specialists.

Our response to significant risks (continued)

Risk of fraud in expenditure recognition: Inappropriate capitalisation of revenue expenditure *

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that one of the most likely ways this risk may manifest is through the inappropriate capitalisation of revenue expenditure.

What will we do?

We will:

- Test Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is capital in nature. This will include testing items exceeding a threshold and a representative sample of all items below that level.
- Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Test items of REFCUS exceeding a testing threshold to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. We will consider the need to perform a sample on the remaining balance of REFCUS if our testing of key items has not lowered our audit risk to an acceptably low level.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks (continued)

**Risk of fraud in revenue recognition: Overstatement of Fees, Charges and Other Service Income.
Overstatement of Short-term Debtors ***

Financial statement impact

Page 66

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income and expenditure accounts.

These accounts had the following balances in the draft financial statements:

- Income from Dwellings: £117 million
- Fees, charges and other service income: £150 million
- Short-term Debtors excluding collection fund: £148 million

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of other income (including fees and charges, dwelling rentals and other income), where management may have overstated income in the current financial year.

This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors (excluding collection fund debtors), therefore we associate this risk to that balance too.

What will we do?

In order to address this risk, we will carry out a range of procedures including:

- Understanding and challenging management on any accounting estimates or judgements on income recognition for evidence of bias.
- Performing overall analytical review procedures to identify any unusual movements or trends for further investigation.
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those manual entries that increase income and/or accrued debtors. We will focus our testing on months 11 and 12 due to the risk of this being more likely to occur close to the year end.
- Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing.
- Performing a month-by-month trend analysis on rentals from dwellings income and performing a reconciliation between the dwelling rental income recognised and the rental system.

Our response to significant risks (continued)

Risk of fraud in expenditure recognition: Understatement of other operating expenditure and associated accruals balances *

Financial statement impact

Misstatements that occur in relation to the risk of fraud in expenditure recognition could affect the expenditure accounts and associated liability (accruals) balance.

These accounts had the following balances in the draft financial statements:

- Non-pay operating expenditure (Other service expenses) : £773 million
- Creditors (less Tax, Social Security and Collection Fund) : £175 million

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) in order to manage the Council's financial position. We consider this risk does not apply to payroll. This could also extend to non-recognition of required provisions.

We consider the significant risk does not apply to payroll.

What will we do?

We will carry out substantive procedures in response to this risk. The procedures designed to address the identified risk are set out below:

- Perform unrecorded liabilities testing for at least 3 months after year end. We will taper our testing threshold to recognise that the risk diminishes the further away from the year-end we move.
- Perform testing on completeness of provisions based on our understanding of the Council.
- Perform cut off testing with populations of purchase order invoices around year end to determine whether transactions have been correctly recorded within the correct period.
- Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing.
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and identify any unusual trends or potential fraudulent movement of expenditure between accounting periods.

Our response to significant risks (continued)

Disclosure of related parties and associated transactions *

What is the risk?

As noted in previous years, the Council has received a qualified audit opinion where the former auditor was unable to obtain sufficient appropriate audit evidence concerning the required disclosures in this area.

Due to the sensitive nature of related party declarations and the associated disclosures required by the Code, there is increased risk of a material misstatement arising as a result of insufficient data in this area and any breakdown in the controls that should monitor disclosure of related parties and accompanying transactions. This can increase the risk of fraud within the organisation.

The Council Code of Conduct for Members sets out the expectation that Disclosable Pecuniary Interests are to be declared for all members and to include relevant partner's interests too.

The Code of Conduct for Officers stipulates that staff should declare any interests, or those of family members or spouses, in any Contracts under consideration by the Council. Officers over scale 6 should hold no other interests unless expressly approved by the Chief Executive.

What will we do?

We will:

- Obtain and scrutinise declarations made in the year, reviewing the recency and completeness of declarations received;
- Understand the processes that management perform to verify and analyse those declarations;
- Perform procedures to test the completeness and accuracy of the declarations made; and
- Review for accuracy the disclosures made in the financial statements.

Our procedures in this area will be supported by the use of EY forensic specialists.

Financial statement impact

The CIPFA Code of Practice on Local Authority Accounting states that Authorities shall identify related party relationships and transactions, identify outstanding balances between the authority and its related parties, and identify the circumstances in which disclosures are required.

In considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged 'in the surrounding circumstances'. Materiality should thus be judged from the viewpoint of both the authority and the related party.

Our response to significant risks (continued)

Private Finance Initiative / PFI

Financial statement impact

The Local Authority Accounting Code of Practice requires that PFI schemes should be accounted for on the basis of IFRIC 12 "Service Concessions"

- Liability value as at 31 March 2024: £19.6 million

What is the risk?

The Council has three PFI and Lease arrangements associated with the Mulberry and Grouped Schools schemes and the Barkantine Heat and Power scheme.

The Council's liability in relation to its PFI schemes as at 31 March 2024 is reported in the draft financial statements as £19.6 million. This value is derived from complex models which reflect a number of assumptions which may change over the life of the contract.

These are complex, material transactions and there is a risk that the PFI model is incorrect and therefore the associated accounting treatment and disclosures are not correctly reflected in the financial statements.

What will we do?

We will:

- Confirm our understanding of the process of how the PFI models are maintained and updated; including how the output of the models are included within the Council's financial statement closing processes.
- Perform checks to ensure that any changes in the PFI arrangements and associated assumptions are reflected as updates to the financial models.
- Identify those inputs to the model which are estimates and undertake audit procedures to gain assurance over the reasonableness of these estimates.
- Engage EY's internal specialists to review the PFI model to ensure the inputs and accounting are in line with our expectations.
- Confirm that year end journal entries in relation to the PFI schemes have been processed accurately.

Our response to significant risks (continued)

Assurance over opening balances

Financial statement impact

All balance sheet accounts have an opening balance to be considered. Balances transacting through the Comprehensive Income and Expenditure Statement can also be impacted by the reversal of balances accrued at the date of the start of the accounting period being audited.

What is the risk?

As 2023/24 is the first year of our audit appointment, we are required to complete additional procedures in line with Auditing standard ISA (UK) 510.

The predecessor auditor has indicated that they are likely to disclaim their opinions for all years between 2020/21 and 2022/23. This means that we will need to perform additional work over opening balances.

The measures to address local audit delays, including the implementation of backstop dates and the rebuilding of assurances over multiple years, will lead to modifications in our audit opinion on opening balances.

Where we are able to perform meaningful levels of work on opening balances in the period there is a possibility that we identify balances that we consider to be inappropriately recognised or valued incorrectly, in particular where we disagree with the basis for estimates and judgements made historically or the underlying accounting principles applied by management.

What will we do?

We will:

- Consider which opening balances are critical to our work to be able to obtain sufficient and appropriate audit evidence for the 2023/24 financial statements.
- Agree the opening balance sheet position to the underlying financial records.
- Review the prior year working papers by the departing auditor, where we deem this to be beneficial, to understand the procedures completed and if they need to be supplemented or followed up in any way.
- Consider unusual material transactions posted by management in the first accounting periods of 2023/24, which may indicate correction of previous errors, and understand the basis for these transactions.

Our response to significant risks (continued)

Preparation of Consolidated Group financial statements

What is the risk?

The Council has a controlling interest in several organisations, the most significant being Tower Hamlet Homes, King George's Field and Seahorse Homes. The Local Authority Accounting Code of Practice requires the Council to prepare group financial statements to consolidate the Council's interests, unless these interests are considered not material. The Council conducts an annual review to consider its group boundary and whether its interest in private companies are material; and consequently, whether group financial statements are required. In previous years, the Council has received a qualified audit opinion for its failure to prepare group financial statements which consolidate the results and financial position of its subsidiary undertakings.

The Council has prepared Group financial statements for the first time in 2023/24.

In the first year of preparing group financial statements combined with a risk that an incorrect assessment of the group boundary is undertaken, there is a risk that the financial statements may be prepared on an incorrect basis.

What will we do?

We will:

- Consider the Council's assessment of its group boundary and consider the significance of the components to the group financial statements.
- Review and test the Council's process for consolidation, consistency of accounting policies and quality review, and consider the appropriateness of inter-company elimination.
- Review the completeness of the disclosures in the group financial statements to ensure they are materially accurate and complete.

Financial statement impact

The Council has material group undertakings for its subsidiaries including Tower Hamlets Homes Limited and King George's Field, Mile End. Under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom the Authority is required to prepare group accounts as its interests are material in aggregate.

Our response to significant risks (continued)

Valuation of land and property

Financial statement impact

Misstatements that occur in relation to the valuation of land and property could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

Amounts reported in the draft financial statements (per Note 14) were:

- Land and buildings : £1,640 million;
- Council dwellings £1,216 million;
- Surplus assets £29 million

What is the risk?

Land and buildings represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:

- Depreciated Replacement Cost (specialised operational assets for which an active market does not exist);
- Fair Value (surplus assets valued at the price that would be received to sell an asset); and
- Existing Use Value (operational assets for which there is an active market to provide comparable evidence, including those Council Dwellings adjusted for Social Housing use).

The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

The Council's asset base is significant, and the outputs from the valuer are subject to estimation, therefore there is a risk that fixed assets may be under/overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying estimates.

What will we do?

We will:

- Test that assets have been classified and valued on an appropriate basis.
- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work, to ensure these are consistent with accounting standards and that the scope of the work is appropriate.
- Perform appropriate tests over the completeness and appropriateness of information provided to the valuer.
- Sample test and challenging the key asset information and assumptions used by the valuers in performing their valuation; for example, floor plans based on price per square metre.
- Consider the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- Consider any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- Consider changes to useful economic lives as a result of the most recent valuation.
- Test accounting entries have been correctly processed in the financial statements.

We will be engaging EY valuation specialists to assist the audit team on a sample of assets. This sample will be based on our assessment of the assets that are subject to a higher degree of risk for their valuations as at 31 March 2024, for example, material assets which are valued at market based fair value.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Minimum Revenue Provision

If the Minimum Revenue Provision (MRP) were understated, it would have the impact of overstating the General Fund balance and understating the capital adjustment account.

Local authorities are required to charge MRP to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.

With significant capital investment at the Council, there is a risk that provision has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances.

We will:

- Understand the MRP Policy in place at the Council with respect to both the General Fund and the Housing Revenue Account.
- Engage EY's internal specialists to review the policy against CIPFA's guidance to ensure compliance, also performing procedures to gain assurance that the Council is applying the policy correctly.

Preparedness for implementation of IFRS 16: Leases

CIPFA LASAAC has confirmed that local authorities will need to implement IFRS 16 Leases from 1 April 2024.

For the financial statements in 2023/24, the Council is required to make an assessment of the financial impact of these expected changes.

We will:

- Review the preparation work that the Council has carried out for the implementation of IFRS 16 on 1 April 2024.
- Review the disclosures within the financial statements to ensure they are in line with the CIPFA Code.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Pension Liability/Asset Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £178.5 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Previous audit opinions have been qualified due to errors identified in membership data used to calculate the pension liability. Although some errors had been corrected; the volume of member records involved meant that the former auditor was unable to determine whether any further adjustments to these amounts were necessary.

We will:

- Liaise with the auditors of London Borough of Tower Hamlets Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Perform procedures to evaluate whether the ceiling has been applied correctly in respect of the Council's share of Pension Fund assets.
- Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Our testing will include procedures to establish whether membership data provided to the actuary is consistent with the underlying data of the scheme.

Audit Risks - other matters

We have identified other areas of the audit where we will perform substantive procedures that are likely to impact our reporting to you as a committee.

What is the risk/area of focus, and the key judgements and estimates?

Going Concern disclosure

The financial landscape for local authorities remains challenging; the Council will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation of the accounts. It will also need to make an appropriate disclosure in the financial statements of that consideration and assessment. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Our response: Key areas of challenge and professional judgement

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

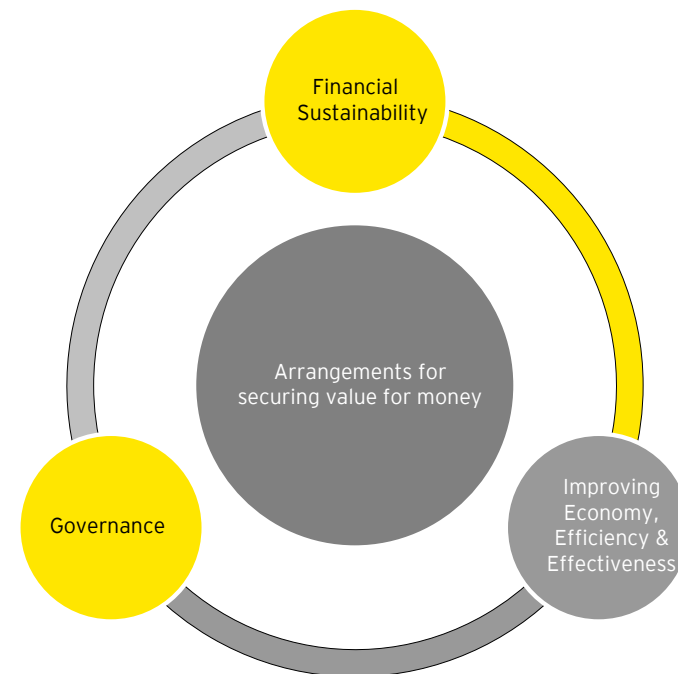
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Page 77

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have completed our initial VFM (value for money) risk planning work, which is subject to executive review procedures, where we have considered:

- Our entity level controls and understanding the business assessment
- The Council's Risk Register
- The Annual Governance Statement
- Council meeting minutes
- Our planning meetings with management
- Key financial and budget information
- Key performance reports
- Internal audit reports
- Information from local and national media
- Findings of other inspectorates, review agencies and other relevant bodies including a Corporate Peer Challenge and the Scope of the Best Value Inspection.

We have identified risks of significant weakness in the Council's arrangements that the Council did not have proper arrangements to secure economy, efficiency and effectiveness on its use of resources. The risks of significant weakness are set out on the following pages.

Value for Money Risks

The following table summarises the risk of significant weaknesses identified during the course of our planning procedures. We will keep our understanding of arrangements and risks identified during planning under review. We will update our work to reflect any emerging risks or findings that may suggest an additional significant weakness in arrangements and communicate these to you.

What is the risk of significant weakness?	What arrangements does this impact	Details and what we will do
<p>Arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making</p> <p>In previous years (2018/19 and 2019/20) the financial statements audit opinion was qualified for a number of reasons. The Value for Money conclusion issued also contained an 'except for' opinion in relation to the number of issues and amendments associated with the financial statements.</p>	Governance	<p>Previously the financial statements (2018/19 and 2019/20) have been qualified for the following reasons:</p> <ul style="list-style-type: none"> ➤ Failure to prepare group financial statements ➤ Pension liability errors in membership data used ➤ Related party disclosures interests of elected members and members of their close family were not obtained ➤ Officers' remuneration information from schools <p>We will:</p> <ul style="list-style-type: none"> ➤ Discuss the causes of previous financial statement qualifications and obtain an update of actions taken by management to reduce the likelihood of similar qualifications occurring in 2023/24. ➤ Understand the steps taken by management to improve processes to obtain the required information to prepare financial statements and take into account experiences and observations in undertaking the 2023/24 audit.
<p>PFI contract management</p> <p>The Council is party to two Private Finance Initiative (PFI) schemes in respect of the design, construction, maintenance and servicing of 28 schools - the Mulberry and Grouped Schools schemes - until the years 2029 and 2028 respectively.</p> <p>The Council has a third PFI contract, with an energy services company, to provide heating and hot water until October 2025.</p>	Governance	<p>The expiry phase of PFI contracts, including asset hand back and the transition to future services provision, presents additional risks, including potential operational disruption, lack of service continuity, financial loss and reputational damage. The effective management of the expiry process is a key challenge for authorities as the end of the contract grows close.</p> <p>The National Audit Office (NAO) found in its June 2020 report on PFI contract expiry that public sector bodies risk underestimating the time, resources and complexity involved in managing the end of PFI contracts.</p> <p>We will discuss with management the progress being made in identifying solutions for all three of the Council's PFI Schemes and assess the oversight that is being given to these projects to ensure that the process is effectively managed.</p>

Value for Money Risks

The following table summarises the risk of significant weaknesses identified during the course of our planning procedures. We will keep our understanding of arrangements and risks identified during planning under review. We will update our work to reflect any emerging risks or findings that may suggest an additional significant weakness in arrangements, and communicate these to you.

What is the risk of significant weakness?	What arrangements does this impact	Details and what we will do
<p>Arrangements to manage risks effectively and maintain a sound system of internal control</p> <p>In previous years (2018/19 and 2019/20) the financial statement audit opinions was qualified for a number of reasons. The Value for Money conclusion issued also contained an 'except for' opinion in relation to the number of issues and amendments associated with the financial statements.</p> <p>The financial statements for subsequent years are expected to be disclaimed with the delays to closing out the previous years' audits causing a significant knock-on effect to these periods.</p>	<p>Governance</p>	<p>Previously the financial statements (2018/19 and 2019/20) have been qualified for the following reasons:</p> <ul style="list-style-type: none"> ➤ The finalisation and publication of the Council's statement of accounts for the year were significantly delayed and required a significant volume of corrections. ➤ In the Annual Governance Statement, the Council reported on significant governance issues identified from its annual review of effectiveness. ➤ The Annual Governance Statement reports that internal audit are under resourced. ➤ The Head of Internal Audit was not able to report on the Council's system of risk management in 2018/19. ➤ The Head of Internal Audit was able to provide only limited assurance in relation to 37% of the areas included in the 2018/19 internal audit programme. ➤ There were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked. <p>We will:</p> <ul style="list-style-type: none"> ➤ Consider the factors that led to the delays in the production of financial statements in previous years, including those yet to be concluded on, which were also delayed, and assess the processes that Council has put in place to closedown and produce financial statements in line with the national statutory deadline. ➤ Assess whether any audit adjustments identified in the course of our financial statements work are indicative of significant weaknesses. ➤ Review Internal Audit reports and the Head of Internal Audit Opinion, conducting discussions with key individuals in the Internal Audit team. We will pay particular attention to reports focusing on risk management and those parts of other reports that discuss service specific risk management arrangements.

Value for Money

Value for Money Risks

The following table summarises the risk of significant weaknesses identified during the course of our planning procedures. We will keep our understanding of arrangements and risks identified during planning under review. We will update our work to reflect any emerging risks or findings that may suggest an additional significant weakness in arrangements and communicate these to you.

What is the risk of significant weakness?	What arrangements does this impact	Details and what we will do
<p>Insourcing of Council Services</p> <p>In the period, the Council has brought back in-house the services run by Tower Hamlets Homes and is currently expecting to insource leisure services in 2024/25.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>In August 2022, Cabinet approved plans to bring the management of seven leisure centres in-house when the current contract with leisure provider GLL expires in April 2024.</p> <p>On 1 November 2023 the Council became responsible for managing and maintaining Council houses that was a service previously provided by Tower Hamlets Homes which is a wholly owned subsidiary of the Council.</p> <p>We would expect that there has already been significant work performed including risk management, legal work and financial analysis relating to the insourcing of leisure services. We will seek the most up-to-date picture on the progress of this and review the decision-making process to-date.</p> <p>We will also review the steps the Council took to reach the decision to insourcing THH and whether there have been any lessons learned to be considered for the insourcing of leisure services.</p>
<p>Contract Management and Procurement</p> <p>The Council has identified potential overpayments made in relation to Homecare services.</p> <p>Internal Audit reviews throughout the period have regularly highlighted issues with procurement being a factor in findings, with improvements frequently appearing within recommendations.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>We have engaged colleagues within our forensics team to review a specific case where there has been a clear breakdown in procurement internal controls.</p> <p>We will consider findings from our financial statements audit work for any indicators that procurement controls are not operating effectively or are being circumvented.</p> <p>We will perform a review of significant contractual arrangements held by the Council, assessing against our other work if there are any omissions.</p>

Value for Money

Value for Money Risks

The following table summarises the risk of significant weaknesses identified during the course of our planning procedures. We will keep our understanding of arrangements and risks identified during planning under review. We will update our work to reflect any emerging risks or findings that may suggest an additional significant weakness in arrangements and communicate these to you.

What is the risk of significant weakness?	What arrangements does this impact	Details and what we will do
<p>Effectiveness of the Local Safeguarding Children Board, which was rated as inadequate</p> <p>Previously the VFM conclusion (in 2018/19 and 2019/20) was qualified for the following reason:</p> <p>An Ofsted inspection of the Council's services for children in need of help and protection, children looked after and care leavers undertaken in January and February 2017, which reported in April 2017, rated children's services, overall, as inadequate.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>We will seek and review all relevant updates from external agencies in respect to this service and assess progress made against action plans.</p>
<p>Best Value Inspection</p> <p>On 22 February, the then Secretary of State for Levelling Up, Housing and Communities appointed inspectors to undertake an inspection of Tower Hamlets Council under section 10 of the Local Government Act 1999. The Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the Council is complying with its Best Value duty. This duty requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to economy, efficiency and effectiveness.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>In a letter dated 22 February 2024, the Deputy Director Local Government Stewardship at Department for Levelling Up, Housing and Communities wrote to the Council, setting out a wide-ranging remit for the attention of the Best Value Inspectors.</p> <p>We will closely review the inspection report, when published, and consider any findings or recommendations that are made.</p>

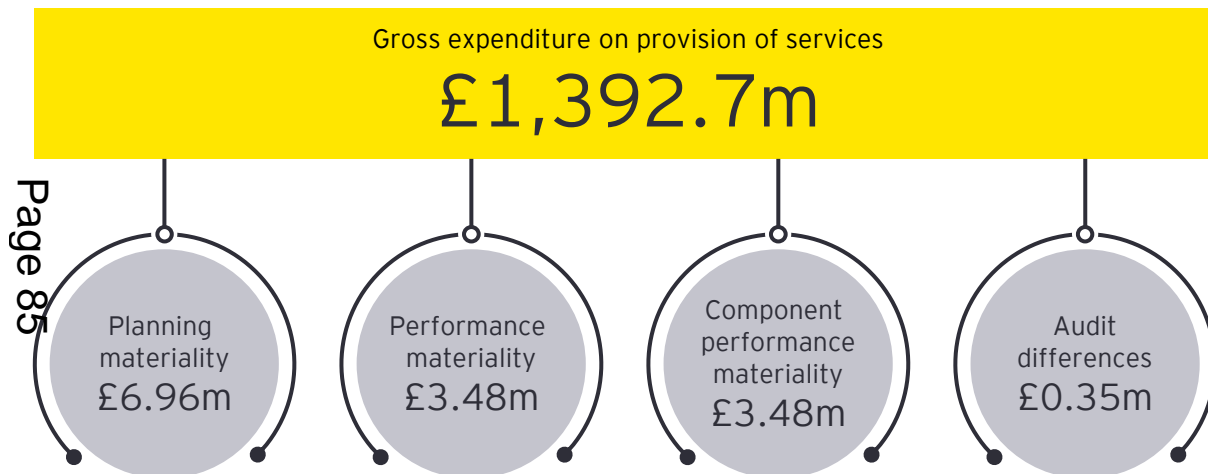


04 Audit materiality

Materiality

Group materiality

For planning purposes, Group materiality for 2023/24 has been set at £6.96 million. This represents 0.5% of the Group's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process. This percentage is the lowest level we set for the audits of Local Authorities and is indicative of the risk rating we have assigned to the Council. We have provided supplemental information about audit materiality in Appendix F.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.48 million which represents 50% of group materiality. This threshold is set at either 50% or 75% based on our expectation of errors at the Council. Due to issues noted in prior year qualifications, coupled with this being the first year that the Council has undergone a full audit since 2019/20, we are unable to state that we have a low expectation of errors, and our threshold here reflects that.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. Here we are referring to the Council as a standalone entity.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee or that are otherwise important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Risk assessment and the impact on our scope

Overall Engagement Risk Rating

Our client acceptance procedures have assigned an overall risk rating of “Close Monitoring” to the audit of the Council. This is our highest risk rating and has consequences on the level of procedures we are required to perform to complete and conclude the audit. This has been applied due to risk factors including:

- The decision taken by DLUHC (now MHCLG) to send Best Value Inspectors to the Council.
- The last audit where an opinion was provided was 2019/20. The opinions for 2018/19 and 2019/20 include qualifications in relation to the preparation of group financial statements, the net pension liability, officers' remuneration and related parties. It is also anticipated that the 2020/21, 2021/22 and 2022/23 financial statements will be subject to a disclaimer of opinion. Although there are sector-wide issues driving audit delays, the volume of outstanding years for the Council increases the risk of financial controls not operating effectively.
- The 2018/19 and 2019/20 report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources being qualified.
- The prominence of the Council in relation to the previous removal from office of the Council's Mayor.


Scope impact

The increased risk of the audit requires us to respond accordingly. In section 04 of this report we have set out the impact of the higher risk on our Planning and Performance Materiality levels. Both of these figures drive our sample selection and as such, having the lowest thresholds possible within our methodology will lead to lower key item thresholds above which we select “large” items for testing and our sample selection tool will also produce samples of increased volumes. This will increase the amount of work performed and we have indicated in Appendix B of this report that this will lead to an increased fee variation being submitted to PSAA Ltd.

Further to increased substantive testing, we have also applied the following safeguards:

- The engagement has been placed on the UK&Ireland Watchlist for engagements with higher risk criteria to ensure that your engagement has access to the Watchlist coaching support. The coaching process involves three panels at planning, interim and year end phase, where representatives from EY's Professional Practice Directorate, Audit Quality and key members of the engagement team discuss progress, any challenges or areas where the team may need additional support.
- The audit has been assigned an experienced quality review partner (EQR - Engagement Quality Review). The objective of the EQR is to provide an objective evaluation, on or before the date of the engagement report, of the significant judgments the engagement team made, and the conclusions reached thereon.
- Assignment of an IFRS pre-issuance technical review. The purpose of an IFRS pre-issuance technical review for audit engagements is to determine that the financial statements are in compliance with IFRS Accounting Standards, IFRIC Interpretations, EY policies, and the CIPFA Code.

After the completion of our acceptance procedures, we also became aware of two separate potential incidences of Non-Compliance with Laws and Regulations, for which we have engaged our forensics team to undertake procedures. More information on this is outlined in Section 6 and also Appendix G of this report.



Risk assessment and the impact on our scope

How we may report issues following the conclusion of our work

Due to the potential issues that could arise as a result of the factors outlined above, we will remain alert to our responsibilities under Auditor Guidance Notes 4 and 7 (AGN04 and AGN07) and consider whether we, at any time, need to use any of our discretionary powers, not limited to issuing a report in the public interest. When considering whether, how and when to report, we will consider not only the significance of the matter but;

- whether the Council itself recognises the need to address a concern and is taking appropriate action in a timely way;
- what information is already in the public domain and whether there is merit in bringing the matter to the attention of the public; and
- whether previous reporting has been acted upon and whether more prominent reporting - such as a statutory recommendation or a report in the public interest - is necessary.

The 2020 Code requires auditors to raise any significant weaknesses in respect of VFM arrangements promptly with those charged with governance at the body.

Scope of our audit

Group scoping

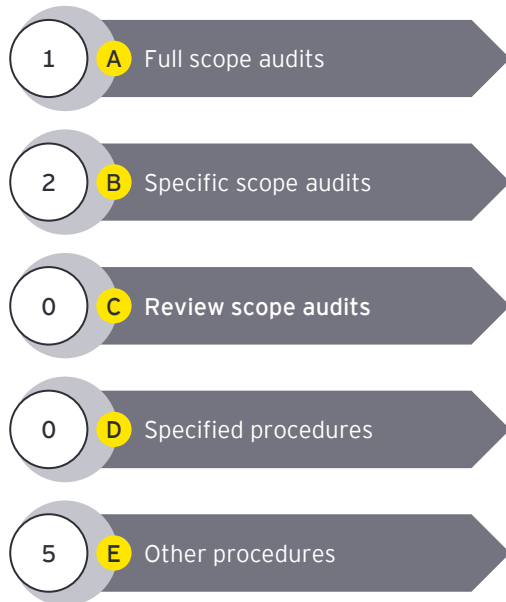
Our audit strategy for performing an audit of a group is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details on the next page.



Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

We have identified the Council as the sole full scope audit within the group.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Tower Hamlets Homes and King George's Field, Mile End, are the two components subjected to this scope within our plan.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

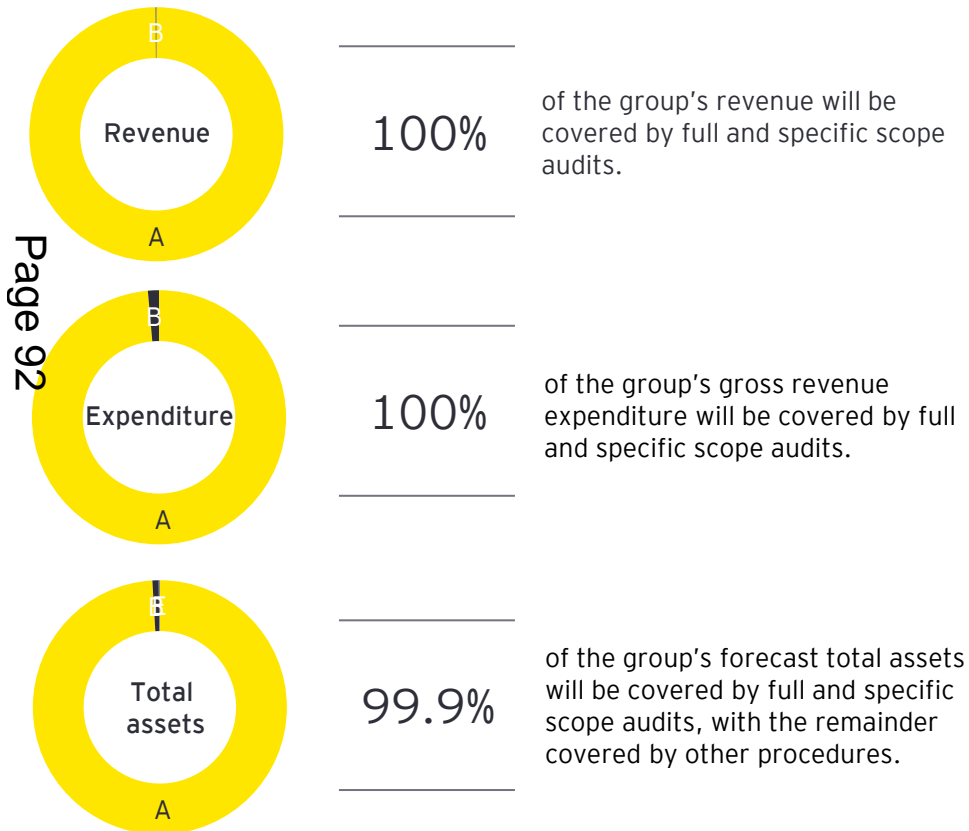
Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually or in aggregate, these components do not exceed more than 0.1% of the Group's total income or Expenditure.

Scoping the group audit

Coverage of Revenue/Profit before tax/Total assets

Based on the group's draft financial statements our scoping is expected to achieve the following coverage of the Gross Revenue Expenditure, group's revenue and total assets.



Details of specific scope and other procedures

- For Tower Hamlets Homes, the primary audit team will perform direct procedures to gain assurance over the expenditure and cash balances
- For Kings George's Field, Mile End, the primary audit team will perform direct procedures on the entity's PPE Valuations. The trust has engaged an external valuation expert as part of the same contract held by the Council. We will perform procedures to assess the work performed by the valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work, alongside the work performed as part of the audit of the Council. We will test a selection of key items from within the PPE balance.
- For all other non-significant components and associates we will perform "other procedures" which will include a review of financial statements and performance and analytical procedures.

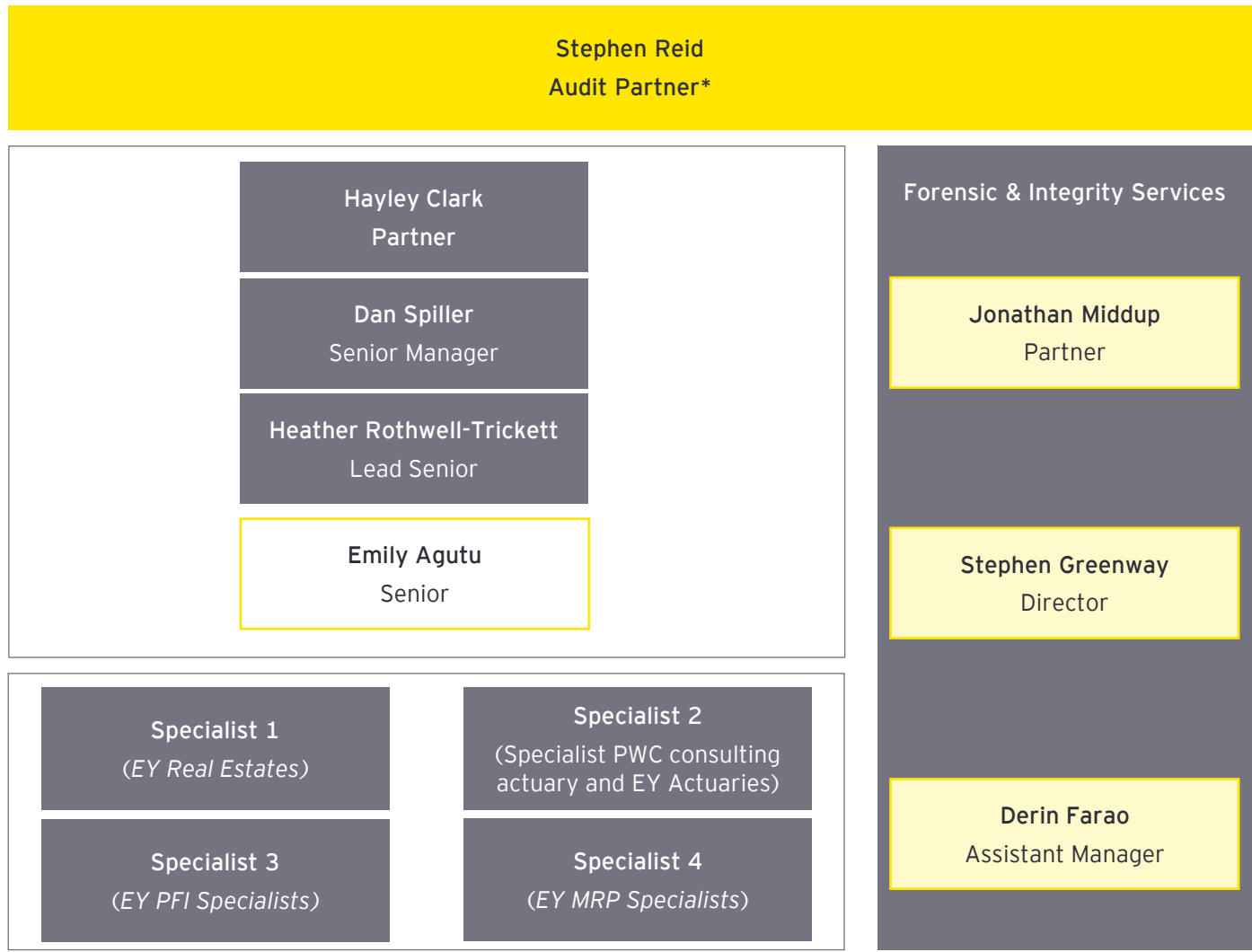
Our audit approach is risk based and therefore the data above on coverage is provided for your information only.



Page 03

06 Audit team

Audit team



* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	EY Specialists
Valuation of Land and Buildings	EY Real Estate Valuations team / Management's externally engaged valuation experts
Pensions disclosure	EY Actuaries / LGPS Scheme actuaries
PFI	EY Internal PFI Specialist
MRP	EY Internal MRP Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements

Use of Forensics in the audit

We have engaged forensics colleagues in the audit team from the planning stage in order to assist with our fraud risk identification which is appropriate for an audit with the risk rating that we have assigned. They will work alongside our audit team to perform assigned procedures enhancing our response to the risks identified on the audit with specific responsibilities in relation to related party identification and journals testing.

Our forensics colleagues have also been engaged to perform procedures in relation to two events that we are responding to under our responsibilities for suspected Non-Compliance with Laws and Regulations (NOCLAR). Appendix G to this report outlines our, and also management's responsibilities, where suspected Non-Compliance arises.

The two matters that we are performing additional procedures on are:

- "Project Winter"
- Allegations of corruption made in relation to licencing for a sexual entertainment venue in the borough.



07

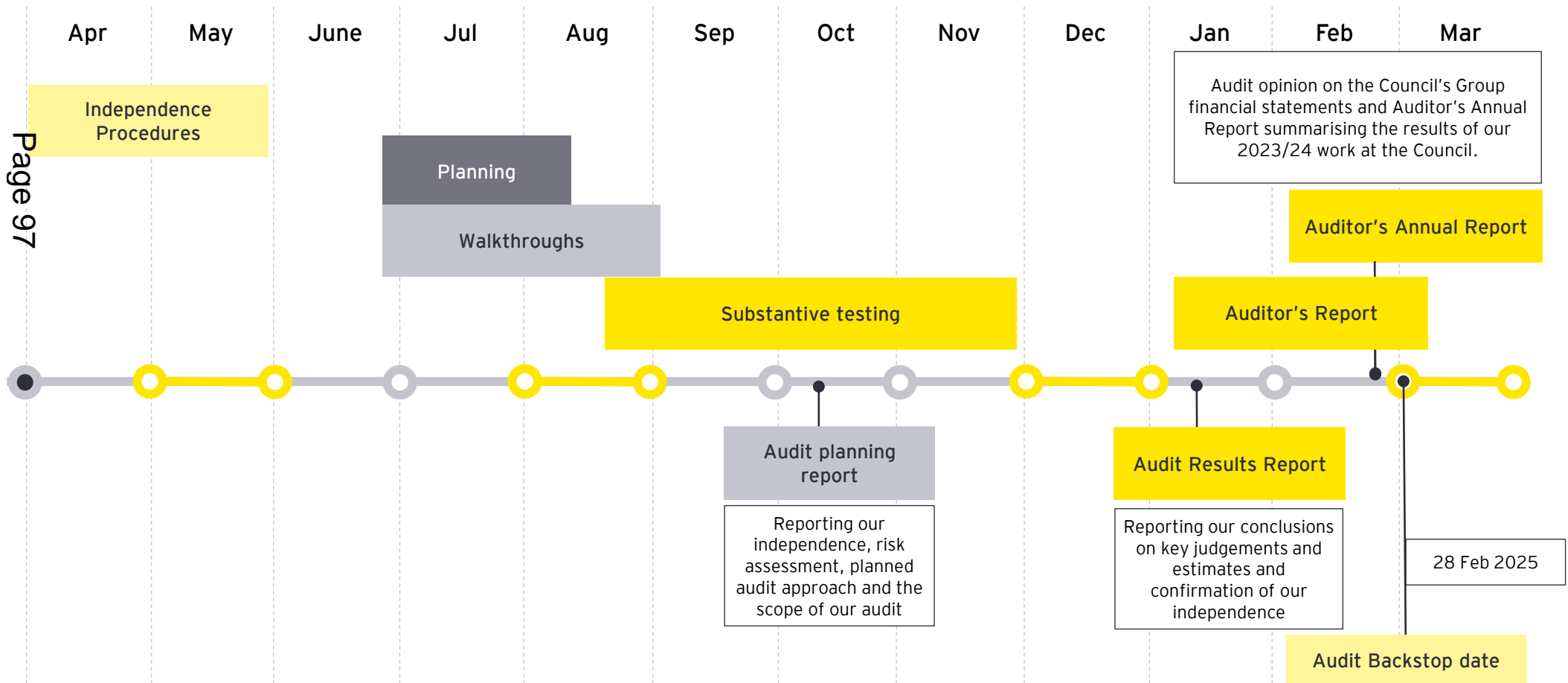
Audit timeline

Timetable of communication and deliverables

Planned Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time-to-time matters may arise that require immediate communication with the Audit Committee, and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary. As set out in the executive summary there are risks to the delivery of this timetable, which is more acute given the setting of the backstop date in February 2025. We will continue to update management on the implications of the delays on the form of our opinion.



Page 97



08

Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no threats at the date of this report.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees



The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented on the next page is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Appendix B – Fees



		2023/24	
<i>All fees exclude VAT</i>		£	£
Code Work - Scale fee			505,893
Estimated variations to the Scale Fee (Note 1)			
ISA 315 - additional IT environment work (2)	15,500 - 20,500		
Close Monitoring designation (3)	25,000 - 45,000		
Impact of CM designation on materiality (3)	120,000 - 150,000		
Use of forensics in the Audit	36,000 - 50,000		
Consideration of IFRS 16 Implementation	2,000 - 3,000		
CloudOps and Project Winter NOCLAR considerations	4,000 - 8,000		
Pensions assurance (triennial and asset ceiling)	12,500 - 20,000		
Additional work to review actions taken on LGPS membership data (noted in PY)	12,500 - 17,500		
PFI (incl Use of Experts)	12,000 - 16,000		
MRP (incl Use of Experts)	7,500 - 10,000		
PPE Valuations (incl Use of EY Real Estates))	45,000 - 75,000		
Increased number of Exit Packages	2,000 - 5,000		
Increased work in relation to Related Parties	7,000 - 10,000		
Group assessment, consolidation and direct testing of subsidiary balances for group assurances	10,000 - 15,000		
Increased risks identified in relation to VfM	50,000 - 65,000		
Increased risk assessment (fraud risks)	25,000 - 35,000		
Quality of workpapers and responses (4)		TBC	

Total audit fees **891,893 - 1,050,893**
(excluding additional TBC items)

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

(1) The areas listed in this table are yet to be calculated and fall within an expected range, for this table we have entered the mid-point of this range. We will update officers with more accurate estimates when we can and update this committee within our Audit Results Report.

(2) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements.

(3) The Scale Fee has not been set recognising the level of risk attached to the Council. Due to the risk designation of "close monitoring" our planning materiality and performance materiality have been set at the lowest levels within our ranges. These thresholds drive our sample selection meaning that due to the risk level of the Council, our samples will be significantly higher than with a lower risk designation. We also have additional risk procedures that we perform as set out on page 7. Towards the end of our fieldwork, we will analyse the difference between the number of items we would have tested with a lower risk designation and present this evidence to management and PSAA Ltd to discuss where we believe the Scale Fee should have been set. Due to there being a large number of inputs that will be required to more accurately estimate this figure our range is wider.

(4) As set out earlier in this report, we are experiencing delays and issues in relation to the quality of workpapers (and responses) resulting in additional time and cost. We are monitoring this position closely and will discuss with management the extent of this and impact on fee.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority/Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">➤ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.➤ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.➤ Lease liabilities and right of use assets will be subject to more frequent remeasurement.➤ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">➤ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.➤ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.➤ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update (optional)

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ➤ Risk Assessment ➤ Understanding the entity's internal control ➤ Significant risk ➤ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ➤ Drive consistent and effective identification and assessment of risks of material misstatement ➤ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ➤ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▸ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▸ how auditors understand the entity's use of information technology relevant to financial reporting. ➤ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council/Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ➤ Manage vendor supplied changes ➤ Manage security settings ➤ Manage user access ➤ Manage entity-programmed changes ➤ Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	<p>Audit planning report</p> <p>10 October 2024</p>
Significant findings from the audit	<ul style="list-style-type: none"> ➤ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ➤ Significant difficulties, if any, encountered during the audit ➤ Significant matters, if any, arising from the audit that were discussed with management ➤ Written representations that we are seeking ➤ Expected modifications to the audit report ➤ Other matters if any, significant to the oversight of the financial reporting process ➤ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	<p>Audit results report</p> <p>9 January 2025</p>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ➤ Whether the events or conditions constitute a material uncertainty ➤ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ➤ The adequacy of related disclosures in the financial statements 	<p>Audit results report</p> <p>9 January 2025</p>

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ➤ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ➤ The effect of uncorrected misstatements related to prior periods ➤ A request that any uncorrected misstatement be corrected ➤ Material misstatements corrected by management 	Audit results report 9 January 2025
Fraud	<ul style="list-style-type: none"> ➤ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ➤ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ➤ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ➤ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ➤ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ➤ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report 9 January 2025
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ➤ Non-disclosure by management ➤ Inappropriate authorisation and approval of transactions ➤ Disagreement over disclosures ➤ Non-compliance with laws and regulations ➤ Difficulty in identifying the party that ultimately controls the entity 	Audit results report 9 January 2025

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ➤ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ➤ The principal threats ➤ Safeguards adopted and their effectiveness ➤ An overall assessment of threats and safeguards ➤ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report 10 October 2024</p> <p>Audit results report 9 January 2025</p>
External confirmations	<ul style="list-style-type: none"> ➤ Management's refusal for us to request confirmations ➤ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>Audit results report 9 January 2025</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> ➤ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ➤ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>Audit results report 9 January 2025</p>
Internal controls	<ul style="list-style-type: none"> ➤ Significant deficiencies in internal controls identified during the audit 	<p>Audit results report 9 January 2025</p>
Group audits	<ul style="list-style-type: none"> ➤ An overview of the type of work to be performed on the financial information of the components ➤ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ➤ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ➤ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<p>Audit planning report 10 October 2024</p> <p>Audit results report 9 January 2025</p>

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report 9 January 2025
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report 9 January 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report 9 January 2025
Auditors report	<ul style="list-style-type: none"> ➢ Key audit matters that we will include in our auditor's report ➢ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report 9 January 2025

Page 111

Appendix F – Additional audit information

Regulatory update

Our objective is to form an opinion on the Council's and Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Page 112

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Page 114

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- > Suspected or known fraud or bribery
- > Health and Safety incident
- > Payment of an unlawful dividend
- > Loss of personal data
- > Allegation of discrimination in dismissal
- > HMRC or other regulatory investigation
- > Deliberate journal mis-posting or allegations of financial impropriety
- > Transacting business with sanctioned individuals

Implication

- > Potential fraud/breach of anti-bribery legislation
- > Potential breach of section 2 of the Health and Safety at Work Act 1974
- > Potential breach of Companies Act 2006
- > Potential GDPR breach
- > Potential non-compliance with employment laws
- > Suspicion of non-compliance with laws/regulations
- > Potential fraud / breach of Companies Act 2006
- > Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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Non-Executive Report of the: Audit Committee Thursday, 10 th October 2024	 TOWER HAMLETS
Report of: Julie Lorraine - Corporate Director, Resources	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud - Progress Update Report	

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

Executive Summary

This report provides a progress update on Internal Audit activity during 2024-25, including delivery against the Internal Audit Plan, details of the completed External Quality Assessment of the Internal Audit service and the results of the recent Fraud Awareness Survey. The report also highlights any significant issues and concerns since the last update to the Audit Committee in April 2024,

Recommendations:

The Audit Committee is recommended to consider and note the following documents:

1. The Internal Audit progress report, including details of the assurance opinions for audits carried out as part of the 2024-25 Audit Plan (**Appendix A**).
2. A report by consultancy Validera, detailing the results of the recent External Quality Assessment of Internal Audit (**Appendix B**).
3. Results of the recent Council-wide Fraud Awareness Survey (**Appendix C**).

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**

Progress Update

- 3.1 The report attached at **Appendix A** details progress against the 2024-25 Internal Audit Plan, which was agreed by the Audit Committee at its April 2024 meeting. 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. For this period, this applies only to the internal audit of the Passenger Transport Service, which received a Limited Assurance opinion.
- 3.2 Overall progress in undertaking and completing the audit plan for 2024-25 has been slow and this is being addressed by reporting progress and escalating blockages via Directorate Leadership Teams. However, owing to delays and resourcing issues there is a significant risk that the delivery of audit plan will be compromised.

External Quality Assessment

- 3.3 The Public Sector Internal Audit Standards require an External Quality Assessment (EQA) should be conducted at least once every 5 years. The EQA evaluates whether the service provider is in compliance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, the Core Principles, the Definition of Internal Audit, and the Institute of Internal Audit Standards.
- 3.4 Having reported to the Committee during 2023 that an EQA was overdue, a consultancy, Validera, was commissioned to undertake this work on behalf of the Council. Validera's report (refer **Appendix B**) concluded that the Internal Audit service 'generally conforms' with the standards. This is the highest grade of conformity that can be awarded.
- 3.5 As noted in the report, from January 2025 the current standards will be retired and replaced by the new Global Internal Audit Standards (GIAS). Most elements of the new standards are an iteration of the existing

arrangements, with the previous standard and implementation guidance being merged into a single document. In its report, Validera states that 'conformity with the current standards will help ensure that the Council can move to compliance with the new PSIAS with relative ease'.

Fraud Awareness Survey

- 3.6 Internal Audit helps the organisation to understand and manage the risk of fraud. It plays a key role in helping the Council to prevent and detect fraud but is not directly responsible for doing so.
- 3.7 To help inform and direct the work of Internal Audit in ensuring that management has effective systems in place to detect and prevent fraud and corruption a Fraud Awareness Survey was undertaken during July. The results of the survey are included at **Appendix C**.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 There are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

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

7. COMMENTS OF LEGAL SERVICES

- 7.1 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

A: Internal Audit – Progress report

B: Internal Audit – External Quality Assessment

C: Internal Audit – Fraud Awareness Survey

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

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

- NONE

Officer contact details for documents:

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Internal Audit and Anti-Fraud Progress Report 2024-25

1. Background

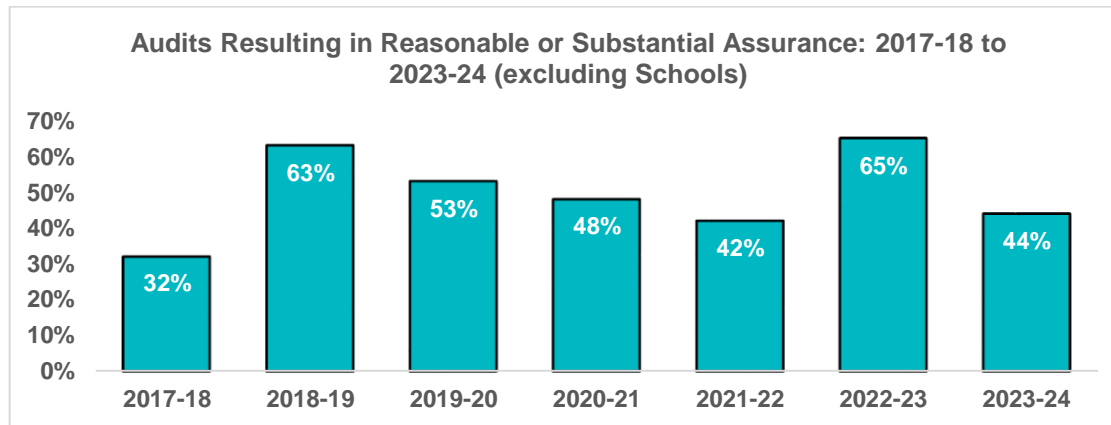
Introduction

- 1.1 This report provides a progress update of the work that Internal Audit has carried out in accordance with its annual plan for 2024-25 which was approved by the Audit Committee at its April 2024 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

2024-25 Deliverables

- 2.1 **Section 4** of this report contains details of progress against the planned audit engagements agreed in the plan. Excluding schools, in the six-month period to the end of September 2024:
 - 0 Substantial Assurance opinion have been issued.
 - 1 Reasonable Assurance opinions have been issued
 - 11 Limited Assurance opinions have been issued
 - 0 No Assurance opinions have been issued
- 2.2 The diagram below indicates the time-series data for assurance opinions. A year-to-date metric has not yet been calculated at this point owing to only limited data currently being available. For 2024-25, management should target a tangible improvement in this metric and Internal Audit considers that a reasonable benchmark would be an outturn in excess of 50%.



2.3 A summary of findings in relation to the one Limited Assurance audit that was finalised during this period is included at **Section 5**.

3. Resourcing Update

Recruitment and progress

- 3.1 Resourcing of the team is critical to delivering the plan and meeting the demands of stakeholders. As previously reported, the team has continued to operate with vacancies. However, a Senior Auditor was recruited during July and an Apprentice Auditor was recruited during August - it is anticipated that they will start during November.
- 3.2 Overall progress in undertaking and completing the audit plan for 2024-25 has been slow and this is being addressed by reporting progress and escalating blockages via Directorate Leadership Teams. Owing to delays and resourcing issues there is, however, a significant risk that the delivery of audit plan will be compromised.

4. Detailed audit results

	Audit Title	Directorate	Opinion	Status
1	Supply Chain Cyber Control	Corporate	Limited	Draft Report
2	Governance of Capital Programme	Corporate		
3	Health and Safety at Work	Corporate		
4	Business Continuity and Resilience Planning	Corporate	Limited	Draft Report
5	Lone Working Arrangements	Corporate		Field work
6	Data Quality	Corporate		Planning
7	Risk Management	Corporate		
8	Management of Efficiency Savings/Income Generation	Corporate		Planning
9	Employee Wellbeing and Satisfaction	Corporate		Planning
10	Management of Overtime	Corporate	Limited	Draft Report
11	Post Establishment Control	Corporate		Fieldwork
12	Key Decision Process	Corporate		
13	Information Governance / GDPR Compliance	Corporate		
14	Performance Management	Corporate		Fieldwork
15	Management of Members' Enquiries	Corporate		Fieldwork
16	Capital Budgeting and Monitoring	Resources		Fieldwork
17	Pensions Administration – Follow Up audit	Resources		Draft Report
18	IT Governance	Resources		
19	IT Asset Management	Resources		Fieldwork
20	Value Added Tax	Resources		Planning
21	Cyber Security and Resilience	Resources		
22	Staff Recruitment, Pre-employment Checks and Vetting	Resources		
23	Pension Fund Administration	Resources		
24	IR35 – Off Payroll Engagement	Resources		Planning
25	Council Tax Support Scheme/Cost of Living Relief Fund	Resources		
26	Residents Hubs	Resources		
27	Management and Control of Subject Access requests	Resources		Fieldwork
28	Financial Regulations and Procedures	Resources		
29	Treasury Management	Resources		
30	Waivers to Procurement Procedures (RCDA Process)	Corporate	Limited	Draft Report
31	General Ledger	Resources	Limited	Draft Report
32	Quality Assurance in Adult Social Care	Health and Adult Social Care		
33	Telecare Service	Health and Adult Social Care		Fieldwork

34	Payments to Home Care Providers	Health and Adult Social Care		Planning
35	Shared Lives	Health and Adult Social Care		Fieldwork
36	Contract Monitoring of Commissioned Services	Health and Adult Social Care		
37	Public Health Grants to Directorate Services	Health and Adult Social Care		
38	Management and Control of Fixed Penalty Notices	Communities	Limited	Draft Report
39	Control and Management of Premises Licences	Communities	Reasonable	Draft Report
40	King George Field's Trust – Governance	Communities		Fieldwork
41	Waste Service – Operational Management	Communities		
42	Management of Commercial Waste	Communities		
43	Transport Service	Communities	Limited	Final Report
44	Management of Video Surveillance systems	Communities		Planning
45	Leisure Service – Governance Arrangements	Communities		
46	Penalty Charge Notices – Debt Recovery and Write Offs	Communities		
47	Domestic Violence – Contract Monitoring	Communities		
48	Street Lighting Contract	Communities		Planning
49	SEND Improvement Plan	Children's Services	Limited	Draft Report
50	Youth Service	Children's Services		Planning
51	Client-Side Management of Schools' Capital programme	Children's Services	Limited	Draft Report
52	Transitioning from Children's to Adults	Children's Services		Planning
53	Leaving Care service	Children's Services		
54	Youth Offending Team – Service review	Children's Services		
55	SEND Transport and Cost Control	Children's Services		
56	Procurement and Management of Consultants for Capital Works	Housing and Regeneration		Fieldwork
57	Management of Lettings of Community and Commercial Properties	Housing and Regeneration		Fieldwork
58	Capital Delivery Team – Payment and Budgetary Control	Housing and Regeneration		
59	Management of Capital Projects by Capital Delivery	Housing and Regeneration		
60	Housing Allocations – Bidding Process	Housing and Regeneration		
61	Section 20 Leaseholder Consultation Process	Housing and Regeneration		
62	Homeless Families Visiting, Inspections and Investigation	Housing and Regeneration		
63	Housing Management - Governance	Housing and Regeneration		
64	Management of Voids	Housing and Regeneration		
65	Damp and Mould Management	Housing and Regeneration		Planning
66	Service Charges – Calculations, Allocations and Billing	Housing and Regeneration		Planning
67	Planning and Building Control Fees/Charges	Housing and Regeneration		Fieldwork
68	Housing Repairs	Housing and Regeneration	Limited	Draft Report
69	Legal Services – Quality Assurance	Chief Executive's		
70	Corporate Compliance Culture	Chief Executive's		Planning

71	Mayors Community Grants – Governance & Monitoring	Chief Executive's		
72	Community Cohesion	Chief Executive's		
73	Procurement and Commissioning of Barristers and Solicitors	Chief Executive's	Limited	Draft Report



Schools Audits		Opinion	Status
1	Arnhem Wharf Primary School	Reasonable	Draft Report
2	Globe Primary School	Reasonable	Draft Report
3	Harry Gosling Primary School	Reasonable	Draft Report
4	John Scurr Primary School		Planning
5	Lansbury Lawrence Primary School		Planning
6	Lawdale Primary School		Planning
7	Marion Richardson Primary School		Planning
8	Old Palace Primary School		Planning
9	Redlands Primary School		Planning
10	St Agnes Primary School		Planning
11	St Elizabeth Primary School		Planning
12	St Lukes Primary School		Planning
13	St Paul with St Luke Primary School		Planning
14	St Saviour's Primary School		Planning
15	Stepney Park Primary School		Planning
16	Morpeth Secondary School		Planning
17	Oaklands Secondary School		Planning
18	Beatrice Tate Special School		Planning
19	LEAP – Harpley Inclusion Unit		Planning

5. Audit summaries

Title	Date of Report	Comments / Findings	Scale of Service
Review of Passenger Transport Service	July 2024	<p>The Objective of this review was to provide assurance over the management of Passenger Transport Service. The Service arranges and delivers all the Home to School transport for 617 children with Special Educational Needs (SEN) and adults with care plans. There are currently 54 daily routes in operation. There are approximately 80 regular routes being operated by external contracted partners. All staff operating the service are required to have undertaken appropriate training in dealing with children and adults with disabilities and are subject to DBS (Disclosure and Barring Service) checks The audit review showed the following good practices:-</p> <ul style="list-style-type: none"> • A Passenger Services Staff Handbook was in place, dated 2023. The Handbook covers areas such as service standards, annual leave and sickness, Health and Safety, specific responsibilities of passenger assistants and communications. • External contracted transport spend was monitored via a live dashboard and discussed at the monthly Adult Travel Assistance Project Board Transport. In addition, Internal Transport spend was discussed at Children & Young Persons SEND Travel Assistance Operational Working Group, attended by the Director of Education, Corporate Director, Communities, together with Service and Finance Leads. • An O license has now been acquired by the service. This means that coaches and buses can be utilised to provide out of borough transport for trips booked by schools and voluntary organisations <p>The following key issues and control weaknesses were identified:-</p> <ul style="list-style-type: none"> • Existing governance arrangements are not as sound as they should be and required improvement. For example, there was no Service Level Agreement in place between Passenger Services, Children's Services and Adult Health and Social Care. Therefore, service provision, standards of service, roles and responsibilities, reporting lines and oversight arrangements etc. have not been formally set out and agreed. In addition, the process for the allocation of passenger transport costs (based a written formula for 2023/24), to the Client Directorates required to be formally agreed and covered by a formal agreement. • In addition, there was no Service Plan for the Service at the time of audit. Therefore, it was unclear what the governance, management, monitoring and reporting arrangements were for Passenger Services. • In order to procure external transport, a Framework contract was being used, the costs of which, was being met by Adult Services. The total recharge costs for external transport for 2023/24 was £1.7m. There are currently 9 external providers in place. However, we were only provided with evidence of market testing 	

Title	Date of Report	Comments / Findings	Scale of Service
		<p>(RFQ) documentation relating to one provider. The Contract Monitoring Officer appeared to not have the supporting contract documentation.</p> <ul style="list-style-type: none"> From our testing of 10 external routes, in 8 cases the daily rates invoiced by the suppliers did not match with the contracted rates. There was risk of overcharge by the suppliers if rates invoiced are not matched with the contract rates. In addition, Purchase Orders were raised in retrospect i.e. after invoices had been received. The current contractual arrangements for the provision of external transport was in need of an urgent review. A DBS report for all Passenger staff was produced for Audit. Our testing showed that in 16 of the 146 staff (10.95%) , the last DBS checks were more than 3 years old and therefore, out of date. A review of overtime showed that as at period 10 (January 2024), total overtime paid amounted to £253,531. Audit analysis showed there had been 136 staff who claimed overtime in the period, of which, 2 staff had total overtime of £18,440 and £11,557. There were 14 staff who received overtime of between £5k - £10k. We noted that the total amount for overtime paid for 2023/24 was £302,344. Detailed testing of overtime showed that there was no clear local policy on Overtime in order to plan, control and monitor the hours worked. All Weekly Claim for Additional Payment forms were checked and approved by the Route Manager, who also prepared the monthly overtime spreadsheet submission to Payroll. This represents poor segregation of duties and weak control with the risk that overtime claimed may not be challenged and reviewed by higher management. Our testing also showed that staff were working overtime whilst being on annual leave. In order to test the justification and business case for working large amount of overtime, we requested copies of supporting documents and business cases for overtime working. However, we were not able to fully test this area in detail as the information required was not made available by the Officer. We therefore, recommended an urgent review of overtime in order to ensure the overtime system is not being abused. It was noted that as at period 12 (March 2024), the 2023/24 budget for Passenger Transport Services (internal transport provision) was showing a full year forecast of £6,334,754 against a current budget of £5,301,900. A negative variance of £1,032,854. This included forecasted expenditure of £285,151 for staff overtime and agency costs of £665,952, for which there was no budget provision in place. Therefore, the total costs for covering staff vacancies and staff absences totalled £951,103 (as of March 2024). As part of performance monitoring, a dashboard was in place. This showed the number of passenger transport journeys completed on time and a customer satisfaction survey assessed against Passenger Services service standards for Schools/Centres. However, the Passenger Services Manager advised that as there was a lack of administrative support (current admin officer on long term sick leave), therefore this information was not being produced for Management and therefore, no clear scrutiny in this area. 	

Title	Date of Report	Comments / Findings	Scale of Service
		All findings and recommendations were agreed with the Business Manager – Operational Services and Final audit report was issued to the Director of Public Realm and Corporate Director of Communities.	

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.

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Validera



Page 131

Internal Audit External Quality Assessment

July 2024





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Contents

	Page
Executive Summary	3
Supporting Continuous Improvement – Action Plan	6
Appendix A – Global IIA Grading Definitions	9
Information	10

Version History

Version	Issued	Description
DR v1.0	01/07/24	Draft Report issued for review and comment.
V1.1	28/08/24	Final version with agreed responses.



Executive Summary

Background, Scope, and Methodology

The global Institute of Internal Auditors (IIA) has established the International Professional Practice Framework (IPPF). To state that an internal audit service is compliant with the IPPF professional standards it must undertake an External Quality Assessment (EQA) at least every five years.

Within the UK public sector, the IPPF is supplemented by the Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all central government departments, agencies and executive NDPBs.

The PSIAS are based on the mandatory elements of the IIA IPPF and are intended to promote further improvement in the professionalism, quality, consistency, and effectiveness of internal audit across the public sector. The Standards were last revised in March 2017 to reflect the changes in the IPPF.

Public sector internal audit services are required to assess their performance in terms of the PSIAS. This is achieved by annual self-assessment and periodic external quality assessment of that self-assessment or a full external assessment, or a combination of both methods.

Conformance with professional standards is essential in performing the responsibilities of an internal audit function in a fit and proper manner. It provides a measure of confidence that auditors are operating to a code of ethics, defined professional standards and rules, and that they are suitably trained and continuously enhance their professional skills.

Moving forward from 9th January 2025 the current IPPF will be retired and replaced by the new Global Internal Audit Standards (GIAS). Most elements of the new standards are an iteration of the existing arrangements, with the previous standard and implementation guidance being merged into a single document. The UK public sector Internal Auditing Standards Advisory Board (IASAB) has committed to reviewing the PSIAS in line with the new GIAS, with consultation material issued by September 2024 at the latest.

Our review, therefore, aimed to assist Tower Hamlets Council Internal Audit ensure it complies with the existing PSIAS during the transition period. Conformity with the current standards will help ensure that the Council can move to compliance with the

new PSIAS with relative ease.

To demonstrate conformity with professional standards an internal audit function can choose an external review in the form of a full assessment or validated self-assessment, where the external assessor reviews evidence.

This EQA was undertaken based on the latter and sought to conduct interviews with relevant key internal audit stakeholders, including the Chief Executive, Corporate Director of Resources (s151 Officer), Chair and Members of the Audit Committee.

Our review has considered conformance with:

- Public Sector Internal Audit Standards (including the Definition of Internal Auditing)
- Code of Ethics
- Chartered Institute of Public Finance and Accountancy's Local Government Application Note

To complete the EQA, we have:

- Defined requirements and agree the scope of assessment.
- Consulted with key stakeholders.
- Evaluated the delivery and effectiveness of internal audit.
- Assessed conformance to applicable standards.
- Benchmarked the maturity of the internal audit function.
- Reported on the findings; and
- Delivered insights and recommend ideas for performance improvement.

To accomplish the objectives of the EQA, our assessment team has:

- Reviewed the Council's internal audit team's PSIAS self-assessment.
- Made additional enquiries of internal audit to clarify understanding.
- Prepared an information request to seek supporting evidence.
- Reviewed the information provided by the team to validate the self-assessment.
- Issued an online evaluation to achieve maximum coverage of core stakeholders inviting all Corporate Directors, and all Audit Committee members to participate in the EQA process.
- Sought to conduct individual interviews with selected key stakeholders, including the Chief Executive, Deputy Chief Executive, Corporate Director of Resources (s151 Officer), Monitoring Officer, and Chair of the Audit Committee.
- Review a sample of audit assignments / projects and associated work papers and reports to verify compliance.

- Reviewed survey data received from stakeholders.
- Benchmarked practices against standards.
- Prepared the EQA report, providing an opinion on conformance to the IPPF and PSIAS, detailing areas of for improvement and potential actions for management action.
- Held a feedback meeting with the Head of Internal Audit, Risk and Anti-Fraud and his Deputy to collaborate on agreement of the Action Plan; and
- Provided advice and support in respect of improvements.

We assessed the extent to which the internal audit service:

- Reflects the IPPF and PSIAS standards in its operations.
- Focuses on performance, risk and value adding.
- Operates with effectiveness and efficiency.
- Implements its Quality Improvement Programme; and
- Coordinates and maximises assurance across the Council.

The EQA Team

Our team comprised primarily of three experienced internal audit professionals; two ACCA qualified individuals and one IIA qualified. The team members have held various Head of Internal Audit roles in large organisations, both as in-house and out-sourced providers, giving them experience of working with a vast range of clients, executive teams, and Audit Committees across the UK private and public sectors.

Stakeholder Feedback

To gain stakeholder insight into their relationship with internal audit we sought to hold a number of interviews and undertook a stakeholder surveys; despite considerable chasing and reminders, overall participation in the survey was disappointing we achieved 20 responses from 70 invites, comprising of 2 Councillors and 18 management team members.

We held meetings with the Chief Executive Officer and Chair of Audit Committee.

We appreciate that the Council is in the process of a best value review and as such stakeholders have a number of priorities to address at the current time.

The feedback resulted in several key takeaways, summarised as follows:

Leadership

Participants commented on the effective leadership, committed, hardworking and professional service, reflected that they appreciate the team's efforts. Comments included: "We have a good, solid IA service with good systems and processes. It gives me the assurance that when IA recommends improvements, they'll be the right thing to do, and when they report that processes and procedures are effective, then I can take that assurance." and the survey responses included positive comment in respect of greater focus since the appointment of the current Head of Audit, Risk and Anti-Fraud.

Independence

There was positive feedback in relation to independence. Comments included: "Internal audit are empowered to do their job...the governance structure is there to enable it, with a new IA Charter, and very solid line between exec and non-exec functions, with the Audit Committee available for internal audit to go to directly to discuss matters as they require."

Collaboration

Participants provided positive feedback on relationships and collaboration. However, there is a recognition within that some of the current changes and uncertainties at the Council may impact upon the ability of internal audit to provide assurance. Comments included: "This area presents some complexity, and there may be opportunities to enhance collaboration between internal audit and the senior management team to align with Tower Hamlets' strategic outcomes. Improved cooperation between strategy makers and internal audit in developing audit strategies and plans focused on essential deliverables could strengthen assurance on critical matters. Having said that, there is currently a lack of focus, lack of clarity within the local authority regarding strategic priorities, which hinders internal audit, through no fault of their own, in truly being able to provide effective assurance on key objectives."

Evaluation

There was feedback that the evaluation of internal audit's effectiveness is an area which could be improved upon. Whilst the internal audit team seek feedback from auditees, there could be enhanced evaluation by senior management and Audit Committee to help strengthen relationships and collaboration across the Council. The internal audit team themselves commented upon low response rates to the feedback process and are keen to gain greater participation.

Comments included: “The usual quantitative measures – days, reviews, recommendations, is probably too quantitative. Need for more qualitative measures.” and “This is an area that could, and should, be improved. At present it is all very informal and mostly centred around discussion.”

Communication

Feedback through the survey was overall positive, however, a theme of improved communication ran through the response to various questions.

The comments identified opportunities to better engage with stakeholders in respect of audit plans, the scoping of reviews, timing of reviews and progress reporting during reviews.

Key Achievements

The Council’s internal audit activity is well-established and effective, valued by key stakeholders in its client and partners. The governance exercised over internal audit activities is suitably mature, with Audit Committee oversight, regular monitoring, and reporting arrangements in place.

The service is led by a qualified and experienced Head of Audit, Risk and Anti-Fraud, supported by an in-house team comprising of the following posts: Audit Manager, three Senior Auditors, two Internal Auditors and an Audit Apprentice. There is currently one vacant post. Additionally, the service contracts with a co-sourced partner, BDO, who provide further support in the areas of systems, IT, and school audits.

The team members have diverse backgrounds, experience, and skills, and undertake a wide range of assignments flexibly and effectively.

Our stakeholder survey results were positive, providing valuable and practical comments, with minimal areas for improvement identified. Individuals commended the team’s professionalism, objectivity, ethics, and reporting.

We are pleased to report that the Council’s internal audit team could reasonably demonstrate conformance in all respects of adherence to Standards, adopting a risk-based approach, focusing on value add to the Council’s services and continuous improvement, and coordinating and maximising assurance.

Opinion on Conformance with Standards

The mandatory elements of the Standards comprise the Definition of Internal Auditing, Core Principles, Code of Ethics, Attribute Standards and Performance Standards.

Our overall opinion is that the internal audit function of the Council, ‘Generally Conforms’ with the mandatory aspects of the Standards. We have identified some opportunities for further improvement, also detailed within this report, however, none of them represent a failure to reasonably meet the requirements of the Standards.

‘Generally Conforms’ is the highest grade of conformity. Further information can be found in Appendix A – Global IIA Grading Definitions.

The opinions and suggestions contained within this report are based upon our testing of restricted samples of records and our discussions with officers responsible for the processes reviewed.

Supporting Continuous Improvement – Action Plan

We made the following observations during the assessment:

1. Audit Management Software			
Observation	Suggested Improvement	Management Comment	Action
<p>The team do not currently utilise a formal electronic audit working papers solution; rather audits are recorded utilising Microsoft Office products. Whilst our review of audit files did not identify any specific concerns, the audit trail in respect of review and approval of audit working papers is limited in the use of Office products.</p>	<p>Efficiency and effectiveness could be further enhanced if the team seek to implement an electronic means of evidencing management review of audit work, considering the use of working paper 'date stamp' functionality.</p>	<p>The audit team previously utilised the Galileo audit management software. However, its use was discontinued in 2020 due to cost and operational reasons.</p> <p>In the short-term, we will review the effectiveness of the current procedures for reviewing and approving engagement briefs, audit working papers, draft reports and final reports to ensure that complete audit trails are preserved in the audit file for each audit assignment.</p> <p>In the medium-term, we will research the market to establish the likely costs involved and whether a suitable system can be procured – potentially linking with the purchase of new or updated Risk Management software.</p>	<ol style="list-style-type: none"> 1. Complete a review of current procedures for working paper review and approval process (by 31/12/24). 2. Undertake soft market research to determine whether there is a robust outline business case to procure Audit Management Software (by 31/03/25) <p>Owner/s: Head and Deputy Head of Internal Audit</p>

2. Stakeholder Engagement			
Observation	Suggested Improvement	Management Comment	Action
<p>To gain stakeholder insight into their relationship with internal audit we sought to hold several interviews and undertook a stakeholder surveys. Despite considerable chasing and reminders, overall participation was disappointing. We appreciate that the Council is in the process of a best value review and as such senior management have several</p>	<p>Internal audit should seek to improve levels of stakeholder engagement. This could be done by reviews of the client surveys to identify areas for improvement, continuously monitoring quality of assignments and taking prompt steps where improvements could be actioned, proactively seeking opportunities for consulting assignments, hold regular</p>	<p>It is acknowledged that this is a challenging area and that improvement is required.</p> <p>We intend to use attendance at DLTs as the main driver for getting better engagement and traction with the Internal Audit process.</p>	<ol style="list-style-type: none"> 1. The Internal Audit feedback survey will be redesigned to better provide insight into stakeholder's views (by 31/03/25) 2. Internal Audit will use DLTs to drive better engagement and improve information exchange with key stakeholders. As part of this, programmed attendance at DLTs will

<p>priorities to address at the current time.</p> <p>We discussed our experience with the internal audit team who confirmed that the auditee post audit satisfaction survey completion rate was also low, estimated at around a third. Organisational value from internal audit is best achieved when stakeholders actively engage with internal audit.</p>	<p>catch up meetings with clients, clearly defining value delivered to clients in the audit reports, reporting outcomes to the Audit Committee.</p> <p>Audit Committee and senior management should also help drive stakeholder engagement with internal audit and qualitative assessment in respect of the impact and value of its work.</p>	<p>The Internal Audit feedback survey will be reviewed and updated.</p>	<p>be arranged to coincide with Risk Management updates to DLTs (by 31/03/25).</p> <p>3. Any concerns around stakeholder engagement with the Internal Audit process will be discussed, as appropriate, with CMT and the Audit Committee (ongoing).</p> <p>Owner/s: Head and Deputy Head of Internal Audit.</p>
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3. Time Recording

Observation	Suggested Improvement	Management Comment	Action
<p>There is currently no process of recording time spent on audits. Monitoring the time spent on audits can assist in the improvement of team economy, efficiency, and effectiveness.</p>	<p>Internal audit should seek to capture, analyse, and review time recording data to inform management's planning, budgeting, performance, and training activities.</p>	<p>A time recording system was integrated with the Galileo Audit Management Software that the team used until 2020. When use of Galileo was discontinued an output-based measurement system was put in place.</p> <p>We will consider the costs and benefits of implementing a system for recording and monitoring of audit time.</p>	<p>We will consider whether there is a viable business case for the implementation of time recording software. This will be considered alongside the actions for Observation 1 in relation to Audit Management Software (by 31/03/25).</p> <p>Owner/s: Head and Deputy Head of Internal Audit.</p>

4. Staff Utilisation & Use of Resources

Observation	Suggested Improvement	Management Comment	Action
<p>The team are utilising the services of BDO to supplement the delivery of systems, IT and school audits.</p> <p>Whilst some areas, such as IT, may benefit from specialist skills which may not exist or have sufficient resource internally,</p>	<p>The introduction of a time recording solution (Observation 3) and monitoring of contracted hours against delivery would enable the Council to ensure that it is utilising and leveraging its own resources to best affect. This would inform better direction and utilisation of its co-sourced</p>	<p>BDO provides co-sourced resource for routine audits such as Schools audits as they have a pool of staff providing schools audits to other Councils as well. This is a cost-effective solution as the volume of schools to be audited can be large and currently Internal Audit is not</p>	

<p>areas such as school audits are uncomplicated and the investment in co-source delivery may potentially be better directed elsewhere.</p>	<p>partner BDO in the delivery of services to support its annual audit plan.</p> <p>Co-sourcing usually achieves best value through access to specialist skills or with a goal of skills transfer to build an in-house expertise.</p>	<p>resourced to carry out school audits in large number.</p> <p>BDO is allocated IT audits and other specialist audits like Treasury Management, Pensions, Efficiency Savings audits etc.</p> <p>The contract for BDO will come to an end in March 2025 and when we re-procure , we will factor this in.</p>	<p>We will consider these issues as part of the co-source retender which is due to commence in September 2024 for a new contract from 1st April 2025 (by 30/09/24).</p> <p>Owner/s: Head and Deputy Head of Internal Audit.</p>
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5. Strategic Audit Planning

Observation	Suggested Improvement	Management Comment	Action
<p>The Council is going through a period of change and there is a recognition that clarity could be improved across the authority regarding strategic priorities. This, in turn, impacts the ability of internal audit to plan effectively and deliver assurance focused upon the core risks surrounding the delivery of strategic priorities, through no fault of their own.</p>	<p>Internal audit must continue to build upon its foundations and promote its purpose and reason for being across the changing management team, to enable it to align its work to the Council's developing strategic priorities, effectively contribute to the management of risk in the achievement of those priorities and deliver best value.</p>	<p>Internal Audit will continue to align its work to the Council's strategic priorities by focusing its work to meet key objectives and priorities.</p>	<ol style="list-style-type: none"> We will build engagement with key stakeholders through better structured working with DLTs (see also Observation 2). This should also provide Internal Audit with better real-time insights of strategic priorities and risks (ongoing). We will continue to refine our risk-based planning approach to ensure better ongoing alignment with strategy and risks (ongoing). <p>Owner/s: Head and Deputy Head of Internal Audit.</p>

6. Communication

Observation	Suggested Improvement	Management Comment	Action
<p>Feedback through the survey was overall positive, however, a theme of improved communication ran through the response to various questions.</p>	<p>Implement or strengthen the key points of communication with the senior management team throughout the audit process including:</p>	<p>As previously noted, we will use DLTs as the main vehicle for communicating with key stakeholders. Other channels of communication will also be reviewed to</p>	<ol style="list-style-type: none"> We will build engagement with key stakeholders through better structured working with DLTs (see also Observation 2). This should also

<p>The comments identified opportunities to engage better with stakeholders in respect of audit plans, the scoping of reviews, timing of reviews and progress reporting during reviews.</p> <p>It is recognised that the internal audit team has been delivering during a period of significant change across the Council, and as such some of its efforts in this regard may have gone unnoticed.</p>	<ul style="list-style-type: none"> ▪ Promotion of the Internal Audit Plan ▪ Timing of individual assignments ▪ Seeking input to the scope of reviews ▪ Keeping management informed of progress throughout reviews 	<p>ensure that messaging is clear, frequent and reaching the target audience.</p>	<p>provide Internal Audit with better real-time insights of strategic priorities and risks (ongoing).</p> <p>2. We will develop a high-level communications plan to set out the various communication and media channels available and how we can best utilise them for messaging (by 31/03/25).</p> <p>Owner/s: Head and Deputy Head of Internal Audit.</p>
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Appendix A – Global IIA Grading Definitions

We assessed the level of conformance at each stage of assessment in accordance with the IIA grading methodology:

Generally Conforms



“Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

Complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the service, as well as the processes by which they are applied, comply with the requirements of the standards in all material respects with only minimal departures and minor issues to resolve.

Partially Conforms



“Partially Conforms” means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

Falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.

Does Not Conform



“Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

The service is not aware of, is not making efforts to comply with, or is failing to achieve many of the elements of the standards. These deficiencies will usually have a significant adverse impact on the service’s effectiveness and its potential to add value. These represent significant opportunities for improvement, potentially including actions by senior management or the board.

INFORMATION

Validera

Validera is a trading identity of HW Controls & Assurance Ltd. Registered in England & Wales, no. 08746974.

Responsibility

This report has been prepared by HW Controls & Assurance Ltd (HWCA) at the request of our client and in accordance with the terms and scope agreed with them. The matters raised in this report are only those which came to our attention during our internal audit work.

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, it is based upon the documentation reviewed, information provided, and explanations provided to us during the course of our work. Thus, no guarantee or warranty can be given that the information provided within this report is necessarily a comprehensive statement of all the weaknesses that may exist, or all the improvements that may be required. Further explanation in respect of the terms, scope, responsibilities and limitations of HWCA as your internal audit provider are stated within our Letter of Engagement (or Contract), the Internal Audit Charter and Internal Audit Strategy.

Disclosure to Third Parties

The report has been prepared solely for the use and benefit of our client; it should not be disclosed to any third parties, including in response to requests for information under the Freedom of Information Act, without the prior written consent of HWCA. To the fullest extent permitted by law HWCA accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification by any third party is entirely at their own risk.

DFK

DFK International is one of the world's leading associations of independent accounting, tax and business advisory firms brings together strong national firms of public accountants to enable them to provide services of the highest professional standards to their clients. The association has been helping its Member Firms meet the needs of clients with international business interests for more than 50 years. Member Firms are chosen for the quality of service they provide in terms of both technical competence and service delivery. Members of the association that include DFK in their firm's name are classified as Network Firms in compliance with EU and IFAC requirements.



204 member firms with 467 offices across 90 countries and territories and a turnover of \$2.4 billion.

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Internal Audit and Anti-Fraud Fraud Awareness Survey 2024-25

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.

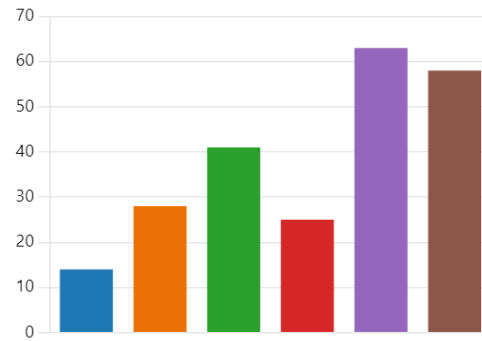
Findings

A fraud survey was conducted in July 2024. The survey was advertised on the Council's communication forums (the bridge, TH and Viva engage). The publication was also publicised by correspondence sent to the Heads of Service and Corporate Directors. The survey was open to all the Council's staff (4883 direct staff members).

1. Which Directorate are you in?

[More Details](#)

Chief Executive's Office	14
Children's Services	28
Communities	41
Health and Adult Social Care	25
Housing and Regeneration	63
Resources	58

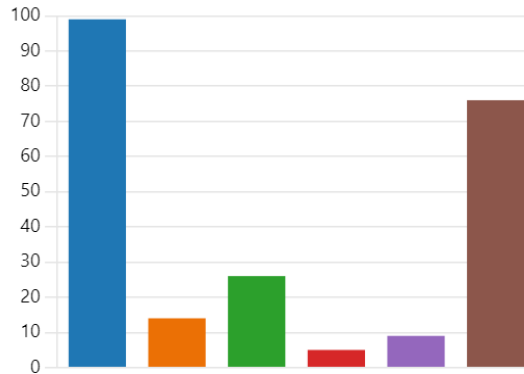


The survey returned a total of 230 responses which accounts for approximately 4.7%. The highest response came from the Housing and Regeneration Directorate and the lowest response rate was derived from the Chief Executive's Directorate.

2. The council has detailed the arrangements for fraud prevention, detection and investigation in the Anti-Fraud and Corruption Strategy. Which of the options below best applies to you?

[More Details](#)

● I am aware of the strategy	99
● I have read the strategy	14
● I understand the contents of the...	26
● I have made a referral using the ...	5
● All of the above	9
● None of the above	76



The results indicate that an estimated 66% of the respondents were aware, read or utilised the councils counter fraud arrangements and 33% are not aware or utilised the councils counter fraud arrangements.

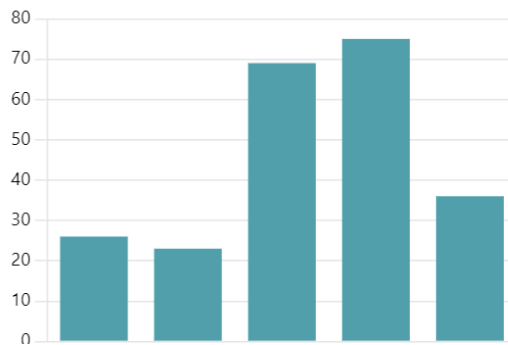
Overall, a positive indication of the level of awareness of the council's counter-fraud arrangements.

3. The council promotes and encourages an Anti-Fraud Culture **by ensuring the risk of fraud is kept to a bare minimum. How would you rate the council's anti-fraud culture?** (With 5 stars as the highest rating)

[More Details](#)

[Insights](#)

3.31
Average Rating



Most of the respondents gave a rating of 3,4 and 5 (78%) as opposed to 21% that rated the promotion of an anti-fraud culture a 2 or 3.

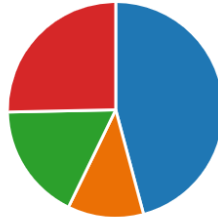
Overall, a broadly positive indication of the council's efforts of promoting an anti-fraud culture.

4. Anyone suspected of fraud will be investigated following the council's zero tolerance to fraud (**an environment that administers severe punishment to fraudsters**). Do you think the council has a zero tolerance to fraud?

[More Details](#)

[Insights](#)

● Yes	105
● No	26
● Maybe	40
● I don't know	58



The results indicated that 45% indicated that the council has zero tolerance to fraud as opposed to 10% which did not believe that the council has a zero-tolerance fraud. The results show 42% were unsure or did not know.

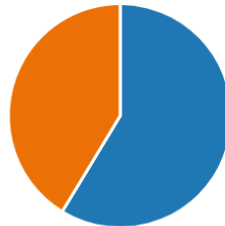
The results indicate a broadly even split between those who believe that the Council has a zero-tolerance to fraud and those that do not.

5. Have you undertaken or been given any fraud awareness training (For example E-Learning or attended a Fraud Awareness Presentation)?

[More Details](#)

[Insights](#)

● Yes	135
● No	95



The responses indicated that 58% had received a fraud awareness training and 41% indicated that they had not received a fraud awareness training.

The results indicate over half of the respondents have received some form of fraud awareness, which is a positive result.

6. Please provide the name of your service so we can arrange to deliver a fraud awareness training.

[More Details](#)

[Insights](#)

94
Responses

Latest Responses

"housing"

"Leisure"

There were 94 responses and suggestions – these will be taken forward during 2024-25.

19 respondents (20%) answered **Services** for this question.

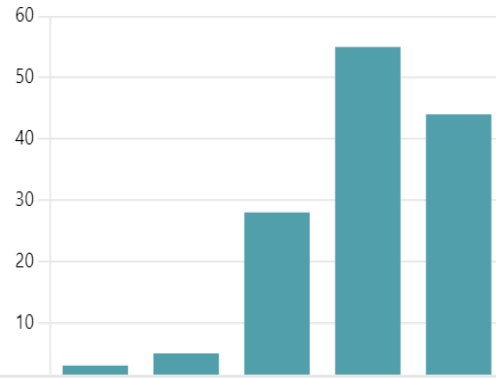


7. How effective would you rate the fraud awareness training? (with 5 stars being the highest rating)

[More Details](#)

 Insights

3.98
Average Rating



Most of the respondents 55% rated the effectiveness of the fraud 3,4 or 5 as opposed to 6% which rated the training a 1 or a 2.

A positive result indicating a significant higher rating on the impact of fraud awareness training that has been delivered.

8. Which one of the following do you think is the leading cause of potential fraud risks in the council?

[More Details](#)

- Inadequate policies and proced... 34
- Management override of systems 27
- Inadequate IT systems 37
- Breach of legislation 17
- Avoiding processes and controls 114



The responses indicated that 50% believed avoiding process and controls is the leading cause of fraud, 16% believed inadequate IT systems, 15% believed inadequate processing and controls, 12% management override of systems and 7% breach of legislation.

The results confirm the existence of controls which is a positive, however the circumventing of these controls is a concern.

9. Have you read or are you aware of the council's whistleblowing policy?

[More Details](#)

- Yes, and I understood the conte... 161
- Yes, but I don't understand the c... 14
- No, but I am aware it exists 44
- No, I have no idea about it 10



An aggregated response of 95% are aware, read or understand the contents of the whistleblowing policy as opposed to 5% that have no idea of the whistleblowing policy.

An overall positive response showing a clear indication of respondents being aware of the existence of the whistleblowing policy.

10. If you suspected fraud in the council, what would you do?

[More Details](#)

- Report it to the fraud investigati... 94
- Report it to your manager 127
- Report it to the police 1
- Ignore it as it's not your role 1
- Discuss it with a colleague 6



An aggregated response of 96% will report incidences of fraud, 2.6% will discuss it with a colleague 0.4% will report it to the Police and 0.4% will ignore it.

An overall positive response indicating that majority of the respondents will report concerns of fraud.

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Non-Executive Report of the: Audit Committee Thursday, 10 th October 2024	 TOWER HAMLETS
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 (**Appendix A**) and also the Communities Directorate Risk Register (**Appendix B**). This is in accordance with the Audit Committee’s decision that it will review both the Council’s Corporate Risks and each Directorate’s Risk Register on a rolling programme basis. The Audit Committee meeting on 23rd April reviewed the Health and Social Care Directorate Register and a review of the Communities Directorate Risk Register is now due.

Also included is a report from Zurich Municipal, the Council’s liability insurer, detailing the summary results of a Health-Check on the Council’s Enterprise Risk Management arrangements (**Appendix C**).

Recommendations:

The Audit Committee is recommended to consider and note:

1. The Corporate Risks (refer **Appendix A**), 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
2. The Communities Directorate Risks (refer **Appendix B**) 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.

3. The summary Health-Check report from Zurich Municipal (refer **Appendix C**) and corresponding action plan.

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 last presented to CMT on 23rd April 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 all Risk Owners were asked to review and update their entries. During this period the total number of risks on the Corporate Risk Register has risen from 14 to 15. This is owing to three risks being added and two being relegated to the Directorate level as detailed in the following section.

Risks added to the Corporate Risk Register

LPG0036 – *Community Cohesion: A loss of social capital and a fracturing of the community and local networks.*

LPG0037 – *People First Transformation: A failure to fully execute, implement and realise the benefits from the Council's core transformation programme.*

COM0002 – *Civil Contingencies: Failure to meet the Council's legal duties under the Civil Contingencies Act. This would become evident if a major incident occurred and the council failed to implement an effective response and recovery.*

Risks relegated from the Corporate Risk Register

PLC0023 – *Building Safety Act: This risk has been withdrawn for rearticulation and updating by the Housing and Regeneration Directorate.*

CS0014 – *Protection of Freedoms Act: It was previously agreed with CMT that the nature of this risk no longer warranted it be managed as a corporate risk; consequently, it is now being managed at the Directorate level.*

- 3.4 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.

Communities Directorate Risk Register

- 3.5 The Audit Committee should review the risks identified for the Communities 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

- 3.6 Going forward the Audit Committee will be presented with the other directorates risk registers on a rolling programme, in the following order:
- Housing and Regeneration – January 2025
 - Resources – April 2025
 - Children's Services – October 2025
 - Chief Executive's – to be confirmed
 - Health and Social Care – to be confirmed
 - Communities – to be confirmed

Risk Management Health-Check

- 3.7 During June and July, Zurich Municipal, the Council's liability insurer completed a review of the Council's Risk Management framework and related arrangements. A summary report, including the Council's action plan is attached at **Appendix C**.

Risk Management Awards

- 3.8 During August, the Council's Risk Management team was shortlisted in the Public Sector category at the annual Continuity, Insurance & Risk Management awards. The awards ceremony will be held in London on 27th November.

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

A: Corporate Risk Register

B: Communities Directorate Risk Register

C: Risk Management Health-Check Report and Action Plan.

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

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

- NONE

Officer contact details for documents:

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

Email: david.dobbs@towerhamlets.gov.uk

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Detailed Risk Report (incl Control Measure Target Date)

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
GSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the Council or a Partner agency. There is an on-going need to ensure that services to all Vulnerable Children and young people have a focus on Safeguarding and Prevention of harm.	Our most recent Ofsted report (June 2019) rates Children's Social Care and Early Help service's as "Good". However, there will be a need to regularly review and scrutinise the quality of services for vulnerable young people. This scrutiny and challenge will need to have a focus on; <ul style="list-style-type: none"> Overall management oversight and quality of supervision. Compliance with core statutory and local requirements. Adherence to key safeguarding thresholds. Regular assessments of cases, and emerging /changing risks. Strong planning for children, with regular reviews to avoid drift and delay. Maintaining strong quality assurance and auditing mechanisms. 	<ul style="list-style-type: none"> Harm to individual Children and young people being left in situations of risk and or unassisted harm. Poorer than expected outcomes for a child. Poor audit/review findings Reputational damage to the council. Poor Staff development and competence. Poor Quality assurance and Performance Management Loss of experienced professional staff. Potential for legal proceedings against the council leading to financial loss 	<p>Increased level of Quality Auditing. From May 2021 the quality assurance programme will move to monthly quality audits and be positioned as a core activity for all managers to ensure consistent and improving standards of casework across Children's Social Care. All audits are moderated.</p> <p>Ongoing audit programme</p> <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>	4	5	20	3	4	12	Steve Reddy	Priority 8: A Council that Listens and Works for Everyone
				<p>Inspection by the regulator, Ofsted</p> <p>Focused Visit completed in July 2022 - letter published 31/8/22. Positive outcome.</p> <p>Annual Conversation with Ofsted indicated our next inspection will be the full ILACS, expected by end of 2024.</p> <p>Steve Reddy</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2024</p> <p>Tower Hamlets Safeguarding Children's Partnership and increased quality assurance.</p> <p>The THSCP is delivering for 23/24 an increased level of quality assurance, including multi-agency case audits and Safeguarding Child Practice Reviews.</p> <p>On track</p> <p>Steve Reddy</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2025</p> <p>Corporate scrutiny and oversight</p> <p>Corporate Safeguarding Board – now chaired by Chief Executive receives detailed reports from both Adults and Childrens safeguarding services on practice quality and audits. Also Social Care inspection readiness (self assessment) will be shared at Childrens Services and</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT	
					L	I	Total	L	I	Total			
				<p>Bi-monthly and bi-annual plans in place.</p> <p>External peer scrutiny of our safeguarding practice.</p> <p>Three current initiatives: (1) The Continuous Improvement Board provides monthly internal peer challenge; (2) East London Quality Assurance Peer Review - external moderation of our case auditing; (3) Formal external peer reviews are commissioned on a regular basis. All completed or on track.</p> <p>Performance monitoring and audit by statutory Local Safeguarding Partnership</p> <p>Performance monitoring and audit by statutory Local Safeguarding Partnership</p> <p>Principal Social Worker leads on implementing learning from other authorities where provision is inadequate.</p> <p>Principal Social Worker leads on implementing learning from other authorities where provision is inadequate.</p>				<p>Education Scrutiny Committee (October 2024)</p> <p>Steve Reddy</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p> <p>31/03/2025</p>					
RS0056	<p>There is risk to Council's Financial Standing from overspending its revenue budget, failing to deliver savings and a reliance on reserves.</p> <p>(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.</p> <p>Poor budget management</p> <p>Failure to deliver savings</p> <p>Demographic pressures in Adult Social Care, SEND related pressures in Children's and Unfunded discretionary expenditure from temporary reserves.</p>	<p>Significant financial losses, overspent budgets, drawn down on reserves.</p>	<p>Financial Measures:</p> <p>CLT and SLT have prepared new savings proposals of c£34m for the current financial year, with a further circa c£10m to be identified over the remaining MTFS period</p> <p>Financial Actions:</p> <p>Increased focus on budget management. Budget Managers Handbook Issued. All budget managers directed by CLT to remain in budget. High risk budgets reviewed by the Corporate Director Resources or the Director of Finance, Procurement and Audit. Redoubled efforts to deliver previously agreed savings</p>	5	4	20	<p>Monitoring and Control:</p> <p>Continual focus on budget management. Closely tracking delivery of savings and identifying alternatives if proposals become undeliverable. Regular budget reporting to CLT, Portfolio Leads, MAB and Cabinet.</p> <p>New governance structure in place including Boards and monthly Directorate Budget Meetings.</p>	4	3	12	Chris Leslie	Priority 5: Invest in Public Services

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
				proposals.		Ahsan Khan <u>Required Control Measure</u> Target Date: 31/03/2025			
HRP0009	There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's Statement of Accounts and Pension Fund Accounts.	External Audit review of IAS 19 (Employee Benefit) reports leading to discovery of unremediated errors in the underlying records. Triennial valuation to scheme actuary Valuation extracts to scheme actuary	Material error in calculation of the Pension's Liability figure leading to qualification of the Council's Statement of Accounts.	Existing Controls: Monthly reconciliations using Pensions Dashbaord Commissioned data dashboard and data audit project commissioned with external company	4 4 16	Initial one off reconciliation of pensioner records in altair and payroll to identify records which require amending or updating 1) Reconciliation of pensioner Altair records 2) Reconciliation of payroll pensioner records 3) Identification of inconsistent errors 4) Amend records 5) Sign off 6) Provide error list to scheme actuary for estimation of liability Third party company commissioned to carry out data audit and independent verification of reconciliations with recommendations. Abdulrazak Kassim <u>Required Control Measure</u> Target Date: 30/11/2024	3 3 9	Abdulrazak Kassim	Priority 8: A Council that Listens and Works for Everyone
ORG0027	There is an ongoing risk of a Cyber Attack and a consequential Data Breach, Financial Loss and Business Interruption.	Cyber attacks could include ransomware, denial of service, social engineering, phishing, malware and/or an active attack exploiting network security vulnerabilities. Attacks could be enabled through miss-sent emails, inappropriate sharing, insecure design, inappropriate access, introduction of unauthorized software to the network, users	Significant and prolonged loss of IT services. Inability to deliver critical and essential services. Failure to comply with statutory duties or other legal responsibilities. Breach of data protection legislation Financial loss Reputational damage	Current activity Internal internal and external reviews. Internal vulnerability scanning is on-going, occurring every week and the critical / high vulnerabilities discovered continue to be escalated for urgent remediation. Annual independent penetration tests. Implementation of a SIEM solution Recruiting additional specialist resources to support the SIEM. Take a risk-based approach to data security. Embed the risk assessment culture	4 4 16	Zero Tolerance to unsupported software in the council live environment without a mitigation plan in place. Recent events with a number of local authorities have led to severe disruptions and impacted their ability to deliver key services. In an attempt safeguard LBTH from such an event a Zero Tolerance approach to "unsupported software" will be adopted. This will include: - Run weekly vulnerability scan (NESSUS)	4 3 12	Hemanth Shanthigrama	Priority 6: Empower Communities and Fight Crime

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
		clicking on phishing scam email links, and/or divulging sensitive information		<p>within service delivery. Ensure architectural decisions taken are supported by adequate risk assessments. Ensure Policies are aligned with identified risks and communicated effectively. Ensure policy exceptions are supported with fully documented and signed off risk assessments and controls are continually monitored</p> <p>Review of BCP At the request of the Corporate Directors of Health, Adults and Community, Internal Audit reviewed a sample of BCP's in quarter 4 of 2021/22 to form a view on whether the BCP's adequately address a complete loss of IT infrastructure for a prolonged period. The outcome was complete and was presented to CLT members and the CCB in June 2022. Actions and recommendations shared to inform ongoing improvements.</p> <p>Proposed follow up of updates / improvements during 2022/23 IA Plan and beyond to maintain effectiveness of BCP plans. Governance The terms of reference for the Strategic Information Governance Board need to be reviewed and agreed by CLT. Consideration to include oversight of cyber security matters. The action is being incorporated into the IG Review which is progressing and reporting into the Support Services Board. New Head of IG starts in Oct and full review of the IGG and SIGB will be carried out</p>		<ul style="list-style-type: none"> - 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 Mary Umoh</p> <p><u>Required Control Measure</u> Target Date: 31/03/2025</p> <p>Promote Cyber Security awareness using Training and Campaigns</p> <ul style="list-style-type: none"> - one of the measures is to ensure that cyber security training is always part of the mandatory training required by all staff. Progress of mandatory training is monitored at DLT and CLT levels - in 2023 the council cyber security campaign culminating in National Cybersecurity Awareness Month in October <p>Mary Umoh</p> <p><u>Required Control Measure</u> Target Date: 31/03/2025</p>			

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				<p>TOR's in draft will be signed of by newly formed SIGB by the end of June.</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> <p>Cyber Securiti/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>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
RSB0023	There is a risk that the Statement of Accounts will receive a qualified opinion for 2020-21 and onwards	External audit of the statement of accounts and the subsequent findings/outcome.	Qualified opinion on statement of accounts. Reputational damage to the Council.	<p>Improvement Plan</p> <p>An extensive improvement plan was enacted and remaining tasks part of BAU from June 2022. The 18/19 and 19/20 accounts have been signed off by the councils external auditors. The council has focused its resources on publishing draft accounts for financial years 21/22 and 22/23 and completed the period of public inspection for these accounts – which it has done so and also published draft accounts for 23/24. The current proposed backstop date to clear all outstanding draft accounts up to and including 22/23 is 13th December 2024. The auditors work will now largely focus on VFM for the years outstanding (20/21, 21/22 and 22/23) prior to an audit opinion being issued for these years by the proposed backstop date.</p> <p>The 2023/24 External Audit is currently underway and the current proposed backstop date for 23/24 is 28/02/2025.</p>	4	4	16	<p>Working with External Auditors</p> <p>Working with External auditors towards the sign off of accounts. 2020/21, 2021/22, and 2022/23 target date is 13/12/2024.</p> <p>2023/24 target date is 28/02/2025.</p> <p>Ahsan Khan</p> <p><u>Required Control Measure</u></p> <p>Target Date: 12/12/2024</p>	2	2	4	Abdulrazak Kassim	Priority 8: A Council that Listens and Works for Everyone		
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.	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.	<p>Oversight through management reporting</p> <p>Social workers have 1:1 supervision monthly on their casework includes safeguarding cases.</p> <p>Safeguarding case work is managed via s.42 Safeguarding Procedures in line with the Care Act 2014</p> <p>High risk cases are present to the High-Risk panel</p> <p>The Senior Management Team managers are responsible for the review and monitor Adult</p>	3	5	15	<p>Information campaigns to raise awareness of safeguarding with oversight from Safeguarding Adult's Board</p> <p>This is an ongoing priority for the Safeguarding Adults Board and includes the annual 'Safeguarding Month' campaign in November each year. The Independent Chair takes a key role in this and all SAB partners participate. Specific campaigns are run at other times including financial abuse & scams, modern slavery, domestic abuse etc.</p>	2	5	10	Georgia Chimbani		Priority 5: Invest in Public Services	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>Service user fails to work to agreed partnership / agency arrangements.</p> <p>Poor communication and partnership work.</p> <p>Poor resourcing of service areas against increased demand.</p> <p>Local authority contracted out service do not have sufficiently robust safeguarding arrangements.</p>		<p>Safeguarding cases in their services in supervision with their Team Managers.</p> <p>The Principal Social Worker leads on implementing learning from Safeguarding Adult Reviews in the Council alongside the Safeguarding Adults Board</p> <p>Hoarding Panel.</p> <p>Evictions Panel - MH Cases - supported accommodation in borough.</p> <p>Safety Huddles / MDTs with GP's Interface documents - pending.</p> <p>Waiting List - RAG rated</p> <p>Safeguarding issues as part of contract management procedures</p> <p>Procedures overseen by Joint Director for Integrated Commissioning - contract management procedures continue to focus on safeguarding.</p> <p>Care Quality Commission embargo list used.</p> <p>This list is available from the Care Quality Commission highlighting all providers where the CQC has raised concerns.</p> <p>London ADASS branch circulate any service suspensions or restarts due to safeguarding concerns and these are passed to the Brokerage service.</p> <p>Provider Concerns and interface with Adult Safeguarding is a standard agenda item at Joint Adult Social Care and Integrated Commissioning Senior Management Team meeting.</p> <p>Failed visit policy and procedures in place.</p> <p>The Failed visits policy and procedures were originally agreed in 2018 and have been reviewed over the last year. They are</p>				<p>Margaret Young</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2025</p> <p>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 Adults with Learning Disability, Homelessness and Substance Misuse and Self Neglect.</p> <p>Margaret Young</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/03/2025</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT	
					L	I	Total	L	I	Total			
				<p>currently in use and should be reviewed and amended if necessary annually.</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> <p>Recruit a new Independent Chair of the Safeguarding Adult Board</p> <p>Following the appointed person withdrawing, recruit a new independent chair.</p>									
CLSC00012	Major Health and Safety Incident affecting Council employees, Buildings or related Infrastructure.	<p>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.</p> <p>The individual: including a person's competence, skills, personality,</p>	Injury/ill health/death, direct and indirect costs, disruption to service, reputational damage and possible prosecution	<p>Existing Control Measures</p> <p>Arrangements and performance monitored, audited, and reviewed via Joint Health and Safety Committee</p> <p>6 x corporate specialist Health and Safety Advisors, with 1 allocated to each directorate</p> <p>Corporate H&S training via the Learning Hub and advertised locally</p> <p>Provision of communication around changes in legislation, standards, and industry best practice to schools and services.</p> <p>Updated guidance, templates, and resources available from the H&S section of The Bridge</p> <p>Investigation of accident notifications received via the online</p>	3	5	15	<p>Required Control Measures</p> <p>Reversing vehicles in Waste have aids and electronic sensors to aid drivers. For Some crews, the disconnection of reversing sensor & automatic breaking systems on RCVs is common practice. H&S Advisors along with Fleet Manager saw evidence of this during an inspection of vehicles – on the one vehicle we checked, the plug for the above mentioned system had been removed completely. Crews have been reminded that these systems are provided with the express purpose of preventing collisions when reversing, especially with pedestrians.</p> <p>Further work required to communicate risks, monitor sensors and speak to waste</p>	2	5	10	Stephen Halsey	Priority 8: A Council that Listens and Works for Everyone

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
		<p>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>		<p>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> <p>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</p> <p>Required Control Measures 'Driving for work' guidance for grey fleet lacks same detail and controls that is involved in driving LBTH fleet vehicles – process required</p>		<p>crews Edward Farrelly</p> <p><u>Required Control Measure</u> Target Date: 31/03/2025</p> <p>Required Control Measures</p> <p>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</p> <p><u>Required Control Measure</u> Target Date: 01/11/2024</p>			
PLC0013	Following the Grenfell Fire tragedy residents of Private sector tower blocks in the borough are not safe or do not feel safe due to dangerous cladding that needs removing.	<p>Accountability for fire safety is not correctly designated, communicated and understood by building owners</p> <p>* Buildings remain unremediated.</p> <p>* Funding to remediate not secured interim measures in place</p>	<p>Fatality due to fire spread in a building.</p> <p>Council perceived as not having fulfilled statutory duty to keep local housing conditions under review under the Housing Act 2004</p>	<p>Work with DLUHC to ensure owners of private residential tower blocks are taking measures to ensure their residents safety</p> <p>Work with MHCLG, GLA, LFB via day to day engagement and Monthly Account Management meetings to identify and prioritise buildings of most concern that require remediation. Identify individual stakeholder action and co-ordinated responses to accelerate the remediation. Identify appropriate council enforcement action to support other stakeholder activities.</p> <p>Officers 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.</p>	3 5 15	<p>Safety & Enforcement</p> <p>External wall surveys for all buildings over 18m approaching completion. Will be uploaded to DELTA to inform collective action</p> <p>Further control measure will be selected following EWS surveys to buildings below 18m where the fire risk assessment has raised concerns about the cladding/external wall</p> <p>Additional fire engineering surveys over the next 2 years. Karen Swift</p> <p><u>Required Control Measure</u> Target Date: 31/03/2025</p>	1 5 5	Karen Swift	Priority 2: Homes for the Future

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
				Council Officers are in weekly contact with the GLA on the progress of each development's individual grant application to remediate ACM and other dangerous material. New funding in place from MHCLG 24/25 to enable more inspection and enforcement.					
ASDASC0 018	Regulatory censure and Safeguarding failure arising from deficient process for new and ongoing employee vetting (i.e. pre-employment checks, ongoing vetting of DBS status, verification of qualifications and other suitability/ screening checks).	Non-adherence to procedures in relation to recruitment and employee vetting Failure of reporting mechanisms to provide assurance on vetting Vetting not renewed/updated where required	<ul style="list-style-type: none"> • Harm to individual children, young person or vulnerable adult • Poor audit/review findings • Reputational damage to the council including poor inspection outcomes • Poor quality assurance • Potential for legal proceedings against the council leading to financial loss 	Reporting Tool To oversee the renewal of the DBS check reporting tool and ensure it is fit for purpose now and in the future to assure compliance with agreed procedures. Identify any actions needed to ensure compliance using the renewed DBS reporting tool Identification of any DBS checks requiring non-statutory updating, sharing with service managers and HR business partners and completing the process to update. Prioritise children's and adults services, risk assess where required and put appropriate waivers in place if needed. Review of posts in scope of DBS Review posts identified for DBS checking and ensure consistency across the organisation. Draw on best practice over and above statutory requirements particularly for children's and adult social care working closely with the Principal Social Workers. Ensure consistency in checks across adults/children's registers. Review DBS process & policy Review all aspects of the vetting process including moving to the automatic annual check platform as standard.	3 4 12	Annual Monitoring of all control measures. This Risk is currently controlled as per existing control measure column therefore this column is not in use. Catriona Hunt <u>Required Control Measure</u> <u>Target Date:</u>	1 4 4	Georgia Chimbani	Priority 8: A Council that Listens and Works for Everyone

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
				Existing protocols and procedures relating to DBS checks and recruitment more generally Existing procedures and guidance on DBS checks and recruitment are available to staff on the Bridge.					
ORG0026	There is a risk the Council will be unable to deliver critical and essential services owing to a Business Continuity Incident.	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 Raj Mistry. The CCB meeting quarterly and more frequently when required. Annual Audit of Business Continuity Plans The audit process has now taken place and revealed some gaps in corporate completion of plans. Further work needed across all services driven from Directorate level to embed this with the support of the wider CC team	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. Corporate Directors - Ensure all BC plans are reviewed 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)	2 4 8	Stephen Halsey	Priority 8: A Council that Listens and Works for Everyone

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						<p>- Require Service Managers to attend relevant BC and ClearView training, and Simon Smith</p> <p><u>Required Control Measure</u> Target Date: 30/11/2024</p> <p>Provision of monthly management information to DLT's, and Directors.</p> <p>The CPU will provide a monthly report from the Business Continuity Management System providing relevant management information to DLTs and directors, and the provision of support to directors to achieve good levels of compliance.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u> Target Date: 30/11/2024</p>			
COM0002	Failure to meet the Council's legal duties under the Civil Contingencies Act. This would become evident if a major incident occurred and the council failed to implement an effective response and recovery.	<p>A lack of resilience and expertise in the council's Civil Protection Unit, and staff to perform relevant duties during an emergency.</p> <p>A lack of a robust policy framework to meet the requirements of the CCA.</p> <p>Failure of governance and robust performance management oversight of Business Continuity Plans by the Corporate Management Team.</p> <p>Lack of robust policies and processes, including compliance with the Resilience Standards for London.</p> <p>Failure of the</p>	A failure by the council to deliver essential services and to meet its responsibilities as a 'First Responder' during a major or catastrophic incident. The response may be slower than expected causing disruption to essential services and affect our overall effectiveness during a crisis. This will impact on the reputation of the council, confidence in communities, adverse criticism and increased cost. Failure of the Council to ensure a strategic recovery plan is led and delivered to ensure recovery from a	<p>Ensure compliance with Resilience Standards for London (RSL)</p> <p>The Resilience Standards for London are a broad assurance framework with the aim of continually improving performance across the council's emergency planning and resilience activities. The standards lead to good outcomes and possible leading practice if they are embedded and used across the council. We will conduct an annual self-assessment, signed off by the CCB, CEO and Mayor, and share the report with London Resilience and the NE Sub-Region. The self-assessment will also be subject of peer challenge by the NE Sub-Region.</p> <p>Implementation of Business Continuity Management system upgrade to improve BC</p>	2 4 8	<p>Directorate Leadership Teams to have oversight of and regularly review and test their directorate Business Continuity Plans</p> <p>DLT's are encouraged to regularly review their directorate BC Plans and become familiar with the new Business Continuity and Resilience (BC&R) Management software platform. DLT's are to ensure their service managers (plan owners) and Directors (plan approvers) attend training and update their BC plans on the new system. Regular standardised management reports will be provided by the CPU to aid management oversight and improved performance . There will be an annual business continuity audit undertaken by Internal Audit. This will highlight</p>	2 3 6	Ann Corbett	Priority 5: Invest in Public Services

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>organisation and the responsible Directorates to continuously develop, update and test their Business Continuity Plans.</p> <p>Under the requirements of the Civil Contingencies Act 2004, the Council is required to have in place suitable & sufficient plans to continue to deliver essential and critical services to the public during major civil emergencies.</p> <p>A lack of resilience on out of hours rotas due to significant staff turnover at a number of levels in the organisation.</p> <p>Failure to debrief and ensure continuous learning from the management of incidents.</p> <p>Failure to assess the risk of emergencies occurring and use this to inform contingency planning.</p> <p>Failure to put in place a crisis communications plan as part of the policy framework.</p> <p>Failure to ensure the Mayor, and all councillors are appropriately trained and understand their leadership role in terms of political, civic and community leadership.</p>	major or catastrophic incident.	<p>management.</p> <p>Implement ClearView system upgrade to Business Continuity and Resilience (BC&R) software.</p> <p>Develop and deliver a comprehensive implementation plan.</p> <p>Train all BC Plan owners (service managers) and approvers on the new system and a refresher course on Business Continuity.</p> <p>Training and exercising</p> <p>An effective training and exercising programme should be in place with a reporting requirement to the CCB and annually to CLT. This process is part of normal business.</p> <p>Quarterly reporting to the CMT is in place. In addition exercises are being planned for the next 2 months. Incidents are de-briefed and learning identified for continuous improvements.</p> <p>Governance and oversight of civil contingencies and business continuity.</p> <p>Governance and oversight is provided by the Civil Contingencies Board (CCB) and the CMT. Annual reporting is to CMT. Annual Assurance through the Internal Audit Function of the Council's business continuity plans. Annual self assessment through the Resilience Standards for London.</p> <p>Corporate Directors and Directors - MAGIC and Strategic Emergency Response training</p> <p>Learning from experience</p> <p>De-briefing post incident is critical to learning from experience and continuous improvement. Debriefs are to be held after a significant civil emergency / BC incident and a record kept to include actions and learning.</p>				<p>where directorates and corporate directors need to take management action to improve BCPs in their service areas.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2024</p> <p>Develop a training package and timetable for elected members and the Mayor</p> <p>To ensure the Mayor and elected members are trained and understand their leadership role in terms of political, civic and community leadership</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/10/2024</p> <p>Crisis Communications Plan in place and regularly reviewed as part of the Emergency Planning Policy Framework</p> <p>Communications Service to ensure the corporate crisis communications plan is regularly reviewed as part of the Emergency Planning Policy Framework. Ensure it is tested and that the senior managerial and political leadership of the organisation are aware of its aim and objectives.</p> <p>Andreas Christophorou</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/12/2024</p> <p>Ensure adequate pooled resources available for out of hours rota</p> <p>Ensure all Directors are trained in out of hour response requirements and all are on the on call rota.</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total	L	I	Total		
									<p>Ensure where staff change there is an adequate number of reserves trained for deployment ensure HR are considering the relevant reward packages for those staff undertaking on call to incentivise</p> <p>Andrea Stone</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p> <p>Policy framework requirements</p> <p>Review current policies as they relate to the CCA and make sure they are meeting the legislative requirements and reviewed regularly.</p> <p>This may include the review and development of relevant policies in other service areas which are impacted on the CCA which will need to be initiated with the relevant service and the responsible strategy and policy team. The CPU can provide advice. The overall aim is to ensure resilience is mainstreamed into the Council's existing Policy Framework.</p> <p>Andrea Stone</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p> <p>19/12/2024</p>						

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
ICT0081	Risk of exploitation of Supply Chain vulnerabilities or shocks impacting Council Services, Vendors and Partners.	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	Priority 5: Invest in Public Services

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
RSF0002	The risk of being unable to reclaim VAT from HMRC owing to weaknesses in accounting for VAT and underlying non-compliance with HMRC requirements	Not being able to provide evidence to substantiate VAT claims	Loss of funds to the Council	<p>Liaise with HMRC to provide evidence required to support claims of VAT</p> <p>This is already happening and will continue on a 'business as usual' basis.</p> <p>Existing Controls: PSTAX to review the VAT returns</p> <p>Progress is continuous and Council staff continue to liaise with officers of HMRC on a regular basis. At the time of writing there are no outstanding queries from HMRC.</p> <p>The Council has engaged PSTax (external tax advisors to carry out an independent review of the councils VAT returns commencing January 2024). This is an ongoing arrangement until December 2024.</p> <p>The council has also commissioned an external review of its VAT policies and procedures and the council is in the process of reviewing and implementing recommendations.</p>	3	2	6	2	2	4	Abdulrazak Kassim	Priority 8: A Council that Listens and Works for Everyone

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
LPG0036	Community Cohesion: A loss of social capital and a fracturing of the community and local networks	Global Tensions causing persistent public anger, distrust, divisiveness, lack of empathy, marginalisation of minorities and political polarisation in the local communities	negatively impacting social stability, individual well-being and economic productivity								Simon Baxter	Priority 6: Empower Communities and Fight Crime
LPG0037	People First Transformation: A failure to fully execute, implement and realise the benefits from the Council's core transformation programme		ineffective governance, cultural disengagement, strategic misalignment, and failing to understand and meet the needs of borough residents.								Robin Beattie	Priority 8: A Council that Listens and Works for Everyone

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Detailed Risk Report (incl Control Measure Target Date)

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
CLSCCB0012	Major Health and Safety Incident affecting Council employees, Buildings or related Infrastructure.	<p>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.</p> <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:</p>	Injury/ill health/death, direct and indirect costs, disruption to service, reputational damage and possible prosecution	<p>Existing Control Measures Arrangements and performance monitored, audited, and reviewed via Joint Health and Safety Committee</p> <p>6 x corporate specialist Health and Safety Advisors, with 1 allocated to each directorate</p> <p>Corporate H&S training via the Learning Hub and advertised locally</p> <p>Provision of communication around changes in legislation, standards, and industry best practice to schools and services.</p> <p>Updated guidance, templates, and resources available from the H&S section of The Bridge</p> <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> <p>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</p>	4	5	20	3	5	15	Stephen Halsey	Priority 8: A Council that Listens and Works for Everyone
				<p>Required Control Measures</p> <p>Reversing vehicles in Waste have aids and electronic sensors to aid drivers. For Some crews, the disconnection of reversing sensor & automatic breaking systems on RCVs is common practice. H&S Advisors along with Fleet Manager saw evidence of this during an inspection of vehicles – on the one vehicle we checked, the plug for the above mentioned system had been removed completely. Crews have been reminded that these systems are provided with the express purpose of preventing collisions when reversing, especially with pedestrians.</p> <p>Further work required to communicate risks, monitor sensors and speak to waste crews</p> <p>Edward Farrelly</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u> 31/03/2025</p> <p>Required Control Measures</p> <p>LBTH Contract Management – Guidance and Toolkit does not contain guidance around management of Health and Safety for contractors, so corporate process may be required</p>								

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		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.		Required Control Measures 'Driving for work' guidance for grey fleet lacks same detail and controls that is involved in driving LBTH fleet vehicles – process required				Edward Farrelly <u>Required Control Measure</u> Target Date: 01/11/2024					
CLCLSP00 02	The failure to insure, mobilise and operate the new Be Well leisure service	Failure to carry out a successful transfer of staff, inability to function due lack of service contracts, lack of a transition to a new ICT system, lack of facilities and asset managements	Reputational damage and Low customer / residents satisfaction levels	Project Board A Leisure Insourcing Project Board and governance has been established with direct reporting to CLT Transformation Board. This is supplemented by monthly Lead Member and Mayor Portfolio updates. In addition, quarterly reports to MAB are scheduled. The Members of the Project Board are directly accountable for their workstreams. Transition Agreement Sign-off A transition agreement is being negotiated with the incumbent supplier to try and ensure data, information, connectivity and assets are shared earlier than contractually obliged. This is predicated on specific payments to the supplier to support increased utility costs and Covid payments. Supplier response to Transition Agreement awaited. Transition agreement was made between parties mid October 2023. Operating Structure & Budget Approval We are using specialist leisure industry consultants to help us build an initial revenue budget for the new business based on open book figures from the incumbent supplier.	3	5	15	<u>Required Control Measure</u> Target Date:	2	3	6	Keith Townsend	Priority 4: Boost Culture, Business, Jobs and Leisure

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					L	I	Total	L	I	Total		
				<p>This is being validated by Finance colleagues as part of the project. A deficit management plan will be part of this process.</p> <p>Branding & Product Development Pipeline Approval</p> <p>We have onboarded a specialist leisure brand & marketing consultant to help ensure that we have a genuinely co-produced brand, sub-brands, narrative/campaigns and playbook for staff. The will also support the creation of a business development pipeline so that we have new products to bring to market at launch and beyond.</p> <p>Full TUPE Data Received</p> <p>Full TUPE information will enable a safe transfer of staff along with experience of programme delivery and operational running of the centres. This will also help ensure the initial deficit is controlled.</p> <p>TUPE transfer of 241 colleagues including managers and plan for integration of terms and conditions in place.</p> <p>Current Control Measures in Place</p> <p>Leisure Programme and Programme Plan and cross council workstreams</p> <p>Transition Agreement between GLL and the council</p> <p>TUPE transfer of 241 colleagues including managers and plan for integration of terms and conditions in place</p> <p>New leisure Management system commissioned and developed</p> <p>Asset and facilities Management embedded into BAU in the council</p> <p>Novation of key service contracts and a procurement plan in place to</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
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				<p>manage future needs</p> <p>Operational budget in approved built on income and expenditure of the GLL operation</p> <p>Leisure Programme budget in place for 2024/25 and 25/26</p> <p>QMS in place</p>								
COMCPU001	Larger Scale CBRN Attacks (MABRR Ref: T7)	A larger-scale CBRN attack has never happened in the UK but would be more challenging to respond to than other malicious attacks.	Potential health impacts and widespread environmental contamination. CBRN events can also present responders and those affected with significant levels of uncertainty about what has happened, and the scientific evidence may evolve as the incident unfolds. This leads to widespread psychological impacts including anxiety	<p>Pan London Controls</p> <ul style="list-style-type: none"> Improving methods to detect and monitor CBRN materials, including through the border. Regulating access to hazardous materials and their precursors Improving and maintaining capabilities to enable emergency responders to respond effectively, rapidly, and safely. Provision of guidance in incidents and increasing public access to information on what to do during general and hazardous materials emergencies. Local and organisational CBRN response plans Well-developed specialist response capabilities Access to medical countermeasures and adaptability of other consequence-based plans to respond to unconventional attacks. Decontamination process of people and place regularly trained and tested. Continuity plans to ensure effective civil government can continue throughout and after an incident <p>LBTH & BRF Member Controls</p> <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 ACT & SCaN Training CBRNe plans 	3	5	15	3	3	9	Simon Smith	Priority 6: Empower Communities and Fight Crime

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				<ul style="list-style-type: none"> LFB HAZMAT teams and plans Security system at Queen Mary labs Canary Wharf Major Incident Plans Hostile Vehicle Mitigation and crowd management by venues MPS CT teams, plans for events like Eid and visit to hire companies 								
COMCPU004	Influenza-type pandemic (MABRR ref: R95)	A worldwide outbreak of influenza occurs when a novel flu virus emerges with sustained human to human transmission.	Up to 50% of the population may experience symptoms, which could lead to up to 750,000 fatalities in total in the UK. Absenteeism would be significant and could reach 20% for 2-3 weeks at the height of the pandemic, either because people are personally ill or caring for someone who is ill, causing significant impact on business continuity.	Pan London Controls <ul style="list-style-type: none"> NHS Vaccination Programme (Seasonal and provision for pandemic specific) Specific NHS capacity and response planning Comprehensive surveillance systems LBTH & BRF Member Controls <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 LBTH Multi-Agency Pandemic Influenza Plan Remote working (WFH) 	3	5	15	3	3	9	Gemma Lyons	Priority 6: Empower Communities and Fight Crime
COMCPU011	Public Disorder (MABRR ref: R104)	Large scale public disorder at site(s) in a single city, or in multiple cities, occurring concurrently over several days	Riot, Property Damage, Injury, reputational, economical.	Pan London Controls <ul style="list-style-type: none"> Specific riot and public order legislation Riot Compensation Act 2016 Public Order Act 1986 Police community tension monitoring processes Police community engagement teams Advice and guidance from police regarding legitimate protest from event planners LBTH & BRF Member Controls <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 Tower Hamlets Enforcement officers (THEOs) Tower Hamlets community 	5	3	15	3	3	9	Simon Smith	Priority 6: Empower Communities and Fight Crime

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT	
					L	I	Total	L	I	Total			
				engagement teams <ul style="list-style-type: none"> Tower Hamlets Inter Faith Forum Mutual Aid LFB forward mobilizing MPS control plan Coordinated use of CCTV to support planning 									
COMCPU002	Surface water flooding in a large metropolitan area (MABRR Ref: R83)	caused by a warm unstable atmosphere, most likely to occur in summer due to the warmer atmosphere having a greater water holding capacity, causes a pattern of convective rainfall events.	Widespread disruption and potential environmental impacts	Pan London Controls <ul style="list-style-type: none"> Flood and Water Management Act 2010 The Flood Risk Regulations 2009 Land Drainage Act 1991 Water Resources Act 1991 FFC – Flood Guidance Statements New building developments controlled through planning guidelines Multi-Agency Flood Plans London Strategic Flood Framework National Flood Emergency Plan Environment Agency Floodline LBTH & BRF Member Controls <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 Multi-Agency Flood Plan Environment Agency Flood Defence Systems LFB Emergency Flood Plan Met Office/Environment Agency Flood awareness warnings and alerts LFB Water Rescue Procedures levels 1-3: restricted mobilising, batch mobilising and high-volume pumping <ul style="list-style-type: none"> Canary Wharf Group own and operate their own water systems with built in controls 	3	4	12		3	3	9	Andrea Stone	Priority 6: Empower Communities and Fight Crime
								<u>Required Control Measure</u> <u>Target Date:</u>					

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		
COMCPU008	Accidental Release of a Biological Substance (MABRR ref: R63)	Inadvertent release of a biological agent caused by an unrelated work activity (e.g., Legionella release due to improperly maintained building environmental control systems) that causes up to 7 fatalities and up to 500 people requiring hospital admissions.	(e.g., Legionella release due to improperly maintained building environmental control systems) that causes up to 7 fatalities and up to 500 people requiring hospital admissions.	Pan London Controls <ul style="list-style-type: none"> Health & Safety at Work etc Act 1974 Control of Substances Hazardous to Health Regulations 2002 The Notification of Cooling Towers and Evaporative Condenser Regulations 1992 require the notification of wet cooling towers and evaporative condensers to local authorities Management of Health & Safety at Work Regulations 1999 Reporting of Injuries Diseases and Dangerous Occurrences Regulations LBTH & BRF Member Controls Borough Major Emergency Plan Parts 1, 2, 3 & 5 	4	3	12	<u>Required Control Measure</u> <u>Target Date:</u>			3	3	9	Tom Lewis	Priority 6: Empower Communities and Fight Crime
COMCPU009	Fires in purpose built high-rise flats (MABRR ref: L54a)	Major fire in block of flats containing 80 compartments.	Potential for 150-200 fatalities and 200 casualties.	Pan London Controls <ul style="list-style-type: none"> Regulatory Reform (Fire Safety) Order 2005 Fire Safety Approved Document B Fire & Rescue Services Act 2004 LFB Guidance Note 29 LFB Operational tactical and building plans LFB Urban Search & Rescue Teams (USAR) Fire Service National Resilience Assets LAS Hazardous Area Response Team (HART) Local Authority Dangerous Structures Engineer Casualty Bureau London Frameworks including: <ul style="list-style-type: none"> Strategic Coordination Protocol Mass Fatalities Framework Mass Casualties Framework 	4	3	12	<u>Required Control Measure</u> <u>Target Date:</u>			3	3	9	Andrea Stone	

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
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				<ul style="list-style-type: none"> Humanitarian Assistance Framework LBTH & BRF Member Controls Borough Major Emergency Plan Parts 1, 2, 3 & 5 Building Control regulation 											
COMCPU0010	Attacks on Infrastructure and/or Transport (MABRR Ref: T2 & T3)	<p>- Critical National Infrastructure are the facilities, systems, sites, information, people, networks, and processes that keep the UK running and provide the essential services we all rely on. This includes electricity and water services and telecommunications.</p> <p>- In the UK, conventional terrorist attacks on land and air-based transport are more likely than against maritime transport. Physical attacks could take a variety of forms including explosives, noxious substances or attackers wielding blades.</p>	<p>- Attacks could be carried out with a variety of methods, including explosives or cyber-attacks. Consequences of attacks of this nature could include disruption to essential services, possible evacuation of residents or employees, economic impacts.</p> <p>- Consequences of an attack on a transport system could include fatalities and physical and/or psychological casualties, disruption to the transport system and negative impacts to the national economy.</p>	<p>Pan London Controls</p> <ul style="list-style-type: none"> UK Government's counter-terrorism Strategy (CONTEST) (summarised above) Business continuity plans for loss of essential services helps to minimise disruption to users. Well established programme of work to protect infrastructure from terrorism including protective security advice from Centre for the Protection of National Infrastructure and local Police services National Cyber Security Centre advises government and industry on how to secure cyber infrastructure and to respond to incidents Consequence based planning by the authorities ensuring that responses to a variety of emergencies are already planned for Regulation and monitoring of services by DfT requiring certain organisations to deliver a range of security measures. DfT also provides advice and best practise to other sectors "See it. Say it. Sorted." Campaign BTP work with industry and DfT on security and provide tailored policing of the railway network Contingency plans developed by operators in conjunction with responders Op Servator hostile 	4	3	12	<p>Effective briefing of any emerging risks and threats</p> <p>Where there are emerging threats and risks, there must be an effective communication to all staff and the community to ensure effective information flow of any suspicious activity. This must be supported by an effective communication strategy, intelligence management system and close working with relevant external agencies.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p><u>Target Date:</u></p>	3	3	9	Simon Smith	Priority 6: Empower Communities and Fight Crime		

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
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				reconnaissance disruption operations run by PSO & BTP LBTH & BRF Member Controls <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 BTP/MPS Response procedures MPS Survivor Reception Centre LFB Hazardous material response ACT & SCan Training DLR specialist security policies and procedures DLR disruption management plan LBTH Humanitarian assistance – CCP MPS chemical kits and Air-Ports 								
COMSU0012	Heatwave (MABRR Ref R90) LBTH Specific Areas of Risk Borough wide Semi-urban rural interface – large number of 'Green areas' in LBTH & subsequent risk of wildfires within the borough LBTH is most densely populated area in UK (greater potential for harm, especially care homes) Unsafe disposal of smoking materials in flats (BBQs, cigarettes, etc) Build-up of waste / plant	Daily maximum temperatures greater than 32C and minimum temperatures greater than 15C over most of a region for around 2 weeks including at least 5 consecutive days.	Up to 1,000 fatalities and 5,000 casualties, mainly amongst the elderly. There could be disruption to power supply, telecommunications, and transport infrastructure within the 2 weeks.	Pan London Controls Health & Safety at Work Act 1974 Public Health Act Adverse Weather and Health Plan - Adverse Weather and Health Plan - GOV.UK (www.gov.uk) Long term planning for local authorities, ICB's and NHS Climate Change Adaption Strategy for London - Climate adaptation London City Hall Heat Health Watch - Heat-health Alert service - Met Office Severe Weather and Natural Hazards Framework - LFB Letter (london.gov.uk) Extreme Weather – Summer Guide	4	3	12	3	3	9	Gemma Lyons	Priority 6: Empower Communities and Fight Crime

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	<p>growth (non-removal of dead / trimmed plant growth, so is more fuel)</p> <p>Homeless community in LBTH have limited access to resources in event of extreme heat (increased vulnerability)</p>			<p>(LFB) - LFB Extreme weather – summer guide (london-fire.gov.uk)</p> <p>LBTH & BRF Member Controls</p> <p>Borough Major Emergency Plan Parts 1, 2, 3 & 5 - Civil Protection Unit (towerhamlets.gov.uk)</p> <p>NHS Providers: Severe weather and heat wave plans</p> <p>LBTH Adverse Weather Protocol</p> <p>Communications Plan</p> <p>Warn and inform campaign</p> <p>Designated 'Cool Spaces' Cool spaces London City Hall – BRF attendees to look at whether their buildings can be designated</p> <p>Water Refill Portal - Refill London - Refill - Staying hydrated in the capital</p>									
WSPP0021	Understanding impact of government recycling reforms linked to the new Environment Act 2021.	Change in government policy linked to the new Environment Act 2021.	Government policy reforms will have impact on future recycling collection systems. Such as mandatory collection of food waste and expected requirement to collect paper and card separately from other mixed dry recycling.		4	3	12	Being managed as a major project with a working group	4	2	8	Richard Williams	

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COMCPU003	Severe Drought (MABRR ref R84)	Emergency drought orders are in place with millions of properties with severe water supply restrictions and low water pressure (impacting supply to properties at high levels and tower blocks).	Increase of illnesses due to reduced use of water impacting on hygiene levels, increased casualties and potentially fatalities. Mental wellbeing impacts communities and public outrage leads to some disorder issues.	<p>Pan London Controls Flood and Water Management Act 2010</p> <p>The Flood Risk Regulations 2009</p> <p>Land Drainage Act 1991</p> <p>Water Resources Act 1991</p> <p>FFC – Flood Guidance Statements</p> <p>New building developments controlled through planning guidelines</p> <p>Multi-Agency Flood Plans</p> <p>London Strategic Flood Framework</p> <p>National Flood Emergency Plan</p> <p>Environment Agency Floodline LBTH & BRF Member Controls Borough Major Emergency Plan Parts 1, 2, 3 & 5</p> <p>Multi-Agency Flood Plan</p> <p>Environment Agency Flood Defence Systems</p> <p>LFB Emergency Flood Plan</p> <p>Met Office/Environment Agency Flood awareness warnings and alerts</p> <p>LFB Water Rescue Procedures levels 1-3: restricted mobilising, batch mobilising and high-volume pumping</p> <p>Canary Wharf Group own and operate their own water systems</p>	2	5	10	3	3	9	Gemma Lyons	Priority 6: Empower Communities and Fight Crime

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					L	I	Total	L	I	Total	L	I	Total		
				with built in controls											
COM0001	<p>Failing to continue to make progress to embed the PREVENT legal duty in the Counter Terrorism and Security Act 2015 across the organisation. Failure to effectively identify and manage safeguarding referrals to Prevent. Failure to deliver requirements of the Counter Terrorism and Security act 2015 as it relates to multi-agency arrangements for safeguarding people from being drawn into terrorism.</p> <p>Failure to adequately consider the resource implications for the organisation of the forthcoming Protective Security Bill. Failure to fully embed the legislation across the organisation and comply with requirements.</p> <p>Failure to adequately identify and mitigate protective security risks across key iconic locations, e.g. East London Mosque and Columbia Road market</p>	<p>The organisation fails to have processes and policies in place to have due regard to preventing people from being drawn into terrorism. The local authority fails to mainstream Prevent in all directorates. Staff fail to recognise signs of safeguarding risk and vulnerability to radicalisation in all council activity. Failure to ensure effective governance and monitoring arrangements with regard delivery plan. Failure to fully embed Martyns Law into local authority busines and comply with legislation.</p>	<p>Individuals are not protected. Places are not protected. The wider community are not protected. Individuals are radicalised. Community harm and a drop in community confidence. Damage to reputation of the local authority. Home Office intervene to ensure effective delivery. Reduction in resourcing from Home Office</p> <p>Individuals commit violence as a consequence of extremist ideology. Failure to comply with legislation</p> <p>Failure to mitigate any potential physical risks to buildings and staff/community.</p>	<p>Ensure Channel Panel's compliance with the Home Office Guidance 2020</p> <p>The Channel Panel must follow the Guidance and be subject to self-assessment and an Annual Assurance Statement to ensure national standards and consistency. N.B. The Guidance is due to be refreshed in 2023. This may require further training for the Channel Chair and Panel.</p> <p>The Chair attends regular HO training and provides input to the annual HO assessment process. We work closely with the police to ensure standards of referrals remain high.</p> <p>Our most recent HO assessment has been received and we continue to manage referrals to a high level. Annual Prevent Delivery Plan</p> <p>Develop and deliver an annual Prevent Delivery Plan with appropriate targets, actions and milestones. Progress to be reported quarterly to the Contest Board.</p> <p>Martyn's Law is currently postponed due to the election. The protective security programme around our key iconic sites (ELM, Columbia Road Market) has been paused by the Mayor. This has been raised with the administration numerous times and the risks of not progressing highlighted.</p> <p>Effective Strategic Governance and Oversight of Prevent</p> <p>It is essential there is effective strategic and governance of</p>	3	3	9	<p>Training and development of staff</p> <p>A programme is in place to raise awareness of Prevent across the organisation through workshops and training. Numbers attending are monitored and reported to the Contest Board as part of the annual delivery plan.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/03/2024</p> <p>Support schools to comply with the CTSA legal duty.</p> <p>Support all schools in the borough to establish or use existing mechanisms for understanding the risk of extremism, ensure staff understand the risk and build capabilities to deal with it, communicate and promote the importance of the legal duty, and ensure staff implement the duty effectively.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/03/2024</p> <p>Community Engagement - Refresh the Independent Prevent Advisory Group</p> <p>The Independent Prevent Advisory Group (iPAG) needs to be refreshed to ensure appropriate community accountability and challenge. This includes identifying a new Chair. The Prevent Benchmark Performance Review identified this as an area for development in the 2023 assessment.</p>	3	2	6	Ann Corbett			

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				Prevent. This is provided by the CONTEST Board, chaired by the CEO. This Board oversees all strands of the Contest strategy as they apply to the local authority (Prevent, Protect, Prepare, Pursue). The Counter Terrorism Local Profile is used to set strategic direction.								
COMCPU007	Poor Air Quality (MABRR ref: R85)	A 30-day period of elevated levels of either ozone or PM2.5	causing increases in death rates among vulnerable populations due to poor air exacerbating respiratory and cardio-vascular conditions.	Pan London Controls <ul style="list-style-type: none"> Air Quality Standards Regulations 2010 European directive on ambient air quality and cleaner air for Europe (2008/50/EC) The UK Air Quality Strategy Environmental Permitting Regulations 2010 Clean Air Act & Environmental Protection Act Local authority air quality management areas and action plans- London Mayor's Air Quality Strategy which encompasses Ultra Low Emissions Zones and Low Emission Neighbourhoods AirTEXT warning system Local Air Quality Action Plans Local Air Quality Monitoring Network GLA Air Quality Action Plan LBTH & BRF Member Controls Borough Major Emergency Plan Parts 1, 2, 3 & 5 	3	3	9	3	3	9	Gemma Lyons	Priority 7: A Clean and Green Future

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					L	I	Total	L	I	Total		
COM0002	Failure to meet the Council's legal duties under the Civil Contingencies Act. This would become evident if a major incident occurred and the council failed to implement an effective response and recovery.	<p>A lack of resilience and expertise in the council's Civil Protection Unit, and staff to perform relevant duties during an emergency.</p> <p>A lack of a robust policy framework to meet the requirements of the CCA.</p> <p>Failure of governance and robust performance management oversight of Business Continuity Plans by the Corporate Management Team.</p> <p>Lack of robust policies and processes, including compliance with the Resilience Standards for London.</p> <p>Failure of the organisation and the responsible Directorates to continuously develop, update and test their Business Continuity Plans.</p> <p>Under the requirements of the Civil Contingencies Act 2004, the Council is required to have in place suitable & sufficient plans to continue to deliver essential and critical services to the public during major civil emergencies.</p> <p>A lack of resilience on out of hours rotas due to significant staff turnover at a number of levels in the organisation.</p> <p>Failure to debrief and</p>	<p>A failure by the council to deliver essential services and to meet its responsibilities as a 'First Responder' during a major or catastrophic incident. The response may be slower than expected causing disruption to essential services and affect our overall effectiveness during a crisis. This will impact on the reputation of the council, confidence in communities, adverse criticism and increased cost. Failure of the Council to ensure a strategic recovery plan is led and delivered to ensure recovery from a major or catastrophic incident.</p>	<p>Ensure compliance with Resilience Standards for London (RSL)</p> <p>The Resilience Standards for London are a broad assurance framework with the aim of continually improving performance across the council's emergency planning and resilience activities. The standards lead to good outcomes and possible leading practice if they are embedded and used across the council. We will conduct an annual self-assessment, signed off by the CCB, CEO and Mayor, and share the report with London Resilience and the NE Sub-Region. The self-assessment will also be subject of peer challenge by the NE Sub-Region.</p> <p>Implementation of Business Continuity Management system upgrade to improve BC management.</p> <p>Implement ClearView system upgrade to Business Continuity and Resilience (BC&R) software.</p> <p>Develop and deliver a comprehensive implementation plan.</p> <p>Train all BC Plan owners (service managers) and approvers on the new system and a refresher course on Business Continuity.</p> <p>Training and exercising</p> <p>An effective training and exercising programme should be in place with a reporting requirement to the CCB and annually to CLT. This process is part of normal business.</p> <p>Quarterly reporting to the CMT is in place. In addition exercises are being planned for the next 2 months. Incidents are de-briefed and learning identified for continuous improvements.</p>	2	4	8	2	4	8	Ann Corbett	Priority 5: Invest in Public Services
				<p>Directorate Leadership Teams to have oversight of and regularly review and test their directorate Business Continuity Plans</p> <p>DLT's are encouraged to regularly review their directorate BC Plans and become familiar with the new Business Continuity and Resilience (BC&R) Management software platform. DLT's are to ensure their service managers (plan owners) and Directors (plan approvers) attend training and update their BC plans on the new system. Regular standardised management reports will be provided by the CPU to aid management oversight and improved performance .</p> <p>There will be an annual business continuity audit undertaken by Internal Audit. This will highlight where directorates and corporate directors need to take management action to improve BCPs in their service areas.</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 31/12/2024</p> <p>Develop a training package and timetable for elected members and the Mayor</p> <p>To ensure the Mayor and elected members are trained and understand their leadership role in terms of political, civic and community leadership</p> <p>Simon Smith</p> <p><u>Required Control Measure</u></p> <p>Target Date: 30/10/2024</p> <p>Crisis Communications Plan in place and regularly reviewed as</p>								

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
		<p>ensure continuous learning from the management of incidents.</p> <p>Failure to assess the risk of emergencies occurring and use this to inform contingency planning.</p> <p>Failure to put in place a crisis communications plan as part of the policy framework.</p> <p>Failure to ensure the Mayor, and all councillors are appropriately trained and understand their leadership role in terms of political, civic and community leadership.</p>		<p>Governance and oversight of civil contingencies and business continuity.</p> <p>Governance and oversight is provided by the Civil Contingencies Board (CCB) and the CMT. Annual reporting is to CMT. Annual Assurance through the Internal Audit Function of the Council's business continuity plans. Annual self assessment through the Resilience Standards for London.</p> <p>Corporate Directors and Directors - MAGIC and Strategic Emergency Response training</p> <p>Learning from experience</p> <p>De-briefing post incident is critical to learning from experience and continuous improvement. Debriefs are to be held after a significant civil emergency / BC incident and a record kept to include actions and learning.</p>				<p>part of the Emergency Planning Policy Framework</p> <p>Communications Service to ensure the corporate crisis communications plan is regularly reviewed as part of the Emergency Planning Policy Framework. Ensure it is tested and that the senior managerial and political leadership of the organisation are aware of its aim and objectives.</p> <p><i>Andreas Christophorou</i></p> <p><u>Required Control Measure</u></p> <p><i>Target Date:</i> <i>30/12/2024</i></p> <p>Ensure adequate pooled resources available for out of hours rota</p> <p>Ensure all Directors are trained in out of hour response requirements and all are on the on call rota.</p> <p>Ensure where staff change there is an adequate number of reserves trained for deployment ensure HR are considering the relevant reward packages for those staff undertaking on call to incentivise</p> <p><i>Andrea Stone</i></p> <p><u>Required Control Measure</u></p> <p><i>Target Date:</i></p> <p>Policy framework requirements</p> <p>Review current policies as they relate to the CCA and make sure they are meeting the legislative requirements and reviewed regularly.</p> <p>This may include the review and development of relevant policies in other service areas which are impacted on the CCA which will</p>				

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
						need to be initiated with the relevant service and the responsible strategy and policy team. The CPU can provide advice. The overall aim is to ensure resilience is mainstreamed into the Council's existing Policy Framework. Andrea Stone <u>Required Control Measure</u> Target Date: 19/12/2024			
COMCPU005	High consequence dangerous goods Incident (MABRR Ref: R68)	A road or rail tanker containing dangerous goods and/or "high consequence" dangerous goods is involved in an accident leading to fire and an explosion. Another example is the illegal import/use of controlled substances such as pest control poisons.	Up to 200 fatalities and up to 500 people requiring medical treatment. The explosion will cause varying degrees of damage to property and infrastructure depending on their distance from the incident. This risk would result in a toxic plume/gas cloud which would be harmful to the population, resulting in evacuation of the immediate area.	Pan London Controls <ul style="list-style-type: none"> Health & Safety at Work etc Act 1974 Control of Substances Hazardous to Health Regulations 2002 Management of Health & Safety at Work Regulations 1999 Reporting of Injuries Diseases and Dangerous Occurrences Regulations LBTH & BRF Member Controls Borough Major Emergency Plan Parts 1, 2, 3 & 5 LFB: Hazardous Materials Response Team (HAZMAT) MPS: CBRNe specialist lead 	2 4 8	<u>Required Control Measure</u> Target Date:	2 3 6	Tom Lewis	Priority 6: Empower Communities and Fight Crime
COMCPU006	Fires in large public and commercial buildings (MABRR Ref: L54b)	Fire in large public building e.g., nightclub, sports stadium, shopping centre, transport hub or other.	Potential for up to 50 fatalities and 50 casualties.	Pan London Controls <ul style="list-style-type: none"> Regulatory Reform (Fire Safety) Order 2005 Fire Safety Approved Document B Fire & Rescue Services Act 2004 LFB Guidance Note 29 LFB Operational tactical and building plans LFB Urban Search & Rescue Teams (USAR) Fire Service National Resilience Assets LAS Hazardous Area 	2 4 8	<u>Required Control Measure</u> Target Date:	2 3 6	Ralph Million	Priority 6: Empower Communities and Fight Crime

Risk Ref	Risks	Triggers	Consequences	Existing Control Measures	Current Risk			Target Risk			Responsibility	CPT
					L	I	Total	L	I	Total		
				Response Team (HART) <ul style="list-style-type: none"> Local Authority Dangerous Structures Engineer Casualty Bureau London Frameworks including: <ul style="list-style-type: none"> Strategic Coordination Protocol Mass Fatalities Framework Mass Causalities Framework Humanitarian Assistance Framework LBTH & BRF Member Controls <ul style="list-style-type: none"> Borough Major Emergency Plan Parts 1, 2, 3 & 5 Building Control regulation 								

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Enterprise Risk Management Health Check – Summary Report

London Borough of Tower Hamlets



1. Executive summary

The key findings are:

- The council is on the first steps of a long journey to restore risk management processes, frameworks and communication channels. In addition, there is also an intention to challenge a strongly embedded culture of being risk averse. However, the steps already taken are seen as strong and positive and there is a possibility for a rapidly maturing programme if given the right time, attention and resources.
- Leadership in risk management was not currently clear for all interviewees although there is strong focus in the area and the leadership mantle of corporate risk champion is being taken by Corporate Director of Resources. This should be made official and a dedicated communications plan should be implemented to strengthen the profile of both risk champion, risk lead and risk officer. There is an intention of changing the risk culture and empower officers to take more risk. This includes creating a sense of support from senior leadership and a concerted effort of not assigning individual blame, should risks realise. To achieve this, the example will have to be set from the top including ensuring to dedicate sufficient time and attention to risk management.
- The risk strategy contains most of the elements that you would wish to see but it is severely out of date and in need of a review. With a new leadership team in place, this should happen with consultation and be accompanied by discussion at top level around how risk management will be used in the management and decision making of the council. Risk appetite should be explored further and should be articulated and integrated in the risk management framework. Risk appetite definition is best done in extension of establishing working relationships between senior leaders and should only be considered once the leadership team have had a chance to settle in and have started to understand interpersonal commonalities and differences in attitudes to risk.
- There is a need to strengthen the governance and oversight process with a particular focus on members' understanding of their roles and responsibilities. In addition, there should be stronger emphasis on risk review and discussion at senior leadership level within the framework. Risks are seen to be discussed and addressed, but more on an ad hoc basis than through dedicated risk management time. This area will be organically strengthened as leadership settles into a new normal and establishes consistency. The need to keep risk registers up to date, even outside of the review cycle, should be emphasised. This includes officers and managers taking more ownership of the process instead of relying on the risk function to chase and update risk entries.
- The risk management methodology contains the elements you would expect to see. However, there are doubts about the application of these. There should be an increased focus on dedicated risk identification sessions to ensure risk registers are up to date and current. Controls should be monitored more closely with reviews focussed on establishing accountability for risk owners. It would also be recommendable to review the use of the current risk management software provider and either upskill users to have better familiarity with the system or explore if there is a more suitable way to record and manage risk documentation.
- There is a good level of confidence in individual skill levels at leadership positions but less certainty around the general knowledge of risk management amongst officers. The available training is perceived to be inconsistently distributed and is not considered mandatory. Members should receive further training to be aware of the process as a whole and their role in it. It would be beneficial to reinstate some form of the risk champions network to have super users embedded in each directorate.
- There is a framework in place for project and programme management that includes how to manage risks, but it is not consistently applied. There should be an increased focus on documentation of risks in relations to partnerships and contracts as well as an increased focus on supply chain risks and management of same.

In summary, Senior Leadership should have dedicated discussions on how to apply risk management while the risk function reviews the updates the risk management framework accordingly. The Council is going in the right direction, but it will take time before ambitions of being best in class is achieved. There should be a concerted effort to drive and establish a new risk management culture and influence officer behaviour.

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List of recommendations



Recommendations:

1. Consider officially assigning a corporate risk champion with terms of reference and specific responsibilities. This person will drive risk management conversations, set the tone and be the example to follow for both fellow senior level managers and officers at all levels.
2. Ensure risk management is a standing item on leadership team meetings at both corporate, directorate and management boards (especially for statutory officers).
3. Create a communications plan detailing expectations of officers in terms of responsibility and accountability for risks and illustrate how risk information is used in decision making.
4. Revisit the risk management strategy and its place among other frameworks. Determine if there are opportunities to include risk management as an integrated part of working rather than an add-on requiring specific resources.
5. Once the new/updated risk management strategy is in place, discussions should start around defining risk appetite levels and statements across different risk categories. Even though the council is not ready for this formal process, there can still be initiatives to change the mind set of officers as the direction of travel is clearly towards a more open risk appetite.
6. Develop on the current foundations and governance structures with a focus on:
 - a. A more dynamic and live approach where risks can be de-escalated more freely and the risks are kept current and relevant.
 - b. A clearer link to internal control processes to provide official assurance around risk management
7. Create a template for risk reporting beyond the data that exists in the risk register presented as a printout. This should include risk profiles, heat maps and a narrative around what has and is changing since last.
8. Ensure that members, and audit committee representatives in particular, receive risk management training that include clear descriptions of their remit and responsibilities.
9. Initiate dedicated risk identification sessions at both both directorate and corporate level to increase proactive risk identification and expand the timeline available to manage risks by being proactive rather than reactive.
10. Establish risk ownership for each risk and provide support for these to understand responsibilities and expectations.
11. Ensure controls are SMART and that risk owners complete follow-ups. Risk should have practical roadmaps to desired risk score.
12. Take consultation with stakeholders on the needs for the risk management platform and determine if JCAD is right for both risk owners and the risk team.
13. Mandate training sessions for elected members and officers – whether as an e-learning or as sessions with the risk officer or external support.
14. Consider if there are officers within teams that could have capacity to receive extra training and be integrated risk champions or super users in each service.
15. Capture experiences and skills that senior leaders in particular bring from other organisations and sectors.
16. Increase knowledge of and familiarity with the PPPM framework and ensure there is a consistent approach to support procurement and project management practices.
17. Implement documented processes for joint risk management with partners and ensure there is documentation for how risks are managed in these relationships.

List of interviewees and documents reviewed

Name	Title	Date
Andrea Stone	• Civil Contingencies and Business Continuity Co-Ordinator	07/06/2024
David Dobbs	• Head of Internal Audit, Anti-Fraud and Risk	10/06/2024
Simon Baxter	• Corporate Director of Communities	10/06/2024
Steve Reddy	• Corporate Director of Children's Services	10/06/2024
Hemanth Shanthigrama	• Interim Director of IT	11/06/2024
Bharat Mehta	• Deputy Head of Internal Audit	13/06/2024
Paul Patterson Tracey Gray	• Corporate Director of Housing and Regeneration • Interim Director of Housing Integration	17/06/2024
Robin Beattie	• Interim Director of Strategy, Transformation and Improvement	17/06/2024
Linda Walker	• Interim Director of Legal Services and Monitoring Officer	24/06/2024
Stephen Halsey	• Chief Executive	24/06/2024
Julie Lorraine	• Corporate Director of Resources, Deputy Chief Executive and S151 Officer	27/06/2024
Charlotte Webster	• Independent Person of the Audit Committee	25/07/2024

Documents

RISK MANAGEMENT STRATEGY 2020 – 2025 DRAFT MARCH 2020

Corporate portfolio, programme, and project management (PPPM) framework

AUDIT COMMITTEE ToR

Risk Register Examples - Capital Delivery and Property Maintenance

Printed minutes 23042024 1830 Audit Committee

Action Plan in response to Health Check Recommendations

	Recommendation	Response	Responsible Officer	Target Date
1.	Consider officially assigning a corporate risk champion with terms of reference and specific responsibilities. This person will drive risk management conversations, set the tone and be the example to follow for both fellow senior level managers and officers at all levels.	We will seek to identify a Corporate Risk Champion at the Corporate Director/Director level.	HoIA	31/01/25
2.	Ensure risk management is a standing item on leadership team meetings at both corporate, directorate and management boards (especially for statutory officers).	This is in place for all Directorates with the exception of the Chief Executive's Directorate.	HoIA	31/03/25
3.	Create a communications plan detailing expectations of officers in terms of responsibility and accountability for risks and illustrate how risk information is used in decision making.	We will draft and implement a 'Risk Management Communications and Outreach Plan'.	HoIA / RO	31/01/25
4	Revisit the risk management strategy and its place among other frameworks. Determine if there are opportunities to include risk management as an integrated part of working rather than an add-on requiring specific resources.	The Risk Management strategy and framework is under review and will be published [with supporting collateral] once complete. We will use the Communications and Outreach Plan to help embed the strategy and new working practices.	HoIA / RO	30/06/25
5.	Once the new/updated risk management strategy is in place, discussions should start around defining risk appetite levels and statements across different risk categories. Even though the council is not ready for this formal process, there can still be initiatives to change the mind set of officers as the direction of travel is clearly towards a more open risk appetite.	The new Risk Management Strategy will define risk appetite levels, with the intention of integrating these into the updated operational risk framework.	HoIA / RO	30/06/25
6.	Develop on the current foundations and governance structures with a focus on: <ul style="list-style-type: none"> • A more dynamic and live approach where risks can be de-escalated more freely and the risks are kept current and relevant. 	This is an ongoing workstream which is being progressed by the Risk Officer. To better link assurance and risk, reporting to DLTs will be co-ordinated to provide a joined-up assurance landscape to key stakeholders	RO	Ongoing

	<ul style="list-style-type: none"> A clearer link to internal control processes to provide official assurance around risk management 			
7.	Create a template for risk reporting beyond the data that exists in the risk register presented as a printout. This should include risk profiles, heat maps and a narrative around what has and is changing since last.	This is in progress with the JCAD vendor. A number of reporting templates have been identified and developed – these will be rolled-out in the coming weeks.	RO	Ongoing
8.	Ensure that members, and audit committee representatives in particular, receive risk management training that include clear descriptions of their remit and responsibilities.	Risk Management training is already offered to the Audit and Overview & Scrutiny Committees (most recently on 15 th April). This will continue to be offered at least annually.	HoIA	Implemented.
9.	Initiate dedicated risk identification sessions at both directorate and corporate level to increase proactive risk identification and expand the timeline available to manage risks by being proactive rather than reactive.	This is an ongoing workstream which is being progressed by the Risk Officer (DLT level) and the Head of Internal Audit (CMT level).	RO	Ongoing
10.	Establish risk ownership for each risk and provide support for these to understand responsibilities and expectations.	This is an ongoing workstream which is being progressed by the Risk Officer.	RO	Ongoing
11.	Ensure controls are SMART and that risk owners complete follow-ups. Risk should have practical roadmaps to desired risk score.	This is an ongoing workstream which is being progressed by the Risk Officer.	RO	Ongoing
12.	Take consultation with stakeholders on the needs for the risk management platform and determine if JCAD is right for both risk owners and the risk team.	A review of JCAD functionality is underway and this will ultimately determine whether the Council should continue to use this software or procure an alternative Risk Management platform.	HoIA / RO	30/06/25
13.	Mandate training sessions for elected members and officers – whether as an e-learning or as sessions with the risk officer or external support.	We will continue to make Risk Management training <u>available</u> to the Audit and Overview & Scrutiny Committees. We will further consider how to take forward Risk Management training for officers.	HoIA / RO	31/03/25
14.	Consider if there are officers within teams that could have capacity to receive extra training and be integrated risk champions or super users in each service.	This possibility of reinstating ‘Risk Champions’ is under consideration as part of the new Strategy. In the meantime, we will continue to identify users who are best placed to co-ordinate risk activities at the Directorate and Service level.	RO	Ongoing
15.	Capture experiences and skills that senior leaders in particular bring from other organisations and sectors.	We will look to capture such experiences as part of the development of the new Strategy.	HoIA / RO	30/06/25

16.	Increase knowledge of and familiarity with the PPPM framework and ensure there is a consistent approach to support procurement and project management practices.	This will be incorporated within the new Risk Management Strategy.	HoIA / RO	30/06/25
17.	Implement documented processes for joint risk management with partners and ensure there is documentation for how risks are managed in these relationships.	This will be incorporated within the new Risk Management Strategy.	HoIA / RO	30/06/25

Responsible Officers:

RO: Risk Officer

HoIA: Head of Internal Audit, Anti-Fraud and Risk



AUDIT COMMITTEE WORK PLAN 2024/25

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Last updated:	9 th August 2024

AUDIT COMMITTEE WORK PLAN 2024/25

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
7TH OCTOBER	Audit Committee Training: Statement of Accounts	TBC	
10TH OCTOBER 2024			
1. External Auditors – EY /Deloitte	Standing item	Ahsan Khan to liaise with the external auditors re: deadlines for reports	
2. Risk Management Report 2024-25: Progress update & Directorate Risk Register	Progress update	David Dobbs	
3. Internal Audit and Anti-Fraud 2024-25 Progress update	Progress update	David Dobbs	
4. Annual Whistleblowing Report and Policy Review	Annual policy review	David Dobbs	Deferred to Jan 2025 mtg
5. Adult Social Care Procurement: Update	Confidential	Julie Lorriane	
6. Treasury Management Report?		Paul Audu	
7. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	

AUDIT COMMITTEE WORK PLAN 2024/25

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
6TH JANUARY 2025	Audit Committee; Capital Accounting	TBC	
9TH JANUARY 2025			
1. EY	Standing item		
2. Risk Management Report 2024-25 – Progress update & Directorate Risk Register	Progress update	David Dobbs	
3. Internal Audit and Anti-Fraud 2024-25 Progress update	Progress update	David Dobbs	
4. Annual Review of the Anti-Money Laundering Policy and Guidance	Annual policy review.	David Dobbs	
5. Revised Global Internal Audit Standards	Inform the committee about revised professional standards for Internal Audit	David Dobbs	
6. Treasury Management Report and Mid-Year Review	Mid-year update on Treasury Management performance	Paul Audu	
7. Treasury Management Strategy Statement and Capital Strategy for 2025/26	Annual Strategy Statement and Capital Strategy for 2025/26	Paul Audu	
8. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	

AUDIT COMMITTEE WORK PLAN 2024/25

REPORT TITLE	BRIEF SUMMARY	LEAD OFFICER	OTHER CTTEE MEETINGS
21ST APRIL 2025	Audit Committee Training: Internal Audit	David Dobbs	
24TH APRIL 2025			
1. EY	Standing item		
2. Internal Audit: Annual Plan and Audit Charter 2025-26	Annual Internal Audit and Counter-Fraud Plan for 2025-26	David Dobbs	
3. Internal Audit And Anti-Fraud 2025-26 Progress Update	Progress update	David Dobbs	
4. Risk Management Report 2025-26 – Progress Update & Directorate Risk Register	Progress update	David Dobbs	
5. Annual Review Of The Anti-Bribery Policy	Annual policy review	David Dobbs	
6.			
7.			
8. Audit Committee Work Plan	Review and agree items on the work plan for the Committee.	Audit Committee Members	
CARRY FORWARD ITEMS – 2024/25			
1.			

AUDIT COMMITTEE WORK PLAN 2024/25

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

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