REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**4th February 2015**	**Unrestricted**		
REPORT OF: **Corporate Director, Resources** ORIGINATING OFFICER(S): **Head of Risk Management and Audit**		**Quarterly Assurance Report** Ward(s) Affected**:** **N/A**		

1. SUMMARY

1.1. This report summarises the work of Internal Audit for the period September 2014 to November 2014.

1.2. The report sets out the assurance rating of each audit finalised in the period and gives an overall assurance rating. The quarterly assurance report feeds into the annual internal audit opinion which will be produced at the end of the financial year.

2. RECOMMENDATION

2.1. The Audit Committee is asked to note the contents of this report and to take account of the assurance opinion assigned to the systems reviewed during the period.

3. Background

3.1. From April 2005, we have assigned each review one of four ratings, depending upon the level of our findings. The ratings we use are: -

Assurance	Definition
Full	There is a sound system of control designed to achieve the system objectives, and the controls are being consistently applied;
Substantial	While there is a basically sound system there are weaknesses which put some of the control objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;
Limited	Weakness in the system of controls are such as to put the system objectives at risk or the level of non-compliance puts the system objectives at risk;
Nil	Control is generally weak leaving the system open to significant error or abuse, or significant non-compliance with basic controls leaves the system open to error or abuse.

3.2. In addition, each review is also considered in terms of its significance to the authority in line with the previously agreed methodology. The significance of each auditable area is assigned, based on the following factors: -

Significance	Definition
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.

4. Overall Audit Opinion

4.1. Overall, based on work performed in the year to date, I am able to give a substantial level of assurance over the systems and controls in place within the authority.

5. Overview of finalised audits

5.1. Since the last Assurance Report that was presented to the Audit Committee in September 2014, eighteen final reports have been issued. The findings of these audits are presented as follows:

- Chart 1 below summarises the assurance rating assigned by the level of significance of each report.
- Appendix 1 provides a list of the audits organised by assurance rating and significance.
- Appendix 2 provides a brief summary of each audit.

5.2. **Members are invited to consider the following:**

- The overall level of assurance provided (para 5.3-5.5).
- The findings of individual reports. The Audit Committee may wish to focus on those with a higher level of significance and those assigned Nil or Limited assurance. These are clearly set out in Appendix 1.

5.3. The chart ranks the overall adequacy and effectiveness of the controls in place. This assurance rating will feed into Internal Audit's overall assessment of the adequacy of governance arrangements that is required as part of the Accounts and Audit Regulations 2005 and the 2013 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector.

(Please refer to the table on the next page).

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive	-	7	3	-	10
	Moderate	-	2	6	-	8
	Low	-	-	-	-	-
Total Numbers		-	*9*	*9*	-	*18*
Total %		-	*50%*	*50%*	-	*100%*

5.4. From the table above it can be seen that of the ten finalised audits which focused on high risk or high value areas; seven were assigned Substantial Assurance and three were assigned Limited assurance. A further eight audits were of moderate significance and of these two were assigned Substantial Assurance and six were assigned Limited Assurance. Most of these audits receiving Limited assurance were Schools.

5.5. Overall, 50% of audits resulted in an adequate assurance (substantial or full). The remaining 50% of audits have an inadequate assurance rating (limited or nil).

6. Performance Indicators

6.1. At the start of the year, three performance indicators were formulated to monitor the delivery of the Internal Audit service as part of the Monitoring process. The table below shows the actual and targets for each indicator for the period:-.

Performance measure	Target	Actual
Percentage of Audit Plan completed up to Sept. 2014	50%	48%
Percentage of Priority 1 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	100%	84% 21 out of 25
Percentage of Priority 2 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	95%	83% 15 out of 18

The table above shows that the proportion of internal audit work completed to October 2014 is below target.

6.2. The percentage of priority 1 recommendations implemented at the follow up stage was 84%, whereas the percentage of priority 2 recommendations was 83%. Details of all priority 1 and 2 recommendations not implemented are set out in Appendix 3. Further to the usual actions, meetings are being convened with key officers to seek assurances that agreed recommendations will be implemented promptly.

7. Comments of the Chief Financial Officer

7.1 There are no financial implications arising from the recommendations within this report.

8. Legal Comments

8.1. The Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required to maintain an effective system of internal audit of its system of internal control in accordance with proper practices by applying the Public Sector Internal Audit Standard which came into force on 1 April 2013. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

9. One Tower Hamlets

9.1. There are no specific one Tower Hamlets considerations.

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

10 Risk Management Implications

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

11 Sustainable Action for a Greener Environment (SAGE)

11.1. There are no specific SAGE implications.

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
LIMITED	Extensive	Education, Social Care and Wellbeing (ESCW)	St Paul's Way Trust School
	Extensive	Tower Hamlets Homes (THH)	Management of Information Governance
	Extensive	Communities, Locality and Culture and Education, Social Care and Wellbeing and Development and Renewal (CLC, ESCW, D&R)	Monitoring and Control of Mainstream Grants – Youth & Connexions projects Monitoring and Control of Mainstream Grants – Luncheon Clubs Monitoring and Control of Mainstream Grants – D&R projects
	Moderate	Education, Social Care and Wellbeing	Cambridge Heath Sixth Form
	Moderate	Education, Social Care and Wellbeing	Shapla Primary School
	Moderate	Education, Social Care and Wellbeing	St Anne's Catholic Primary School
	Moderate	Education, Social Care and Wellbeing	Management and Control of Telecare Services
	Moderate	Education, Social Care and Wellbeing	Management and Control of Panel Decisions
	Moderate	Resources	Management and Control of Mobile Phones
SUBSTANTIAL	Extensive	Resources	Housing and Council Tax Benefits – Systems Audit
	Extensive	Resources	HR/Payroll
	Extensive	Resources	Future Sourcing – Follow Up audit
	Extensive	Resources	NNDR
	Extensive	Communities, Locality and Culture (CLC)	Control and Monitoring of Penalty Charge Notices (PCNs) Follow Up audit

	Extensive	Communities, Locality and Culture	Management and Control of Anti-social Behaviour – Follow Up audit
	Extensive	Tower Hamlets Homes	Housing Repairs

Assurance level	Significance	Directorate	Audit title
	Moderate	Development and Renewal (D&R)	Management and Control of S 106 Planning Obligations Follow Up audit
	Moderate	Resources	Management and Control of Purchase Cards Follow Up audit

Summary of Audits Undertaken **APPENDIX 2**
Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Paul's Way Trust School	Oct 2014	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The main weaknesses were as follows:- • Examination of the personnel files for a sample of five new starters identified that for one out of five cases tested, there was no DBS/CRB information retained for the staff member, for one out of five cases tested, there was no evidence of references being obtained, for one out of five cases tested, there was no evidence of the staff member's qualification retained on file, for one out of five cases tested, there was no evidence of a valid medical check retained on file, and for one out of five cases tested, a signed employment contract was not available to view. • The register of business interests had been completed by all staff with financial responsibility. However, declarations of interests were not available for eight governors. • Examination of a sample of 10 general purchases identified that a purchase order had not been raised for four out of nine applicable purchases made, where it would be reasonable to expect this to have occurred. • A review of the school's Computer Asset Register identified that some key information had not been recorded for each asset listed (e.g. source of funding and serial numbers, in all cases and any amount realised for disposal). • Although a sample of Asset Loan Forms had been signed by staff receiving the items, we identified that the loan agreements had not been authorised by a delegated officer in three cases. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Education, Social Care and Wellbeing.	Extensive	Limited

Management Comments

The Education, Social Care & Well-being Finance Directorate have put the following systems and processes in place:-

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

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

The schools have acted immediately and agreed to complete all actions with a defined timeframe.
The schools and the governing bodies are fully committed to the recommendations made in the Audit report by:

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

Schools Finance Manager will contact the school and their bursar to review and support the school in its recommendations with additional signposting them to the guidance procedures to follow.
It's proposed a member from schools finance, Audit, HR and learning and achievement will meet with the Head and Chair of Governors to support and ensure the recommendations are completed to a high standard.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Information Governance	Oct 2014	The audit was designed to provide assurance to management that the systems for securing and protecting Tower Hamlets Homes (THH's) data are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • THH has adopted a range of the Council's Information Governance Policies and Procedures, However it was established that a number of procedures had not been reviewed recently. • THH has a clear desk policy; however, it was observed that this was not always being observed or enforced. • There is no formal programme of training with regards to information governance at THH and information governance is not included in the staff induction training provided to new members of staff at THH. • We were unable to confirm that staff are kept up to date with current legislation with regards to information governance. Although an example of a staff newsletter was provided, it was not clear that this represented regular briefings to staff. • These documents have not been updated to include the localised procedures applicable to THH and the responsible officers. It was also noted that responsibilities for data and security management, as well as information governance had not been formally delegated to THH officers. • Staff are issued with portable storage devices (including encrypted memory sticks); however, there are no records of which staff members have what storage devices. In addition, staff are able to take paper based sensitive information off site which is not recorded or logged. All findings and recommendations were agreed with the Head of Customer Access and Facilities (THH) and reported to the Director of Finance and Customer Services (THH), and the Chief Executive (THH).	Extensive	Limited

Management Comments

THH have been included in the Council-led review of Information Governance Policies.

The Records Management Policy will be published on the THH Intranet by end of December 2014

The Data Protection Policy is under review as part of the Council-led review with completion expected in Quarter 4 of 2014-15.

The IT Security Policy is under review as part of the Council-led review with completion expected in Quarter 4 of 2014-15.

Information Security Incident Management – in progress with LBTH for completion Q4

Localised procedures as well as responsibilities will be prepared once the above review programme is completed.

The risk identified in the internal audit review around portable storage devices (including encrypted memory sticks) is under discussion with LBTH ICT to understand how the Council itself manages this risk because any solution found for THH will need to be consistent with approaches taken in the Council. THH use the Council's ICT infrastructure provided by the Council's ICT partner and is bound by the Council's ICT security policies and system configuration.

An internal communications campaign is being developed to improve enforcement of clear desk policy and improve management of printed materials that contain personal or sensitive data.

Training has been delivered to staff in relation to FOI and DPA with good attendance achieved. Further training on DPA is scheduled in Q4. Service specific training will also be provided by end of Q4 of 2014-15.

The finding that staff were not kept up to date with current legislation with regards to information governance will be addressed through further training and awareness once the policy reviews have been completed.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Monitoring and Control of Mainstream Grants CLC ESCW D&R	Aug. 2014	The objective of this audit was to provide assurance that the systems for monitoring of Mainstream Grants delivered by Directorates were sound and secure. Our review showed the following common issues across the three Directorates (viz. CLC , ESCW and D&R) who manage and administer the projects:- 1. There were no documented monitoring procedures currently in place for those organisations receiving MSG funding for the Youth & Connexions projects and Luncheon Clubs. Actual monitoring consisted of a 'desk top' evaluation of the output data submitted by the project organisations. No monitoring visits were carried out to these organisations. There was no verification of actual project expenditure to ensure that the grant was only used for the purpose for which it had been awarded. In addition, claims for expenditure incurred by the organisations in the audit sample were not supported by bona fide evidence. 2. For projects monitored by D&R officers, the procedures for undertaking effective monitoring of MSG have been updated but the draft procedures have yet to be signed-off and formally issued. From interviews with MSG Monitoring Officers and their respective Service Managers, it appears that some Directorates are using the existing MSG procedures, some are using the new draft procedures and some are not aware of the existence of MSG procedures. Therefore, there is the risk that different standards for the management and control of grant are being applied. We found the following specific issues on Youth & Connexions projects:- 1. There were no documented monitoring procedures currently in place for those organisations receiving MSG funding for the Youth & Connexions projects. Actual monitoring consisted of a 'desk top' evaluation of the output data submitted by the project organisations. No monitoring visits were carried out to these organisations. There was no verification of actual project expenditure to ensure that the grant was only used for the purpose for which it had been awarded. In addition, claims for expenditure incurred by the organisations in	Extensive	Limited

		the audit sample were not supported by bona fide evidence. 2. The collection of output information did not include equal opportunities monitoring data which is a requirement for grant funded Third Sector Organisations. This represents non-compliance with Grant conditions. 3. Officers did not have full contract documentation which included the formal offer letter setting out terms and conditions of the grant and agreed outputs and outcomes. In absence of these documents, we were not clear how an effective monitoring of output data submitted by each organisation would be undertaken. This severely limited the extent of audit testing which could be undertaken by us. 4. There was no evidence to show that Value for Money issues were taken into consideration during the lifetime of the project. There was a risk that projects which failed to deliver the specified outputs would not be identified and action planned for corrective action, resulting in grant money not being used for the intended purposes. We found the following specific issues on Luncheon Club projects:- 1. An examination of the quarterly monitoring information for the sample showed that some service providers were not achieving the targeted outputs for which the grant was awarded. We have recommended that a value for money review should be undertaken where there is significant under-achievement of agreed outputs and or outcomes, to determine reduction or withdrawal of grants. 2. We found that two organisations in the sample of five, had reported that they had not been registered as food premises with the Council's Environmental Health Team. Such registration was a prerequisite of the grant award, and hence we were not clear as to how these organisations continued to receive grants. 3. It was noted that only one of the five organisations in our sample had recorded receipt of LBTH MSG in their statement of financial activities.		

		We found the following specific issues on grant projects overseen by D&R:- 1. Monitoring needed to include the verification of outputs and outcomes, review and probity of the organisations' financial policies, key organisational changes, governance information and verification of expenditure to ensure that the grant is being used only for the purpose for which it had been agreed and that any expenditure is fully supported by bona fide evidence as these checks are not required under existing MSG guidance. This is at variance with the Council's Financial Regulations for organisations in receipt of grant aid. Therefore, there is a risk that Council grant may be used to cover expenditure that does not relate to the grant agreement. 2. In respect of the Social Welfare Advice Service Programme, a risk assessment was undertaken in order to prioritise organisations for a monitoring visit. However, the risk assessment was not formally documented. 3. There was no evidence of management review and monitoring of the quality of monitoring visits by officers to ensure that the required standards were being met and procedures complied with. In addition, the reports of the monitoring visits produced by the monitoring officer were not signed and dated. For Youth & Connexions, all findings and recommendations were agreed with the Service Head, Safer Communities and final report was issued to Corporate Director, CLC and Head of Paid Services. Progress meetings to monitor implementation of recommendations were being held periodically. For Luncheon Club, all findings and recommendations were agreed with the Service Head, Commissioning and final report was issued to the Corporate Director, Education, Social Care and Wellbeing. For Social Welfare Advice Service Programme overseen by D&R, all findings and recommendations were agreed with the Acting Service head, Resources and final report was issued to the Corporate Director, Development and Renewal.		

Management Comments

Luncheon Club – Education Social Care and Wellbeing

In response to the Audit findings the Quarterly Monitoring Review and monitoring visit report templates have been amended to reflect the requirements identified in the Audit recommendation, and are now in use. The annual self-assessment template has been similarly amended for ongoing use.

More broadly a comprehensive review of contract management and monitoring procedures within the ESCW Directorate is underway. This covers all contract management activity, including that related to services funded via the MSG programmes. The project brief including terms of reference for this review are attached. The review will have completed its work, and new arrangements, procedures and monitoring tools will be in place by the end of January 2015.

Work undertaken by the Directorate subsequent to the Internal Audit has identified weaknesses in the way in which monitoring requirements have been communicated to MSG funded lunch clubs more broadly. We have run a session for all lunch clubs on the monitoring requirements to ensure consistency, are planning further engagement with the lunch clubs as a group, and are following this up with individual support, particularly for organisations with limited access to / ability with ICT. This reinforcing of monitoring requirements has been combined with much clearer messaging about the importance of fully complying with monitoring requirements, and that future quarterly payments will be withheld if compliance is not achieved. A process for dealing with poorly performing lunch clubs is also under development in order to address value for money concerns as and where appropriate.

Previously, responsibility for monitoring all lunch clubs sat with an individual Monitoring Officer. This has now been changed so that monitoring responsibility for lunch clubs is spread across a number of Monitoring Officers. This reduces the 'single point of failure' risk that existed previously, and has already resulted in a number of new concerns being identified relating to the operation of individual lunch clubs which are being dealt with as they arise. Any formal action arising from these interventions will be reported via the Corporate grants monitoring process.

Work has been undertaken with the Council's Environmental Health service to ensure that all premises from which lunch clubs are run are properly registered as food premises, and as a result all are now properly registered or in the process of being registered.

Social Welfare Advice Service Programme - Development and Renewal

There are 5 key issues identified from the Audit of the management and monitoring processes and procedures of D&R's Main Stream Grant programme comprising of projects from Social Welfare Advice, Community Economic Engagement and Third Sector Infrastructure. From these

issues there are 6 recommendations setting out various concerns. Appropriate and timely action has been taken and a clear set of plans have now been developed identifying the appropriate steps necessary to rectify all of the issues and concerns that have been identified. These are outlined below.

- An updated comprehensive Grant Officers Manual - covering grant management requirements - has been developed, with input from Internal Audit, for issue to all relevant officers including service managers. An initial induction/training session has been organised and all relevant officers and service managers have been invited. A follow-up session will be organised to ensure that all required staff are fully aware of the manual and the associated requirements. The Manual will be issued with version control and updated versions and/or associated templates reissued as appropriate. In any event the manual will be reviewed on an annual cycle.
- Procedures and arrangements for the prioritisation of monitoring visits based on 'risk assessment' have been developed and included within the updated Grants Officers Manual – this will ensure that within each monitoring period, those projects deemed to be the highest risk will be identified and prioritised for monitoring purposes.
- Processes and procedures for the verification of spend have been significantly strengthened and these are clearly set out in the updated Grant Officers Manual, to ensure that grant funding is being used solely for the purpose for which it was agreed.
- Procedures have been strengthened, again clearly set out in the updated Grant Officers Manual, which enable the consideration of the extent to which funded organisations have appropriate 'organisational governance processes and procedures' in place, to ensure the overall effective management of grant funded projects.
- The GIFTS system has always been available for directorate grants officers use, however this has not been mandated. The use of the GIFTS database is now being 'rolled out' as the primary tool in the management, monitoring and recording of information related to grant funded projects. Directorate based officer will now be required to use this system. Improvements and developments have been made to ensure that GIFTS is able to capture an increasing range of information through the population of appropriate templates within the system or by attaching external documents to project files. Further improvement and developments are planned to come on stream in due course.

Youth & Connexions – Communities, Localities and Culture
Management Comments

Procedures have been developed to cover the various manager's roles and responsibilities in respect of monitoring mainstream grants, and they will be supported by a documented risk assessment, process maps and standard templates. Internal Audit to review procedures prior to sign-off by the Safer Communities Service Head.

A folder for each contract is maintained by the service. The Head of YCS ensures that all contract documents relating to mainstream grants are held by the service and that the process of monitoring is applied to each contract.

A risk assessment template has been developed to cover the process. Each monitoring meeting is logged in a centralised spread sheet, which specifies visit's date, officer, project, venue, organisation, contact, and further actions. Assessment document will be kept on project folder,

along with comments made by Head of Service on direction. A list of staff and what training they require will be produced, which will then be actioned through the PDRs. Spreadsheet already in place and is RAG rated highlighting risk.

A standard checklist identifying the type and levels of monitoring checks to be undertaken would be drawn up. Payments monitoring and review are now documented and kept in the project folder. CIPFA training is organised on 19th February 2015.

Assessment template has been developed for officers and Head of YCS to undertake reviews on value for money. Each assessment will be kept in the project folder.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cambridge Heath Sixth Form	Oct 2014	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The main weaknesses were as follows:- • It was identified that the 2014/15 Budget Plan was currently in its draft stage at the time of audit (July 2014). Discussion with the Bursar established that due to resourcing issues, the RM Cash Accounts system is only updated on a monthly basis by their Tower Hamlets Financial Advisor. • Testing of five new starters identified that qualification certificates were not on file for two of the starters tested. • Audit testing of free school meals identified nine out of 20 students on the School's free school meals list for which there was no confirmation from the Local Authority that the students were eligible. • At the time of the audit, there was no evidence that a formal stock check and certification of the inventory records had been completed during the last 12 months. The Scheme of Delegation requires an annual independent stock check and certification of stock and inventory records. • Testing of ten items at the School found no evidence that the assets were permanently marked with the School's details. • It was confirmed that Cambridge Heath leases three photocopiers. Review identified that the lease for one of these had expired in August 2013. Furthermore, the leases for the remaining two photocopiers were due to expire in June and August 2014. At the time of the audit, there had been no decision regarding the title transfer of the leases, and whether they should continue after Cambridge Heath is disaggregated. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Education, Social Care and Wellbeing.	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Shapla Primary School	Sept 2014	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 an adequate governance structure in place. The main weaknesses were as follows:- • The Resources Committee does not have a terms of reference. • Examination of a sample of five starters' personnel files identified that there was no evidence of appropriate right to work documents maintained on file. • Our sample of five starters identified three did not have any references on file. The other two had only one reference on file. • For three payments in excess of £5,000 tested, evidence of the appropriate Governing Body or Resources Committee approval could not be identified. For a further two applicable payments tested, we were unable to obtain evidence that three quotes had been obtained. It was noted that the payments were for emergency works and therefore alternative quotes had not been sought. Examination of Governing Body and Resources Committee minutes could not identify if these exceptions had been highlighted to Governors. • Whilst the School's Strategic Development Plan 2011-2014 was available to view, there was no evidence of full Governing Body's periodic review and updates being provided to the Governing Body. • We were unable to confirm that a register of business interests had been completed for one governor. It was also noted that although Governing Body meetings have an agenda item for declarations of interests, the Resources Committee meetings did not. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Education, Social Care and Wellbeing.	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Anne's Catholic Primary School	Oct 2014	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 an adequate governance structure in place. The main weaknesses were as follows:- • There was one contract over £15,000 at the School, for which there was no evidence that quotes had been sought or approval from the Governing Body obtained as required by the Code of Practice for Financial Management. Furthermore, the copy of the contract between the supplier and the School was unsigned. • Through review of the meeting minutes of the Full Governing Body since March 2013 it was observed that while the March 2013 minutes had a declaration of interest as an agenda item, subsequent minutes did not record an opportunity to declare pecuniary interests. • Through review of the School Improvement Plan (SIP) it was established that where there are financial resource requirements these had not been identified in the SIP. • Through review of the income records which also show the date of banking, it was noted that there were three separate bankings totalling £2,118. This amount exceeds the insurance limit of £500. • The Code of Practice for Financial Management states that for all transactions between £50 and £250 the School should note on the order form that prices of other products were checked, while for all transactions between £250 and £5,000 three verbal quotations should be taken and a written record of these be attached to the official order form. From a sample of 10 procurements, there were nine instances (ranging in value from £55.00 to £2,362.80) where it was established that this guidance was not being followed. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Education, Social Care and Wellbeing.	Moderate	Limited

Management Comments

The Education, Social Care & Well-being Finance Directorate have put the following systems and processes in place:-

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

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

The schools have acted immediately and agreed to complete all actions with a defined timeframe.
The schools and the governing bodies are fully committed to the recommendations made in the Audit report by:

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

Schools Finance Manager will contact the school and their bursar to review and support the school in its recommendations with additional signposting them to the guidance procedures to follow.
It's proposed a member from schools finance, Audit, HR and learning and achievement will meet with the Head and Chair of Governors to support and ensure the recommendations are completed to a high standard.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Telecare Services	Sept 2014	The audit was designed to provide assurance to management as to whether the systems of control around Telecare Services are sound, secure and adequate. In addition, the audit sought to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Regular stocktakes are undertaken, but these are not formally documented and recorded. • Inefficient working practices are in place in respect of the staff shift rotas used, as well as insufficient funding having been budgeted for full-time service provision, resulting in use of overtime to cover staff leave and other absences, leading to an overspend as at the end of year 2013-14 budget report of £65,000. • We identified that an asset benefit analysis had not been undertaken by the Telecare Services Team and therefore we were unable to confirm that the Council was receiving value for money from the assets being utilised. • From a sample of 20 Telecare installation assessments tested, in seven instances we noted that an assessment had not been recorded appropriately and in a timely manner. Of these, in five cases information had not been documented or retained. • We identified that service outcomes are not being formally monitored and performance is not reported to senior management. • Although policies and procedure notes were in place and available to view, we identified that some had not been evidenced as reviewed within the last 12 months, and no reference to data protection requirements was made. All findings and recommendations were agreed with the Interim Head of Adult Social Care and reported to the Service Head for Learning and Achievement, and the Corporate Director - Children, Schools and Families.	Moderate	Limited

Management Comments

- An Equipment Stock Take spreadsheet has been created where stock is formally documented and recorded.
- Telecare is a 24 hours service which has to be sufficiently manned at all times regardless of staff leave, sickness etc. This increases the risk of overspend.
- An asset benefit analysis is being looked into.
- Vigorous processes in working methods have been implemented to ensure that all Telecare assessments and installations are recorded appropriately and in a timely manner. Information is scanned and securely retained in appropriate folders. These processes have increased staff accountability for the documentation of their work and also include checks and trails as a means of monitoring.
- Working methods and processes have been strengthened within the team that formally monitor service outcomes e.g. after a telecare installation. Checks and trails are firmly in place. Telecare service aims and objectives are clear, and upon which outcomes are monitored and performance is reported to senior management through board meetings for example.
- Policies and procedure notes have been reviewed and recently updated. This will continually be carried out in a periodical manner which ensures that notes are reviewed and are up to date. Data Protection is now referenced and incorporated in policies and procedures.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Panel Decisions	Sept 2014	The audit was designed to provide assurance to management as to whether the systems of control around the Management of Panel Decisions are sound, secure and adequate. In addition, the audit sought to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Testing found that guidelines and terms of reference for the panels were out of date and had yet to be reviewed. • Incomplete documentation was found to be retained in one of five cases reviewed for the Mental Health Panel and for all five cases reviewed for the Joint Commissioning Panel, and it was not possible to confirm that the required documentation had been provided to the panel as part of the decision making process. • Discussions and review of e-mails between the Service Manager, Social Care ICT and social care teams showed that there are on-going issues in relation to budgetary reporting, and the records maintained by the social care teams and information on the Framework-i system have been found to be at variance. • Examination of panel case approval documentation showed that the options considered by social workers in reaching decisions to recommend a particular support plan to panels are not documented in the information presented to panels. • Three of the five panel case approval meetings sampled of the Mental Health Panel held were found to have not met the quorum requirements in place. • No information governance arrangement is currently in place with the East London NHS Foundation Trust over how client records managed by the Mental Health panel are controlled. All findings and recommendations were agreed with the Interim Head of Adult Social Care and reported to the Service Head for Learning and Achievement, and the Corporate Director - Children, Schools and Families.	Moderate	Limited

Management Comments

The Panel is now operating twice weekly with new Terms of Reference being agreed. The papers are circulated in advance so all participants have the opportunity to read them before the actual Panel meeting. As agreed team managers/ senior practioners present the case with the relevant evidence before any care package is approved where the funding is over £300 per week. Decisions from the Panel are recorded on specially devised forms and signed by the Chair of the Panel and then transferred into Framework-i. Membership is well established with the relevant partners attending and a strong management grip is now evident on the cases presented to the Panel. The financial recovery group meets twice monthly where the savings/ expenditure and cost avoidance is reported. This effectiveness of the Panel can be seen by the financial information presented and there is close working relationship with finance staff.

There is evidence of a positive shift in the way staff approach the delivery of the care packages, more innovating packages are seen .The quality of the presentations, the analysis and challenge is evident . A review has been held after 6 months of operating within this revised model and improvements are on-going. The IT is being revised in line with the overall changes from Framework-i to Mosaic and this work is in progress. The implementation of the Care Act is also interwoven into the development of the Panel and social work practice.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Mobile Phones	Sept 2014	The audit was designed to provide assurance to management as to whether the systems of control exercised by the Council to meet its agreed objectives with regards to management of mobile phones and Blackberry devices are adequate and effective. In addition, the audit sought to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Since June 2013 administrative staff have not been able to review mobile phone usage effectively. • There is inadequate segregation of duties between officers checking mobile phone accounts and the phone users in a number of cases. • We obtained the April 2014 detailed usage report from Agilysis and identified that there were 1,565 accounts where 'usage' charges were zero for the month. Directorates and departments are responsible for administering pool phones, standby phones and returned phones. • Policies and procedures held on the intranet are not version controlled. • There was no evidence to confirm that officers set up as approvers of mobile phones requests are checked on a regular basis to verify that they are still appropriate to approve the requests. All findings and recommendations were agreed with the Contracts and Performance Manager Client Unit ICT and reported to the Head of IT, and the Interim Corporate Director of Resources.	Moderate	Limited

Management Comments

The portal has been implemented for a pilot group of 30 administrative staff (known as Invoice Managers. Mobile phone usage is being monitored by these Invoice Managers. Agilisys are rolling out the self-service portal for the remainder of administrators/Invoice Managers.

A full review of Invoice Managers and users was recently undertaken by Directorate representatives to ensure separation of duties and that no one has blackberry or a phone that does not need one. Some of the zero usage users are those that do not make calls from council phones or BlackBerrys, but use these devices for receiving calls or for making emergency calls (i.e. lone workers) and/or use emails and calendars. Also staff on maternity and long term sickness was shown as zero usage users. A list of users who no longer need their phones is being progressed by Agilisys. The devices and SIMs no longer used are now being recycled by Agilisys.

The three key policy documents have been reviewed and version controlled and updated versions will be loaded on the intranet by the end of January 2015.

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Benefits and Council Tax Support	Nov 2014	The audit was designed to provide assurance to management, as to whether the systems of control around the Housing Benefits and Council Tax Support system are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • At the time of the audit, reconciliations of the Northgate system with Agresso had not been performed for over a month and there is no evidence of segregation of duties within the process, or the investigation of variances. It was noted that all reconciliations for the year were completed at the end of May. • From our testing of 20 cases where housing benefits were no longer being paid, that in 15 cases where overpayments were outstanding, recovery actions have been taken and repayment arrangements are in place. In the remaining five cases, no money has been recovered, and following the reminder letters being sent, the cases have not been progressed to legal or collection agency actions. All findings and recommendations were agreed with the Head of Benefits Services and reported to the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
HR/Payroll	Oct 2014	The audit was designed to provide assurance to management, as to whether the systems of control around the HR & Payroll system are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Reconciliation of the general ledger to payroll has not been undertaken since September 2013, and has not been undertaken on a timely basis throughout the financial year. This issue is covered in the audit report on General Ledger and therefore a recommendation was not made in this report to avoid duplication. • The payroll policies and procedures in place have not been updated since April 2012. • Overpayments have arisen due to delays in HR notifying the Payroll team of staff leaving LBTH. • We found a number of instances where starter and leaver forms had not been date stamped. • We determined that starter forms were not always scanned on the system to be retained electronically once they were processed. • A different form is used in respect of electoral canvassers to the rest of the Council starters that were sampled. The electoral canvassers form lacks the strength of data capture controls that the Council's standard form uses, as no dual signatures are required and there is no starter checklist. • A spot checking regime is in place, but there is no established guidance or records in place on the size of the samples taken or the frequency of the checking undertaken. • Additionally, two of the recommendations raised in the 2012/13 internal audit had not been fully implemented at the time of the 2013/14 audit. All findings and recommendations were agreed with the Service Head, Human Resources and Workforce Development and reported to the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Future Sourcing Contract Monitoring Follow Up Audit	Nov. 2014	This audit assessed the progress made in implementing audit recommendations agreed at the conclusion of the original audit in May 2013. Our testing showed that of the five high priority recommendations made, two had been implemented, two were partly implemented and one was not implemented. Of the seven medium priority recommendations, three had been implemented, three were partly implemented and one not implemented. The previous recommendation that current systems and procedures underpinning the contract monitoring processes should be documented and should also include the standards to which the contract is to be monitored needed to be progressed. Although all reported P1 and P2 call alerts were quality checked, for P3 – P5 calls received, there was no monitoring undertaken by the Client Team as the access required to SupportWorks has yet to be provided by Agilisys. The calculation of performance deductions credit was defined in the Agreement. This requires a written report to Strategic Partnership Board (SPB) in each instance and SPB agreement to waive or not to waive such deductions. Although, decisions taken by SPB were documented the waiving of service credits was not included within the Board's Terms of Reference. In addition, the decision to waive service credits needed to be formally delegated under the Council's Scheme of Delegation. Agilisys provided monthly payroll lists and supporting documents to undertake a full reconciliation of apprentice costs prior to approval of invoice. However, we understand that no mini payroll audits had been undertaken by the Client Team to validate that apprentices charged to the contract, were resident within LBTH. The requirement for a central database to hold key contract information such as insurance renewals, software licence renewal, and variation and change control etc. has not been fully resolved. All findings and recommendations were agreed with the Interim Heat of ICT and final report was issued to the Acting Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
NNDR	Nov 2014	The audit was designed to provide assurance to management, as to whether the systems of control around the NNDR system are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Management has insufficient assurance that effective controls are in place to prevent fraud occurring as a result of retrospective void statuses being applied to properties. • From a sample of 20 void, charitable and part-occupied reliefs awarded, in three cases it was found that there were no records of inspections of properties granted void and charitable relief having been conducted. In two cases, no record of the notification or application for relief received was retained, and so it was not possible to confirm on what basis the relief was originally applied. • From a sample of 11 inhibited accounts, in all cases it was found that inhibits had been applied appropriately, but in three cases it was noted that the necessary tracing actions had not been taken, as the correct markers had not been applied by the NNDR team to the cases in order to highlight them as needing to be processed by the Debt Recovery team. Of a sample of 25 accounts with outstanding balances, it was found that recovery actions had not been taken in a timely manner in four cases. • Review of the monthly reconciliations between the Civica and Agresso systems which are undertaken by the Revenue Services team identified that as at the end of the financial year 2013/14, the reconciliations for the month of March 2014 had not been completed and reviewed by the end of June 2014. The reconciliations were not dated as to when they were prepared and reviewed. All findings and recommendations were agreed with the Service Head - Revenue Services and reported to the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Penalty Charge Notices (PCNs) Follow Up audit	Sept. 2014	This follow up audit assessed the progress made in implementing the agreed recommendations at the conclusion of the original audit on this subject. Our testing showed that out of the six high priority recommendations made at the conclusion of the original audit, five recommendations had been progressed during the follow up audit and one was still outstanding. In line with the original recommendations, procedures had been documented and process maps had been developed. These, however, needed to be included within the new Procedures Manual, so that all related procedures are captured in one single document which is version controlled. We noted that procedures in place for stage queue reviews together with any proposed action to move cases further up the recovery chain had been charted but still needed to be clearly documented within the Procedures Manual. The Bailiff contract which expired in August 2013 was extended for a further year. Although no specific KPIs were added to the extended contract, an SLA was formulated. From our analysis, it would appear that Bailiff performance in collecting PCN's referred to them needed to be improved further. Finally, we noted that debtors and bad debt provisions were still not being reviewed and updated on GL system on a quarterly basis. In addition, the basis on which bad debt provisions were calculated was not reviewed to ensure that assumptions made are realistic and consistent with current recovery rates. All findings and recommendations were agreed with the Service Head, Public Realm and final report was issued to the Head of Paid Service and Corporate Director, Communities, Localities and Culture and .	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Anti-Social Behaviour Follow Up	Oct. 2014	This follow up audit assessed the progress made in implementing the agreed recommendations at the conclusion of the original audit in January 2014. Our testing found that of the seven high priority recommendations, two remained outstanding and of the two medium priority recommendations, one remained outstanding. We found that procedures were still at draft stage and needed to be finalised and issued to all relevant staff. The team leader needed to ensure that all case reviews were carried out according to the scheduled dates for effective case management so that unnecessary delays are avoided in processing the cases and achieving desired outcomes. We also recommended that sample checks should also be carried out by the Head of Enforcement and Support Intervention to ensure that case management is effectively reviewed and monitored. All findings and recommendations were agreed with the Service Head, Community Safety and final report was issued to the Head of Paid Service and Corporate Director of Communities, Localities and Culture.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes - Housing Repairs	Nov 2014	The audit was designed to provide assurance to management, as to whether the systems of control around Housing Repairs are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • The Repairs Policy has not been updated since 2008, and was not available to staff at the time of the audit. The Complaints Policy was most recently reviewed in 2010. The documents did not include version histories. • In some cases where work orders were raised, an appointment for the repair work was not made with Mears and the tenant by the Council, and additional work requests (pre-inspections, work orders and contractor recalls) were not raised as part of the initial order. In one case, a variation to a work order was submitted and approved after the work was recorded as completed on the Northgate system. • The process for raising invoices to recharge the tenant could not be established, as there was no policy or process documentation in place, responsible officers had not been established, and it was not possible to obtain a report of all costs marked for recharge for testing. • Post-inspections were conducted in 6.7% of cases from April 2013 to July 2014, against a target in place of 10%. In two cases from a sample of 25 work orders tested, a post-inspection was not conducted on a work order type for which a post-inspection is required in 100% of cases (condensation reported in the property). • The invoice approvals for October 2013 were not signed off as having been reviewed and approved for payment, and the reconciliation between the costs invoiced by Mears and the records as per the SX3 system had not been completed for 2014/15 to date. All findings and recommendations were agreed with the Head of Repairs and reported to the Interim Director of Neighbourhood Services, the Director of Finance and Customer Services, and the Chief Executive.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of S 106 Planning Obligations Follow Up audit	Oct. 2014	This follow up audit assessed the progress made in implementing the agreed recommendations at the conclusion of the original audit finalised in August 2013. Our testing showed that out of the three high priority recommendations made in the original report, all had been progressed. The PCOP Terms of Reference had been updated to include the quorum requirements and also the declaration of interests requirement. The Chair of PCOP and his staff provided strong governance to the planning, programming and application of s.106 Planning Obligations and in identifying key risks to the plan and programme. From our review, we have reported that the control over monthly income reconciliation between the s106 officer and D&R Finance Officer needed to be improved to ensure Finance data matches the s106 dataset, so that quality assurance can then be reported at PCOP as part of the monitoring process. All findings and recommendations were agreed with the Service Head , Planning and Building Control and final report was issued to the Corporate Director, Development and Renewal.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Purchase Cards Follow Up audit	Oct. 2014	This follow up audit assessed the progress made in implementing the recommendations agreed at the conclusion of the original audit finalised in March 2014. Our testing showed that of the three high priority recommendations made, one was outstanding, but we are satisfied that since reporting this matter to Management, a control has been put in place and we were shown evidence of this. We note that compliance monitoring will commence from October 2014. Of the six medium priority recommendations made, progress was noted in implementing these since the issue of the draft report and we were shown evidence to support this progress. However, management must ensure that the overall control environment is sound and secure going forward. The follow up review found that budget holder forms have been modified to include Finance Officer name and signature. The purchase card expenditure for 2013/14 was analysed and reported to the Resources DMT. The purchase card user guide and procurement procedures manual have been updated. Quarterly reports from HR/Payroll listing leavers and staff on maternity leave are used to identify purchase card holders for cancellation of cards. We have reported that improvement is required in compliance monitoring both at the Centre and at Directorate level to ensure that purchase card transactions are properly reviewed and approved by budget holders to manage the risk of error, omission, bad value for money, irregularity, fraud and waste. We are now satisfied that the Compliance Manager has developed a system of monitoring compliance with the requirements and that visits will be conducted to review transactions and VAT accounting will be improved to ensure that the risk of loss of VAT is managed. We have also recommended that all current purchase card holders should have signed purchase card agreements in place. All findings and recommendations were agreed with the Service Head and final report was issued to the Acting Corporate Director of Resources.	Moderate	Substantial

APPENDIX 3

Follow Up Audits – List of Priority 1 Recommendations still to be implemented

Audit Subject	Recommendation	Service Head	Officer Name
Control and Monitoring of Penalty Charge Notices (PCNs)	Debtors and provisions should be reviewed and updated on the general ledger on a quarterly basis. The basis on which bad debt provision is calculated should be reviewed quarterly to ensure assumptions made are realistic and consistent with current recovery rates.	Jamie Blake	Michael Henegan/ Stephen Willie
Management and Control of ASB	Periodic spot checks should be undertaken to confirm that all reports are being recorded in a timely manner.	Andy Bamber	Kridos Pavlou & Trevor Kennett
Management and Control of ASB	Evidence of weekly reviews of progress against action plans for active cases by the Enforcement Team Leader as part of staff supervision should be documented within the Flare system	Andy Bamber	Kridos Pavlou & Trevor Kennett
Future Sourcing	The current systems and procedures which underpin the contract monitoring processes should be documented. This should include the standards to which the contract is to be monitored.	Shirley Hamilton	Ikbal Hussain

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

Audit Subject	Recommendation	Service Head	Officer Name
Management and Control of ASB	A sample of closed cases should be reviewed by the Head of Enforcement and Support Intervention as part of supervision.	Andy Bamber	Kridos Pavlou
Future Sourcing	A database should be maintained to record all key contract information and contract documentation, which should be retained and managed by the Contracts and Performance Coordinator. As a minimum the following contract information should be maintained: • Security certificates, • Insurance renewals and indemnities, • Licence renewals of key software systems and certificates • Data Protection Register details, • ISO registration (Certification expires on 9th April 2015), • Variations and change control and Issues Log.	Shirley Hamilton	Ikbal Hussain and Shirley Hamilton