

Report To: Audit Committee	Date 30TH June 2014	Classification Unrestricted	Report No.
REPORT OF: Corporate Director, Resources		Internal Audit Annual Report for 2013/14	
ORIGINATING OFFICER(S): Minesh Jani, Head of Risk Management and Audit Bharat Mehta, Audit Manager		WARD(S) AFFECTED: N/A	

1. Summary

- 1.1 This report provides the annual internal audit opinion in accordance with the Public Sector Internal Audit Standards. 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 a reasonably effective system of internal control which was in operation throughout 2013/14. The Head of Audit opinion is attached to this report at appendices 6 and 7 of this report.

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 Public Sector Internal Audit Standards. 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 2013/14**
 - § **Appendix 1 - Audit Charter**, setting out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.
 - § **Appendix 2 - Audit Resources**
 - § **Appendix 3 - Summaries of reports not previously reported.** Summaries of all audit reports are submitted to the Audit Committee.
 - § **Appendix 4 – Specific commissioned work from Corporate Directors.**
 - § **Appendix 5 – List of planned audits undertaken in 2013/14.**
 - § **Appendix 6 – Summary Head of Audit Opinion.**
 - § **Appendix 7 – Detailed Head of Audit Opinion.**
 - § **Appendix 8 – 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 reasonable assurance that the authority has an adequate system of internal control and that this was operating effectively during 2013/14. 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 2013/14. 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 Public Sector Internal Audit mandatory standards for Internal Audit in Local Government.
- 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 External Auditors and other inspectors pertaining to or reported during 2013/14. Details of the other sources of assurances and the assurances obtained from the work of audit are attached at appendices 7 and 8.

7 Audit Resources

- 7.1 The resources available to Internal Audit are set out in appendix 2 below. Internal Audit is provided in partnership with Mazars (previously 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 Mazars 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 was 2 days per person on average, the same as previous year.
- 7.4 During the year, there was an emphasis on carrying out risk based audits from the approved audit plan for 2013/14, 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 4.

8 Summary of Audit Work

- 8.1 A list of the audits undertaken in 2013/14 is attached to main body of the report at appendix 5 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 finalised audit reports are reported quarterly to CMT and the Audit Committee. Appendix 3 provides the summaries of those reports finalised in the period March to May 2014.
- 8.3 A summary of the audit assurance resulting from audit reports in 2013/14 is provided in the table below.

Audits 13/14		Full	Substantial	Limited	Nil	N/A
		Significance	Extensive	1	36	16
Moderate	0		23	11	2	3
Low	0		0	1	0	0
Total	1		59	28	2	6

- 8.4 The table shows that of 96 systems audits where we have issued final audit reports, 64% 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. 29% of systems audited were rated as limited or nil assurance, and the remainder 7% have their assurance as not applicable. In addition there were 19 audits currently at draft report stage and their assurances have not been factored into the above table as these assurances are waiting to be agreed. In total Internal Audit completed 114 pieces of audits during the financial year 2013/14.
- 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 2013/14 financial year, we identified risks in the Council's systems in a number of areas including. management of planned maintenance programme management of competitive tenders and quotes, purchase cards, control and monitoring of declarations of staff interests, Ben Johnson Primary School, recruitment processes, control of DBS (CRB) checks, management of probationary tenancies, management of capital and revenue contracts and management of Council's property portfolio. We also reviewed the monitoring of funding awarded to the voluntary sector and raised recommendations to improve internal controls in these areas. Further information is provided at Appendix 7. Management have given commitment to implement our recommendations and this should in turn improve control environment in these areas.
- 8.7 From our Internal Audit work during 2013/14, we can provide an overall assurance that Tower Hamlets has a reasonably 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 2013/14 is set out in the table below.

Performance Measure	2013/14	
	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%	83% 19 out of 22 (*)
Percentage of priority 2 recommendations followed up that have been implemented by 6 month review date	95%	78% 39 out of 50

(*) – we are informed 4 priority 1 recommendations have been implemented, and internal audit will test this in July 2014.

9.2 As at the 31st March 2014, 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 2013/14 as a whole, 83% of priority 1 recommendations had been implemented against a target of 100%, and 78% 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 2. 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 2012/13 are attached at Appendix 8. A benchmarking exercise for 2013/14 is currently in progress.

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 Head of 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 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.

Internal Audit Charter

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the Audit Committee and to Corporate Management Team for final approval.

Purpose

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the Corporate Management Team (CMT) and in particular to the Chief Financial Officer to help him discharge his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems. Further information around the purpose of Audit is set out in the Council's Financial Regulations (D3) and Financial Procedures (CR4).

Authority

The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Responsibility

The Council's Head of Internal Audit (The Head of Audit and Risk Management) is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- To investigate allegations of fraud, bribery and corruption

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Tower Hamlets Homes. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Corporate Management Team (CMT) and the Audit Committee (AC). Both documents must then be presented to these bodies annually.
- The annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of CMT. It is then presented to CMT and AC annually for noting and endorsement.
- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the AC. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to CMT and AC on a quarterly basis.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC.
- Results from internal audit's Quality Assurance and Improvement Programme will be reported to both CMT and the AC.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to CMT and the AC and will be included in the annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Independence

The Head of Internal Audit (the Head of Audit and Risk Management) has free and unfettered access to the following:

- Chief Financial Officer (Corporate Director, Resources)
- Head of Paid Service
- Chair of the Audit Committee (AC)
- Monitoring Officer
- Any other member of the Corporate Management Team

The independence of the Head of Internal Audit is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Head of Paid Service and the Chair of the Audit Committee contribute to, and/or review the appraisal of the Head of Internal Audit.

All Council and contractor staff in the Governance Service are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards.
- All Council Policies and Procedures
- All relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. Both the Head of Audit and Risk Management and the Audit Manager are required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

Internal Audit – Resources 2013/14

	Revised Plan	%	Outturn	%
In-house staff days	1000	61%	1160	63%
Deloitte / external	635	39%	669	37%
	1635		1829	
Gross days				
<i>less</i> Leave	124	56%	121	59%
<i>less</i> Sickness absence	15	7%	7	3%
<i>less</i> Non Operational Time	82	37%	75	38%
Unproductive time	221		203	
Net productive days	1414		1626	

Internal Audit Budget 2013/14

	Budget £000	Actual £000	Variance £000
Salaries	435*	425*	-10
Contract costs	207	222	15
Running costs	32	35	3
Central Recharges	105	105	0
Gross cost recharged	779	787	8

*- includes the cost of three officers in the corporate fraud team.

Internal Audit Reports 2013/14 – 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.

Summaries of 2013/14 audit reports not previously reported

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Development and Renewal	Management and Control of Community Buildings Portfolio Follow Up audit
	Extensive	Communities, Localities and Culture	Procurement Below EU Threshold Follow Up Audit
	Extensive	Corporate	Control and Monitoring of Disclosure and Barring Service (DBS) Checks
	Extensive	Corporate	Management and Control of Purchase Cards
	Extensive	Education, Social Care and Wellbeing	Looked After Children
	Extensive	Corporate	Translation Services
	Extensive	Tower Hamlets Homes	Management and Control of Planned Maintenance Works - Systems Audit
	Extensive	Tower Hamlets Homes	Right To Buy – Systems Audit
SUBSTANTIAL			
	Extensive	Resources	Management and Control of In-house Temporary Resources Service
	Extensive	Resources	Housing Rents
	Extensive	Resources	Council Tax

Assurance level	Significance	Directorate	Audit title
	Extensive	Development and Renewal	Management and Monitoring of Facilities Management Contracts - Follow Up
	Extensive	Development and Renewal	Management of Asbestos and Legionella - Follow Up audit
	Extensive	Development and Renewal	Development Management Systems Audit
	Extensive	Tower Hamlets Homes	S 20 Major Works Consultation - Systems Audit
	Extensive	Tower Hamlets Homes	Decent Homes 2 Works Programme
	Moderate	Development and Renewal	Management and Control of Land Charges- Follow Up
	Moderate	Education, Social Care and Wellbeing	Sir John Cass School meals – Follow Up
	Moderate	Education, Social Care and Wellbeing	Malmesbury Primary School
	Moderate	Education, Social Care and Wellbeing	Harry Roberts Nursery School
	Moderate	Education, Social Care and Wellbeing	Olga Primary School
	Moderate	Education, Social Care and Wellbeing	Blue Gate Fields Infants School
	Moderate	Development and Renewal	Management and Control of Land Charges- Follow Up
	Moderate	Communities, Localities and Culture	Bow idea Store – Follow Up

Note – where “management comments” have been added in response to Limited or Nil assurance reports below, the internal audit team has not audited the comments.

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management and Control of Community Buildings Portfolio</p> <p>Follow Up audit</p>	<p>Dec. 2013</p>	<p>This audit followed up recommendations agreed at the conclusion of the original audit finalised in June 2012. Out of six priority 2 recommendations made in the original report, four recommendations had not been fully implemented. There were still control weaknesses which made the system vulnerable to risk of errors, omissions, fraud and irregularities. In order to address control weaknesses, we have made six priority 1 recommendations. The following issues were reported:-</p> <ul style="list-style-type: none"> • A number of organisations have not entered into a signed Tenancy Agreement with the Council. The necessary decision on evicting these organisations is outstanding. • Monitoring process was in place to ensure that the organisations were applying the community benefits specified in their original applications, including the permitted use and the continued use of the building (as per the lease agreement/tenancy at will). • The report from the external review of the Management of Community Halls and Rooms needed to be submitted to Development and Renewal DMT and the CMT for consideration and approval. • The Stage 1 - Gateway Eligibility Criteria forms showed the requirement to submit bank statements covering a period of 12 months. However, we noted that in one instance, significant sums of cash were deposited into the applicant organisation's bank account prior to the application being made to LBTH for the use of a community building. Such matters were not being identified and scrutinised by officers checking and processing the applications. 	<p>Extensive</p>	<p>Limited</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Community Buildings Portfolio Follow Up audit	Dec. 2013	<ul style="list-style-type: none"> • The assessment of the applicant organisation's current liabilities with the Council including any rent arrears needed to be adequately documented to evidence the checks undertaken. • A system of quality checks / spot checks to monitor compliance with agreed procedures had not been introduced. • A clear and workable system required to be put in place to ensure that the Council's Insurance section is immediately notified by Asset Management, whenever a lease renewal or change of occupancy takes place to ensure that insurable risks are adequately covered within the insurance policy. <p>All findings and recommendations were agreed with Service Head - Asset Management and Capital Strategy and Acting Service Head – Resources. Final report was issued to the Corporate Director of Development and Renewal.</p>	Extensive	Limited

Management Comments

Asset Management comments

The Asset Management team is undergoing a review of its community buildings held within the Housing Revenue Account. In October 2013 all community building occupiers (CBOs) were written to reminding CBOs of their duty of care to users and visitors to public buildings. The letter contained a questionnaire requesting specific information on their occupation and the activities' that are carried out. The majority of questionnaires have been returned and the information is in the process of being analysed. The Asset Management team invited all community building occupiers to attend a series of in house Health and Safety training sessions. One session took place in February 2014 and another is scheduled for 22nd February. Consideration is being given to continuing these sessions on an annual basis to a) help educate CBOs as to their responsibilities as a building occupier and b) to encourage a stronger sense of partnership between the Council and its CBOs.

Of the 14 buildings noted in the Audit report that are operating without a formal tenancy agreement these are being actioned. All Ofsted registered groups have been offered a five year lease and the Council's legal team has been instructed to proceed with the conveyance. The other groups are being dealt with individually and it is hoped that the matter will be finalised within three months. Ultimately a decision needs to be made on whether to evict those remaining CBOs who refuse to sign a tenancy agreement or abide by the covenants therein

Asset Management has incorporated within its Marketing and Letting Procedure the process to be followed when re-letting a community building and selecting a new CBO. The selection process is led by the Third Sector Team with support from Asset Management. Asset Management carries out the marketing process and passes applications onto the Third Sector who in turn make recommendation to the Asset and Capital Strategy Board on tenant selection. The Marketing and Letting Procedure includes a section on informing the Insurance Section of any changes in occupancy or lease.

The Asset Management team does not investigate whether CBOs are applying the community benefits specified with the original applications. Asset Management carries out inspections of community buildings for purposes of estate management, that the property is being properly maintained and that the terms of the tenancy are being adhered to.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Procurement Below EU Threshold Follow Up Audit	Dec. 2013	<p>The objective of this follow-up was to assess the progress of recommendations agreed at the conclusion of the original audit in October 2011.</p> <p>From our review, we have found that out of three priority 2 recommendations made at the conclusion of the original audit, one was implemented and two needed to be fully implemented and embedded into the business operation. Out of one priority 1 recommendation we followed up, we found that this was not fully implemented and embedded. The following issues were highlighted:-</p> <ul style="list-style-type: none"> • Evidence of sourcing and using pre-set criteria for selecting suppliers for quotations was not always place. • Evidence of prioritising and considering local suppliers needed to be retained. • Criteria for evaluating quotations were not formulated and made known to bidders at the time of invitation. • Evaluation of quotations received was not clearly documented and the basis of final selection of successful supplier was not transparent and clearly documented. In one case a contractor seems to have been selected without evidence of any market testing. • Standard documents, such as award letters specifying conditions, requirements to have appropriate insurance and indemnity, compliance with the required quality standards and professional practices etc. were not always in place. <p>All findings and recommendations were agreed with the Finance and Resources Manager and final report issued to the Corporate Director – Communities, Localities and Culture and Head of Paid Service.</p>	Extensive	Limited

Management Comments

When the audit took place management had already identified the need to review the process and procedures. This was then communicated to all senior managers at the directorate Senior Management Group to ensure that managers are continually reviewing their procurement procedures including adherence to all financial regulations to ensure that they are firmly embedded within the directorates' processes.

A work group has been set up within the directorate with the aim of ensuring that there is standardisation of all documentation used and held by all officers. This is being undertaken in conjunction with the Head of Procurement as the documentation is currently being updated by the Procurement team.

Further work is being undertaken by the group that ensures there is a clear process for evidencing supplier information whilst maintaining the confidential nature of the information in a format that is easily accessed for review purposes.

The support services request form used across the directorate for raising orders has been updated to include a clear link to the procurement imperatives eight principles to ensure officers have fully considered them in undertaking the procurement process. Furthermore the form now includes evidence that quotations have been received from the appropriate level suppliers, required as part of the procurement process.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Disclosure and Barring Service (DBS) Checks	Dec. 2013	<p>This audit sought to provide assurance over the management and control of DBS checks (previously CRB). Our testing showed that although there were corporate procedures in place within HR and WD, there were some non-compliance issues within some areas at the Directorate and individual service level. The following issues were reported:-</p> <ul style="list-style-type: none"> • Our review showed that a list of 6,815 posts across the Council was produced and sent to individual Service Heads on 17th May 2013 for review and identification of DBS Eligible Posts to carry out the necessary checks. However, at the time of reporting there were 2,171 posts which still needed to be reviewed by Directorates to ensure whether any of these posts were Eligible Posts. This increased the risk that posts requiring DBS checks were not identified promptly. • The monitoring control for ensuring DBS renewals are undertaken on a timely basis is not effective. We noted that a number of employees requiring renewals were not recorded on the HR master spreadsheet and were only identified as not having an up to date DBS check during the audit in May 2013. • There was no formal escalation process to Service Heads to ensure current employees fully co-operate in applying for renewal of DBS. This resulted in officers being reminded frequently to renew DBS and were still not compliant, increasing the risk of continuing in a post without the necessary DBS check. • Performance information is currently being produced on an ad hoc basis. However, it is the intention of the HR service to produce performance statistics for each directorate to identify the number of DBS checks undertaken, completed and those that are outstanding once all Service Heads have provided confirmation as to the status of DBS checks for their positions 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Disclosure and Barring Service (DBS) Checks	Dec. 2013	<ul style="list-style-type: none"> • From our testing, we found a number of inconsistent practices and gaps in documentary evidence for new starters, which increased the risk of employees starting employment without evidence of these checks. <p>All findings and recommendations were agreed with the Service Head – Human Resources and Workforce Development and final report was issued to Corporate Director – Resources.</p>		

Management Comments

The Council has had an extensive list of posts for which a Criminal Records check is required in place since the Rehabilitation of Offenders (Exception) Order allowed such checks to be made. The Protection of Freedoms Act 2012 and the consequent establishment of the Disclosure and Barring Service (DBS) was accompanied by revised guidance on establishing posts (functions) which were eligible for a DBS check. These changes have led to a reduction in the number of posts that are required to be checked. As a result an extensive process of review on the list of existing posts requiring a check has been carried out with Service Managers, Service Heads and DMTs and it is this process to which the Audit report refers. The revised list of posts requiring a check is now complete. During the period when the process of review was being carried out the Council continued to request checks against the existing list.

An action plan has been implemented to ensure that re checks are conducted on time and that there is an escalation process in place where staff fail to co-operate in applying for renewal. Outstanding checks have now been completed. Processes have been revised to further ensure the quality of checks and that the appropriate documentation is provided. Guidance on the documents which should be used to verify identity has been reinforced to the teams carrying out checks and the Home Office will be commissioned to provide updated training.

Relevant HR&WD Managers have instituted an audit process to randomly check new starters and rechecks of existing employees to ensure verification checks are undertaken in accordance with DBS Code of Practice and Council policy.

Procurement of an e-Bulk system for securing DBS checks has recently been completed and the system will be implemented in August this year. This system brings with it improved and more efficient processes which also assist in minimising errors. The system will also facilitate the production of regular management information

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Purchase Cards	March 2014	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Purchase Cards 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 identified were as follows:-</p> <ul style="list-style-type: none"> • Testing of the sample of 10 new card applicants between April 2012 and February 2013 found two budget holder authorisation forms that were completed by officers who were not listed under the budget holder list obtained from Finance. • From review of the compliance report we found 19 cardholders, for whom in excess of 30% of their transactions had been imported (not reviewed by the card user to confirm the transaction and also not approved by the budget holder) and cross review found 11 of these cardholders (from the payment card database) were still active users as their card had not been suspended as required by the policy. Most notably, for one cardholder all nine transactions had been imported, but the card had not been suspended. Our review of 100% of the card transactions across the Council between July 2012 and February 2013 identified that 572 out of the total of 7,171 transactions had been imported (i.e. no review and no approval) and then paid (monthly statements are paid regardless of whether transactions have been authorised or not). • At the time of review, the system of reporting in relation to payment card spending analysis was undertaken on an annual basis. We have noted that with the organisational change, the procurement analyst role has been created to ensure that this reporting and spend analysis is undertaken and reported to senior management on a quarterly basis. <p>All findings and the recommendations made were agreed with the Project Manager – Finance Transformation, and reported to the Senior Procurement Manager, Category & Contract Management and the Interim Corporate Director of Resources.</p>	Extensive	Limited

Management Comments

The system controls for purchase cards are limited due to the limitations of the DCAL Purchase Card Payment System. Additional manual controls are being implemented around the system to resolve the control weaknesses. All card applications now require approval by the relevant finance manager. Reports showing unapproved transactions will start being issued shortly to Directorate Management Teams for retrospective action and forward monitoring of compliance. Spend analysis reports are now being issued quarterly. Listings of cards in use will be issued quarterly to Directorate Management Teams and finance managers for verification.

Title	Date of Draft Report	Comments / Findings	Scale of Service	Assurance Level
Looked After Children	Sept 2013	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Looked After Children 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 identified were as follows:-</p> <ul style="list-style-type: none"> • Our sample testing highlighted a large number of examples where documentation could not be located on Frameworki or incomplete documentation had ben uploaded to Frameworki and therefore we are unable to provide assurance that these cases had been processed in accordance with the Council's procedures. • For a sample of 10 children becoming looked after in the last 18 months testing found that in two cases previous educational provision could not be maintained after the child was placed. In one these cases the Virtual School failed to secure a new educational placement within 20 school days as required. • A statutory health assessment is required before a child is placed or within four weeks of placement. For the sample of 10 children becoming looked after in the last 18 months testing found In four instances a health assessment had not been carried out and in one instance a health assessment had been booked for the 12/3/14 (14 months after the child became looked after. In a further five instances the health assessment had not been completed within four weeks of the placement. • Health reviews are required at least every six months for under five year olds and 12 monthly for those over five. In two out six instances where an initial health assessment had been performed, a health review had not been performed following 12 months. <p>All findings and recommendations were agreed with the Interim Service Head, Children's Social Care and final report was sent to the Corporate Director, Education, Social Care and Wellbeing.</p>	Extensive	Limited

Management Comments

A detailed action plan has been put in place, which would cover the following areas:-

1. Social work staff to be reminded of the need to complete relevant forms and documentation
2. Managers within the CLA Service to complete case audits in accordance with the service requirements.
3. Completion of basic information in Framework I to be monitored through monthly Looked After Children Tracking Meetings. Staff failing to complete the required documentation, this should be highlighted through case work supervision.
4. Chronologies to be completed on all cases.
5. All care plans to be completed and updated.
6. Placement Information Record to be completed within 5 days of the placement
7. All Chairs Action to be loaded onto Fwi and all Records of the Entry to Care Panel to be loaded onto fwi.
8. Raise the profile of education as a vehicle out of exclusion for LAC by making 2014/2015. The Year of Education for Looked After Children in Tower Hamlets.
9. Attendance of looked after children in education are monitored on a daily basis by the LAC Virtual School. Where attendance falls below 87%, this is highlighted to social workers and the need for relevant intervention is discussed.
10. Review of the procedures relating to health assessments found them to be out of date and not reflective of current working practices. These procedures were last revised in December 2007.
11. Increase the resources available for monitoring the health of LAC within health services.
12. Services to be monitored through the LAC Health Group and through LAC Tracking meetings.

All above actions will be carried out between April and Sept. 2014.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Translation Services	May 2014	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Translation Services 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 identified were as follows:-</p> <ul style="list-style-type: none"> • Presently there is limited evidence of the Council having a signed contractual agreement with external translation supplier, Newham Language Shop, which accounts for 98% of payments to external suppliers of translation services. • We were unable to confirm whether regular contract monitoring meetings are held with the provider. • There are no Council-wide or service specific procedures on ordering of translation services from external providers. Through discussions with Admin Managers of the four services identified as the most frequent users of translation services it was confirmed that currently ordering procedures are not consistent across the Council and some of the processes followed are non-compliant with the Council's financial regulations. • Furthermore, there is no procedural requirement to check whether a specific need for translation services can be met by the in-house translation team prior to placing an order with external providers. • Separate translation fee budgets (object code: 5351) exist within services across all the Council's directorates against which payments to external providers are posted. It was noted, however, that records are not maintained of translation services provided by the in-house translation team to services across the Council. Therefore, costs incurred by the in-house translators are not recharged appropriately to services. • In 2013 a decision was made by CMT to transfer responsibility for contract management of Interpreting and Translation Services from Corporate Strategy and Equality to the ESCW Commissioning Team as the majority of users of these services are from ESCW. It was agreed that a joint LPG/ESCW steering group would be established to decide on a future 	Extensive	Limited

		<p>approach to procurement of external Interpreting and Translation Services and that once a new contract was in place management of this contract would be transferred to ESCW.</p> <p>As a number of these findings relate to the management of the in-house Interpreting and Translation Service all findings and recommendations were discussed with Service Manager for Family Support and Protection (ESCW) & Service Head, Corporate Strategy and Equality and final reports were issued to the Head of Paid Services.</p>		
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Management Comments

The lack of a current contract has been noted and was identified as a priority within the Chief Executive’s Category Management Plan for 2013/14. Activity to date includes :-

1. Conduct a needs analysis on current demand for interpreting and translation services to inform procurement of third party service (completed).
2. Produce options appraisal of potential methods for meeting demand for interpreting and translation services (completed).
3. Agree favoured option and third party procurement approach and initiate appropriate procurement exercise (to be agreed by Project Steering Group (which brings together the Service Manager One Tower Hamlets, Service Manager Family Support and Protection (ESCW), Commissioning Manager (ESCW) and Corporate Procurement Category Manager (Res) by end June 2014).
4. Submit quarterly performance monitoring reports by Newham Language Shop to ESW Commissioning Team (began January 2014).
5. Hold annual performance review meetings with Newham Language shop (in place, first meeting scheduled for June 2014).

Existing S.17 procedures incorporate the requirements to use in-house interpreting services before approaching external services. This procedure is being reviewed and refreshed in the context of the audit report and circulated to the wider Social Care Teams. Consideration for a service specific Interpreting Procedure will be considered as part of the review of the In-House Interpreting Team.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management and Control of Planned Maintenance Works</p> <p>Systems Audit</p>	<p>April 2014</p>	<p>The objective of this audit was to provide assurance over the systems for managing, controlling, monitoring and delivering the planned maintenance works. Our review concentrated on four Framework Contracts viz. Communal Heating Boosted Water, Door Entry and Lift Renewals.</p> <p>Discussions with officers and examination records showed that Cabinet had approved a budget of £8.626M for planned maintenance works. However, actual spend recorded by officers up to 31st October 2013 was £1.035M. We noted that the financial slippage was not clearly reported and there was concern that the current year's programme would not be achieved.</p> <p>We found that as there was no contract that allowed for Replacement of Communal Boilers, the Repairs and Maintenance of Communal Heating contract was being used to carry out the replacement works. The rates charged by the contractor for these works were not market tested and benchmarked to demonstrate value for money. In addition we were not clear on the basis on which the contractor had added an element for overhead and profit (O&P) for replacement works as the tendered O&P figures were for repairs works.</p> <p>For the Lift works, it was found that payments of 10% of the total contract sum had been made to the contractor for the design and issuance of drawings, however there was no provision within the contract document that required officers to make an advance payment to the contractor.</p> <p>We understand that a new asset management software (Keystone) is to be introduced which will manage a number of weaknesses we identified. However, operational procedures needed to be developed to reflect the operational changes.</p> <p>All findings and recommendations were agreed with the Director of Investment and final report was issued to the Chief Executive.</p>	<p>Extensive</p>	<p>Limited</p>

Management Comments

- Revised programme management arrangements have been put in place. This consists of robust monthly supplier meetings, monthly internal finance and progress reviews. The introduction of reserve projects allowing programme savings to be allocated to additional projects, thereby achieving the programme spend.
- An external review of commercial arrangements and operations on the GEM contract has been undertaken. This is currently being reviewed. Revised commercial arrangements are being introduced, drawing upon the expertise of the QS team in providing assurance as to the commercial operation of the contracts. A training and development programme has been developed for the project engineers to up skill the team and reduce the risk of repetition
- Newly procured contracts; live from September-December 2014, will allow delivery of the programme with OJEU compliant supplier arrangements. In the interim
- Keystone deployment project continues to proceed. The successful deployment of keystone allows more accurate reporting of activity. In the interim the Quantity Surveying team is providing assurance on financial and delivery progress of the programme.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Right to Buy Systems Audit	April 2014	<p>The main objectives of the audit were to assure management that the systems for administration, management, control, valuation and approval of each sale under the RTB legislation are sound, secure and adequate; and that legislative requirements are complied with, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.</p> <p>The main weaknesses identified were as follows:-</p> <ul style="list-style-type: none"> • Review of timeliness of the processing of RTB sales identified significant delays on behalf of THH which have resulted in sales not being completed in a timely manner. In addition, it was noted that there is no effective tracking system in place in respect of application processing. • Review of the 20 cases selected for testing found four cases in which evidence of ID checks being undertaken could not be located. • Valuations were not carried out in a timely manner in a large number of cases, increasing the risk of delays in the processing of applications. • Some valuations had been undertaken by graduate unqualified surveyors and these had not been cross-checked as part of the review process by a member of the senior asset management team, increasing the risk of incorrect valuations being processed leading to financial loss to the Council. • From the sample of 20 cases selected for testing, we identified one case in which the application was made jointly with a family member. However, review found no evidence that 12 months' worth of bank statements had been obtained to prove the residency at the address for the family member. <p>All findings and the recommendations made were agreed with the Head of Leasehold Services (THH), and reported to the Interim Director of Neighbourhood Services (THH), and the Director of Development and Renewal.</p>	Extensive	Limited

Management Comments

A new central database has been developed to track and progress RTB applications more effectively and in a timely manner. (Recommendation 1).

All ID checks are indexed on to the electronic filing system (Comino), newer applicants ID checks are carried out in admittance interviews when they apply and applications are not progressed until satisfactory checks have been carried out. These checks also include 12 months proof of residence for all family members and family members are denied until satisfactory proof of residence has been received. To ensure compliance, a random 10% sample is checked by the Service Head every month. (Recommendations 2, 6, 7, 8)

Valuations have been tendered out to external surveyors, Hilbery Chaplin, as a result valuations are now received within target timeframes and all valuations are now carried out by qualified RICS surveyors. (Recommendations 3, 4, 5)

THH RTB team and LBTH Asset Management team share information about redetermination requests on a monthly tracker to ensure information is fed back and that inappropriate redeterminations are addressed. (Recommendation 9).

**Summary of Audits Undertaken
Substantial**

Title	Date of Report	Comments / Findings	Scale of Service	Assurance
Management and Control of In-house Temporary Resources Service	April 2014	<p>This audit provided assurance that systems for engaging temporary staff to the pool and for individual placements to services were sound and secure.</p> <p>The council's In-House Temporary Resourcing (ITRES) service commenced from 1st April 2013. The team works with hiring managers to improve entry-level temporary opportunities for local residents and to reduce reliance on external agencies.</p> <p>Our review found adequate levels of control over the recruitment of temporary workers to the ITRES pool. Appointments had been made in accordance with prescribed procedures and documentation to support the application was found on files in most cases. Our initial testing found some information regarding Visa and residency status not on file, however this information was subsequently provided by officers as it was yet to be scanned to the applicants' files.</p> <p>Our review identified some slippage in the programme for some areas such as Passenger Assistants, Nursery Nurses, Housing Advisors and Caretakers. However, it was not clear whether this was reported higher up for further investigation so that necessary remedial action can be taken to achieve the Council's objectives. Some minor weaknesses were also identified with regard to the scoring of CV's and identification of interview panel members for which recommendations were made.</p> <p>All findings and recommendations were agreed with the Service Head, Human Resources and Workforce Development and final report was issued to the Acting Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Rents	May 2014	<p>The main objectives of the audit were to assure management that the systems for Housing Rents 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 identified were as follows:-</p> <ul style="list-style-type: none"> • It was confirmed that the Rents Arrears procedures and the Former Tenant Arrears Recovery procedures available on the intranet were out of date, with the Rent Arrears procedures available dated August 2008 and the Former Tenant Arrears Recovery procedures dated January 2009. • It was also noted that no date of review was included on the Former Tenant Arrears Recovery procedures. <p>All findings and the recommendations made were agreed with 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
Council Tax	May 2014	<p>The main objectives of the audit were to assure management that the systems for Council Tax 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 identified were as follows:-</p> <ul style="list-style-type: none"> • Testing a sample of 20 accounts with Council Tax exemptions identified two instances where the individuals had been put in prison until 2015. In both cases the exemption expiration date had been input on the IBS system as the prisoners release date. However, there was no evidence to suggest that checks had been undertaken to ensure the tenancy was still held by the prisoner or that the property had not been otherwise occupied. • Testing of a sample of 10 debt write-offs since 1st April 2013 identified one case where a debt had been written off, but was not recorded within the write off records and had not been reviewed and signed off by the Chief Officer and Chief Financial Officer. • Review of the daily and weekly cash reconciliations undertaken by the Revenue Services team identified that the reconciliation statement is signed by the preparer, but there is no evidence of independent review to confirm accuracy. • The amount allocated to the suspense account represents a significant amount of the receipts received for that period. In one instance, 108 transactions were undertaken totalling £46,704. The amount allocated to the suspense account represented 8% of receipts on that day. • There is no secondary review and sign off to confirm accuracy of the movements from the suspense account, and spot checks of the allocations are not undertaken. <p>All findings and the recommendations made were agreed with Service Head, Revenues Services, and reported to the Interim Corporate Director, Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management and Monitoring of Facilities Management Contracts</p> <p>Follow Up</p>	<p>Feb. 2014</p>	<p>This Follow Up audit assessed the progress in implementing the agreed recommendations at the conclusion of the original audit finalised in July 2012.</p> <p>Our review showed that out of one priority 1 and six priority 2 recommendations we followed up, some progress had been made. However, these recommendations needed to be embedded in working practices and implemented in full to improve the control environment around procurement and management of contracts within FM.</p> <p>Progress had been made with regards to governance of contract management, including improved procedural guidance and staff training. We recommended that the focus should be more on monitoring compliance with Council and local procedures. Our testing identified that areas for improvement included proper maintenance of the quotations book, updating the variations log and ensuring that the contract register was accurate and agreed with the corporate register. Management also needed to improve monitoring and reporting arrangements to ensure all contracts received sufficient and regular attention, including regular contract monitoring meetings with clear minutes, spot checks which were recorded and evidenced and an annual report to budget managers. Improvements were also required in managing variation control and annual reporting to budget holders.</p> <p>All findings and recommendations were agreed with the Service Head, Corporate Property and Capital Delivery and final report was issued to the Corporate Director, Development and Renewal.</p>	<p>Extensive</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management of Asbestos and Legionella</p> <p>Follow Up audit</p>		<p>This follow up audit assessed the progress made in implementing the agreed recommendations made at the conclusion of the original audit in April 2013.</p> <p>Our follow up review showed that out of five high priority recommendations, all had been progressed. However, the improvement of control, risk management and governance depended upon the successful implementation and delivery of Corporate Landlord Functions within Development and Renewal Directorate and the Upgrade/Migration from CAPS (TF Facility) to TF Cloud, which needed to be monitored closely to ensure that the key objectives are achieved.</p> <p>We also found that the present CAPS system was not being updated accurately. Our testing found that out of the 22 property records we inspected, in 15 cases records had not been updated to reflect the current position with regard to the Asbestos and Legionella inspection regime.</p> <p>All findings and recommendations were agreed with Service Head, Corporate Property and Capital Delivery and final report was issued to the Corporate Director, Development and Renewal.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Development Management Systems Audit	March 2014	<p>The main objectives of the audit were to provide assurance to management that the systems of control around the Development Management 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 identified were as follows:-</p> <ul style="list-style-type: none"> • From our testing of 34 Development Management staff, we were unable to confirm that declarations of interest had been completed in 16 cases. • We identified a number of cases where Idox did not contain key documents relating to planning decisions. This is particularly relevant where cases are appealed by the applicant, since the bulk of the relevant documents are retained on hard copy file and not scanned into Idox until the case has been closed, i.e. the appeal has been decided. It should be noted that the documents were located on hard copy files, but this reduces the accuracy of the Idox system and increases reliance on the paper-based system which is not in accordance with management's objectives to increase the use of the electronic storage system. • From review of the 20 cases selected for testing, we identified 14 cases which were not advertised within eight days of validation, which is the in-house target and has been set in order to assist the service in meeting the eight week and 13 week targets for reaching decisions. <p>All findings and the recommendation made were agreed with the Development Control Manager, and reported to the Service Head, Planning and Building Control, Development and Renewal and the Corporate Director, Development and Renewal.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>S 20 Major Works Consultation</p> <p>Systems Audit</p>	<p>April 2014</p>	<p>The objective of this audit was to provide assurance over the systems in place for planning, managing and carrying out S. 20 consultations with the leaseholders. We tested a sample of 5 capital schemes.</p> <p>Our review showed that subsequent to commencement of the audit, procedural changes were introduced within the Team. Hence, Audit was unable to fully test the application of these new processes and procedures. However from our review of the documents, templates and tracking forms, we were satisfied that the new systems will improve the control environment giving greater level of accountability.</p> <p>Our testing S20 Consultations prior to these changes highlighted issues which were outside of the Team's control but did impact on their performance. For example, an effective procedure for undertaking a risk assessment on the impact of the works to vulnerable residents was needed. Issues and resolutions can then be included within the contract specifications and budgeted for within the capital programme.</p> <p>Final account audits needed to be carried out as soon as possible after the completion of the works in order to final leaseholder invoices for payment.</p> <p>A process needed to be put in place to consider engaging residents and leaseholders at an early stage during the planning of future major works programmes to ensure that the use of local knowledge can inform and prioritise forthcoming works programmes as well as preparing leaseholders of impending charges that may be expected within the formal Section 20 Consultation.</p> <p>An assessment of the likelihood and impact of non-collection of major works recharges based upon current collection and write off data needed to be carried out.</p> <p>All findings and recommendations were agreed with the Director of Investment and final report was issued to the Chief Executive.</p>	<p>Extensive</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Decent Homes 2 Work Programme	April 2014	<p>This audit examined the systems for monitoring and managing Decent Homes Year Two contract. The year two procurement process was undertaken through a measured term framework agreement which was valued at £4m for Lots 1 and 2. The contractor allowed a discount of 1.50% in their tender submission on the condition that both Lots were awarded to them. The contract specified a contract period from the 1st September 2012 to 31st March 2013.</p> <p>We were advised that THH had encountered issues at the start of the contract with concerns over the quality of the sub-contractors' work resulting in poor customer focus and poor property turnaround times. However, these concerns were escalated and an improvement plan was put in place.</p> <p>We found that there were adequate contract management and monitoring arrangements in place. Monthly valuations were carried out in accordance with the contract and the breakdowns which supported the valuations could be evidenced to the contractor's tendered rates.</p> <p>However, we noted that 1.5% discount was not deducted from interim payments. We were advised that the 1.5% discount was to be taken off at the final account stage. However, the process for administering the discount was not formally documented. In addition, the contract had not been executed by deed in accordance with Council conditions. Audit was advised by management that the decision for works to commence on site without an executed contract in place was knowingly taken as there were greater risks associated with non-delivery of GLA targets, if the programme of works had been delayed. Audit was further advised that the contractor had started the contract at their own risk.</p> <p>All findings and recommendations were agreed with the Director of Investment and final report was issued to the Chief Executive.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Sir John Cass Secondary School</p> <p>School Meals Income Follow Up</p>		<p>This follow up assessed the progress made in implementing the agreed recommendations.</p> <p>Our testing showed that out of four priority 1 and one priority 2 recommendations made, all had been progressed. Our review has shown that there are now systems and processes in place to ensure that there is greater control and accountability over the collection, deposit and reconciliation of school meals income.</p> <p>However, we noted that as the service is provided in-house, there should be trading account for this service so that the cost of the service, the level of charges for school meals and the resultant level of subsidy from the main school budget is more transparent. We therefore, made an additional recommendation in this area, which was not supported by the School Bursar.</p> <p>A report was made to the school's Finance and Premises Committee in October 2013. It was agreed that as all aspects of the meals (income and expenditure) were already shown in the school budget, that the Catering Staff and Midday Meal Supervisors salaries came out of the delegated budget and that the school organising their own meals gave flexibility, members agreed unanimously that they did not want to open a trading account for the above reasons. The Full Governing Body was to be informed on this decision on the 27th March 2014.</p> <p>The final report was sent to the Head teacher, the Corporate Director- Education, Social Care and Wellbeing and Service Head, Resources.</p>	Moderate	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Malmesbury Primary School	Mar 2014	<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 main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Our review of the register established that declarations of interest had not been obtained from all governors, with five not having a declaration on file. • Testing a sample of three purchases over £5,000, identified that on two occasions only one quote was obtained. On the one remaining occasion there was only one viable supplier. However, no waiver form was completed. • Although income received at the administration office is counted out of sight of the general public behind several large filing cabinets, access to the administration office is only prevented by a waist high desk that could be easily bypassed. • It was noted during the audit that, although signed documents could be produced for all policies and procedures, it was often difficult to determine the location of the signed and approved document. • Review of the Resources Committee meeting minutes revealed that the minutes were not signed off for the meeting on 15th May 2012. Review of the School Improvement Committee meeting minutes revealed that the minutes were not signed off for the meetings on 13th March 2013 or 10th October 2012. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Harry Roberts Nursery School	Mar 2014	<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 which has overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Through review of the declaration of business interest forms for governors and staff with financial responsibilities it was established that four governors had signed forms in September 2012 which were more than 12 months old at the time of the audit. In addition, it was noted that the business interest forms for three governors were not in place at the time of the audit, but were completed subsequently. It was also noted that the business interest form for the Head Teacher had not been dated and therefore we were unable to identify when this was completed. • Through discussion with the Head Teacher and review of the meeting minutes, it was noted that the meeting of the Governing Body on June 25th 2013 was not quorate. • Through discussion with the Finance Officer and the Head Teacher it was understood that the school only conducts a quarterly budget monitoring exercise. In addition, through review of the quarterly budget monitoring report it was observed that the reports for January to June 2013 did not have evidence of review by the Head Teacher. • Testing a sample of 10 transactions identified that in one case for a procurement of £4,380, only one quote was obtained instead of the three required as per the Finance Policy. • Through review of the monthly reconciliations it was observed that the reconciliation reports were signed by the Head Teacher, but not signed by the officer who prepared them. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Olga Primary School	Mar 2014	<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 and Personnel Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • There was no evidence to show that the minutes for both the Finance and Personnel Committee and the Curriculum Committee had been signed by the chair of the committee. • Testing of a sample of 10 transactions established that two transactions did not have an official order/requisition form where it was possible to raise one before purchase. • Testing of a sample of 10 transactions established that seven transactions did not have a signed delivery note or authorisation on the invoice to confirm the goods had been received. • Testing identified from a sample of one starter and one leaver that the EPM sheets which are used as starter and leaver forms had not been authorised by the Head Teacher. Furthermore, it was noted in the case of the starter that only one written reference had been received by the School, however, it was noted the Head Teacher had received a verbal reference. • There was no documentary evidence to confirm that payroll reconciliations were being completed on a monthly basis as the statements had not been signed or dated appropriately. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Blue Gate Fields Infants School	May 2014	<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 and Personnel 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 to ensure that income due from school meals is identified, collected, and properly accounted for. The school has effective control over eligibility for free school meals offered by the local authority. 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"> • Through discussion with the Head Teacher and Finance Consultant, it was understood that staff with financial responsibility do not sign a declaration of business interests. • Through review of budget monitoring reports it was observed that no evidence of review by the Head Teacher was identifiable. • Through testing of a sample of 10 purchases made by the school since September 2012, it was observed that in two cases order forms were raised after invoices were received. Through discussion with the Head Teacher, it was explained that during this time the Finance Officer was off work and hence the order forms could not be raised in time. However, management was aware of the two purchases being made. • Through review of the payroll reconciliation reports since March 2013, it was observed that there was no evidence of review by the Head Teacher. <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
Management and Control of Land Charges	March 2014	<p>The objective of this audit was to follow up recommendations made at the conclusion of the original audit.</p> <p>Our testing showed that out of 4 medium priority recommendations, two had implemented. The step by step guide on Land Charges had been produced and made available to all staff. A checking verification mechanism had been implemented to monitor newly input and amended information on the Land Charges Register. However, controls around the monitoring of these reports and production of reports on KPIs and targets around Land Charges needed to be strengthened.</p> <p>All findings and recommendations were agreed with the Service Head, Planning and Building Control and</p>	Moderate	Extensive

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bow Idea Store Follow Up	March 2014	<p>This follow up audit assessed the progress made in implementing the recommendations made at the conclusion of the original audit finalised in April 2013.</p> <p>Our testing showed that out of seven recommendations made, all had been progressed. However, there were areas where the control had not improved fully and management would need to monitor the embedding of these recommendations.</p> <p>We found that the fees and charges had been updated to include charges for lab bookings. However, there were issues with raising debtors invoices for lab bookings on the Council's financial system. Therefore monitoring of income received for lab bookings needed to be robust.</p> <p>An inventory was kept of assets held by the idea store and management now need to ensure that these are checked and signed off annually to demonstrate the integrity of the asset register. A stock take of books and other items at the Idea Stores was carried out as per the audit recommendation; however issues relating to the quality of the stock reports provided by the IT system had been identified by the service and were being looked into. In addition, the recommendation to set up a stock recovery company was still in progress.</p> <p>Improvements had been made relating to the banking and security of cash income collected, including the implementation of a second safe. However income collected and banked needed to be effectively monitored to ensure that the income is correctly put on the Council's accounting system.</p> <p>All findings and recommendations were agreed with the Head of Idea Stores and final report was issued to the Service Head, Culture, Learning and Leisure and Corporate Director, Communities, Locality and Culture.</p>	Moderate	Substantial

Specific Commissioned Work by Corporate Directors

Appendix 4

The Corporate Directors requested audit input in the following areas:-

- An Enquiry into the Appointment Procedure for the Post of Route Manager Transport Services Unit - Sept. 2013
- Bancroft Library Roofing Works – Pre-Contract Review - March 2014
- Probity Audit on Children’s Education Group - Nov. 2013
- Independent Testing of the new Accounts Payable financial system - May 2014
- Independent testing of the new General Ledger system - May 2014

List of Planned Audits Undertaken in 2013/14

Audit Description	Significance	Assurance
Chief Executives		
Freedom Of Information Act	Extensive	Substantial
Performance Management FU	Extensive	Substantial
Data Quality FU	Extensive	Substantial
Education, Social Care and Wellbeing		
Norman Grove and Bishop's Way Children's Homes	Moderate	Nil
Careers Service FU	Moderate	Substantial
Special Education Needs – Assessment and Commissioning	Extensive	Limited
Sir John Cass School – School Meals FU	Moderate	Substantial
Vulnerable Adults FU	Extensive	Substantial
Quality Assurance – Child Protection Services FU	Extensive	Substantial
Occupational Therapy FU	Moderate	Substantial
Looked After Children	Extensive	Limited
End of Year Reconciliation for Schools	Extensive	Substantial
Troubled Families Programme	Moderate	Substantial
Management of Panel Decisions	Moderate	Limited
Review of the Commissioning Lifecycle	Extensive	Tbc
Emergency Duty Team	Moderate	Substantial
Excluded Children	Moderate	tbc
Telecare Services	Moderate	Limited
Youth Services – monitoring arrangements	Extensive	tbc

Audit Description	Significance	Assurance
Electronic Homecare System	Extensive	Substantial
Direct Payments	Extensive	tbc
Schools		
Ben Jonson School	Moderate	Nil
Columbia Market	Moderate	Substantial
Harry Roberts	Moderate	Substantial
Blue Gate Fields Infants	Moderate	Substantial
Cayley	Moderate	Substantial
Elizabeth Selby	Moderate	Substantial
English Martyrs	Moderate	Substantial
Guardian Angels	Moderate	Limited
John Scurr	Moderate	Substantial
Koby Nazrul	Moderate	Limited
Lansbury Lawrence	Moderate	Substantial
Lawdale	Moderate	Substantial
Malmesbury	Moderate	Substantial
Marion Richardson	Moderate	tbc
Olga	Moderate	Substantial
St Anne	Moderate	Substantial
St John's	Moderate	Limited
St Luke's	Moderate	Limited
St Mary/St Michael	Moderate	Limited
St Matthias	Moderate	Substantial
Shapla	Moderate	tbc
Stepney Greencoat	Moderate	Limited
Thomas Buxton	Moderate	tbc
Wellington	Moderate	Substantial
Cambridge Heath	Moderate	tbc
St Paul's Way	Moderate	tbc
Phoenix	Moderate	tbc
Stephen Hawking	Moderate	tbc

Audit Description	Significance	Assurance
Communities, Localities and Culture		
Bow Idea Store FU	Moderate	Substantial
Pre-contract Audit – Bancroft Library Roofing Works	Extensive	N/A
Procurement for Goods, Services and Works below EU Threshold FU	Extensive	Limited
Food Inspection and Control	Extensive	Full
Pest Control	Extensive	Limited
Bulk Rubbish Collection	Extensive	tbc
Highways Inspections	Extensive	Limited
Horticultural Works	Moderate	Substantial
Leisure Services Contract Monitoring	Extensive	tbc
Tower Hamlets Homes		
S. 20 Major Works Consultation.	Extensive	Substantial
Management of Decent Homes Works	Extensive	Substantial
Management and Control of Planned Maintenance Works	Extensive	Limited
THH Governance	Extensive	Substantial
Probationary Tenancies FU	Extensive	Limited
Management of Voids - FU	Extensive	Limited
Water Systems and Testing - FU	Extensive	Substantial
Control and Management of Estate Parking	Moderate	Substantial
Tenancy Successions and Exchanges	Moderate	Substantial
Information Governance	Moderate	tbc
Housing Rents	Extensive	Substantial

Audit Description	Significance	Assurance
THH Financial Systems	Extensive	Substantial
Development and Renewal		
Management of Mainstream Grants	Extensive	tbc
Building Schools for the Future – Post Contract Audit	Extensive	Substantial
Probity Review – Children’s Education Group	Moderate	N/A
Management and control of Facilities Management Contracts – Follow Up	Extensive	Substantial
Land Charges – Follow Up	Moderate	Substantial
Collection and Banking of Planning Fees – Follow Up	Extensive	Substantial
Lettings and Nominations – Follow Up	Extensive	Substantial
Management of Community Buildings Portfolio – Follow Up	Extensive	Limited
Management and Control of Asbestos and Legionella - FU	Extensive	Substantial
Overcrowding Strategy – FU	Moderate	Substantial
Monitoring Arrangements for WNF	Extensive	N/A
Development Management	Extensive	Substantial
Resources		
Photocopying and Printing Contract Monitoring	Extensive	Limited
In-house Temporary Resources Service	Moderate	Substantial

Audit Description	Significance	Assurance
Implementation testing of the new Financial Information System	Extensive	N/A
Management of Crisis Payments	Extensive	N/A
Competitive Tendering	Extensive	Limited
Occupation Health - FU	Moderate	Substantial
Budgetary Control	Extensive	Substantial
Recruitment	Extensive	Limited
Council Tax	Extensive	Substantial
NNDR	Extensive	Substantial
Creditors	Extensive	Limited
Debtors	Extensive	Tbc
General Ledger	Extensive	Limited
Housing Benefit and Council Tax Support Scheme	Extensive	Substantial
HR Payroll	Extensive	Substantial
Mobile Phones	Extensive	tbc
Housing Revenue Account and Medium Term Financial Plan	Extensive	Substantial
Treasury Management	Extensive	Substantial
Capital Programme and Accounting	Extensive	Substantial

Audit Description	Significance	Assurance
Pensions	Extensive	Substantial
Corporate Systems		
Management and Control of DBS (previously CRB) Checks	Extensive	Limited
Declaration of Staff Interests	Extensive	Limited
Scheme of Delegation	Extensive	tbc
Contract Management and Monitoring	Extensive	Limited
Oyster cards FU	Low	Limited
Purchase Cards	Extensive	Limited
Translation Services	Extensive	Limited
Computer Audit		
Email and Exchange	Extensive	Substantial
Disaster Recovery	Extensive	Substantial
Applications Lifecycle Management	Extensive	Substantial
Malware Protection	Extensive	Substantial
Project Management	Extensive	Substantial
Parking – Chipside	Extensive	Limited

Head of Audit Opinion – Summary

Background

The purpose of this report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards. The purpose of this report is to:

- 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.

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 2013/14

This opinion statement is provided for the use of 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 2014.

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 2013/14, including an assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2013/14 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

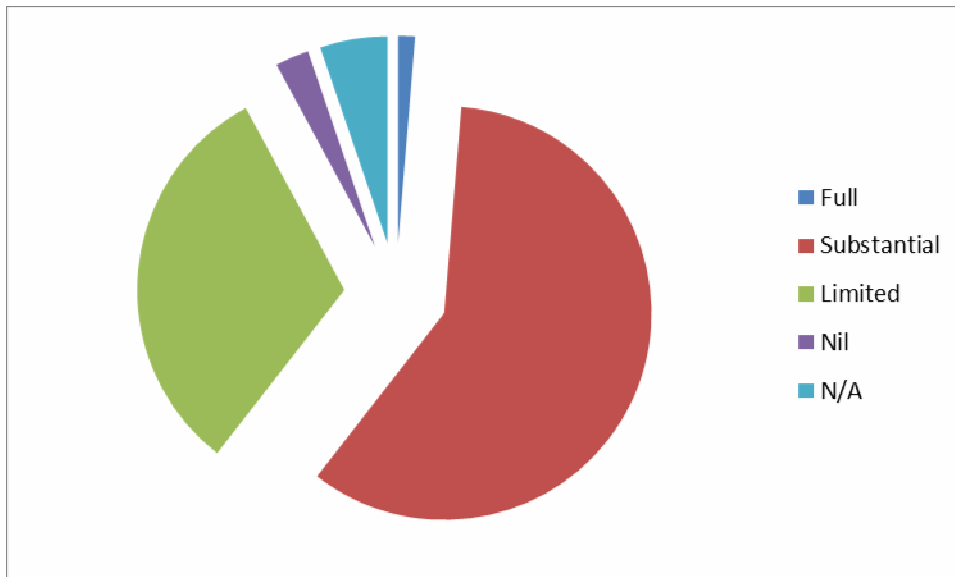
Audits have been conducted in accordance with the Public Sector Internal Audit Standards. The programme of work carried out during 2013/14 is at [Appendix 5](#).

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 reasonable 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 2014 was completed in line with the operational plan. The percentage levels of assurance achieved for reports submitted to the CMT in 2013/14 are depicted in Graph 1 below. This shows that 66% of the systems audited achieved an assurance level of full or substantial assurance, whereas 29% of systems audited achieved limited or nil assurance. This is an adequate performance by the council.

Internal Audit's planned programme of work also includes following-up all agreed recommendations. Given that 45% of priority 1 and 78% of priority 2 recommendations followed up had been implemented when the audit revisited the area, this is an area of concern and has been reported to the CMT and the Audit Committee previously. Stronger 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.

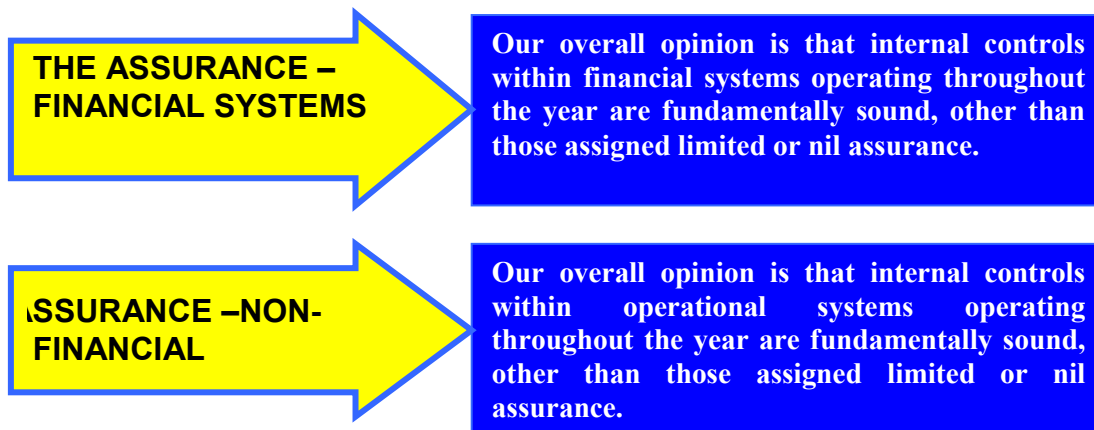
Graph 1 – Levels of Assurance for 2013/14



2013/14 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2013/14, it is my opinion that I can provide a satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31st March 2014 accords with proper practice, except for any details of significant internal control issues as documented in the Detailed Report on **pages 80-83**. 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 will receive an **annual Risk Management report in June 2014.**

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 2014

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 2013/14 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 2013/14. Key issues included:

Management of Commercial Waste

The main issues identified were as follows:-

- There was no evidence available to confirm that the Council verified the sales income reports provided by Veolia.
- Key Performance Indicators (KPIs) were not measured against targets.
- 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.
- There was no evidence available to confirm that the 2012/13 management fee of £717,500 was formally agreed by both parties.

Competitive Tendering

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.

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.

However, comprehensive and coherent procedures and processes for both Directorate staff and for procurement staff needed to be put in place. 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. Clear evidence was not always kept of tender evaluation reports which documented the outcome of the tendering exercise. We identified that tenders were received through a secure portal that included an audit history facility. However, no clear records of officers who witnessed the tender opening were kept. Our review identified two contracts which had been tendered by external consultants, however there no LBTH Officer present at the tender opening stage to ensure transparency and compliance with LBTH tendering procedures. Of the three contracts that had been awarded, only one contract was found to have been signed and sealed by the Council at the time of the audit. 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.

Management of Community Buildings

This audit examined the systems for managing the Council's Community Building Portfolio including the allocations process for Council owned property to Third Sector Organisations. The Council's Asset Management Plan (AMP) sets out the strategy for the management and maintenance of its property portfolio, including Third Sector occupation of community buildings. The Councils owns approximately 80 community buildings and a vast majority are within the Housing Revenue Account

The following issues were reported:-

- A number of organisations had not entered into a signed Tenancy Agreement with the Council. The necessary decision on evicting these organisations is outstanding.
- No monitoring process was in place to ensure that the organisations were applying the community benefits specified in their original applications, including the permitted use and the continued use of the building (as per the lease agreement/tenancy at will). Therefore, there was no assurance that organisations occupying the buildings were complying with the permitted use clauses.

- The report from the external review of the Management of Community Halls and Rooms needed to be submitted to Development and Renewal DMT and the CMT for consideration and approval.
- The Stage 1 - Gateway Eligibility Criteria forms showed the requirement to submit bank statements covering a period of 12 months. However, we noted that in one instance, significant sums of cash were deposited into the applicant organisation's bank account prior to the application being made to LBTH for the use of a community building. Such matters were not being identified and scrutinised by officers checking and processing the applications.
- The assessment of the applicant organisation's current liabilities with the Council including any rent arrears needed to be adequately documented to evidence the checks undertaken.
- A system of quality checks / spot checks to monitor compliance with agreed procedures had not been introduced.
- A clear and workable system required to be put in place to ensure that the Council's Insurance section is immediately notified by Asset Management, whenever a lease renewal or change of occupancy takes place to ensure that insurable risks are adequately covered within the insurance policy.

Management and Control of Markets

The main control weaknesses identified were as follows:-

- Traders with arrears are only followed up when Market Panels are held (historically bi-annually). We noted that only one Market Panel meeting had been held in the previous 12 months. Presently no members of staff in the Markets Service have access to the Council's debtors system. Therefore Market Services staff are unable to monitor payments and arrears.
- All nine traders who received warnings for outstanding arrears had been invited to the June 2012 panel hearing. Since the June 2012 had been cancelled, no further action had been taken for these traders. From our examination of outstanding amounts at June 2012 and at the time of audit (October 2012), we found that in eight out of nine instances, the arrears amount had increased as a result of trader not having paid further invoices received since June 2012.
- Market Services carry out ad-hoc investigations on reported sub-letting by other traders. However, as the service does not have the staffing resources to gather sufficient evidence, it cannot press for legal proceedings. Market Services also does not carry out pro-active work to identify instances of sub-letting. It is acknowledged by Market Services that levels of sub-letting activity are high in certain markets, with the Markets Licensing Manager estimating levels of up to 70% at some markets.
- No checks are performed to ensure permanent traders have renewed public liability insurance on an annual basis. Furthermore permanent traders are not required to present evidence of a valid public liability insurance certificate to market officers.

Management of Probationary Tenancies

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. 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.

Aids and Adaptation Works

The following issues were reported:-

- Management has not specified the proportion of aids and adaptations works that should be subject to an inspection upon completion. In addition, THH does not report the outcomes of the inspections it undertakes to the Council. From sample testing of 20 cases, review found six cases (works above £1k) where no records of inspections being undertaken had been retained.
- The Council has established a set of business critical indicators to measure THH's performance. However, there is no evidence that indicators relevant to the performance of the aids and adaptations service, e.g. timeliness of completing works and percentage of post-works inspections undertaken, etc. have been developed and are included in any management reports either internally within THH, or to the Council.
- The preferred supplier of general maintenance and repairs works in respect of void properties is Mears Limited, the preferred supplier for installing door entry systems is Openview Limited, and for the installation of lifts, ceiling track hoists, step lifts, etc. is Precision Limited. There is a signed contractual agreement in place with Mears Limited, but there is no signed contract in place with Openview Limited or with Precision Limited
- Management has not specified the timescales for THH to complete adaptation works. From our audit testing, we noted that more than 56 days (eight weeks) had elapsed from the date that THH received the Occupation Therapist's referral to the date of completion for 13 out of the 20 aids and adaptation works in our sample.

Quality Assurance of Child Protection Services

Our testing showed that the Quality Assurance Framework page under the Children's Social Care pages of the Intranet was significantly out of date. A revised Quality Assurance Framework was proposed and this needed to be approved and adopted.

An alert system for documenting concerns about care planning and practices was developed, and approved by the LSCB in April 2013 to be used across all statutory agencies. However, in order to provide complete audit trail, concerns about case planning or practice arising at child protection conferences or child in need reviews needed to be recorded in writing so that social workers and managers had written record and confirmation of performance/quality issues raised.

We also noted that Performance Surgery meetings were held to monitor reviews of children on CP Plan for long time, but the minutes of these meetings were brief and did not show any follow up on the actions agreed in the previous meetings.

Management of DBS (CRB) Checks

The following control weaknesses were reported:-

- Our review showed that a list of 6,815 posts across the Council was produced and sent to individual Service Heads on 17th May 2013 for review and identification of DBS Eligible Posts to carry out the necessary checks. However, at the time of reporting there were 2,171 posts which still needed to be reviewed by Directorates to ensure whether any of these posts were Eligible Posts. This increased the risk that posts requiring DBS checks were not identified promptly.
- The monitoring control for ensuring DBS renewals are undertaken on a timely basis is not effective. We noted that a number of employees requiring renewals were not recorded on the HR master spreadsheet and were only identified as not having an up to date DBS check during the audit in May 2013.
- There was no formal escalation process to Service Heads to ensure current employees fully co-operate in applying for renewal of DBS. This resulted in officers being reminded frequently to renew DBS and were still not compliant, increasing the risk of continuing in a post without the necessary DBS check.

Management of Right to Buy Programme

The main weaknesses identified were as follows:-

- Review of timeliness of the processing of RTB sales identified significant delays on behalf of THH which have resulted in sales not being completed in a timely manner. In addition, it was noted that there is no effective tracking system in place in respect of application processing.
- Review of the 20 cases selected for testing found four cases in which evidence of ID checks being undertaken could not be located.

- Valuations were not carried out in a timely manner in a large number of cases, increasing the risk of delays in the processing of applications.
- Some valuations had been undertaken by graduate unqualified surveyors and these had not been cross-checked as part of the review process by a member of the senior asset management team, increasing the risk of incorrect valuations being processed leading to financial loss to the Council.
- From the sample of 20 cases selected for testing, we identified one case in which the application was made jointly with a family member. However, review found no evidence that 12 months' worth of bank statements had been obtained to prove the residency at the address for the family member.

Management of Purchase Cards

The following control weaknesses were reported:-

- Testing of the sample of 10 new card applicants between April 2012 and February 2013 found two budget holder authorisation forms that were completed by officers who were not listed under the budget holder list obtained from Finance.
- From review of the compliance report we found 19 cardholders, for whom in excess of 30% of their transactions had been imported (not reviewed by the card user to confirm the transaction and also not approved by the budget holder) and cross review found 11 of these cardholders (from the payment card database) were still active users as their card had not been suspended as required by the policy. Most notably, for one cardholder all nine transactions had been imported, but the card had not been suspended. Our review of 100% of the card transactions across the Council between July 2012 and February 2013 identified that 572 out of the total of 7,171 transactions had been imported (i.e. no review and no approval) and then paid (monthly statements are paid regardless of whether transactions have been authorised or not).
- At the time of review, the system of reporting in relation to payment card spending analysis was undertaken on an annual basis. We have noted that with the organisational change, the procurement analyst role has been created to ensure that this reporting and spend analysis is undertaken and reported to senior management on a quarterly basis.

Management of Planned Maintenance Programme

The objective of this audit was to provide assurance over the systems for managing, controlling, monitoring and delivering the planned maintenance works. Our review concentrated on four Framework Contracts viz. Communal Heating, Boosted Water, Door Entry and Lift Renewals.

Discussions with officers and examination records showed that Cabinet had approved a budget of £8.626M for planned maintenance works. However, actual spend recorded by officers up to 31st October 2013 was £1.035M. We noted that the financial slippage was

not clearly reported and there was concern that the current year's programme would not be achieved.

We found that as there was no contract that allowed for Replacement of Communal Boilers, the Repairs and Maintenance of Communal Heating contract was being used to carry out the replacement works. The rates charged by the contractor for these works were not market tested and benchmarked to demonstrate value for money. In addition we were not clear on the basis on which the contractor had added an element for overhead and profit (O&P) for replacement works as the tendered O&P figures were for repairs works.

For the Lift works, it was found that payments of 10% of the total contract sum had been made to the contractor for the design and issuance of drawings, however there was no provision within the contract document that required officers to make an advance payment to the contractor.

We understand that a new asset management software (Keystone) is to be introduced which will manage a number of weaknesses we identified. However, operational procedures needed to be developed to reflect the operational changes.

Schools Audits

During 2013/14 we carried out probity audits on 28 schools - 2 secondary, 24 primary and 2 nursery schools. A total of 4 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.

Translation Services

The following issues were reported:-

- Presently there is limited evidence of the Council having a signed contractual agreement with external translation supplier, Newham Language Shop, which accounts for 98% of payments to external suppliers of translation services.

- We were unable to confirm whether regular contract monitoring meetings are held with the provider.
- There are no Council-wide or service specific procedures on ordering of translation services from external providers. Through discussions with Admin Managers of the four services identified as the most frequent users of translation services it was confirmed that currently ordering procedures are not consistent across the Council and some of the processes followed are non-compliant with the Council's financial regulations.
- Furthermore, there is no procedural requirement to check whether a specific need for translation services can be met by the in-house translation team prior to placing an order with external providers.
- Separate translation fee budgets (object code: 5351) exist within services across all the Council's directorates against which payments to external providers are posted. It was noted, however, that records are not maintained of translation services provided by the in-house translation team to services across the Council. Therefore, costs incurred by the in-house translators are not recharged appropriately to services.

Looked After Children

The main weaknesses identified were as follows:-

- Our sample testing highlighted a large number of examples where documentation could not be located on Frameworki or incomplete documentation had been uploaded to Frameworki and therefore we are unable to provide assurance that these cases had been processed in accordance with the Council's procedures.
- For a sample of 10 children becoming looked after in the last 18 months testing found that in two cases previous educational provision could not be maintained after the child was placed. In one these cases the Virtual School failed to secure a new educational placement within 20 school days as required.
- A statutory health assessment is required before a child is placed or within four weeks of placement. For the sample of 10 children becoming looked after in the last 18 months testing found in four instances a health assessment had not been carried out and in one instance a health assessment had been booked for the 12/3/14 (14 months after the child became looked after. In a further five instances the health assessment had not been completed within four weeks of the placement.
- Health reviews are required at least every six months for under five year olds and 12 monthly for those over five. In two out six instances where an initial health assessment had been performed, a health review had not been performed following 12 months.

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 2013/14 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 2013. A summary of the revised plan is provided at Appendix 2 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 8.

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 (applicable at the time);

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 were addressed.

Following the implementation of the Public Sector Internal Audit Standards in April 2013, Tower Hamlets will on a five year cycle, be subject to an independent peer review from the Head of Audit of another London borough. A peer review is planned for the next financial year. Findings from this review will be brought to the Audit Committee in due course.

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 2012/13 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 11 London Boroughs.
- 1.4. In terms of cost analysis, LBTH Internal Audit cost per audit day was £395 compared with the comparator group average of £391 per day. In comparison with the other London Boroughs, LBTH was a medium cost service. However, in terms of cost of the Audit service per million turnover, the group average was £649 against LBTH cost of £559, showing that the LBTH Audit service is relatively low cost as a whole.