

AUDIT COMMITTEE

AUDIT COMMITTEE TRAINING (STARTS AT 6.30PM) TO BE PRESENTED BY KEVIN MILES FOR 30 MINUTES TO EXPLAIN LOCAL AUTHORITY ACCOUNTS.

Tuesday, 20 September 2016 at 7.00 p.m.

Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

This meeting is open to the public to attend.

Members:

Chair: Councillor Candida Ronald

Vice-Chair:

Councillor Sabina Akhtar, Councillor Andrew Cregan, Councillor Denise Jones, Councillor Ohid Ahmed, Councillor Harun Miah and Councillor Craig Aston

Deputies:

Councillor Helal Uddin, Councillor Rajib Ahmed, Councillor Marc Francis and Councillor Andrew Wood

[The quorum for this body is 3 Members]

Contact for further enquiries:

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APOLOGIES FOR ABSENCE

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST 1 - 4

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.

2. MINUTES OF THE PREVIOUS MEETING(S) 5 - 10

To confirm the minutes of the Audit Committee held on 28th June, 2016.

3. UNRESTRICTED KPMG REPORTS FOR CONSIDERATION

**REPORTS FOR THIS ITEM WILL BE CONSIDERED AT
A SPECIAL MEETING BEING ARRANGED FOR
THURSDAY 29TH SEPTEMBER 2016 FROM 8.00PM.**

**4. UNRESTRICTED TOWER HAMLETS REPORTS FOR
CONSIDERATION**

4 .1 Quarterly Internal Audit Assurance Report

Report to follow.

4 .2 Risk Management Annual Report 2015/16

Report to follow.

4 .3 Annual Governance Statement 2015-16

Report to follow.

4 .4 Annual Schools Report 2015/16

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4 .5 Treasury Management Report - update to 30 June 2016

Report to follow.

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Next Meeting of the Committee:

Tuesday, 8 November 2016 at 7.00 p.m. to be held in the Town Hall, Mulberry Place,
5 Clove Crescent, London, E14 2BG

Agenda Item 1

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Melanie Clay, Corporate Director of Law Probity and Governance 2017 364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

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

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>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.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>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—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
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	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(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.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.15 P.M. ON TUESDAY, 28 JUNE 2016

TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG

Members Present:

Councillor Candida Ronald (Chair)

Councillor Andrew Cregan

Councillor Denise Jones (Vice Chair)

Other Councillors Present:

Apologies:

Councillor Sabina Akhtar

Councillor Ohid Ahmed

Councillor Harun Miah

Councillor Craig Aston

Others Present:

Andrew Sayers

– KPMG

Anthony Smith

– KPMG

Officers Present:

Zena Cooke

– Corporate Director of Resources

Kevin Miles

– Chief Accountant

Minesh Ali

– Service Head – Risk Management

Chris Holme

– Service Head – Resources &
Economic Development

Tony Qayum

– Corporate Anti-Fraud Manager

David Tolley

– Head of Trading Standards

Mirsad Bakalovic

– Head of Parking Mobility & Transport

1. APPOINTMENT OF VICE-CHAIR

That Councillor Denise Jones be appointed as Vice Chair of the Audit Committee.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interest were made.

3. MINUTES OF THE PREVIOUS MEETING

That the minutes of the Audit Committee held on 22 March 2016 be approved as a correct record of proceedings.

4. AUDIT COMMITTEE TERMS OF REFERENCE, QUORUM, MEMBERSHIP AND DATES OF MEETINGS

RESOLVED that the terms of reference, quorum, membership and dates of meetings for the Audit Committee 2016-17 be noted.

5. KPMG ITEMS FOR CONSIDERATION**5.1 External Audit Plan 2015-16**

Andrew Sayers of KPMG introduced the report, which summarised the approach being taken by KPMG for the 2015/16 audit and the risk areas identified.

The following points were made in discussion:

- KPMG was confident that the correct risks had been identified and the audit process was robust. The process was kept under review and there was flexibility to make changes if identified as necessary.
- KPMG's fee was determined by Public Sector Audit Appointments Limited (PSAA) with additional fees charged to the Council for additional work.
- Following delays to the signing off of the 2014/15 accounts to allow consideration of a LOBO loans objection, KPMG was confident that the 2015/16 accounts were on track to be signed off by the end of September 2016.
- KPMG did not consider the outcome of the EU Referendum would affect their work in the foreseeable future due to the lengthy process that was anticipated before the UK left the EU.

RESOLVED that the report be noted.

6. TOWER HAMLETS ITEMS FOR CONSIDERATION**6.1 Draft Annual Financial Report 2015-16**

Kevin Miles introduced the Annual Financial Report for 2015-16 which included the draft Statement of Accounts which was subject to audit. It was noted that officers did not anticipate any material changes being made to the overall financial position as a result of the audit process. The final version would be brought to the September meeting of the Committee for committee approval.

The Council's spend for the year was in line with the revenue budget and the level of general reserves had increased by £0.6 million to £72.1 million. This increase was in line with the revised plan in the 2015-16 budget and was the result of unallocated contingencies for price increases that did not materialise. These unused contingencies also funded the £7.8 million deficit within the original budget.

The following points were made in discussion:

- The report provided a clear account of the Council's income and expenditure and overall financial position.
- A strategic approach was needed to ensure optimum transparency in earmarking of reserves as shown in the Movement in Reserves Statement.
- Members requested finance training ahead of the next meeting.

RESOLVED that: -

1. the report be noted; and
2. Member training be arranged prior to the next meeting.

6.2 Treasury Management Outturn Report for 2015-16

Kevin Miles introduced the report, which detailed the Council's treasury management activities for the financial year ended 31 March 2016 as required under the Local Government Act 2003.

The Council had complied with its legislative and statutory requirements and it was confirmed that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list and within limit.
- No short-term or long-term borrowing was undertaken during the year to 31 March 2016. £145,000 of a corporate capital scheme was financed internally without the need to raise new borrowing.
- Long-term debt reduced from £88.893 million to £87.825 million as a result of loans maturing during the financial year.
- The investment portfolio stood at £379.761 million at 31 March 2016 with £25 million being investments longer than one year.
- The Council was mindful of the risks associated with the referendum decision to leave the EU and was receiving regular advice from its treasury advisors. The Council was generally risk averse and only held investments with major banks.

RESOLVED that the report be noted.

6.3 Internal Audit Annual Report 2015-16

Minesh Jani introduced the report, which provided the annual internal audit opinion in accordance with the Public Sector Internal Audit Standards. The report concluded that the Council had an adequate system of internal control which was in operation throughout 2015-16.

105 systems audits had been carried out in the financial year 2015-16. 97 of those had final reports issued with the remaining either at draft report stage or rolled forward to the 2016-17 year. Of the 97 reports issued, 80% received full or substantial assurance. 18% of audits resulted in limited or nil assurance and 2% related to audits where an opinion was not given.

Three areas had received limited or nil assurance since the last meeting and officers attended the meeting to discuss the actions being taken to address the recommendations.

Mirsad Bakalovic – Pay by Phone Parking

- The audit had achieved limited assurance.
- Mirsad Bakalovic advised the Committee that at the time of the audit the service had been experiencing HR issues. These had since been resolved and all actions from the audit had been put in place.

David Tolley – Pest Control

- The audit had achieved limited assurance.
- David Tolley advised the Committee that work was under way to address the recommendations of the audit. This involved reviewing the way in which cases were recorded and monitored and required input from ICT to assist in improving systems.
- Mr Tolley was confident that the recommendations could be met.

Shazia Hussain – Community Languages

- The audit had achieved nil assurance.
- Shazia Hussain was unable to attend the meeting due to a clash with another Council meeting. The Committee requested that she be invited to attend the next meeting.

The Committee requested that officers be given sufficient notice to attend meetings.

RESOLVED that: -

1. the report be noted;
2. Shazia Hussain be invited to attend the next meeting; and
3. invitations to officers be sent as early as possible prior to the meeting to ensure attendance could be arranged.

6.4 Annual Anti-Fraud Report 2015-16

Tony Qayum introduced the report, which provided an update on anti-fraud work undertaken by the Council in 2015-16. It captured the work of the Corporate Anti-Fraud team which included Corporate Investigations, Housing Benefit Fraud Team Investigations, Social Housing Fraud Investigations and anti-fraud work around Parking Services. A total of £1,045.069 had been identified as monetary losses in the year so far.

The Council had worked closely with the London Borough of Redbridge on a fraud which had resulted in convictions in April 2016 and the Council had been shortlisted by the Association of Local Authority Risk Management for an award for proactive joint working.

The following points were made in discussion:

- It was important to publicise cases which resulted in recoveries to deter others from committing fraud.
- Fraud around Right to Buy and Airbnb would be a focus in 2016-17.
- The Council kept detailed records to ensure an adequate paper trail to support fraud cases.
- Some staff members had been disciplined for their involvement in fraudulent claims.

RESOLVED that the report be noted.

6.5 Anti-Fraud and Corruption Strategy 2016-17

Tony Qayum introduced the report, which provided the Council's Anti-Fraud and Corruption Strategy for 2016-17. This had been revised to reflect best practice as identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) and key changes resulting from new legislation specifically the transfer of Housing Benefit Fraud Investigation to the Department for Work and Pensions Single Fraud Investigation Service.

RESOLVED that the report be noted.

6.6 Independent Review of S106 Management Arrangements

Chris Holme introduced the report, which provided the findings of an independent review of Section 106 management arrangements carried out by Grant Thornton in response to issues raised by the external auditors in their report of the 2013/14 accounts. The report contained eleven recommendations reported under four categories:

- Recording s106 income and expenditure (one recommendation)

- Ring-fencing and programming s106 (four recommendations)
- Governance and decision-making (three recommendations)
- Monitoring and reporting s106 (three recommendations)

The report was welcomed by Members and officers as an opportunity to strengthen areas of weakness in existing arrangements. It was noted that an action plan had been produced by officers and all recommendations were due for implementation by the end of 2016.


RESOLVED that the report be noted.

7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no urgent other business.

The meeting ended at 9.09 p.m.

Chair, Councillor Candida Ronald
Audit Committee

Non-Executive Report of the: Audit Committee 20 th September 2016	 TOWER HAMLETS
Report of: Zena Cooke - Corporate Director - Resources	Classification: Unrestricted
Annual Schools Report	

Originating Officer(s)	<i>Minesh Jani and Daniel Helary</i>
Wards affected	<i>All wards</i>

1. Summary

- 1.1. This report (attached) summarises the work of Internal Audit in relation to the audit of schools for the financial year 2015/16.
- 1.2. The purpose of the report is to provide an overview of audit findings and facilitate a thematic assessment of the matters raised by Audit. It is envisaged that this assessment will be used to enhance the governance framework around schools.
- 1.3. During the financial year 2015/16, twenty five schools were audited by the Council's Strategic partner, Mazars as part of an agreed Internal Audit Plan. Each audit visit involved compliance testing of systems and procedures in twelve areas of control in accordance with a pre-agreed audit test programme.

2. Recommendations

- 2.1. Members are asked to note the contents of the Annual report from Mazars and to take account of the matters raised in each of the twelve areas examined.

3. Comments of the Chief Financial Officer

- 3.1. Any financial implications arising from this report are contained within the body of the report.

4. Legal Comments

- 4.1. The Audit Commission's Guidance, 'Keeping Your Balance' sets out that the accounts of schools with delegated budgets are subject to regular internal audit and are available for inspection as necessary by the Council's external auditor. Internal auditors review the management of the school's finances on behalf of the Council. Local authority external auditors are appointed by the Audit Commission to assess the legality and regularity of financial affairs and to ensure that the Council has made proper arrangements to secure value for money.
- 4.2. Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. The Council is also required to comply with the Public Sector Internal Audit Standard, which was updated in April 2016.
- 4.3. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

5. One Tower Hamlets

- 5.1. There are no specific one Tower Hamlets considerations.
- 5.2. There are no specific Anti-Poverty issues arising from this report

6. Best Value Implications

- 6.1. This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

7. Risk Management Implications

- 7.1. This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

8. Sustainable Action for a Greener Environment (SAGE)

- 8.1. There are no specific SAGE implications.

9. Crime and Disorder Reduction Implications

- 9.1. By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

CONFIDENTIAL

**ANNUAL REPORT
TO
CORPORATE DIRECTOR – CHILDREN’S SERVICES
ON
STANDARDS OF INTERNAL CONTROL FOR SCHOOLS AUDITED
DURING 2015/16**

CONTENTS

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REPORT ON STANDARD OF INTERNAL CONTROL FOR SCHOOLS AUDITED DURING 2015/16

1. Introduction

- 1.1. This report summarises key audit findings and conclusions made during the conduct of school probity audits during the financial year 2015/16.
- 1.2. The objective of this report is to provide assurance to the Corporate Director as to whether the Head Teachers and Governing Bodies have implemented adequate and effective internal controls over the administration and financial monitoring of the Borough's schools.
- 1.3. During the 2015/16 financial year, Internal Audit carried out probity audit visits to 20 primary schools, two secondary schools, two junior schools, and one nursery school. An audit programme which incorporates the guidance issued by the Audit Commission in 'Keeping your Balance' is followed in undertaking schools audits. A probity audit based methodology is used which involves assessing the school against the identified controls documented within the audit test programme devised for the London Borough of Tower Hamlets. The audit process involves audit testing, evaluating and reporting upon key financial and management controls.
- 1.4. The 12 control areas examined during the audit are:-
 - Operation of Governance Processes;
 - Financial Planning and Budgetary Control;
 - Control and Monitoring of Schools Bank Account;
 - Procurement, including Large Single Purchases, Tendering and Value for Money;
 - Accounting of Income and Expenditure;
 - Charging Policy, Income Collection and Banking;
 - Personnel and Payroll Management;
 - School Meals;
 - Voluntary Fund and School Journey;
 - Asset Controls and Security of Assets;
 - Security of the IT Infrastructure, Disaster Recovery and Data Protection; and

- Risk Management and Insurance.
- 1.5. As a result of the 25 probity audits undertaken in 2015/16, 21 schools were assigned a Substantial Assurance audit opinion, and four schools were assigned a Limited Assurance audit opinion.
 - 1.6 Appendix A provides a breakdown of assurance opinions covering the period 2011/12 to 2015/16 for comparison purposes, whilst appendix B provides an analysis of key issues identified for the same period. Full details of the issues are included in the respective areas of this report detailed below.

2. Most Common Findings

- 2.1. All schools visited during the year had Governing Bodies collectively responsible for the overall direction and strategic management. However, the effectiveness of school governance could be improved by ensuring that quorum requirements are met for the Governing Body and sub-committee meetings. The most common weakness identified was that policies and procedures were not subject to periodic review by the Governing Body, and evidenced as such in the relevant meeting minutes. This was raised in the 2014/15 report.
- 2.2. Governing Body and committee meeting minutes were not always checked and signed by the respective Chair to ensure they provide an accurate account of decisions made. This issue was raised in the 2013/14 CMT report and 2014/15 CMT report.
- 2.3. Schools have not always maintained an up to date register of business interests for all Governors on the Governing Body and/or all staff with financial management responsibilities. This was raised in the 2013/14 CMT report and 2014/15 CMT report.
- 2.4. Terms of reference drawn up for all sub-committees have not been reviewed annually and approved by the Governing Body in all cases. This was raised in the 2013/14 CMT report and 2014/15 CMT report.
- 2.5. Budget monitoring reports had not always been evidenced as reviewed by the Head Teacher. This was raised in the 2014/15 CMT report.

- 2.6. In some instances approval of the School Development Plan was not evidenced adequately in the Governing Body meeting minutes and financial commitments were not always outlined in the plan.
- 2.7. A common weakness was that official orders were not raised by schools prior to purchases and where orders were raised, they were not appropriately authorised by the delegated officer. There was a lack of documentary evidence that the goods and services received are checked for accuracy before payment and that delivery documentation was appropriately annotated. This was raised in the 2013/14 CMT report and 2014/15 CMT report.
- 2.8. In several cases, the appropriate number of quotes were not obtained as part of the procurement process and retained on file. This was raised in the 2014/15 CMT report. An adequate audit trail was not maintained for final supplier selection and in some cases, Governing Body approval was not obtained for higher value purchases.
- 2.9. The schools' financial procedures did not clearly stipulate the authorisation limits for delegated responsibility in some cases.
- 2.10. In a number of instances, the petty cash fund was not used for appropriate school purposes only.
- 2.11. Lettings agreements between the School and the persons/groups hiring the premises were not always signed and retained.
- 2.12. Payroll reconciliations were not checked and signed off by an independent senior member of staff to evidence segregation of duties in all cases. This was raised in the 2013/14 CMT report and 2014/15 CMT report.
- 2.13. Adequate documentation within personnel files of starters and leavers was not always obtained and retained on site by some Schools. This was raised in the 2014/15 CMT report.
- 2.14. Regular verification and liaison with the local authority to identify only those pupils who are entitled to free school meals are receiving them did not always occur. This was raised in the 2013/14 CMT report and CMT 2014/15 CMT report.
- 2.15. In a number of instances the costing of income and expenditure of school journeys was not fully documented, and approved by an

independent officer. This was raised in the 2013/14 CMT report and 2014/15 CMT report.

- 2.16. Annual inventory checks were not performed consistently across all schools, and where performed, the results of these inventory checks were not always reported to the Governing Body. Portable and valuable assets were not always visibly and indelibly security marked by the school. Furthermore, equipment loan registers did not generally specify employees' liability/responsibility for equipment. This was raised in the 2014/15 CMT report.
- 2.17. The asset register was not always up to date with details of the assets held on premises. The equipment loan forms were signed by the respective staff member, but were not adequately authorised in some cases.
- 2.18. In a number of instances the amount of cash held on premises by the school was in excess of the school's insurance limit. This was raised in the 2013/14 CMT report and 2014/15 CMT report.

3. Key Findings by Audit Area

3.1. Operation of Governance Processes

- 3.1.1 All schools had in place key strategic documents, including Scheme of Delegation, Terms of Reference and Financial Procedures Manual. However, in a number of cases these were not up to date with evidence of regular review by the Governing Body.
- 3.1.2 Authorisation limits for delegated responsibility should be consistent across all documents, and the documents should contain all relevant information. This was not always the case based on our audit work.
- 3.1.3 In a number of schools, the Register of Business Interests was not up-to-date with missing declarations or incomplete declarations for Governors on the Governing Body and staff with financial management

responsibilities. However, the opportunity to declare interests is a standing item on most agendas of the Governing Body meetings.

- 3.1.4 The key policy and procedure documents were not formally reviewed and approved by the full Governing Body and a Register of Policies should be maintained to aid the timely review of policies
- 3.1.5 Where the Governing Body has set up sub-committees, terms of reference had not been approved and reviewed annually in a number of instances.
- 3.1.6 All virements should be evidenced as approved in line with the School's "Code of Financial Practice" document, and presented to and formally approved by the Full Governing Body where applicable. This was not always the case.
- 3.1.7 The full Governing Body and sub-committee meetings are generally held termly and the minutes have usually been prepared. In many instances, there was no evidence of meeting minutes being approved by the appropriate Chair.
- 3.1.8 There was one case where due to the scheduled meeting dates of the Governing Body the school had been without a formally approved budget for three months of the 2015/16 financial year. It should be noted that the budget had been approved by the Resources Committee prior to formal ratification.

3.2. *Financial Planning, Budget Setting, Monitoring and Forecasting*

- 3.2.1 Schools have generally produced comprehensive School Development Plans which include three year targets. The plan is produced and reviewed each financial year to help ensure resource implications are considered during the budget setting process. Governors are regularly updated on the progress against targets within the plan. However, in some instances, the plan should was not reviewed and approval of the plan was not evidenced adequately in minutes of meetings. In addition, the plan did not always include resource requirements and relevant costings where appropriate.
- 3.2.2 For the majority of schools the Chair of Governors and the full Governing Body had approved the budget plans in a timely manner. Budget monitoring is usually undertaken either monthly or as a

minimum on a quarterly basis. However, in most cases, budget monitoring reports had not been evidenced as reviewed by the Head Teacher and were not appropriately signed to evidence the review.

- 3.2.3 It was noted that in one case the budget had not been set up in full on the School's financial system to reflect the approved budget. Updating the budget on the financial system in full will help to ensure that funding is used in accordance with the School's priorities in accordance with the budget approved by the Governing Body.
- 3.2.4 There was one case where a copy of the budget for 2015/16, which had been signed by the full Governing Body, was not obtained from the local authority and retained at the school. Management should ensure that a copy of the signed budget for 2015/2016 is obtained from the local authority and retrospectively check that its current budget entries are in line with the signed copy.
- 3.2.5 Detailed discussions of the school budget and financial matters could be more detailed and consistent. There should be a standing item in the full Governing Body meetings for regular review of the School development Plan.

3.3. *Control and Monitoring over School Bank Accounts*

- 3.3.1 In the majority of cases, bank reconciliations were complete and performed in a timely manner, and these reconciliations were mostly independently checked to confirm completeness and accuracy. However, in some instances bank reconciliations had not been signed by both the individual performing the reconciliation and the individual carrying out its independent review to evidence the segregation of duties.
- 3.3.2 In one case, the mandate concerning the high interest bank account used by the school was not up to date and had not been approved by the Governors. Regular review of the mandate should be undertaken to help ensure that it continues to reflect signing requirements.
- 3.3.3 During the review of the Schools' accounts, it was noted in one case there were dormant accounts. Prompt action should be undertaken by the School to either bring them into activity or transfer the funds into the disbursement account.

3.4. Procurement (including Large Single Purchases, Tendering & VFM)

- 3.4.1. In several instances, the appropriate number of quotes were not obtained as part of the procurement process and retained on file in line with the School's Financial Procedures. In a number of instances an adequate audit trail was not maintained for final supplier selection. In some cases, Governing Body approval was not obtained for higher value purchases.
- 3.4.2. The "Financial Management Code of Practice and Scheme of Delegation" document for one School is in need of being updated to include expenditure limits when tenders are sought and more detailed requirements to perform market testing. Any exceptions to the process should then be documented with reasons.
- 3.4.3. Formal minutes from Governing Body or finance-related committee meetings which concerned high value purchases were not available at one school. Retaining minutes that detail discussions of high value purchases will enable the School to provide evidence to support decisions made.
- 3.4.4. From examination of a sample of three contracts held by one School, confirmation was unable to be given as to whether they were classed as operating or finance leases. There was no evidence to demonstrate that advice from the Local Authority had been sought when entering into the contracts and leases. The School should seek advice from the Council with regards to the lease arrangements currently in place, and ensure that any Council or statutory requirements are being met. For future lease arrangements, the School should liaise with the Council to get the appropriate advice and support prior to finalising any arrangements.
- 3.4.5. Purchase orders were not always raised for all appropriate purchases and authorised in accordance with the Financial Procedures Manual. In addition, a clear segregation of duties was not always evident between the raising of purchase order and the receipting of goods/services.
- 3.4.6. In a sample of ten creditors invoices reviewed at a School, there were three cases where payment was made over 30 days after issue/receipt. One of the payments was three months overdue. All purchases should

be supported by a valid invoice, be paid within 30 days and additional care should be taken to ensure that errors of insubstantial amounts are not made on a continuous basis.

- 3.4.7. There was a lack of documentary evidence in some instances that the goods received are checked for accuracy and that delivery documentation was appropriately annotated.
- 3.4.8. In a few cases, segregation of duties in the procurement process was not evidenced.
- 3.4.9. From the examination of a sample of three payments made to self-employed individuals by one School, there was no evidence that the suppliers have confirmed that they are fully responsible for their NI and Tax payments. The tax status of all self-employed individuals should be confirmed to ensure correct tax treatment.
- 3.4.10. Regular independent checks are not being carried out to ensure that transactions are entered against the correct budget codes.

3.5. *Accounting of Income and Expenditure*

- 3.5.1 It was noted that out of a sample of 10 petty cash transactions approved by one School, there were seven cases where the voucher amount approved was over £20 (the suggested limit for budget holders).
- 3.5.2 There were several instances where weaknesses in the petty cash process were identified. These related to vouchers not being authorised, no petty cash reclaim limit being in place, missing petty cash banking documentation, etc. In one instance, petty cash and payroll reconciliations were not signed and dated by the preparer and the reviewer and there was no evidence of VAT reclaims for petty cash transactions being completed.
- 3.5.2 There was one case where the School had established a weekly letting to a small group which had been operating for a few years. However, the School was unable to confirm as to whether a lettings agreement was in place. The School should review the current lettings and ensure that there is a lettings agreement in place and all letting conditions are met and ensure that future lettings are accompanied by a signed lettings agreement, which identifies terms and conditions.

3.6. Charging Policy and Income Collection and Banking

- 3.6.1 Most schools had effective controls in place to ensure that income due was identified, collected, and properly accounted for.
- 3.6.2 In a number of cases, transfers of money from the School's safe to be taken offsite to the bank was not recorded and signed for.
- 3.6.3 It became apparent during a spot check of a School's cash tin used for securely retaining dinner money income and income from stationery sales etc. that the tin was being in a locked drawer rather than the safe. A review of the records maintained to detail amounts banked and items sold revealed that they were incomplete. There was also no documentation to detail money being transferred and signed for such as between the General Office and the Finance Office or the School's Cook. The School should ensure that appropriate controls are in place with respect to the cash tin and that records of all income collected including details of recipient/amounts, date collected, type of income and date handed over to the relevant officer is maintained.
- 3.6.4 In some cases, there was an inadequate trail to confirm the person from whom income had been received, the date of receipt, the amount received and the date the income was banked.
- 3.6.5 In a number of cases, Schools did not ensure that all income is receipted above a pre-determined level in line with the London Borough of Tower Hamlets Financial Procedures Manual, and that all income received and applicable remissions are stated within the School's Charging and Remissions Policy.
- 3.6.6 In one instance, receipts were not issued for small amounts of income.
- 3.6.7 A review of the banking documentation for one school identified that income was not always being banked on a regular basis and there were three occasions where the income being banked was a relatively high amount. The School should review the current frequency of banking in conjunction with the safe insured limit and ensure that income is banked with the required frequency.
- 3.6.8 At the same School, the review of the transfer of income document revealed that the details for a banking slip were not recorded. It was not

possible to determine whether the slip had been cancelled or spoilt. Procedures surrounding banking of income should be reviewed, and a system implemented to ensure that all items are appropriately input and reconciled within a reasonable time frame. Any missing funds are identified and correct accounting entry is made.

3.7. Personnel and Payroll Management

- 3.7.1 Evidence of pre-recruitment checks was not always obtained / retained, such as identity checks, references, right to work checks, medical checks, and qualifications checks. Letters of resignation / termination and other relevant documentation were not always held on file in respect of leavers.
- 3.7.2 Payroll reconciliations were undertaken in all schools. However, in many cases there was no evidence of a staff having performed an independent review of the reconciliation.
- 3.7.3 There was no evidence of segregation of duties for timesheet authorisation and invoice approval in a number of schools.

3.8. School Meals

- 3.8.1 In several cases, schools did not retain proof of entitlement for all appropriate pupils and in some cases regular reconciliations were not in place to ensure that their free school meals list was up to date.
- 3.8.2 It was noted in a number of cases that a system for following up debt was in place. However, there was no clarity over the recovery process for longstanding debts, including when pupils leave the School. The School should adopt and implement a policy for debt recovery. The policy should include detailed stages of recovery action with timelines to try and recover the maximum amount outstanding possible.

3.9. Voluntary Fund and School Journey

- 3.9.1 There was no evidence of the income and expenditure of a School's Voluntary Fund account being reconciled within the previous 18

months. The School's Voluntary Fund account should be monitored / reconciled on a regular basis (at least termly) and evidenced retained. The account should be audited annually and the outcomes presented to the full Governing Body.

3.9.2 It was noted that for two Schools, there was no evidence that the income and expenditure had been appropriately reviewed and approved prior to the commencement of the School journey. All future school residential trips should be appropriately costed and approved in advance of the journey.

3.9.3 For nine of the Schools, there was no evidence that an "End of Journey" statement had been completed and presented to governors. An 'End of Journey' statement should be prepared in respect of each school journey and presented to the governors for review. Detailed income and expenditure records should be maintained for all school journeys. The statement should be signed by the preparer, and checked and signed by a second, independent officer.

3.10. Asset Controls and Security of Assets

3.10.1 There were cases where the asset register of the school was in need of being updated including the recording of estimated values. There were also instances of assets not being security marked which made it difficult to reconcile to the register. The asset register should be appropriately updated and the School should review the asset register and update the asset register accordingly. Assets should be checked to ensure security marked therefore enabling easy identification and retrieval.

3.10.2 Inventory checks are not always performed to confirm the accuracy and completeness of inventory records and disposals, and the results of the inventory check are not always reported to the Governing Body.

3.10.3 Equipment loan forms are not always being completed fully in respect of equipment loaned to staff. The School should ensure that equipment loan forms are completed for all items loaned to staff and authorised by the Head Teacher. The form should include a return date to enable the School to check on an annual basis that the equipment is being correctly maintained.

3.10.4 In one case it was established that the School did not have a write off policy in place. The School should maintain a write-off policy for the disposal of obsolete or damaged items of equipment. The policy should stipulate the authorisation processes for write offs and be approved by the Interim Executive Board.

3.11 Security of the IT Infrastructure, Disaster Recovery, Data Protection

3.11.1 In several cases it was identified that the School's Disaster Recovery / Business Continuity Plan / Data Protection Policy documents had not been reviewed or subject to approval by the Governing Body for a number of years. These documents should be developed, subject to regular review and formally tested. This should be made available to all staff as appropriate.

3.11.2 There were Schools identified in which they should consider a higher level of access to the internet for teachers which is different from the access given to the pupils and that teachers are fully aware of their responsibilities and liability in monitoring the content that pupils are accessing over the internet.

3.11.3 Most schools had adequate password settings in place with the need for alpha numeric characters and the need to change passwords on a periodic basis. In some instances password controls were inadequate in so far as passwords were not changed periodically due to system constraints.

3.11.4 There was one instance identified where there is no formal system in place for notifying the ICT Technician when a member of staff leaves the School. Schools should ensure that the user rights for any future staff leaving are disabled and the staff member removed from the system.in a timely manner.

3.11.5 In one case registration with the Information Commissioner's Office had not been renewed as required.

3.12. Risk Management and Insurance

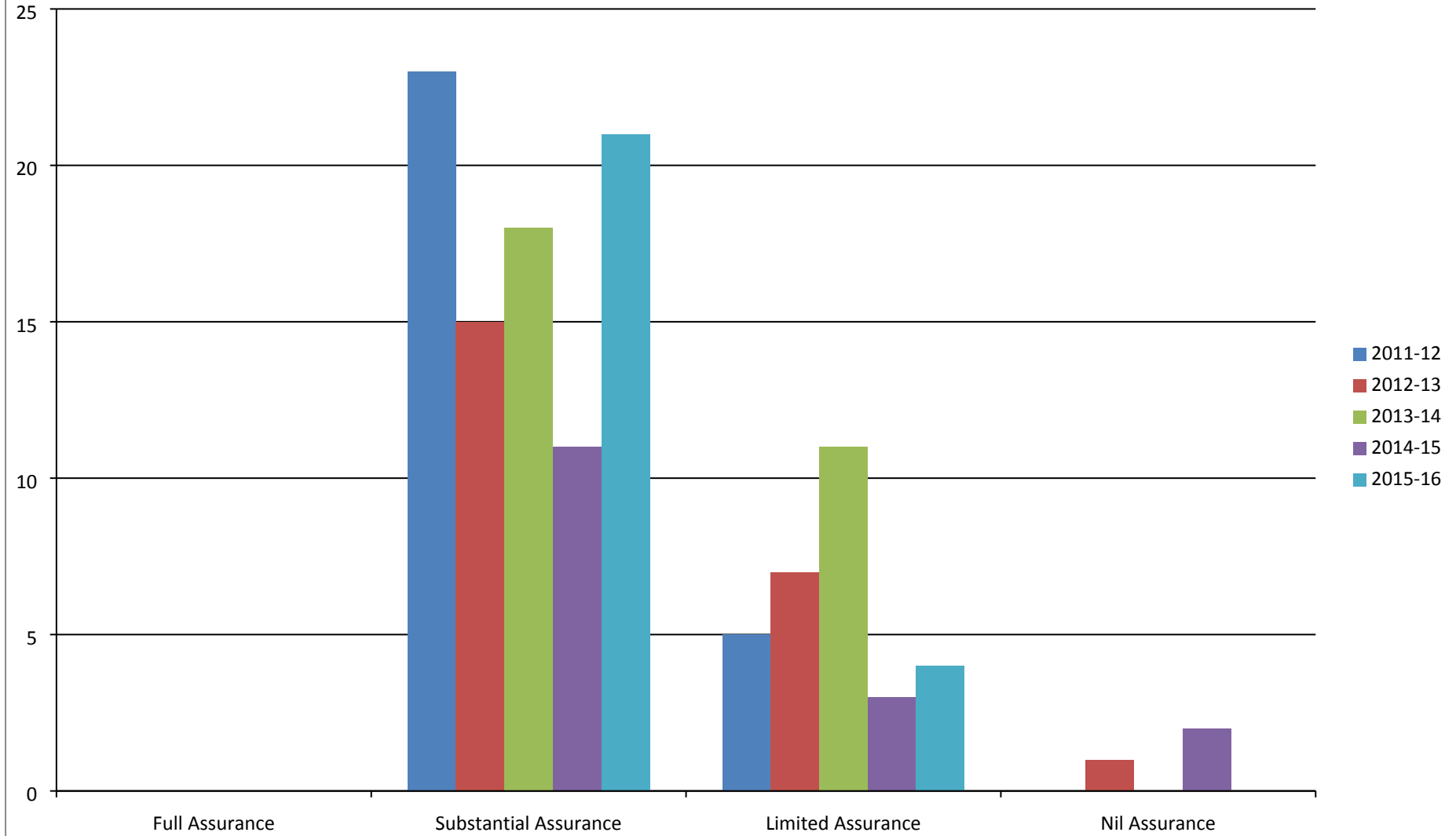
3.12.1 We noted for one school that whilst Health and Safety/Premises risks are discussed within Interim Executive Board meeting minutes, there

were limited discussions evidenced on the safeguarding risks at the School.

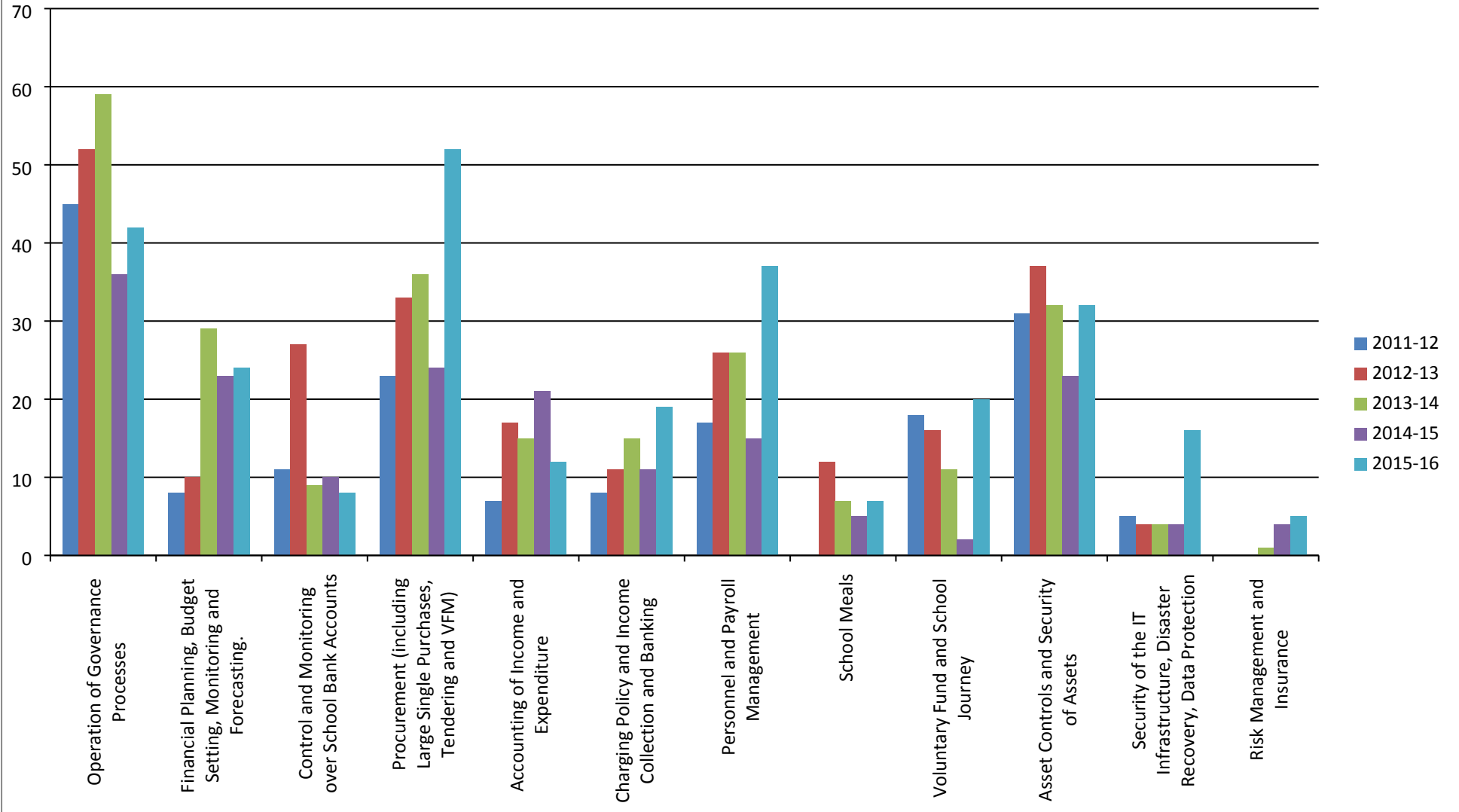
4 Conclusions

- 4.1. For 21 out of the 25 schools audited the financial control and management was above minimum standard and were assigned a substantial assurance audit opinion.

Appendix A - Breakdown of Assurance Opinions




Appendix B - Key Issues Trends



Key Issue	2011-12	2012-13	2013-14	2014-15	2015-16
Operation of Governance Processes	45	52	59	36	42
Financial Planning, Budget Setting, Monitoring and Forecasting.	8	10	29	23	24
Control and Monitoring over School Bank Accounts	11	27	9	10	8
Procurement (including Large Single Purchases, Tendering and VFM)	23	33	36	24	52
Accounting of Income and Expenditure	7	17	15	21	12
Charging Policy and Income Collection and Banking	8	11	15	11	19
Personnel and Payroll Management	17	26	26	15	37
School Meals	0	12	7	5	7
Voluntary Fund and School Journey	18	16	11	2	20
Asset Controls and Security of Assets	31	37	32	23	32
Security of the IT Infrastructure, Disaster Recovery, Data Protection	5	4	4	4	16
Risk Management and Insurance	0	0	1	4	5

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Non-Executive Report of the: Audit Committee 20 th September 2016	
Report of: Zena Cooke - Corporate Director - Resources	Classification: <i>Unrestricted</i>
Forward Plan 2016/17	

Originating Officer(s)	<i>Minesh Jani, Head of Audit and Risk Management</i>
Wards affected	<i>All wards</i>

1. Purpose of the Report

- 1.1 The purpose of this report is to present a forward plan of Audit Committee business for 2016/17 financial year.

2. Recommendation

- 2.1 The Audit Committee is asked to consider the proposed forward plan for committee business as detailed at Appendix 1 for the remainder of this financial year.
- 2.2 The Audit Committee is also asked to note that any amendments to the plan will be reported as a standard item on the agenda.

3. Background

- 3.1 The Chair of Audit Committee met with the Corporate Director, Resources and the Head of Audit and Risk Management on 14th August 2015 to consider arrangements to make the business of the Audit Committee more effective. At the meeting, it was agreed a forward plan of Audit Committee business would assist committee members be aware of the programme of audit business and allow the committee to reflect on other items it may wish to consider, within the Audit Committee's remit.
- 3.2 The purpose of this paper is to set out the business of the Audit Committee for the three remaining meetings for this financial year.

4. Comments of the Chief Financial Officer

4.1 There are no specific financial considerations.

5. Legal Comments

5.1 There are no specific legal considerations.

6. One Tower Hamlets

6.1 There are no specific one Tower Hamlets considerations.

6.2 There are no specific Anti-Poverty issues arising from this report.

7. Best Value Implications

7.1 There are no specific best value implications arising from this report.

8. Risk Management Implications

8.1 There are no specific Anti-Poverty issues arising from this report

9. Sustainable Action for a Greener Environment (SAGE)

9.1. There are no specific SAGE implications.

10. Crime and Disorder Reduction Implications

10.1. There are no specific Crime and Disorder Reduction implications.

Task	Lead	30-Jun-16	20-Sep-16	08-Nov-16	31-Jan-17	21-Mar-17
1. Audit Committee Effectiveness						
• Review Forward Plan	COA /DOF/HOA		✓		✓	✓
• Approve Terms of Reference, Quorum, Membership and Dates of Meetings (annually)	Audit Committee	✓				
• Carry out Self Assessment of Audit and Anti Fraud Arrangements	HOA / DOF					✓
• Hold an Annual Private Meeting between Chair of Audit and Head of Audit and Risk Management	COA /HOA	✓				
• Determine and Deliver Training Requirements for Audit Committee Members as Required.	COA /HOA		ongoing	ongoing	ongoing	ongoing
2. Internal Audit						
• Annual Head of Audit Opinion	HOA	✓				
• Quarterly Internal Audit Assurance reports	HOA / AM		✓		✓	✓
• Review Internal Audit Strategy and Charter	HOA / DOF	✓				
• Present Annual Internal Audit Plan - 2017/18	HOA / AM					✓
• Present Updated Annual Internal Audit Plan - 2016/17	HOA / AM				✓	
• Annual Schools Report 2014/15	HOA / AM		✓			
3. Anti Fraud and Corruption						
• Annual Fraud Report 2015-16	HOA / CFM	✓				
• Tenancy Fraud Update	CFM				✓	
• Progress on National Fraud Initiative 2016/17	CFM			✓		
• Protecting the Public Purse Update	HOA / CFM				✓	
• Anti Fraud and Corruption Strategy	HOA / CFM					✓
• Update Arising From Significant Fraud / Corruption Work	HOA / CFM	★	★	★	★	★
4. External Audit (KPMG)						
• Report to Those Charged with Governance (Council and Pension Fund)	KPMG		✓			
• Monitor Progress of Actions Arising from KPMG ISA 260 report (Council and Pension Fund)	CA				✓	
• Agree annual External Audit Plan in respect of 2015/16 accounts and associated fees.	KPMG	✓				
5. Financial Reporting						
• Review Accounting Policies	CA				✓	
• Consider Annual Financial Statements	CA	✓ (draft)	✓			
• Quarterly Treasury Management Report	CA	✓	✓	✓	✓	✓
• Annual Treasury Management Report	CA	✓				
6. Governance						
• Receive and agree the Annual Governance Statement	HOA		✓ draft			
• Update on implementation of Actions on the Annual Governance Statement	HOA			✓	✓	
7. Risk Management & Assurance						
• Annual Risk Management Report 2015/16	HOA		✓			
• Review and Monitor of the Council's Strategic Risks	Audit Committee	✓ Strategy	✓	✓	✓	✓
• Bribery Risk Assessment	HOA				✓	

Key Chair of Audit's Meeting with DOF and HOA (provisional)
COA - Chair of Audit
DOF - Corporate Director, Resources
HOA - Head of Audit and Risk Management
AM - Audit Manager
CFM - Corporate Fraud Manager
KPMG - External Auditors
CA - Chief Accountant
 ★An update to be provided to the Committee as and when significant issues arise.

Note: outside the formal Committee meetings, members will also review the following:
 • Draft Annual Governance Statement (May)
 • Terms of reference (May)

27 January 2017
 17 March 2017

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