

REPORT TO: Audit Committee	DATE 25 June 2013	CLASSIFICATION Unrestricted	REPORT NO. AC 003/134
REPORT OF: Corporate Director, Resources		Internal Audit Annual Report 2012/13	
ORIGINATING OFFICER(S): Head of Risk Management and Audit		Ward(s) Affected: N/A	

1. Summary

- 1.1 This report provides the annual internal audit opinion in accordance with the CIPFA Code of Practice for Internal Audit. The opinion supports the annual governance statement, which forms part of the annual statement of accounts required under the Accounts and Audit Regulations 2003 (as amended).
- 1.2 The report concludes that the Council has an effective system of internal control which was in operation throughout 2012/13. The Head of Audit opinion is attached to this report at appendices 4 and 5.

2. Recommendation

- 2.1 The Audit Committee is asked to note the content of the annual audit report, the summary of audits undertaken which have not been previously reported and the Head of Audit opinion.

3. Introduction

- 3.1 The purpose of this report is to meet the Head of Internal Audit annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises that this report includes an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and presents a summary of the audit work undertaken to formulate the opinion.

3.2 This report is set out as follows:

- **Opinion and basis of opinion**
 - § **Summary of audit work undertaken in 2012/13**
 - § **Appendix 1 – Audit Resources**
 - § **Appendix 2 – Summaries of reports not previously reported.**
Summaries of all audit reports are submitted to the Audit Committee.
 - § **Appendix 3 – Summaries of reports on specific commissioned work from Corporate Directors**
 - § **Appendix 4 – List of planned audits undertaken in 2012/13**
 - § **Appendix 5 – Summary Head of Audit Opinion**
 - § **Appendix 6 – Detailed Head of Audit Opinion**
 - § **Appendix 7 – Benchmarking club/headline**

4. Statement of Responsibility

- 4.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 4.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

5. Opinion

- 5.1 It is my opinion that I can provide satisfactory assurance that the authority has a reasonable system of internal control and that this was operating effectively during 2012/13. The basis for this opinion is set out below.

6. Basis of Opinion

- 6.1 The annual internal audit opinion is derived primarily from the work of Internal Audit during the year as part of the agreed internal audit plan 2012/13. A summary of that work is set out in paragraph 8 below. Internal Audit has been given unfettered access to all areas and systems across the Authority and has received appropriate co-operation.

- 6.2 Internal audit work has been carried out in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and additionally from its own internal quality assurance systems.
- 6.3 My opinion is primarily based on the work carried out by Internal Audit during the year on the principal risks, identified within the organisation's Assurance Framework. Where principal risks are identified within the organisation's framework that are not included in Internal Audit's coverage, I am satisfied that a system is in place that provides reasonable assurance that these risks are being managed effectively.
- 6.4 In planning audit coverage and in forming the annual opinion, I have taken account of other sources of assurance, including the work of the Audit Commission and other inspectors pertaining to or reported during 2012/13. Details of the other sources of assurances and the assurances obtained from the work of audit are attached at appendices 4 and 6.

7 Audit Resources

- 7.1 The resources available to Internal Audit are set out in appendix 1 below. Internal Audit is provided in partnership with Deloitte as part of Croydon Framework contract. An in-house team of four auditors works with resources provided under the Croydon framework arrangement.
- 7.2 The resources made available were adequate for the fulfilment of the Authority's duties. The partnership with Deloitte has given the authority access to greater capacity, particularly in computer audit.
- 7.3 Productivity was maintained at planned levels. Sickness absence in the team 2 days per person on average, compared to 32.4 days in 2011/12. Sickness was higher in 2011/12 as a member of the audit team was on long term sickness absence.
- 7.4 During the year, there was an emphasis on carrying out risk based audits from the approved audit plan for 2012/13, which reflects the internal audit strategy in providing assurance to the Council over its systems of internal control to manage risks. The level of computer audit and contract audit has been maintained at a reasonable level throughout the year. In addition, a number of specific pieces of audit work were commissioned by Corporate Directors. Details of the work done are attached at Appendix 3.

8 Summary of Audit Work

- 8.1 A list of the audits undertaken in 2012/13 is attached to main body of the report at appendix 4 including the assurance levels assigned. Audit assurance is assigned one of four categories: Nil, Limited, Substantial and Full. Audits are also categorised by the significance of the systems. These are defined in appendix 2.
- 8.2 Summaries of the audit reports are reported quarterly to Corporate Management Team (CMT) and the Audit Committee. Appendix 2 provides the summaries of those reports not complete at the time of the last report on audit findings for 2012/13.
- 8.3 A summary of the audit assurance resulting from audit reports in 2012/13 is provided in the table below.

Audits 12/13		Full	Substantial	Limited	Nil	N/A
		Significance	Extensive	2	45	8
Moderate	0		33	11	0	3
Low	0		1	0	0	0
Total	2		79	19	0	8

- 8.4 The table shows that of 108 systems audits, 75% of the systems audited achieved an assurance level of full or substantial. Full or substantial assurance means that an effective level of control was in place, although this does not mean the systems were operating perfectly. 18% of systems audited were rated as limited or nil assurance, and the remainder have their assurance to be confirmed or not applicable.
- 8.5 Limited assurance means that there are controls in place, but that there are weaknesses such that undermine the effectiveness of the controls. In all cases actions are identified to rectify these weaknesses.

8.6 From the Internal Audit work during 2012/13 financial year, we identified risks in the Council's systems for safeguarding vulnerable adults, collection and banking of planning and building control fees and charges, management of water testing and water installations within THH and management of evidence stores by trading standards.

8.7 From our Internal Audit work during 2012/13, we can provide an overall assurance that Tower Hamlets has an effective internal control framework with identified areas for improvement. In general, the key controls are in place and are operational. There is ownership of internal control at all management levels, which is evidenced by the positive response to audit recommendations.

9 Audit Performance

9.1 Internal Audit report two core performance indicators as part of Chief Executives performance monitoring and quarterly to the Audit Panel. The performance for 2012/13 is set out in the table below.

Performance Measure	2011/12	
	Target	Actual
Percentage of operational plan completed (to at least draft report stage) in the year	100%	98%
Percentage of priority 1 recommendations followed up that have been implemented by 6 month review date	100%	84%
Percentage of priority 2 recommendations followed up that have been implemented by 6 month review date	95%	84%

9.2 As at the 31st March 2013, 98% of the operational plan was completed in terms of days used. There were a few audits still in progress, but have now been completed/ or are awaiting management comments.

9.3 Internal Audit's planned programme of work includes a check on the implementation of all agreed recommendations. This review is carried out six months after the end of the audit. For 2012/13 as a whole, 84% of priority 1 recommendations had been implemented against a target of 100%, and 84% of priority 2 recommendations had been implemented against a target of 95%.

Corporate Directors are being regularly updated with the progress and performance of follow up audits and Internal Audit maintains a record of outstanding recommendations and carry out further checks on recommendations not complete at the six month review.

- 9.4 The budget outturn is set out in appendix 1. Internal Audit is benchmarked against a basket of authorities as part of the CIPFA benchmarking club. Data for 2012/13 will be submitted and key points will be reported to a future CMT and Audit Committee. The results of benchmarking exercise for 2011/12 are attached at Appendix 7.

10 Comments of the Chief Financial Officer

- 10.1 This report describes the annual internal audit report opinion for 2012-13 in accordance with the CIPFA Code of Practice for Internal Audit. The opinion supports the annual governance statement, which forms part of the annual statement of accounts required under the Accounts and Audit Regulations 2003 (as amended).
- 10.2 There are no specific financial implications emanating from this report. The Internal Audit team work programme meets the Council's legal requirements under section 151 of the Local Government Act 1972 and reports directly to the Director of Resources in order to minimise to the Council the risk of fraud, error and omission to the Council's finances and assets.

11 Concurrent Report of the Assistant Chief Executive (Legal Services)

- 11.1 The council is required by regulation 6 of the Accounts and Audit Regulations 2011 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices. It is appropriate to have regard to the CIPFA Code of Practice to determine what are proper practices.
- 11.2 The council is further required to conduct a review of the effectiveness of its internal audit at least once a year. The review findings must be considered by the council's audit committee as part of the consideration of the committee's consideration of the council's system of internal control. The subject report is intended to discharge these functions. The audit committee is designated as the appropriate body for this purpose by paragraph 3.3.11 of the council's constitution.

12 One Tower Hamlets

- 12.1 The maintenance of an effective system of internal control assists the Council to meet its responsibilities in paragraph 4.1 above. This in turn contributes to the discharge of the Council's functions in accordance with its Community Plan objectives, including the cross-cutting theme of One Tower Hamlets.

13 Risk Management Implications

- 13.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. This risk highlights risks for the attention of management so that effective governance can be put in place to manage the authority's exposure to risk.

14 Sustainable Action for a Greener Environment (SAGE)

- 14.1 There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)

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

Brief description of "background papers"

Contact :

None

N/A

APPENDIX 1

Internal Audit – Resources 2012/13

	Revised Plan	%	Outturn	%
In-house staff days	1000	62%	1000	64%
Deloitte / external	606	38%	570	36%
	1606		1570	
Gross days				
<i>less</i> Leave	124	56%	124	58%
<i>less</i> Sickness absence	15	7%	10	5%
<i>less</i> Non Operational Time	82	37%	80	37%
Unproductive time	221		214	
Net productive days	1,385		1,356	

Internal Audit Budget 2012/13

	Budget £000	Actual £000	Variance £000
Salaries	470	470	0
Contract costs	207	230	23
Running costs	24	5	-19
Central Recharges	105	105	0
Gross cost recharged	799	795	+4

Internal Audit Reports 2012/13 – Summary of Audit Reports

Assurance ratings

Level

- 1 Full Assurance** ***Evaluation opinion*** - There is a sound system of control designed to achieve the system objectives, and
Testing opinion - The controls are being consistently applied.
- 2 Substantial Assurance** ***Evaluation opinion*** - While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/ or
Testing opinion - There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- 3 Limited Assurance** ***Evaluation opinion*** - Weakness in the system of controls are such as to put the system objectives at risk, and/or
Testing opinion - The level of non-compliance puts the system objectives at risk.
- 4 No Assurance** ***Evaluation opinion*** - Control is generally weak leaving the system open to significant error or abuse, and/or
Testing opinion - Significant non-compliance with basic controls leaves the system open to error or abuse.

Significance ratings

- Extensive** High Risk, High Impact area including Fundamental Financial Systems, Major Service activity, Scale of Service in excess of £5m.
- Moderate** Medium impact, key systems and / or Scale of Service £1m- £5m.
- Low** Low impact service area, Scale of Service below £1m.

APPENDIX 2

Summaries of 2012/13 audit reports not previously reported

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Children, Social Care and Wellbeing	Safeguarding Vulnerable Adults – Systems Audit
	Extensive	Resources	Software Licensing – Systems Audit
	Moderate	Development and Renewal	Planning and Building Control Fees and Charges
	Moderate	Tower Hamlets Homes	Water Systems and Installations
	Moderate	Communities, Localities and Culture	Trading Standards – Control of Evidence Stores
	Moderate	Children, Social Care and Wellbeing	Cambridge Heath Sixth Form – Probity Audit
	Moderate	Children, Social Care and Wellbeing	Olga Primary School – Probity Audit
	Moderate	Children, Social Care and Wellbeing	Phoenix Special School
	Moderate	Children, Social Care and Wellbeing	Stephen Hawking Special School – Primary School
	Low	Corporate	Use of Oyster Cards – Systems Audit
SUBSTANTIAL	Extensive	Corporate	Project Management of Transformation Projects
	Extensive	Resources	Management of VAT – Systems Audit
	Extensive	Resources	Debtors – Systems Audit
	Extensive	Resources	Housing Rents – Systems Audit
	Extensive	Resources	NNDR – Systems Audit
	Extensive	Resources	Pensions – Systems Audit
	Extensive	Resources	Treasury Management – Systems Audit

Assurance level	Significance	Directorate	Audit title
	Extensive	Resources	Remote Access (Smarter Working)
	Extensive	Resources	Future Sourcing – Contract Monitoring by Client Team
	Extensive	Tower Hamlets Homes	Tower Hamlets Homes – Financial Systems
	Extensive	Children, Social Care and Wellbeing	School Admissions – Systems Audit
	Moderate	Children, Social Care and Wellbeing	Raines Foundation Upper School – Probity Audit
	Moderate	Children, Social Care and Wellbeing	St Paul’s with St Luke’s Church of England Primary School
	Moderate	Children, Social Care and Wellbeing	Stepney Green Maths, Computing and Science College
	Moderate	Children, Social Care and Wellbeing	Out of Hours Social Care Service – Follow Up
	Moderate	Development and Renewal	Overcrowding Strategy – Follow Up Audit
	Moderate	Communities, Localities and Culture	Vehicle Removal Contract Monitoring – Follow Up
	Moderate	Communities, Localities and Culture	Control of Overtime – Follow Up
	Moderate	Communities, Localities and Culture	Bow Idea Store – Regularity Audit
	Moderate	Communities, Localities and Culture	Single List 195
FULL			
	Extensive	Resources	Data Centre Physical and Environmental Controls
	Extensive	Resources	Pension Fund Account Administration and Control

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Safeguarding Vulnerable Adults	April 2013	<p>The main objective of the audit was to provide assurance over the controls in place for managing the safeguarding process for vulnerable adults. The Safeguarding Vulnerable Adults service is responsible for putting into place processes to safeguard vulnerable adults as identified by the Council, Police, NHS, Tower Hamlets Homes and other organisations.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Sample testing of Adult Health and Well Being Service staff confirmed that not all members of staff had a valid CRB check which is less than three years old; • Sample testing of Adult Health and Well Being Service staff confirmed that not all members of staff had participated in any safeguarding vulnerable adults training courses within the last three years; • The Safeguarding Adults Process policy/procedure makes references to out-of-date practices, such as the use of paper case files, and the next review date is not stated; • Sample testing of referrals received since April 2012 confirmed that not all referrals had adequate records completed; and • Management does not review a random 10% sample of completed referral cases each month, as stated within the Safeguarding Adults Process policy/procedure. <p>All findings and recommendations were agreed with the Service Head – Adult Service Care (Interim) and the Strategic Lead for Safeguarding Adults / Mental Capacity Act / Deprivation of Liberty Safeguards (Interim), and reported to the Interim Corporate Director, Education, Social Care and Wellbeing.</p>	Extensive	Limited

Management Comments

When the audit took place, management had already identified that there needed to be a revision of the adult safeguarding procedures and processes. The audit outcome supported some of the findings from the management review and helped to formulate some wider context for the proposed changes. The previous processes needed to change, partly because new national and Pan London performance information required different data. The processes also didn't easily support practitioners to record some data and clearly evidence their actions and decisions.

- CRB Checks- when the audit was received, management investigated the 5/20 staff from the sample, that appeared not to have a current CRB. By the time this investigation occurred, it was found that the 5 staff did have a current CRB. It appeared there may have been a "lag" in the recording. However, discussions took place with HR to re-confirm the process of CRB reminder and renewal. The current process is staff are alerted by email and a letter to their home 4 months before their CRB expires. Their line manager is also informed. If there is no contact from staff after 4 weeks, their line manager is notified, in order to chase up. If their CRB expires, then line manager, service head and HR are informed and appropriate measures considered.
- Training – Discussions have taken place with Training & Development to produce annual lists of staff and the training they have undertaken. A revised safeguarding training programme has been approved for 2013-14 and this is targeted at various types of posts. Attendance of targeted staff will be monitored throughout the year and reports presented to management, with an annual report to the SAB.
- Procedures- New processes and forms were introduced in April 2013 and procedures have been updated to reflect these changes. The revised procedures are currently subject to consultation and final edit prior to roll out.
- Process & Audit- new processes and forms were introduced in April 2013. These provide a more streamlined and consistent step by step approach to safeguarding referrals, investigations, mental capacity, case conferences and evidencing outcomes. This will provide better quality data to support performance against national indicators, as well as Pan London and local expectations. The process includes a series of prompts and supporting information to assist staff and their lead manager to evidence their decision making at each stage. This allows for easier audit of practice and performance by line managers. This is then supported by regular sample audits by the safeguarding team.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Software Licensing	May 2013	<p>The main objectives of the audit were to provide assurance to management as to whether the systems of control for Licensing arrangements are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Most of the software and applications which have been purchased are kept as folders (including order papers and invoices) within folders in the network. The Council does not have a formal inventory in place. • The Council does not hold its licenses centrally and it does not have an inventory either. • There is a generic Information Security training taking place within the Council but does not cover awareness training on the use of unauthorised or unlicensed software and the consequences of doing so. • There are computer devices which run on Virtual Desktop Infrastructure (VDI) format which is a very controllable and locked down environment. However, there was a standard user account that was able to download, install and run software from the internet (Google Chrome) on a Council non VDI version device. <p>All findings and recommendations were agreed with the Business Solutions Architect, reported to the Service Head- ICT and Customer Access and the Section 151 Officer, Resources Directorate.</p>	Extensive	Limited

Management Comments

The majority of critical software used by the council is managed centrally through contracts with major suppliers including: Microsoft, Oracle, HP, Northgate, Capita, Clvica and Corelogic, these are in the process of being novated to our Strategic partner Agilisys. Shrinkwrap software such as Adobe, Macromedia, Dragon etc. has traditionally been procured by the individual directorates for their own use, however, this is also being reviewed and brought under more rigorous control using the Work Package Request process.

The Smarter Working programme in order to further improve corporate licencing for the more widely used software products in September 2012 implemented a centralised licencing model for the Adobe products including Adobe Professional and Creative Suites. In addition as a part of handover of Smarter Working to BAU support planned to be completed by Dec 2013, Agilisys are intending to collate and compare directorate owned licences against any non-corporate licenced software that is deployed via the VDI solution. Any licence shortfalls identified would need to be procured.

These two factors reduce the potential Risks associated with the current lack of a central Software Licence asset register/inventory, which might lead to the Council's inadvertent use of un-licenced software or the purchase of unnecessary new licences.

In line with the response Agilisys have included Asset/Licence Management at the end of May 2013, an update of the Continual Service Improvement Programme, the Client team will look for it to be prioritised appropriately, looking for implementation by April 2014.

With regards to the risk of individuals loading non-standard software on the legacy Windows XP environment, this is against the Information Security policy, section 7.1.2, as communicated to all members of staff during induction. Also Sophos Endpoint Control which is implemented on all Legacy XP devices monitors the execution of various categories of applications and can if required block execution if required.

In addition to this the roll-out of Smarter Working VDI and the corresponding migration of laptops and desktops from Windows XP to Windows 7 by March 2014 will look to implement further technological controls to enforce the policy along with decommissioning the current XP platform with its identified weaker illegal software download enforcement capabilities.

The Information Governance team along with the Information Governance Group representatives are currently in the process of updating the wider Information Governance education programme which includes the Information Security awareness etc. and looks to ensure that current employee awareness is maintained as well as that of Council new starters.

Summary of Audits Undertaken

Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance
Planning and Building Control Fees and Charges	March 2013	<p>The objective of this audit was to provide assurance over the soundness of controls for collection and banking of Planning and Building Controls fees and charges.</p> <p>Our review showed that Planning and Building Control services are delivered under the relevant authority and service objectives had been clearly documented in the Team plan. Fees were collected under an approved authority, in advance and in accordance with pre-determined scale of charges. However, as the team has been newly established, there needed to be a clear framework for managing, controlling and integrating collections and banking for the whole of the service. Cheque income was not stored and transferred between staff securely, nor was it banked as soon as required. Cheque and cash handling needed to be improved. Income transactions were recorded on the local IT system ACOLAID which recorded the financial and service details for each transaction with reference numbers. However, there was no reconciliation between income recorded on ACOLAID and income recorded on General Ledger.</p> <p>All findings and recommendations were agreed with Service Head, Planning and Building Control and final report was issued to the Corporate Director – Development and Renewal.</p>	Moderate	Limited

Management Comments

Process maps highlighting new and improved procedures and responsibilities for cheque handling and accounting have now been developed. This has been saved in a dedicated shared drive for easy access by all teams. Risk analysis was carried out as part of the project team work. This informed the development of the process maps. Separate collection and banking activity reviews have been carried out in Planning, Building Control and Land Charges teams. Gap analysis has been carried out and improvements/changes required have been used to inform process maps for new and improved procedures. Training of staff on the new and improved processes is currently on-going within the various teams. The ACOLAID system has been adapted for use in generating receipts and acknowledgement letters for all applications. A dedicated email inbox has been set up for use in communicating returned cheques and cancelled payments between the service, D & R finance and income teams. This will be monitored by D&R finance.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes (THH) – Water Systems and Installations	April 2013	<p>The main objectives of the audit were to provide assurance over the systems and controls in place for the inspection, testing and rectification, where necessary, of water systems and installations, in order to comply with statutory obligations and health and safety requirements. THH, as part of functions delegated by LBTH, is responsible for checking and maintaining water storage systems within the maintained stock of dwellings. A contract is in place for checking and maintaining of water systems.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Contractor reports results regularly of completed inspections, but for four of the 10 inspections in our sample, the date of the inspection occurring had not been reported. Furthermore, our testing identified that of six instances where the contractor had reported that further action was required, there were five instances where further works had not been commissioned and we were unable to determine the reason for this since it had not been documented.. • Sample testing of 10 inspections with reported issues regarding access (e.g. demolished buildings or no access to property) identified that in all 10 cases evidence that further action had been taken was not available. In addition, of the 10 cases tested where works had been undertaken, four did not have any evidence of post work review to confirm the works had been undertaken. • A review of GEM meeting papers shows operational meetings were not documented in April and May 2012. Discussions identified the meetings did not take place in July and August. In addition, it was identified that planned strategic meetings had not yet taken place. <p>All findings and recommendations were agreed with the Planned Maintenance Manager at Tower Hamlets Homes, and reported to the Interim Director of Neighbourhoods and the Chief Executive at Tower Hamlets Homes.</p>	Moderate	Limited

Management Comments

Contractor Inspections and follow-up actions

Tower Hamlets Homes has made an investment in Keystone Asset Management systems, which includes modules for management of Servicing & Inspection programmes. The decision to invest was taken in December 2012, and the system is currently undergoing implementation.

Keystone Servicing & Inspection (KSI) provides THH with improved management of assets requiring servicing, the servicing regime for those assets, as well as any associated works required for those assets.

KSI will provide a more rigorous and auditable systems to:

- Monitor & progress outstanding works: where works have been identified as required in an inspection, these assets will be flagged with amended status until works are carried out – providing improved visibility and monitoring of required works and asset status;
- Inspection outcomes: the outcomes of inspections are recorded and flagged where issues such as no access and refusal occur, as well as any amended status of assets as noted in the comments;
- Validation of works: Keystone has integrated validation and valuation of works prior to payment, ensuring that these steps have to be completed – there is also an auditable record of each user which completes stages.

GEM Contract Management Meetings

As part of managing the framework contract for Planned Maintenance, THH has in place established performance governance framework in place and contractual KPIs to drive the contractors' performance and key issues. Contact management meetings are held with the different framework contactors on a monthly basis. The contactor performance and matters regarding the servicing of assets are also discussed during the meeting. The audit has identified that the contract performance meetings did not take place in April, May, July and August 12. THH accept that the meetings during these months were not held and formal minutes are not available for these months. There are minutes detailing operational meetings for June, September and October. THH can also confirm that Strategic Core Group meetings have also been help on a quarterly basis.

With respect to the contactor performance meetings which did not take place, THH will review this through THH performance management framework with the responsible line manager.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Trading Standards – Management and Control of Evidence Stores</p> <p>Systems Audit</p>	<p>April 2013</p>	<p>This audit sought to provide assurance that controls for managing Trading Standards evidence stores were sound and secure.</p> <p>Our review showed that there was an Annual Work plan in place for Trading Standards which set out service priorities. Within this Work Plan, there was an objective around Secure Storage of Equipment and Evidence Store, and accurate and up to date inventory control and monitoring in order to ensure effective control over seized items. Trading Standards also had a current Risk register that identified Evidence Storage and Data Security as being high (red) risk.</p> <p>Our testing showed that written procedures for an effective management of the evidence stores was not in place. Arrangements to deliver an effective Evidence Control System, as documented in its own Risk Register, needed to be put in place. There were three separate Stores where evidence was kept. However, a review needed to be carried out to assess the cost-effectiveness of these three separate stores. Our testing showed that control over inventory, tracking, disposal, transfers, security and safekeeping of the stores kept in Anchorage House and Commercial Road was not as sound as it should be, putting the safe keeping of seized goods at risk.</p> <p>All findings and recommendations were agreed with the Service Head, Community Safety and final report was issued to the Corporate Director, Communities, Locality and Culture.</p>	<p>Moderate</p>	<p>Limited</p>

Management Comments

In order to improve the controls Trading Standards wanted to use the CRIMSON software system. However, because of lack of ICT support and the cost of its installation, we are planning to use Hertfordshire County Council's Trading Standards Service solution to evidence control as best practice. Trading Standards have decided to use the APP database in conjunction with a slimmed down version of the Hertfordshire spread sheet. The spread sheet will be accessed from the APP prosecutions database and there will be a master copy of document. Using APP allows reports to be produced about evidence control enabling audits of the evidence system. A written procedure is being prepared and a draft document should be available by the end of June. It will include a flow chart describing the process. There are three stores: one at the Toby Club, the major store at Commercial Road and flexible resource using containers off site for bulk seizures.

A separate room has been identified in the basement of the Toby Club that can be used instead of the tambour units brought over from Anchorage House. This should resolve one of the audit's concerns about the flimsy nature of the tambour unit's locks. It is a regular occurrence for Trading Standards to seize thousands of illicit articles. One seizure amounted to 50000 items. There is a need for a flexible storage response and that is provided by off-site containers. They are hired as and when needed. The number of containers used to store evidence has been reduced to three – one of which is used by the Council's Smoke Free Team for storing Shisha product. Trading Standards re-located to Toby Club during April and this has caused some disruption. There are facilities management issues at the Toby Club which have added to the disruption. However, with the introduction of new IT system and procedures, the control over evidence stores should improve in the future.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cambridge Heath Sixth Form	April 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Federation Board and a Resource Committee which have overall responsibility for financial planning and control. The school has been effective in controlling and maintaining the school's disbursement account and follows good practice for the accounting of income and expenditure.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Purchase orders were not being raised in all cases. • Testing established the meeting minutes for the Federation Board and Resource Committee do not clearly state ratification of policies and key documents on all occasions, including the School Development Plan, Pay Policy and the Financial Arrangements. • Testing of the declarations of business interest found that two governors had not completed their declaration of business interest form. • Invoices had not been certified by an independent authorised signatory in all cases. • Petty cash claims are not completed and certified with valid receipts in all cases and were not always appropriately authorised before payment. • There is insufficient control over the provision of free school meals increasing the risk that free meals may be provided to pupils who are not entitled. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Olga Primary School	Feb 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Full Governing Body and a Finance Committee, which have overall responsibility for financial planning and control. The school has been able to control its expenditure and recorded a surplus in the last financial year. The school follows good practice for the accounting of income and expenditure and generally has effective controls over payroll management. The school has adequate risk management and insurance arrangements in place.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • At the time of the audit, the declaration of interest form for one member of the Governing Body could not be located on file. • Testing found that the bank reconciliation for one month was not signed by the Head Teacher as evidence of review. • Official order forms are not completed and authorised before orders are placed with suppliers in all cases. • Petty cash transactions are not conducted within the prescribed limit in the Financial Regulations. • Policies and procedures are not reviewed and approved on an annual basis. • Income received in respect of school dinners is not checked and verified by an independent officer. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Phoenix Special School	Feb 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a has a Full Governing Body and a Finance & General Purpose Committee which have overall responsibility for financial planning and control. The school has been able to control its expenditure and recorded a surplus in the last financial year. The school follows good practice for the accounting of income and expenditure and generally has effective controls over payroll management. The school has adequate risk management and insurance arrangements in place.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Governing Body and Sub-Committee meetings are not always fully documented and signed off. • Petty cash claims are not completed and certified in all cases. • The terms of reference for sub-committees are not reviewed and approved on an annual basis. • Testing of the declarations of business interest identified that forms were not held for four of the Governors. • Testing identified a sample of transactions that exceeded the school's £1,000 threshold where quotes had not been obtained. • Invoices were not always certified by an independent authorised signatory. • Testing established that inventory records are not up to date. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stephen Hawking School	March 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Full Governing Body and a Resources Committee which have overall responsibility for financial planning and control. The school has been effective in controlling and maintaining the school's disbursement account. The school carried forward £513,316 from the 2011/12 financial year. The school's most recent Ofsted inspection undertaken in April 2010 rated the school as "Outstanding."</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Banking and payroll reconciliations had not been undertaken on a monthly basis. Furthermore, the Monthly Reconciliation Statements were not signed off by the Head Teacher in all cases to confirm that the information was accurate. • Staff members are not subject to periodical CRB reviews. • adequate inventory records are not maintained. Not all of the school's assets are visibly marked. • evidence of alternative quotations had not been obtained and retained on file in all cases. • Items were identified where it was evident that there is not an adequate segregation of duties in the school's payment processes. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Management Comments (for all the above schools)

The Children, Schools and Families (CSF) Directorate have put the following systems and processes in place:-

- Internal audit reports on schools are now a regular item on the DMT agenda for discussion.
- Internal audit reports are used by CSF schools Finance team to feed into systems to determine schools requiring priority support.
- Internal Audit assurance rating is used to target specific support to schools.

In addition, necessary intervention is put in place by CSF Finance to assist and support schools in improving governance, financial management and control in specific areas of business activities.

The schools have acted immediately and agreed to complete all actions with a defined timeframe.

The school and the governing body are fully committed to the recommendations made in the Audit report by:

- by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate.
- confirming additional steps that the school are planning to take in light of the audit findings.
- to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment.

The Schools Finance Manager has contacted all the schools with the aim of supporting them in implementing the agreed recommendations.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Use of Oyster Cards	May 2013	<p>The main objective of the audit was to provide assurance to management in respect of controls in place for managing and monitoring the use of Oyster cards across the Council.</p> <p>Oyster cards are used throughout the Council where services require staff to travel as part of their business duties. These are topped up on regular basis through purchase cards. The total expenditure on Oyster Card top-ups across the Council for the first nine months of the 2012/13 financial year was £9,712. Our review highlighted the following issues:-</p> <ul style="list-style-type: none"> • There were no policies and procedures in place regarding the supply and use of Oyster cards. • Where pool cards were used, only verbal authorisation was given in some cases. • Record keeping was inadequate in some areas of the Council. • Oyster Cards were not held securely in all cases. • There was no specific ledger code associated with Oyster Card expenditure and therefore monitoring of spend in this area is not straightforward. <p>All findings and recommendations were agreed with the Service Head – Financial Services, Risk & Accountability and reported to the Interim Corporate Director of Resources.</p>	Low	Limited

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Transformation Projects	May 2013	<p>The Council's Medium Term Financial Plan 2011/12 to 2013/14 identified savings targets of £28.9m for 2011/12, £24.4m for 2012/13 and £24.2m for 2013/14. A number of transformation projects have been agreed. This audit examined the systems in place for managing and monitoring the delivery of a sample of projects for the financial year 2012/13.</p> <p>The approval, delivery and monitoring of projects and savings proposals is managed by Directorates. The governance of the programme is managed by the CMT. A Savings Tracker is maintained corporately by the Benefits Realisation Analyst and this is updated by Directorates and submitted to CMT and MABSARP monthly. A briefing paper dated 21/11/2012 to MABSARP reported that all Directorates were on target to deliver savings approved for 2012/13 with contingencies in place where there was risk of non-delivery. Each efficiency proposal within the audit sample for 2012/13 was supported by full Savings Proposal Pro-forma which included full Equalities Impact Assessment (Where required) which were put forward for consideration and approval by Members and the papers had been made publicly available for inspection via the Council's website. Overall, there was good control in place. The following points were raised:-</p> <ul style="list-style-type: none"> • All actions agreed and decisions taken at DMTs needed to be minuted in order to ensure that decisions made are transparent, can be tracked and monitored. • Alternative plans or revised plans needed to be put in place earlier on for projects assessed as high risk of non-delivery of planned savings. These plans needed to be tested to ensure delivery of the same level of savings. CMT should be advised at the earliest opportunity of risks associated to savings agreed by Members. <p>All findings and recommendations were agreed with Directorate leads and final report was issued to Corporate Directors.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management of VAT</p> <p>Systems Audit</p>	<p>April 2013</p>	<p>This audit sought to provide assurance over management and control of VAT across the Council.</p> <p>Our review showed that VAT Strategy had been formulated. The VAT Manual and VAT Procedure Notes were in the process of being updated. The procedures contained arrangements for managing and administering VAT and lodging of VAT returns. Requirements for sample checks to be undertaken on invoices paid with a VAT value greater than £2,000, on invoices raised with mixed VAT liability and on invoices that have no VAT charged were specified in these procedures. However, the required checks were still to be carried out.</p> <p>Although key input functions were carried out by the same officer, the VAT summary was endorsed by two other officers, which provided assurance over segregation of duties. Corporate Finance had carried out a risk assessment which was RAG rated, but the Risk Register in JCAD still had to be updated. Communication links with Directorates holding information required to manage VAT needed to be made sufficiently robust. VAT management process needed to include scheduled refresh of the assumption in the partial exemption calculation.</p> <p>All findings and recommendations were agreed with the Service Head – Financial Services, Risk and Accountability.</p>	<p>Extensive</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Debtors	March 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Debtors system are sound, secure and adequate. As at 6th January 2012, there was a total of £14.7m of outstanding debt owed to the Council, of which £727k had been outstanding for 12 months or longer.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Reconciliations between the GL and debtors system are not always occurring on a timely basis; • From review of the ledger code reconciliations, it was noted that there were a number of items that were listed as unreconciled for a period in excess of four months; and • Accounts, rather than individual invoices having their status set to inhibited, leading to future invoice recovery being placed on hold. <p>All findings and recommendations were agreed with the Head of Revenue Services, and reported to the Service Head – Financial Services, Risk & Accountability.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Rents	April 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Housing Rents system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Testing identified that the Rent Arrears procedural notes have not been updated since February 2011. The procedure notes are currently being updated to incorporate new working practices. It was identified that the delay was caused by the delegated officer for reviewing and updating the policy having an extended period of sick leave. Furthermore, it was noted that this recommendation was raised as a result of internal audits in both the 2010/11 and 2011/12 financial years. • Testing of 20 rent accounts on SX3 before and after the 2nd April 2012 identified that in one instance the rent increase had not been applied. • Testing of a sample of 20 new tenancies identified that in 11 instances there was a delay in the time taken to set up the new tenancy; delays included void works and two tenancy agreements being received 22 and 31 days, respectively after the start date of the tenancy period. In one of the above 11 instances the reason(s) for the delay had not been documented on the SX3 system. <p>All findings and recommendations were agreed with the Director of Finance at Tower Hamlets Homes, and reported to the Chief Executive of Tower Hamlets Homes.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
NNDR	March 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the NNDR system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The Council has approximately 14,500 business properties and it is estimated that a total of £340m will be collected in the financial year 2012/13 in respect of NNDR.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • We were unable to obtain assurance that the Council has effective controls in place to prevent fraud occurring as a result of retrospective void status being applied to properties. • The Council has developed internal procedures covering the key processes relevant to NNDR which are reviewed annually. It was found that following last year's recommendation, the date of the last review and version number have now been included, but the documents do not state the date of the next review. <p>All findings and recommendations were agreed with the Head of Revenue Services, and reported to the Service Head – Financial Services, Risk & Accountability.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pensions	April 2013	<p>The main objective of the audit was to provide assurance to management that the systems of control around the Pensions system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • From a sample of 20 retirement payments made between April 2012 and February 2013, it was identified that in three instances the AP1 form (payment pro forma) was not signed to certify the payment; and • Our testing found the reconciliations for lump sums and pension increase (PI) on lump sums had not been undertaken for the month of February 2013. Furthermore, the January 2013 lump sum reconciliation was not dated or counter checked by a second officer. • For transfer values in, the quarter 2 reconciliations were not dated or counter-checked by a second officer. Review also found the reconciliations were not dated and counter-checked in either February or March 2013 for the reconciliations dating back to September 2012. <p>All findings and recommendations were agreed with the Pensions Manager, and reported to the Service Head – Financial Services, Risk & Accountability.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	Feb 2013	<p>The main objectives of the audit were to provide assurance to management as to whether the systems of control around the Treasury Management function are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • We found that of the bank reconciliations undertaken for the past six months, the reconciliation for one month (July 2012) was completed more than 30 days after the month end. In addition, none were dated by the second officer checking the reconciliation. • The cash flow forecasts produced by the Treasury Management team are not currently subject to independent review. <p>All findings and recommendations were agreed with the Chief Financial Strategy Officer, and reported to the Service Head – Financial Services, Risk & Accountability.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Remote Access	March 2013	<p>Remote access provides functionality to enable both staff and third party suppliers to access Council's systems and data from areas geographically remote from Council property. This enables a more effective use of Council resources through initiatives such as working from home, whilst providing staff with greater flexibility in their working environment. A revamp of the Council's remote working policy to encourage offsite work has been implemented alongside a new remote security solution; utilising PIN tokens linked to users active directory accounts.</p> <p>The main objectives of the audit were to provide assurance to management that there are adequate internal controls in effective and efficient operation, the processes are meeting the requirements of internal policy and procedural standards, and the processes are meeting external codes of practice, professional and statutory regulations.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • System event summaries were not reviewed. • Firewall access rights were granted indefinitely but no access reviews were being undertaken. • Access rights were granted indefinitely to the network. <p>All findings and recommendations were agreed with the Business Solutions Architect, and reported to the Head of Service – ICT and Customer Access.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Future Sourcing – Contract Monitoring Systems audit	May 2013	<p>This audit sought to provide assurance over the soundness and adequacy of contract monitoring systems to ensure that the strategic objectives and commitments set out in the Strategic Partnering Agreement were being achieved.</p> <p>We found good governance structure in place between the Council and Agilisys Ltd. The contract was governed through a Strategic Partnership Agreement, and the ICT Service is managed via the ICT Operational Services Agreement (OSA). The Strategic Partner provided a termination bond in the sum £1m in respect of procuring and appointing a replacement services provider, should this risk materialise. A pension bond was also in place provided by the Council for the continuation of eligible employees in the Local Government Pension Scheme who were subject to TUPE. There were clear performance standards and KPI's established, which allowed performance to be measured and monitored to improve performance over time. Performance against agreed KPIs was reported monthly to the SOB and quarterly to SPB. An examination of the performance for the sample period confirmed that all service KPI's were within the agreed targets reflecting the targets in place pre-contract. However, we found the following issues which needed to be addressed by management:-</p> <ul style="list-style-type: none"> • The current performance monitoring procedures undertaken by the Client team had not been formally documented in the form of written procedures. • The Contracts and Performance Coordinator undertook quality assessment validation checks on only the Priority 1 (P1) & Priority 2 (P2) incidences reported in the previous month. However, the information provided by Agilisys was not independently tested for data quality. • Our testing showed that apprentice costs were being invoiced by Agilisys on a monthly basis and were being paid. However, due to the lack of detailed information provided by the contractor to support their invoice, we were unable to fully reconcile the costs being charged. In addition, the Corporate Client Team was not able to demonstrate the level of verification checks carried out in order to substantiate either the level of wages or the existence of apprentices to support the monthly invoice. 	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> • Delays have been encountered to the novation process of third party ICT supply contracts to Agilisys. Although, the Council is currently paying for the third party supply contract costs and invoicing Agilisys accordingly, there is a risk that any delays encountered to the agreed timescales for novation could have an impact on the savings projected by Agilisys. <p>All findings and recommendations were agreed with the Service Head, ICT and Customer Access and final report was sent to the Interim Corporate Director, Resources.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Financial Systems	March 2013	<p>The main objectives of the audit were to provide assurance to management as to whether the systems of control around the financial systems are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • From our testing of a sample of 20 R2P transactions and 20 AP Vouchers it was established that on seven occasions (five from the R2P testing and two from AP voucher testing) payments were not made in a timely manner. • Testing of a sample of 20 R2P transactions identified that on four occasions an order form was raised after the invoice had been received. At the last audit, it was recommended that orders should be raised on R2P for all payments to suppliers where cost can be identified before the receipt of invoice. This recommendation was disagreed by management who stated that this was not possible in all cases. As a result, we have not reiterated the recommendation in this report since management has accepted the risk of not implementing this. • Car loan procedure notes should be updated to detail all authorising officers. <p>All findings and recommendations were agreed with the Director of Finance at Tower Hamlets Homes, and reported to the Chief Executive at Tower Hamlets Homes.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
School Admissions	April 2013	<p>The main objective of the audit was to provide assurance to management as to whether the systems of control around the Schools Admissions processes were sound, secure and adequate.</p> <p>The Schools Admissions service is responsible for the allocation of school places in accordance with statutory requirements, including the Admissions Code which came into force in February 2012.</p> <p>A total of 2,999 applications were made as at December 2012 for in-year admissions for London Borough of Tower Hamlets primary and secondary schools. As per the London Councils Pan-London Co-ordinated Admissions Scheme 2012, LBTH was ranked for successful primary school entry for 1st preference at 86.01% against the London average of 78.72% and for 1st preference secondary school admission success rate at 76.54%, against the London average is 65.77%.</p> <p>A total of 225 appeals were made against secondary school place decisions as at September 2012. 18 cases were withdrawn and the Appeal Panel had upheld 26 cases. For primary schools for the same period, 226 appeals were made, of which 40 were withdrawn, and two cases were upheld.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Testing found one Common Application Form missing; • A case was found where information from the application form was not entered into the admissions management system, Impulse; and • Review of the Impulse system which is used to administer admissions for school places found the pre-set system parameters for applying the oversubscription criteria are currently open to a number of officers. <p>All findings and recommendations were agreed with the Head of Pupil Admissions and Exclusions, and reported to the Corporate Director - Education, Social Care and Wellbeing.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Raine's Foundation Upper School	Feb 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Full Governing Body and a Finance Committee which have overall responsibility for financial planning and control. The school follows good practice for the accounting of income and expenditure and generally has effective controls over the collection and recording of income received. The school has adequate risk management and insurance arrangements in place.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The terms of reference for the Curriculum and Policy Committee do not reflect current practice at the school. • Official order forms had not been completed and authorised before orders are placed with suppliers in all cases. • Through testing of 10 new starters at the school it was found that one new starter form had not been signed off by the completing officer and one had not been signed off by a checking officer. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Paul's with St Luke's Church of England Primary School	March 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Full Governing Body and a Finance Committee which have overall responsibility for financial planning and control. The school follows good practice for the accounting of income and expenditure and generally has effective controls over the collection and recording of income received. The school has adequate risk management and insurance arrangements in place.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Although the School Improvement Committee has a terms of reference, it does not provide details on the composition of the Committee, frequency of meetings and the quorum requirements. It was also identified that the terms of reference documents for both the School Improvement Committee and Resources Committee have not been formally approved by the Governing Body. • Through review of the business interest forms kept at the school and through discussions with the Senior Administrative Officer it was found that business interest forms are not held for three new governors, furthermore the register is not extended to members of staff with financial roles at the school. • Official order forms were not completed and authorised before orders are placed with suppliers in all cases. • Evidence of pre recruitment checks undertaken was not retained on file. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stepney Green Maths, Computing and Science College	March 2013	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review confirmed that the school has a Full Governing Body and a Finance, Premises and Personnel Committee which have overall responsibility for financial planning and control. The school follows good practice for the accounting of income and expenditure and generally has effective controls over the collection and recording of income received, and procurement. The school has adequate risk management and insurance arrangements in place.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • There was no evidence that that the terms of reference for a number of sub-committees had been formally approved by the Full Governing Body for the current year. • Examination of the Pay Policy and Charging Policy ascertained that both documents had not been reviewed on an annual basis. Review of the Governing Body minutes could not establish when the Whistleblowing Policy and Sickness Management Procedure were last review and approved. • Through testing a sample of 10 items of inventory, it was established that one of the items could not be located on the school premises. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Out of Hours Social Care Services – Follow Up Audit	March 2013	<p>This follow-up audit assessed the progress made in implementing recommendations emerging from the original audit finalised in March 2012. The provision of this service was undertaken by the Emergency Duty Social Work Service which forms part of the Disabilities & Health Division within the then Adults Health & Wellbeing Directorate. Our review found that of the seven recommendations made in the original report, two recommendations had been fully implemented and three were in the progress of implementation, while two have yet to be actioned.</p> <p>The 2012/13 Team Plan was prepared and the procedural guidelines were still in draft form waiting for finalisation of service structure resulting from a review of the service which was underway. This meant that the monitoring procedures had not been finalised. The issue of staff access to IT systems had been resolved with the implementation of the virtual desktop. However, our testing showed that the staffing budget still needed to be fully funded. The staffing costs for the first three months of 2012/13 showed that 60% of the original budget allocation had already been spent. We were informed that the budgetary situation will be reviewed as part of the amalgamation of the services within the former two Directorates.</p> <p>All findings and recommendations were agreed with the Interim Service Head, Disability and final report was issued to the Acting Corporate Director – Children, Social Care and Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Overcrowding Strategy Follow Up Audit	April 2013	<p>This follow up audit assessed the progress made in implementing the recommendations agreed at the conclusion of the original audit in June 2012.</p> <p>From our review, we could provide assurance that out of two priority 2 recommendations, one recommendation that related to meetings of the Great Place to Live Community Plan Delivery Group to be held in accordance with its terms of reference and the Housing Strategy Action Plan update to be presented to the Great Place to Live Community Plan Delivery Group on at least an annual basis, was implemented.</p> <p>However, the second recommendation relating to six monthly Overcrowding Reduction Strategy progress reports to be produced and presented to the Tower Hamlets Common Housing Register Forum in a timely manner, was not fully implemented. Our review showed that the 2011/12 progress report against the Overcrowding Strategy action plan was reported to the Forum on 11th December 2012 – i.e. 9 month after end of 2011/12 financial year.</p> <p>All findings and recommendations were agreed with the Service Head – Strategy, Regeneration and Sustainability and Final report was issued to the Corporate Director – Development and Renewal.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Vehicle Removal Contract Monitoring –</p> <p>Follow Up Audit</p>	<p>April 2012</p>	<p>This report details the findings and recommendations of a Follow Up audit on Contract Management and Monitoring of the Vehicle Removal Contract.</p> <p>Our review showed that out of four priority 1 recommendations, one was not implemented. All four priority 2 recommendations had been implemented. We made additional findings and recommendations to improve control environment in this area.</p> <p>A revised set of Key Performance Indicators, as well as a monitoring procedure which explains how the monitoring will be carried out, had been put in place. However, our testing of the KPIs monitored during October and November 2012 showed that only a few KPIs were being monitored. Variation orders were being raised, but the financial implications of these orders were not documented and the actual cost of these variations were not cross-checked with invoices to ensure that only agreed variations were being invoiced and paid for. The payment checking and reconciliation process needed to be improved. Moreover, any permanent changes in the policy governing the removal of vehicles needed to be reported to the Mayor and Cabinet for approval.</p> <p>All findings and recommendations were agreed by the Service Head – Public Realm and final report was issued to the Corporate Director, Communities, Localities and Culture.</p>	<p>Moderate</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management of Overtime within CLC</p> <p>Follow Up</p>	<p>March 2013</p>	<p>The objective of this audit was to assess the progress made in implementing recommendations made at the conclusion of the original audit. Our review showed that out of five priority 2 recommendations made at the conclusion of the original audit, four had been progressed. There was one priority 1 recommendation, which had been implemented.</p> <p>Our testing showed that all staff were reminded about the need for authorisation before overtime was actually worked. The trend in overtime expenditure showed that there had been significant reduction over the last two years. Budgets for overtime and additional work had been set up and some degree of monitoring was in place. This showed that the control environment had improved. The issue of over/under payment due to administrative errors on monthly overtime spread sheet submitted to payroll had been addressed. However, we found that there were some issues of non-compliance, which needed to be addressed by management. For example, we identified few cases where overtime was not evidenced as approved by line managers; cost of overtime was not clearly shown on the Efficiency Board Approval Form and overtime was worked in a very few cases without budgets which made monitoring difficult.</p> <p>All findings and recommendations were agreed by the Service Head, Public Realm and final report was issued to the Corporate Director, Communities, Localities and Culture.</p>	<p>Moderate</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bow Idea Store- Regularity Audit	April 2013	<p>This audit examined the systems and procedures in place for the collection and banking of income, ordering and paying for goods and services, budgetary control, inventory management, and staffing controls.</p> <p>Our review showed that systems for cash collection and banking, ordering and paying for goods and services and budgetary control were adequate.</p> <p>However, we highlighted that improvements were required in procedures for inventory control, checking and signing of delivery notes before invoices were receipted on R2P system, secure filing of delivery notes and regular stock checks of books and other items held by the Idea Store to ensure that loss of stock due to thefts, non-returns etc. is monitored and minimised.</p> <p>All recommendations made were agreed to be equally applicable to other Idea Stores and management provided assurance that control improvement will be rolled out to all other Idea Stores.</p> <p>All findings and recommendations were agreed with the Service Head, Arts and Culture and final report was issued to the Corporate Director, Communities, Localities and Culture.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Single List 195	March 2013	<p>The main objectives of the audit were to provide assurance that systems and controls are in place for the assessment and reporting of Performance Indicator 195 and demonstrate any potential influence that the process may have to public perception, and to alert management to any deficiencies in the control procedures.</p> <p>The main issue raised was that the transect surveys were undertaken by the surveyors of the Muslim Women’s Collective whose roles and duties had been defined within the SLA that had been signed by both parties in May 2012. However, from discussion and review, we established that the SLA did not define the responsibilities and liabilities in relation to the health and safety of surveyors during their field work.</p> <p>All findings and recommendations were agreed with the Service Head for Public Realm, the Service Manager - Communities, Localities and Culture, and the Acting Local Streetcare and Contracts Manager, and reported to the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.</p>	Moderate	Substantial

Full Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Data Centre Physical and Environmental Controls	April 2013	<p>The main objectives of the audit were to provide assurance to management that there are adequate internal controls in respect of the physical and environmental security of the Data Centre.</p> <p>Physical Access in the Data Centre facility is restricted and controlled. The facility has a 24/7 team on site who investigate any breach of security. Access by visitors is under supervision. The facility has adequate control in terms of CCTV cameras. The computer equipment is installed in a separate room with controlled access to it. Air conditioning and humidity best practises are being followed. There are adequate controls regarding fire detection in the facility. A fire suppression system is in place. Alternative power supplies are connected to the facility. An inventory/asset registry is in place for reconciliation purposes. Water damage risk is significantly minimised.</p> <p>No recommendations were raised as a result of our review.</p> <p>All findings were agreed with the Business Solutions Architect, and reported to the Service Head, Customer Access and IT.</p>	Extensive	Full

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pension Fund Account Administration and Control	April 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Pensions system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The Financial Strategy service is responsible for the administration of the pension fund account . The pension fund is currently managed by six fund managers, namely GMO, Baillie Gifford, Legal and General (L&G), Investec, Schroders, and Ruffer. Based on the Hymans Robertson Review of Investment Managers' Performance for the Fourth Quarter of 2012, the actual portfolio proportion of asset classes were - Global equity 60.5% ; Bonds 16.9%; Property 10.9%; Alternatives 10% ; Cash 0.8% ; and Trustee Bank Account 1.1%.</p> <p>Our review showed that performance was modestly ahead of benchmark over quarter four of 2012 and the absolute return at total fund level was also positive, reflecting rises in most markets. With the exception of GMO, all of the Fund's active managers outperformed their benchmarks.</p> <p>No recommendations were made as a result of our review.</p> <p>All findings were agreed with the Chief Financial Strategy Officer, and reported to the Service Head – Financial Services, Risk & Accountability.</p>	Extensive	Full

Summaries of Reports on Specific Commissioned Work by Corporate Directors

Appendix 3

Title	Date of Report	Comments / Findings
<p>Bangladeshi Parents and Carers Association (BCPA)</p> <p>Follow Up</p>	<p>April 2013</p>	<p>The objective of this follow up audit was to provide assurance over the progress made by the organisation in implementing the recommendations made within the final Audit report that was issued in May 2012. The Organisation had a budgeted income of £623,480 for 2012/13 financial year and the expenditure forecast was £580,073 with an expected surplus of £43,407.</p> <p>From our testing we confirmed that of the twenty priority 1 recommendations made, eight were fully implemented. Overall there was evidence to show that progress had been made in implementing the remaining 11 recommendations.</p> <p>Our review showed the BCPA Officers made good progress in ensuring that the governance arrangements were improved. We noted that subsequent to audit and other investigations, the previous Chair of the Management Committee resigned and that the new Management Committee has been strengthened with a Co-opted member who is a Director of St Margaret's House Settlement. Expenditure and income control has improved with good budgetary control in place. We made a number of further recommendations that should assist BCPA to achieve greater control and accountability within their organisation.</p> <p>The Chair and the Treasurer of the organisation agreed all the findings and recommendations made in the report.</p>

Title	Date of Report	Comments / Findings
Review of Governance arrangements of the Boishakhi Mela Community Trust Ltd.	February 2013	<p>The Council made a decision in September 2011 to return the Mela to the community and set up an independent panel to consider suitable organisations to organise and run the event in the future. As part of this process, the Council also set out financial and legal conditions that must be met by any organisation before a decision is made to enter into an agreement with them. The independent panel recommended that the Council consider entering into an agreement with the Boishakhi Trust. Following this, the Mayor asked for an independent audit of the financial governance of the Trust before any allocation of grant monies.</p> <p>The initial audit was carried out in March 2012 to help the Trust develop a system of sound financial governance. This audit raised a number of key recommendations for the Trust to implement. Following the Mela event, further audits were conducted to ensure that the recommendations had been implemented and to assess the financial claim submitted by the Trust in respect of its income and expenditure. The auditors found that all the high priority recommendations had been implemented and twenty five of thirty one priority 2 recommendations had also been implemented. For the outstanding six recommendations management has continued to liaise with the Trust to ensure that these are actioned before the Mela 2013. A further audit is being planned which will take place after the Mela 2013 has been held.</p> <p>The Panel examined the claim submitted by the Trust (£199,400) in full and in conjunction with the independent auditors, disallowed a proportion of the claim. The final claim of £161,000 was allowed by the Panel.</p>

Title	Date of Report	Comments / Findings
R2P – Pre-receipting Checks	July 2012	<p>This audit was undertaken at the request of the Audit Commission. A financial report identified a total of 11,952 hard commitments were created as at 31st March 2012 where goods/services had been receipted on the R2P system but payments had not been made as invoices had not been received. We selected a mix of 28 orders from this list for various services within CLC, CSF, Resources, D&R and AHWB and carried out the necessary audit testing to verify that in cases where orders had been marked “receipted” on the R2P system, there was evidence to show that the good/services had been received by the requisitioners.</p> <p>Our testing showed the following, highlighting some risk of pre-receipting occurring:-</p> <ul style="list-style-type: none"> • In 18 cases, we verified that good/services had been received at the point of time when the order was “receipted” on R2P system. • In 6 cases, we could not verify that goods/services had been received at the point when the orders were “receipted” on R2P, as evidence of goods received note or completion certificates were not available. • In 4 cases, there was evidence to show that goods had been pre-receipted. 3 of these orders related to the School Meals service at Toby Lane, where a dispensation was agreed due to nature of the service. In 1 case, it was clear that although the order for laptops had been receipted on 30/03/12, the goods were actually received on 14/04/12.

Title	Date of Report	Comments / Findings
Teachers Grant Claim	Sept. 2012	<p>This annual audit was designed to seek assurances that processes were in place to ensure both employer's and employee's pension contributions for teaching staff were correctly calculated, deducted and paid over to LBTH for onward payment to Teachers Pensions Agency(TPA). We selected five schools which have contracts with external payroll providers to seek assurances that these payroll providers systems were robust.</p> <p>From our audit testing, we provided reasonable assurance that both employer's and employees' pension contributions had been correctly calculated, deducted and passed on to the TPA.</p>

Title	Date of Report	Comments / Findings
THH - Lifts Renewal Programme	January 2013	<p>This review was requested by THH management in order to provide independent assurance that there were adequate systems in place for the Lifts Replacement Programme.</p> <p>Our review has identified two areas that Senior Management needed to address to enable greater transparency and to support any challenge on the compilation of the lift renewal programme. Firstly, there was a clear need for a written policy on the assessment criteria for determining the formation of the annual and five year Lift Replacement Capital Programme.</p> <p>Secondly, our testing and analysis highlighted disparity in the prioritisation of lift replacements programme compiled by Officers. Based upon the information provided to us, the disparity resulted from some lifts which were older and requiring higher level of repairs and servicing, not being prioritised within the programme. There may however, be mitigating circumstances as to the reasons that some lifts had been given a higher priority within the programme than others. However, this was not documented anywhere to support the decisions made by Officers based upon their professional judgement. This, coupled with the fact that some information such as the age of lifts, historical cost and amount of breakdowns could not be evidenced for all of the lifts within the replacement programme, leaves the service open to adverse scrutiny and challenge.</p> <p>All recommendations were agreed by THH management.</p>

Title	Date of Report	Comments / Findings
THH – Specialist Repairs Budget Monitoring	October 2012	<p>This review was requested by THH management. The objective was to identify and report upon the factors which could have caused an overspend on Specialist Repairs budget for 2011/12 and the lessons that can be learnt. Our review showed that overall (allowing for adjustments) expenditure for Repairs & Maintenance was within budget for 2011/12 (expenditure of £14.633m against a budget of £14.704m). However, the expenditure on Specialist Repairs budget was overspent by £604,145 (expenditure of £4.2m, a total budget of £3.6m). The majority of the overspend was in relation to works issued to one contractor for communal heating, hot water and responsive repairs. Audit testing showed that expenditure was being incurred during the fourth quarter of the financial year when there was insufficient budget provision, although variation orders were being raised and approved at this stage. Financial performance reports were not produced for a key reporting period in March and April 2012 and meetings of the DMT were not held during this period. Although concerns of possible overspend were highlighted by finance staff in mid-February, these were not reported upwards. The budget holder required training on accruals accounting and the robustness of forecasting required to be tested regularly by Finance staff to ensure that all commitments were included in the budget forecasts. There was lack of clearly documented procedures together with roles and responsibilities and processes for capitalising of expenditure. All findings and recommendations were agreed with the Director of Finance.</p>

Title	Date of Report	Comments / Findings
Ansel House – Lift Renewal Final Account	April 2013	<p>The objective was to carry out a final account audit. The scheme was approved on 19/08/2009 in the sum of £570,000 (including fees) by means of a Scheme and Estimate Report and the contract was awarded on 10th December 2009 in the sum of £625,816.00 on a fixed price basis. We approved the final account so that the retention could be released and final invoices can be raised to Leaseholders. However, we reported the following:-</p> <ul style="list-style-type: none"> • The final account file needed to contain evidence of the Scheme and Estimate reports for accepted tender and for the additional sums required to install temporary lifts. Although, there was reference that Cabinet approved the scheme value of £762,000, there was no evidence in the file to support this. • There were eight variation orders totaling £208,833.00 issued under this contract along with three extensions of time certificates revising the completion date to 30th September 2011. In order to promote transparency and value for money, the rates quoted by the main contractor to carry out any additional works (variation orders) needed to be supported with evidence of quotations from their sub-contractors. • The final account file submitted to Internal Audit needed to include the evidence of build up to support each interim payment so that sample checks could be undertaken by us against the Bill of Quantities. The quality of arithmetic checks around interim payments needed to be made more robust. • Appropriate vulnerability assessments and surveys needed to be carried out at contract planning/pre-tender stage so that any additional needs/works/services were factored into the tendering process. A 'lessons learned' report was recommended to be undertaken to enable officers to learn from experiences gained that will assist with the development of future contracts and therefore reduce the financial burden on the authority by being able to recoup some of the expenditure through leaseholder recharges.

Title	Date of Report	Comments / Findings
Tower Hamlets Somali Organisations Network (THSON) Probity Audit	September 2012 and March 2013	<p>We carried out a probity audit on Tower Hamlets Somali Organisations Network (THSON). The objects of THSON are to promote the interests of Somali Community in the London Borough of Tower Hamlets. According to the organisation's published Statements of Financial Activities for year ended 31st December 2010, which was signed and approved on 31st March 2011, it received a total funding including Mainstream Grant funding, Corporate Match Funding and Working Neighbourhoods Funding (WNF) of some £368,084.</p> <p>Overall, we concluded that the governance framework and financial control within the organisation was very weak, leaving the system open to significant error or abuse. We found numerous instances where THSON's own Financial Procedures and conditions of MSG were not being complied with. Regular monthly bank reconciliations were not undertaken. Procurement for goods and services were not in accordance with their own procedures and we found evidence of forged quotations and a falsified invoice which was paid by the organisation without adequate checks and controls.</p> <p>We recommended a series of improvement in governance and financial control and drew drawing up an Action Plan for the organisation in conjunction with D&R Third Sector Funding section. We also recommended a more robust monitoring regime within the Service to ensure that management oversight and quality control of monitoring visits are put in place to scrutinise the quality of monitoring visits by individual officers of the Council.</p>

Internal Audit Coverage – 2012/13

Audit Description	Significance	Assurance
Corporate Systems		
Oyster Cards	Moderate	Limited
Data Quality	Extensive	Substantial
Translation Services	Moderate	TBC
Purchase Cards	Extensive	TBC
Contract Management	Extensive	TBC
Management of Complaints	Extensive	Substantial
Scheme of Delegation	Extensive	TBC
Waivers of Financial Regulations	Extensive	Substantial
H&S Governance FU	Extensive	Substantial
R2P Pre-receipting checks	Extensive	N/A
Core Management FU	Extensive	Substantial
Management Of Transformation Projects	Extensive	Substantial
Leavers FU	Extensive	Substantial
Chief Executives		
Registrars FU	Moderate	Substantial
Information Security FU	Extensive	Substantial
Children, Social Care and Wellbeing		
Special Education Needs - assessment and commissioning	Extensive	TBC
School Meals Income Collection and Banking- Sir John Cass	Moderate	Limited
YOT FU	Moderate	Substantial
School Meals Income Collection and Banking - Raines	Moderate	Substantial
Swanlea - School Meals Income Collection and Banking	Moderate	Substantial
George Green - School Meals Income Collection and Banking	Moderate	Substantial
Stepney Green - School Meals Income Collection and Banking	Moderate	Substantial
Grant Claim – Teachers Pensions Return	Moderate	N/A

Audit Description	Significance	Assurance
Children's Centres	Extensive	N/A - regularity
Looked After Children	Extensive	TBC
School Admissions	Extensive	Substantial
Careers Service	Extensive	Substantial
Core Assessments	Extensive	TBC
Commissioning of Children's Social Care	Extensive	TBC
Statutory Review Process	Extensive	TBC
OT Stores FU	Moderate	Substantial
Look Ahead FU	Moderate	Substantial
Apesenth FU	Low	Substantial
Safeguarding Vulnerable Adults	Extensive	Limited
Supporting People	Extensive	Substantial
Bangladeshi Parents and Carers Association (BPCA)	Moderate	Substantial
Schools		
Bow School of Maths and Computing	Moderate	Substantial
Cambridge Heath Sixth Form	Extensive	Limited
Cubitt Town Infants School	Moderate	Substantial
Cyril Jackson Primary School	Moderate	Substantial
Harry Gosling Primary School	Moderate	Substantial
Harry Roberts Nursery School	Moderate	Limited
Marion Richardson Primary School	Moderate	Limited
Marner Primary School	Moderate	Substantial
Morpeth Secondary School	Extensive	TBC
Old Church Nursery School	Moderate	Substantial
Olga Primary School	Moderate	Limited

Audit Description	Significance	Assurance
Our Lady Catholic Primary School	Moderate	Substantial
Phoenix Special School	Extensive	Limited
Rachel Keeling Nursery School	Moderate	Substantial
Raine's Foundation Upper School	Extensive	Substantial
St Anne's Catholic Primary School	Moderate	Limited
St Edmunds Catholic Primary School	Moderate	Substantial
St Matthias Primary School	Moderate	Limited
St Paul's Way Trust School	Extensive	Limited
St Paul's Whitechapel Primary School	Moderate	Substantial
St Paul's with St Luke's Church of England Primary School	Moderate	Substantial
Seven Mills Primary School	Moderate	Substantial
Stebon Primary School	Moderate	Substantial
Stepney Green Maths, Science and Computing College	Extensive	Substantial
Stepney Greencoat Primary School	Moderate	TBC
Stephen Hawking School	Extensive	Limited
Swanlea Secondary School	Extensive	Substantial
Thomas Buxton Primary School	Moderate	Limited
Virginia Primary School	Moderate	Substantial
Communities, Localities and Culture		
Commercial Waste	Extensive	TBC
Single List 195	Moderate	Substantial
Equality Impact Assessment	Moderate	TBC
Management and Control of Markets	Extensive	TBC

Audit Description	Significance	Assurance
Management and Control of Anti-Social Behaviour	Extensive	TBC
Idea Stores- Probity Audit	Moderate	Substantial
Hospitality & Gifts FU	Extensive	Substantial
Out of Hours Social Care Services - FU	Extensive	Substantial
Highways FU	Extensive	Substantial
Trading Standards Stores	Moderate	Limited
CLC Overtime FU	Moderate	Substantial
Procurement above EU - CLC	Extensive	Substantial
Vehicle Removal Contract FU	Moderate	Substantial
Pollution Control FU	Moderate	Substantial
Lifelong Learning FU	Moderate	Substantial
Governance of Boishakhi Mela Community Trust Ltd.	Moderate	N/A
Tower Hamlets Homes		
Bancroft Tenant Management Co-Operative Follow Up	Moderate	Substantial
Financial Systems	Extensive	Substantial
Water Systems and Installations	Extensive	Limited
Document Management and Workflow	Extensive	TBC
Right to Buy	Extensive	TBC
Estate Parking Permits	Moderate	Limited
Governance of THH	Extensive	Substantial
Contractors Final Accounts Audits	Extensive	Limited
Specialist Repairs – Budgetary Control	Extensive	N/A
Lift Programme Review	Extensive	N/A

Audit Description	Significance	Assurance
Final Account Audit on Ansell House Lifts	Extensive	N/A
Development and Renewal		
Property Buy Back Programme FU	Extensive	Substantial
Asset Management & Disposal FU	Extensive	Substantial
Management and Control of S106 Planning Obligations	Extensive	Substantial
Collection and Banking of Planning Fees	Moderate	Limited
Tower Hamlets Somali Organisations Network (THSON) Probity Audit	Moderate	N/A
Aids and Adaptations	Extensive	TBC
Lettings and Nominations	Extensive	Substantial
Management and Control of Land Charges	Extensive	Substantial
Payments for Accommodation for Homeless	Extensive	TBC
Resources		
Treasury Management	Extensive	Substantial
HR/Payroll	Extensive	Substantial
General Ledger	Extensive	Substantial
Creditors/R2P	Extensive	Substantial
Debtors	Extensive	Substantial
N.N.D.R.	Extensive	Substantial
Council Tax	Extensive	Substantial
Capital Programme & Accounting	Extensive	TBC
Cashiers	Extensive	Substantial
Pensions	Extensive	Substantial
Pension Fund Account Administration and Control	Extensive	Full
Housing & Council Tax Benefit	Extensive	Substantial
Housing Rents	Extensive	Substantial
Grant Claims	Extensive	TBC
Mayors Education Allowance	Moderate	Substantial

Audit Description	Significance	Assurance
Cancelled Cheques	Moderate	Substantial
Management of VAT	Extensive	Substantial
Competitive Tendering	Extensive	TBC
Medium Term Financial Plan – FU	Extensive	Substantial
Future Sourcing Contract Monitoring	Extensive	Substantial
Computer Audit		
Framework-i Adult Social Care Application	Extensive	Substantial
Data Centre Physical and Environmental Security	Extensive	Full
ICT Governance	Extensive	Limited
Remote Access (Smarter Working)	Extensive	Substantial
Resourcelink Payroll Application	Extensive	TBC
Software Licensing	Extensive	Limited
Server Virtualisation	Extensive	TBC
Telecommunications	Extensive	Substantial

Head of Audit Opinion – Summary

APPENDIX 5

Background

The purpose of this report is to meet the Head of Internal Audit annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at paragraph 10.4 that the report should:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control;
- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The Code of Practice also states at Paragraph 10.4 that:

“The Head of Internal Audit should provide a written report to those charged with governance.”

Therefore in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Council in meeting the requirements of Regulation 4 the Accounts and Audit Regulations. These state that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

Head of Internal Audit Opinion on the Effectiveness of Internal Control 2012/13

This opinion statement is provided for the use of London Borough of Tower Hamlets Council (hereafter referred to as the Council) in support of its Statement on Internal Control (required under Regulation 4(2) of the Accounts and Audit Regulations 2003) that is included in the statement of accounts for the year ended 31 March 2013.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore **only provide reasonable and not absolute assurance of effectiveness**. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Control Environment

The Internal Audit Code of Practice states that the internal control environment comprises three key areas, internal control, governance and risk management processes. Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these three key areas.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development

and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

Head of Internal Audit Annual Opinion Statement

My opinion is derived from work carried out by Internal Audit Services during the year as part of the agreed internal audit plan for 2012/13, including an assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2012/13 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

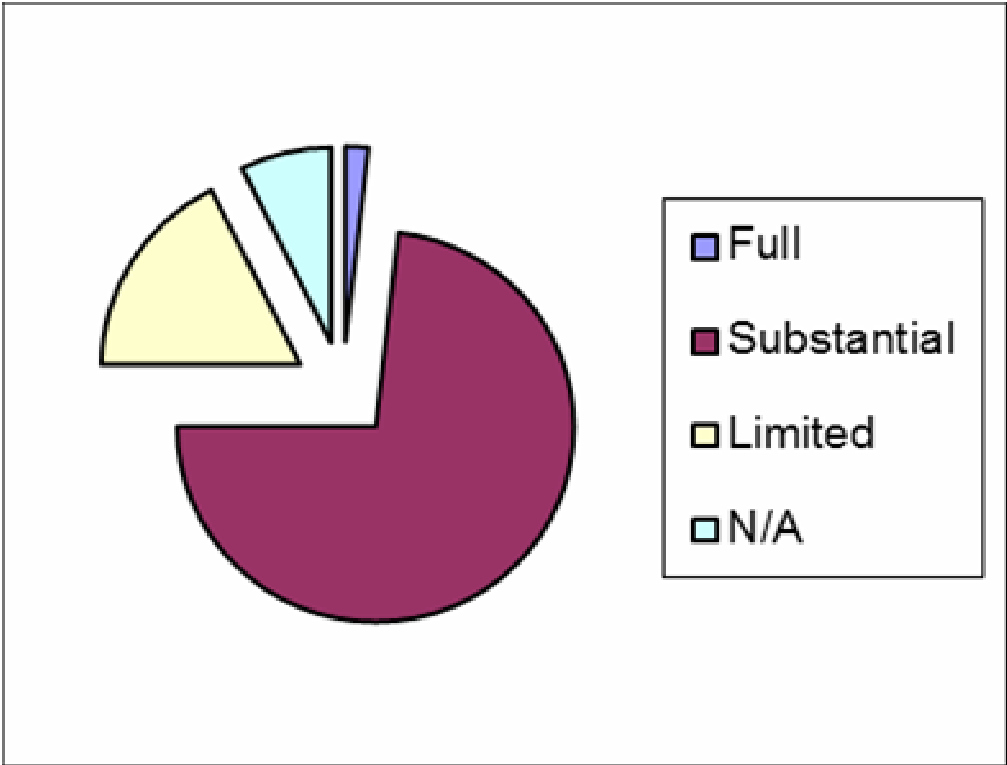
Audits have been conducted in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and additionally from internal quality assurance systems. This programme of work is outlined at Appendix 4.

My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the organisation's Assurance Framework, that are covered by Internal Audit's programme. Where principal risks are identified within the organisation's framework that do not fall under Internal Audit's coverage, I am satisfied that a system is in place that provides reasonable assurance that these risks are being managed effectively.

98% of Internal Audit work for the year to 31 March 2013 was completed in line with the operational plan. The percentage levels of assurance achieved for reports submitted to the CMT in 2012/13 are depicted in Graph 1 below. This shows that 75% of the systems audited achieved an assurance level of full or substantial assurance, whereas only 18% of systems audited achieved limited or nil assurance. This is a good performance by the council.

Internal Audit's planned programme of work also includes following-up all agreed recommendations. I believe this also to be a fair performance by the Council, particularly given that 84% of priority 1 and 84% of priority 2 recommendations followed up had been implemented when the audit revisited the area. Escalation procedures have been developed over the last year to improve on current performance and these have been agreed by the Corporate Management Team and the Audit Committee.

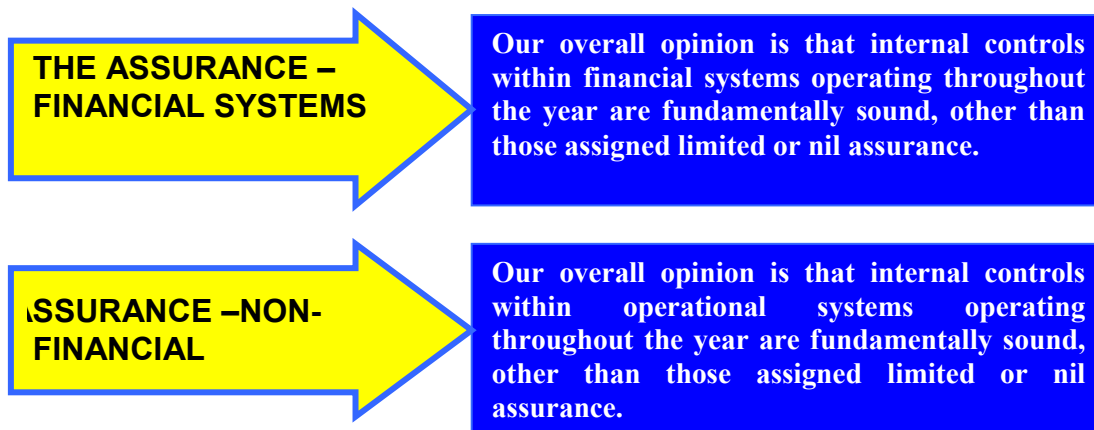
Graph 1



2012/13 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2012/13, it is my opinion that I can provide satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31st March 2013 accords with proper practice, except for any details of significant internal control issues as documented in the Detailed Report on **pages 40-41**. The assurance can be further broken down between financial and non-financial systems, as follows:



Risk Management

In my opinion, risk management within the Council continues to be embedded, with increased emphases on buy in from staff, Member and the Corporate Management Team. Embedding risk management within the culture is a lengthy process, continuing to improve the management information in the form of risk registers and reporting of risks and control will ordinarily assist this process. The Audit Committee received an annual Risk Management report in January 2013.

I would like to take this opportunity to formally record my thanks for the co-operation and support received from the management and staff during the year, and I look forward to this continuing over the coming years.

Minesh Jani – Head of Audit and Risk Management

June 2013

DETAILED REPORT

Introduction

This section is a report detailing:

- 1 any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- 1 any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- 1 the identification of work undertaken by other assurance bodies upon which Internal Audit has placed reliance to help formulate its opinion;
- 1 the management processes adopted to deliver risk management and governance requirements;
- 1 comparison of the work undertaken during the 2012/13 year against the original Internal Audit plan; and
- 1 a brief summary of the audit service performance against agreed performance measures.

Significant Control Issues

Internal Audit is required to form an opinion on the robustness of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which have arisen during the financial year 2012/13. Key issues included:

Safeguarding Vulnerable Adults - The main objective of the audit was to provide assurance over the systems and controls in place for managing the service. The Safeguarding Adults policy/procedure document was out of date and needed to be reviewed and version controlled. Our testing showed that not all members of staff had a valid CRB check which is less than three years old and that not all members of staff had participated in any safeguarding vulnerable adults training courses within the last three years. In addition, not all referrals were supported by adequate records and that management did not review a random 10% sample of completed referral cases each month, as stated within the Safeguarding Adults Process policy/procedure.

Planning and Building Control Fees and Charges – Our testing of management and control over the collection and banking of income showed that a clear framework for managing, controlling and integrating collections and banking for the whole of the service needed to be established. Cheque and cash income needed to be transferred between staff in a controlled manner and

needed to be banked in a timely manner. Income transactions were recorded on the local IT system ACOLAID which recorded the financial and service details for each transaction with reference numbers. However, there was no reconciliation between income recorded on ACOLAID and income recorded on General Ledger, which increased the risk of any error, omission, irregularity or fraud not being identified and prevented on time.

Water Systems and Installations – This audit tested controls in place within Tower Hamlets Homes (THH) for the inspection, testing and rectification of water systems and installations, in order to comply with statutory obligations and health and safety requirements. Completed inspections were reported by the appointed contractor, but the date of the inspection had not been reported in some cases which made performance monitoring difficult. Furthermore, in some cases where the contractor had reported that further action was required, these had not been commissioned and it was not possible to determine the reason for this, since it had not been documented. In cases where access was not gained (e.g. demolished buildings or no access to property), it was not clear what further action was taken. The system for post-completion review was inadequate as there were cases where evidence of this review was not in place. Contract monitoring meetings with the contractor needed to be more effective and clearly documented.

Trading Standards Evidence Stores - Our testing showed that written procedures for an effective management of the evidence stores was not in place. Arrangements to deliver an effective Evidence Control System, as documented in its own Risk Register, needed to be put in place. There were three separate Stores where evidence was kept. However, a review needed to be carried out to assess the cost-effectiveness of these three separate stores with an objective of rationalisation. Control over inventory, tracking of tagged items, disposal of evidence, transfer of evidence to other agencies, security and safekeeping of the stores kept in Anchorage House and Commercial Road was not as sound as it should be, putting the safe keeping of seized goods at risk.

Contractors' Final Accounts - This audit sought to provide assurance that Tower Hamlets Homes has adequate systems in place for auditing contractors' final accounts. THH manages a significant part of the Council's Housing Capital Programme. Our audit found that a Final Account Procedure was introduced in March 2012 by Property Services, which required all schemes above £25,000 subject to final account audit. However, our testing showed that in five out of seven final accounts examined by Audit, the Contract Administrator's line Manager was also a member of the Audit Panel which approved the final account. We were of the opinion that the level, extent and quality of testing on final accounts undertaken by the Audit Panel may not be of the same standard and independence as that of an independent contract Auditor. We therefore, recommended that a review (cost-benefit) be undertaken of the current practice and consideration should be given to having a system of auditing final accounts

by independent auditors. We found that a number of variation orders were issued which related to additional works which could not be referenced to the contracted Schedule of Rates (SOR). Evidence of written quotations from the contractor for these non-SOR works was not found on the final account file to demonstrate value for money.

Creditors - The main objective of the audit was to provide assurance to management as to whether the systems of control within the Requisition to Pay (R2P) system were sound, secure and adequate. Our review showed that procedure notes were not up to date. Two instances were identified where the approval process for invoices was circumvented through the purchase order being automatically mapped with its respective invoice. We were unable to evidence that adequate checks were carried out prior to the amendment of suppliers' bank details on the system. Controls needed to be strengthened to prevent duplicate payments being made. Catering Services had been given special dispensation to automatically receipt goods on the R2P system, as it was felt impractical to acknowledge receipt for all low value, high volume items. However, no compensating measures had been put in place to substantiate that all goods ordered had been received.

Schools Audits – During 2012/13 we carried out probity audits on 29 schools - 7 secondary, 19 primary and 3 nursery schools. A total of 10 of these schools received Limited assurance. The main issues raised were around the robustness of school governance, financial management, procurement controls, payment control, staffing control and inventory control. The common control weaknesses emerging from school audits and the actions required to improve controls have been summarised in an annual report. This has been issued to all schools so that there is awareness of good practice. Appropriate support is being provided by the Local Authority's Schools Finance team.

Contract Management and Monitoring, – Our audits on the Council's arrangements for monitoring various contracts found that effective contract management and monitoring was required. Clear corporate guidance on contract management of revenue contracts needed to be put in place to ensure that critical areas are effectively monitored throughout the life cycle of each contract so that benefits are derived from improved monitoring. Monitoring meetings needed to be more effective and benefits e.g efficiencies and savings emerging from each procurement needed to be clearly identified.

Management and Control of Oyster Cards - our review showed that there were no policies and procedures in place for the use, control and monitoring of Oyster cards. This exposed the Council to risk of error, omission, irregularity and fraud. Our testing identified that cards were not formally assigned to individual staff members. Where pool cards were used, only verbal authorisation was given in

some cases. Generally, record keeping was poor which made monitoring the use of cards difficult. Security of cards needed to be improved. There was weak accounting for the expenditure as no specific ledger code was created to record Council-wide expenditure on Oyster Cards, which made budgetary control difficult.

Qualifications to the Opinion

Internal Audit has had unfettered access to all areas and systems across the authority and has received appropriate co-operation from officers and members.

Other Assurance Bodies

In formulating the overall opinion on internal control, I took into account the work undertaken by the following organisation, and their resulting findings and conclusion:

- a) Audit Commission
- b) Care Quality Commission
- c) Ofsted

Risk Management Process

The principle features of the risk management process are described below:

Risk Management Strategy: The Council has established a Corporate Risk Management Strategy that sets out the Council's attitude to risk and to the achievement of business objectives and has been communicated to key employees. The policy:

- 1 Explains the Council's underlying approach to risk management;
- 1 Documents the roles and responsibilities of the Council, Cabinet and Directorates;
- 1 Outlines key aspects of the risk management process; and
- 1 Identifies the main reporting procedures.

Corporate Risk Register: This register records significant risks that affect more than one directorate. The register also includes major corporate initiatives, procurement and projects.

Directorate Risk Registers: Each directorate maintains its own register recording the major risks that it faces.

Corporate Risk Group: The Group identifies and oversees the management of corporate risk, and reviews directorate registers to identify emerging corporate risks.

Comparison of Internal Audit Work

The Operational Plan for 2012/13 was based on an Audit Risk Assessment. This assessment model takes into account four assessment categories for which each auditable area is scored to gauge the degree of risk and materiality associated with each area. Auditable areas were prioritised according to risk and a plan was prepared in consultation with Heads of Service, the Section 151 Officer and the Council's external auditors.

The Internal Audit plan was agreed at the start of the year and revised in December 2012. A summary of the revised plan is provided at Appendix 1 for information. The table compares the plan to the work actually completed during the year.

Internal Audit Performance

A table is provided at section 9 of the main body of report setting out the pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against the targets that were set in advance.

Internal audit is subject to benchmarking exercise as part of the IPF Benchmarking Club. The results of these reviews are at Appendix 7.

External Audit continues to rely fully on the work undertaken by Internal Audit. This has resulted in the harmonisation of internal and external audit plans, so that external audit

can place greater reliance on the work of internal audit. During the course of the year we have worked closely with the External Auditors to ensure that this approach is followed.

Compliance with CIPFA Code of Internal Audit Practice

Internal Audit has comprehensive quality control and assurance processes in place to confirm compliance with the CIPFA standards. Assurance is drawn from:

- 1 The work of external audit; and
- 1 My own internal quality reviews.

External audit carried out a review of internal audit for the financial year 2009/10 and reported their findings in March 2010. The main conclusions of their review were: -

Internal Audit is compliant against the 11 code of the CIPFA code of Practice;

The Internal Audit Service has appropriate governance arrangements, internal policies and sufficient resources to enable an independent, objective and ethical audit to be completed in line with the code.

That audit files contained sufficient information for an experienced auditor with no previous connection with the audit to re-perform the work and if necessary support the conclusions reached.

Minor recommendations were raised which are being addressed.

Benchmarking Club Results

1. Benchmarking Club Results

- 1.1. Internal Audit has participated in the Audit Benchmarking Club administered by the Institute of Public Finance (IPF) since 1999/2000. IPF is a division of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.2. The purpose of the benchmarking exercise is to provide comparative information which can form the basis upon which performance comparisons and value for money judgements can be made. Moreover, this information can also feed into the team planning process.
- 1.3. As part of the 2011/12 CIPFA benchmarking club the London Borough of Tower Hamlets was benchmarked against a range of Unitary Authorities selected either because the level of annual General Fund financial activity was similar, or annual total revenue, i.e., General Fund and HRA was similar. For the purpose of the benchmarking review the group with which LBTH internal audit was compared comprised 16 London Boroughs.
- 1.4. In terms of cost analysis, LBTH Internal Audit cost per audit day was £376 compared with the comparator group average of £364 per day. In comparison with the other 16 London Boroughs, LBTH was a medium cost service.