

## Summary of Audits Undertaken

## APPENDIX 2

### Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management and Control of Probationary Tenancies</p> <p>Follow Up audit</p>	<p>Sept. 2013</p>	<p>A full systems audit on Management and Control of Probationary Tenancies was undertaken in May 2011. Following this, a follow up audit was undertaken in May 2012 and this found that a number of agreed recommendations had not been implemented. The objective of the second Follow Up audit was to assess the progress made in implementing those recommendations agreed at the conclusion of the first follow up.</p> <p>Our review showed that of the five high priority recommendations made at the conclusion of the first follow up audit, only one had been fully implemented. Whilst Management had put controls in place to implement the remaining four recommendations, these controls were not effective due to non-compliance with procedures together with lack of good quality random checks by Team Leaders, weak records of settling in visits, poor scanning of records on Comino and weak monitoring by management. We were concerned that on the basis of our sample testing, the quality of statutory settling in visits, management checks and associated records would not support the awarding of secure tenancies. We have recommended that the quality of monitoring checks carried out by team leaders and absence of key documents on the Comino system should be fundamentally reviewed by management.</p> <p>All findings and recommendations were agreed with the Director of Neighbourhood Services and the Interim Head of Neighbourhood Services and final report was issued to the THH Chief Executive.</p>	<p>Extensive</p>	<p>Limited</p>

**Management Comments**

New workflows and associated configurations have been designed and built on our Comino EDRMS/Workflow system according to business specifications. Final business sign off meetings have been scheduled for November 2013. This process change will ensure that there is robust system in place for Team Leaders and Area Housing Managers to carry out quality checks of records that can be monitored, controlled and evidenced. This action should lead to improvement in the control environment.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Commercial Waste	Sept 2013	<p>The main objective of the audit was to provide assurance to management over the systems and controls for managing the Commercial Waste service and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. As of January 2013, the Council had 3,437 commercial waste customers. The commercial waste collection service generated income of approximately £3.1M during 2012/13 while the Council paid Veolia a management fee of £717,500.</p> <p>The main weaknesses identified were as follows:-</p> <ul style="list-style-type: none"> <li>• There was no evidence available to confirm that the Council verified the sales income reports provided by Veolia.</li> <li>• Key Performance Indicators (KPIs) were not measured against targets.</li> <li>• There was no evidence available to confirm that Veolia provided the Council with a complaints report on a monthly basis as required by clause 43.3 of the waste management contract.</li> <li>• There was no evidence available to confirm that the 2012/13 management fee of £717,500 was formally agreed by both parties.</li> </ul> <p>All findings and recommendations were agreed with the Service Head, Public Realm, and the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.</p>	Extensive	Limited

## **Management Comments**

The Council's Finance Officer has requested that Veolia submits detailed working papers with all Sales/Income transaction identifying how income due to the Council has been calculated on a quarterly basis i.e

- A detailed Portfolio Valuation report
- Bank Statements
- Cashbook and
- Bank Reconciliation Statements.

These will be reviewed and agreed between Service and Finance on a quarterly basis prior to raising invoices. Disputes will be raised by Service with Veolia at Senior Strategy meetings. The senior strategy meetings which occur bi-monthly now have a process where all reports and agreements are agreed throughout the year. We will now add this audit report to the next agenda and it will form a regular part of future agendas with deadlines to ensure that all income due to the Council has been paid in full and that all income due to the council is signed off by senior strategy meeting and then by finance officers.

KPI's are now being measured against last year's targets and are regularly discussed at monthly contract meetings.

The KPI reports now include a complaints report specifically for Commercial Waste as opposed to previously where they were included within the general complaints reports.

The agreed costs were signed off at the September Senior strategy meeting and are attached as evidence. This will now become part of the annual review meeting for signing off by senior managers from LBTH and Veolia each year.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Competitive Tendering – Systems Audit	Sept. 2013	<p>The objective of this audit was to provide assurance that systems for managing and controlling competitive tenders for the purchase of goods, works and services were sound and secure and that EU Regulations were being complied with.</p> <p>Our review showed that contracts were generally being tendered in accordance with EU Regulations and forward plans were being presented to the Cabinet. Advertisements had been placed on the OJEU and Council’s web pages. Pre-Qualification procedures were in place and Questionnaires were being assessed.</p> <p>However, comprehensive and coherent procedures and processes for both Directorate staff and for procurement staff needed to be put in place. From a sample of 10 procurement exercises we selected for testing across the Council, we found audit testing difficult in some areas as clear audit trails were not present within Directorate and Corporate Procurement. Our review also showed that Tollgate reviews could not be evidenced in some cases, and decisions made had not been clearly documented or retained within the contract files held within the shared M-Drive. Although, both PQQ and tender evaluations had been undertaken, it was not always clear which officers were on the evaluation panel. Our review identified two contracts which had been tendered by external consultants, however there no LBTH Officer present at the tender.</p> <p>Although Directorate staff had devolved responsibility for managing the tendering process, there was no evidence of monitoring by Procurement as to whether procedures were being complied with by Directorate staff.</p> <p>All findings and recommendations were agreed with the Head of Procurement and final report was issued to the Interim Corporate Director – Resources.</p>	Extensive	Limited

## **Management Comments**

The existing Procurement Procedures were introduced in 2009 along with two procurement governance boards; Competition Board and Competition Planning Forum. Contracting strategy over £250,000 is reported to competition board on a monthly basis for review and approval. Since 2009 procurement service has undergone a number of re-structures and has had three service heads. Absence of this stable strategic direction for procurement has resulted in some operational failures.

Following the launch of the Procurement Policy Imperatives in January 2013, a number of projects have been initiated to help transform the procurement service to deliver these imperatives. In May 2013, the terms of reference for Competition Board and Competition Planning Forum was refreshed to reinforce and enhance their influence in the procurement process and in June 2013, Tollgate 3 (Gateway Review) was introduced to review the performance of key strategic contracts.

With the support of Competition Board, an 'end to end' review of the existing procurement procedures and governance process was launched in July to ensure they are clear, robust and coherent whilst potentially improving the pace of the procurement process. This work also involved the development of a new Contract Management Toolkit for use by commissioners and contract managers across the organisation.

The existing manual PQQ process was fully automated and went live from 1<sup>st</sup> November in line with a Pan London PQQ (Pre-Qualification Document) to support SME's, increase compliance and further streamline our procurement process and address audit concerns. In addition to the existing detailed audit trail, including date, time and names of person releasing the sealed bids as well as the officer verifying the release, a Contract Lawyer is also now present to witness this tender release process.

The key changes to the revised Procurement Procedures was presented to and agreed at Competition Board meeting in October and subsequently at the November meeting. The new Procurement Procedures is scheduled to go live in January 2014 along with a leaner Tollgate process.

The recommendations from this audit have either already been implemented or is on schedule to be implemented within the agreed timescale.

## Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Service Charges – Systems audit	Sept. 2013	<p>The objective of this audit was to provide assurance to management that the systems of control around the collection and recovery of service charges debts were sound, secure and adequate. Our testing showed that there were approved and documented strategies, policies and procedures covering the key processes for collection and recovery of debts. Management information (e.g. age and profile of debt, collection rate, provision for bad debts, complaints etc.) was produced and reported to senior management. There was regular reporting of the level of outstanding debt to senior management so that appropriate remedial actions could be taken.</p> <p>However, we found that reconciliations with the GL system for 2012/13 financial year had not been undertaken since week 16 (end of period 4). This was due to incorrect postings of rent on the SX3 system not having been resolved since August 2012. From a sample of six disputes since April 2011, in three instances disputes had not been resolved in a timely manner. There was evidence of prolonged time periods from the receipt of disputes to the initiation and conclusion of the investigation process. In addition, the arrears database needed to flag up accounts which required escalation at different stages in the arrears cycle automatically, to ensure that arrears were followed up promptly.</p> <p>All findings and recommendations were agreed with the Acting Head of Leasehold Services and final report was issued to the THH Chief Executive.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes - Tenancy Successions and Exchanges	Nov 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the administration, management, control and approval of mutual exchanges and tenancy successions 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"> <li>• Review confirmed that policies and procedures in relation to mutual exchanges of and successions to tenancies were in place and had been made available to staff. However, they have not been reviewed or updated since August 2010.</li> <li>• From sample testing of ten mutual exchange cases between July 2012 and October 2013 we identified one case in which evidence of personal identity verification checks, such as passport and/or driver's licence was not on file. Instead, a copy of the customer's Halifax bank card and TV licence card was on file as evidence of the customer's identification.</li> <li>• From sample testing of 10 succession cases between June 2012 and July 2013 we could not confirm the approval of three S1 forms (application form completed by customers for successions which is also completed by Tower Hamlets Homes staff to approve the right to succession). We were informed the second page of the S1 forms which contains the approval section was not scanned onto Comino by the service responsible for scanning.</li> <li>• From discussions with management, we were informed that at present there are no set key performance indicators in place to assess the performance of the successions and mutual exchanges services.</li> </ul> <p>All findings and the recommendations made were agreed with the Interim Head of Neighbourhoods at Tower Hamlets Homes (THH), and reported to the Chief Executive of THH, Director of Finance &amp; Customer Services of THH, and Acting Director of Neighbourhoods of THH.</p>	Extensive	Substantial



Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
General Ledger	Sept 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the General Ledger 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"> <li>• The request form that officers completed when requesting a new cost centre to be set up was out of date; and</li> <li>• Sample testing of 20 budget virements since April 2012 identified 10 instances where the signature of the budget holder and/or Corporate Director had not been obtained on the virement form.</li> </ul> <p>All findings and recommendations were agreed with the Chief Accountant, and reported to the Interim Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Email and Exchange	Sept 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Email and Exchange 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"> <li>• There was no separate exchange server testing environment. Where changes are applied directly into the live Exchanger Server 2010 environment prior to testing in a separate test environment, there is an increased risk of systems and services being affected or potentially creating vulnerabilities in the Exchanger Server 2010 infrastructure which could significantly disrupt the messaging service; and</li> <li>• A disaster recovery plan and disaster recovery failover test for the Microsoft Exchange Server 2010 has yet to be formally undertaken to provide management with assurance that the Exchange messaging service can effectively failover from Welwyn Garden City to Bethnal Green without any issues.</li> </ul> <p>All findings and recommendations were agreed with the Business Solutions Architect, and reported to the Interim Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Disaster Recovery	Oct 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Disaster Recovery 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"> <li>• The disaster recovery arrangements may not be aligned to business needs and we recommended that copies of the updated 2013 Business Risk Impact Assessments for each of the Council's five directorates should be reviewed to identify any changes in the business risks and requirements that affect the disaster recovery arrangements.</li> <li>• The actual and desired recovery time frames are not in alignment for all systems under current arrangements.</li> <li>• Some systems identified in the disaster recovery arrangements have not been tested recently.</li> </ul> <p>All findings and recommendations were agreed with the Business Solutions Architect, and reported to the Interim Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Building Schools for the Future  -Post-Contract Audit		<p>The objective of this audit was to provide assurance that adequate post-contract arrangements were in place for projects within the BSF Programme and that systems for monitoring contractor's and consultants' performance, for undertaking post-completion assessment and for preparing and auditing Final Accounts were sound and secure. The only project which reached post contract stage was Bethnal Green Technical College, now Bethnal Green Academy. Post contract review, was therefore undertaken on this project. The original contract sum was £17,045,742 and the final account was approved in the sum of £17,620,000. This was due to Authority Notices of Variations (ANVs) amounting to £574,258, which was 3.37% of the original contract sum. All the variations had been approved and funded.</p> <p>Our review showed that procedures for compiling and reviewing final account were developed to ensure consistency for all projects within the BSF programme. However, the procedure note was not dated and needed to be formalised. The lessons learned had been documented and passed to all project officers within the BSF team to enable officers to be informed of issues encountered. A detailed report had been prepared for the Strategic Partnering Board on the final out-turn. A reconciliation had been undertaken from expenditure coded on the Council's General Ledger system to contractual payments recorded by the Project Manager, which took a considerable amount of work due to the mis-coding and apportioning of expenditure due to single invoices being provided for multiple projects by the Local Education Partnership (LEP). We have recommended that the LEP should be requested to invoice for each scheme individually to avoid journal transfers. In addition, we reported that the Council has not made any arrangements for monitoring of the BSF projects to assess the success of the programme in improving building performance and other associated objectives. We recommended that a system be developed to allow all projects within the BSF programme to be monitored against their original objectives in terms of building performance and other key outcomes.</p>	Extensive	Substantial

## Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Troubled Families Programme</p>	<p>Oct 2013</p>	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Troubled Families Programme 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"> <li>• We identified a number of cases (significant cases include £50k and £19k procurements) whereby expenditure had been incurred but insufficient quotations had been obtained and no tender waiver had been completed, which represents a breach of the Council's Financial Regulations.</li> <li>• There is a lack of local policies and procedures in relation to the identification, monitoring and processing of data for the scheme; and</li> <li>• No independent sample checks are undertaken in respect of the eligibility of identified families for the scheme in place.</li> </ul> <p>All findings and recommendations were agreed with the Service Manager Family Interventions/Troubled Families Coordinator, and reported to the Interim Corporate Director of Education, Social Care and Wellbeing.</p>	<p>Moderate</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Careers Services Follow Up	Sept. 2013	<p>The objective of this follow up audit was to assess the progress made in implementing the agreed recommendations at the conclusion of the original audit finalised in October 2012.</p> <p>Our testing showed that out of four priority 2 recommendations made, all had been progressed. The Careers Service team plan was in place and Partnership Agreements with individual schools had been developed and signed. As a part of this Agreement, new termly reports were in place which provided feedback from the careers advisors assigned to education intuitions. The reports included a summary of activities delivered to the institution together with feedback from clients and priorities for next terms. However, we noted that the completed termly Partnership Agreement Review forms were not signed and dated. A system of data quality checks was implemented as part of Quality Strategy. However, these checks needed to be carried out on a timely basis and various dates needed to be fully shown on the checklist. We raised two further recommendations.</p> <p>All findings and recommendations were agreed with the Acting Service Head of Secondary Learning and Achievement and final report was issued to the Acting Corporate Director of Education, Social Care and Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Elizabeth Selby Infant School	Oct 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 generally has good arrangements over the accounting for income and expenditure. The school 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"> <li>• Testing identified that the school's Financial Management Procedures, terms of reference for committees and annual budget were presented to the Resources Committee for approval. However, from our review of the Governing Body meeting minutes, from January 2012, we were unable to confirm that the full Governing Body had further ratified these documents.</li> <li>• Testing a sample of 10 purchases made since April 2012 found that a purchase order was raised in seven out of 10 instances where a purchase order was required. In the remaining three instances a purchase order was not raised. In two instances where a purchase order was raised, this occurred after receipt of the invoice.</li> </ul> <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Acting Corporate Director – Education, Social Care and Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Columbia Market Nursery School	June 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, Personnel and Health and Safety Committee which have overall responsibility for financial planning and control. The school generally has good arrangements over the accounting for income and expenditure. The school 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"> <li>• All Governing Body meetings should be fully minuted. The minutes should provide an appropriate level of detail in respect of issues discussed, reports presented and decisions made, specifically highlighting ratification of policies or official documents.</li> <li>• Official order forms should be raised and authorised for all purchases, where appropriate, and retained on file. Furthermore, the order forms should be raised prior to receipt of the invoice.</li> <li>• The school should maintain an up to date copy of the bank mandate which matches the authorised signatories for the school's bank account.</li> <li>• All official order forms and/or invoices should include the cost centre/budget code which the costs are associated with.</li> <li>• Minutes of the Curriculum Committee should be signed at the start of the next meeting by the Chair as an accurate record of the discussions of the previous meeting.</li> <li>• Evidence of budget monitoring review should be appropriately documented and retained to confirm review. The budget monitoring reports should be signed and dated by the preparing officer and the reviewing officer.</li> <li>• A petty cash claim form should be fully completed and certified before any petty cash claim is reimbursed.</li> </ul> <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Acting Corporate Director – Education, Social Care and Wellbeing.</p>	Moderate	Substantial



Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Wellington Primary School	Sept 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 generally has good arrangements over the accounting for income and expenditure. The school 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"> <li>• Review of the minutes for the Governing Body identified that key policies which needed additional ratification were discussed, such as the School Development Plan, but not specifically ratified by the Governing Body.</li> <li>• Although review of the Governing Body minutes showed that the meetings are used for discussion surrounding policies and any reviews of them, audit testing revealed that several policies are out of date and require an update.</li> <li>• Review of the Standards Committee meeting minutes revealed that the sub-committee minutes were not signed off for the meeting on 21<sup>st</sup> November 2012.</li> </ul> <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Acting Corporate Director – Education, Social Care and Wellbeing.</p>	Moderate	Substantial

**Full Assurance**

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Food Inspection and Control	Nov 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Food Inspection and Control 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>From our audit work, we identified that comprehensive policies and procedures are in place. For the sample of 20 premises tested, risk ratings were completed and scored in accordance with the guidance in the Code of Practice. In addition, for the same sample of premises, testing confirmed that an adequate system of control is in place and working effectively in respect of interventions, re-inspections and reporting. We also noted that, for the sample tested, non-complying businesses were successfully prosecuted. We also identified that regular performance meetings were undertaken and management information was regularly communicated to senior management.</p> <p>The only weakness identified was as follows:-</p> <ul style="list-style-type: none"> <li>• From sample testing undertaken in respect of 20 premises that have been closed down and re-inspected prior to being re-opened, we identified one case in which the re-inspection pro forma that is completed by the inspection officer was not on file.</li> </ul> <p>All findings and the recommendation made were agreed with the Head of Consumer and Business Regulations, and reported to the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.</p>	Extensive	Full

### APPENDIX 3

#### Follow Up Audits – List of Priority 1 Recommendation still to be Implemented

<b>Audit Subject</b>	<b>Recommendation</b>	<b>Service Head</b>	<b>Officer Name</b>
Management and Control of Probationary Tenancies	Management should investigate the reasons for poor compliance with the agreed processes for data storage and scanning. Necessary action should be taken to ensure that all staff comply with the required procedures.	David Thompson	Molly Wallis, Interim Head of Service, Neighbourhoods.
Management and Control of Probationary Tenancies	<p>Instructions should be issued to Team Leaders to ensure that the quality of random checks carried out and recorded by them in the spread sheets are of good standard, complete, accurate, evidence based and timely. There should be clear accountability for all staff, including team leaders and the consequences of failure should be clearly communicated and agreed with all staff.</p> <p>In order to provide further assurance to Management, consideration should be given to carrying out a second tier random sample check by the Interim Head of Neighbourhood, Director of Neighbourhood and the Performance team for a specific period of time.</p>	David Thompson	Molly Wallis, Interim Head of Service, Neighbourhoods.

<b>Audit Subject</b>	<b>Recommendation</b>	<b>Service Head</b>	<b>Officer Name</b>
Management and Control of Probationary Tenancies	<p>Instructions should be issued to all relevant housing officers to ensure that settling in visits are undertaken on a programmed basis to all probationary tenants and that the date of the visit and the results of the visits are recorded clearly on the standard settling in visit form and the form is signed and dated by both the tenant and the housing officer and that all forms are scanned on Comino promptly. In cases where further action is required to address issues like rent arrears, anti-social behaviour, complaints and suspicion of illegal tenancy – all these should be clearly recorded and referred to the appropriate agencies and officers for investigation before decision is made to grant secure tenancy.</p> <p>There should be clear accountability for all staff, including team leaders and the consequences of failure to comply with set procedures should be clearly communicated and agreed with all staff.</p> <p>In order to provide further assurance to Management, there should be robust monitoring of compliance with procedures by top Management to guard against the risk of error, omissions, irregularity and fraud.</p>	David Thompson	Molly Wallis, Interim Head of Service, Neighbourhoods.
Management and Control of Probationary Tenancies	<p>Instructions should be issued to Team Leaders to ensure that the quality of random checks carried out and recorded by them in the spreadsheets are of good standard, complete, accurate, evidence based and timely. There should be clear accountability for all staff, including team leaders and the consequences of failure should be clearly communicated and agreed with all staff.</p> <p>In order to provide further assurance to Management, consideration should be given to carrying out a second tier random sample check by the Interim Head of Neighbourhood, Director of Neighbourhood and the Performance team for a specific period of time</p>	David Thompson	Molly Wallis, Interim Head of Service, Neighbourhoods.