REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**21st July 2015**	**Unrestricted**		

REPORT OF:	
Corporate Director, Resources	**Head of Audit Annual Report for 2014/15**
ORIGINATING OFFICER(S):	Ward(s) Affected:
Head of Risk Management and Audit	**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 2011.

1.2 The report concludes that the Council has a reasonably effective system of internal control which was in operation throughout 2014/15. The Head of Audit opinion is attached to this report at Appendices 7 and 8.

2. Recommendation

2.1 The 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 2014/15**
- **Appendix 1 - Audit Charter and Internal Audit Strategy,** 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 CMT.
- **Appendix 3.1 - Follow Up Audits**
- **Appendix 4 – Summaries of reports on specific commissioned work from Corporate Directors.**
- **Appendix 5 – List of planned audits undertaken in 2014/15.**
- **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 it 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 2014/15. 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 2014/15. 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 2014/15. Details of the other sources of assurances and the assurances obtained from the work of audit are attached at Appendices 6 and 7.

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 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 although for the 2015-16 financial year, the resources have been increased in view of the Directions set out by the Secretary of State to support the work of the Council. The partnership with Mazars has given the authority access to greater capacity, particularly in computer audit. The Head of Audit is also considering increased management support of the audit and anti-fraud work from Mazars in light of the increased audit plan and anti fraud work.

7.3 Productivity was maintained at planned levels. Sickness absence in the team was 3.6 days per person on average, compared with 2 days per person the previous year.

7.4 During the year, there was an emphasis on carrying out risk based audits from the approved audit plan for 2014/15, 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 was lower than last year but this will be compensated by an increasing the resources available in the 2015-16 internal audit plan. 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 2014/15 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 2015.

8.3   A summary of the audit assurance resulting from audit reports in 2014/15 is provided in the table below.

Audits 14/15		Full	Substantial	Limited	Nil	N/A
Significance	**Extensive**	1	47	11	-	3
	Moderate	1	15	11	2	3
	Low	-	-	-	-	-
	Total	2	62	22	2	6

8.4   The table shows that of 94 systems audits where we have issued final audit reports, 68% 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. 26% of systems audited were rated as limited or nil assurance, and the remainder 6% have their assurance as not applicable. In addition there were 7 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 101 pieces of audits during the financial year 2014/15.

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 2014/15 financial year, we identified risks in the Council's systems in a number of areas including Monitoring and Management of Mainstream Grants, Management of Telecare service, Management of Panel Decisions, Direct Payments, Electronic Home Care system, Management of Mobile Phones Management, On- Street Parking Income, Integrated Youth Service, Information Governance, Contract Management and Monitoring and Governance and Financial Management in Schools. 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 2014/15, 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 2014/15 is set out in the table below.

Performance Measure	2014/15	
	Target	Actual
Percentage of operational plan completed (to at least draft report stage) in the year	100%	97%
Percentage of priority 1 recommendations followed up that have been implemented by 6 month review date	100%	88% 38 out of 43
Percentage of priority 2 recommendations followed up that have been implemented by 6 month review date	95%	63% 35 out of 56

9.2. As at the 31st March 2015, 97% 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 2014/15 as a whole, 88% of priority 1 recommendations had been implemented against a target of 100%, and 63% of priority 2 recommendations had been implemented against a target of 95%. Appendix 3.1. lists the results of those follow up audits finalised since the last Audit Committee meeting. 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. The S151 has noted the performance and has asked the Head of Audit and Risk Management to advise on further steps to improve on the implementation of recommendations.

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 2014/15 will be submitted and key points will be reported to a future CMT and Audit Committee. The results of benchmarking exercise for 2013/14 are attached at Appendix 8. A benchmarking exercise for 2014/15 is currently in progress

10.   **Comments of the Chief Financial Officer**

10.1. This is the annual report from the Head of Internal Audit on audit activities carried out during 2014-15. Audit Committee are asked to note the contents of this report. There are no financial implications as a consequence of this report.

11.   **Legal Comments**

11.1   This report supports the Annual Governance Statement. The Head of Internal Audit is required by the Public Sector Internal Audit Standards 2013 to provide an annual audit report setting out their opinion on the effectiveness of the Council's system of internal control. The report assists the Council in meeting its duties under regulation 4 of the Accounts and Audit Regulations 2011 to ensure that its financial management is adequate and that it has a sound system of internal control which includes arrangements for the management of risk.

12.   **One Tower Hamlets**

12.1   There are no specific one Tower Hamlets considerations.

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

13. **Risk Management Implications**

13.1. 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.

14. **Sustainable Action for a Greener Environment (SAGE)**

14.1. There are no specific SAGE implications.

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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 Strategy

This Strategy sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter. The Strategy will be reviewed annually and presented to the Audit Committee and to Corporate Management Team for final approval.

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, the Corporate Management Team (CMT) and in particular to the Corporate Director, Resources to support him in discharging his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
It is the Council's intention to provide a best practice, cost efficient internal audit service.

Internal Audit's Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the council's objectives.

Under the direction of a suitably qualified and experienced Head of Internal Audit (the Head of Audit and Risk Management), Internal Audit will:

- Provide management and members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.

- Assist the Audit Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;

- Drive organisational change to improve processes and service performance;

- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;

- Work closely with other assurance providers to share information and provide a value for money assurance service; and

- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit must ensure that it is not responsible for the agreed design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery

The Service will be delivered by the Council's internal audit team and the Council's strategic internal audit partner (currently Mazars) under the direction of the Council's Head of Internal Audit and Risk Management and supported by the Audit Manager.

To ensure that the benefits of the Internal Audit service are maximised and shared as best practice, Tower Hamlets will participate in the London Audit & Anti-Fraud Partnership to work with other local authorities on a shared service basis. This includes appropriate: resource provision, joint working, audit management & strategy and a range of value added services.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's Management Team (CMT) and Management;

- The Council's Risk Register;

- Outputs from other assurance providers;

- Requirements as agreed in the joint working protocol with External Audit
  The Head of Internal Audit and Risk Management or his deputy will attend all Departmental Management Team meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan.

The Internal Audit Plan 2014-15 is composed of the following:

- *Risk Based Systems Audit*: Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by Departments' own risk

processes and will increasingly include work in areas where the Council services are delivered with other organisations.

Internal Audit planning is already significantly based on the Council's risk register. Internal audit will continue to have a significant role in risk management with audit planning being focused by risk and the results of audit work feeding back into the risk management process.

- **Key Financial Systems:** Audits of the Council's key financial systems where External Audit require annual assurance as part of their external audit work programme.

- **Probity Audit (schools & other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice are confirmed. For schools this includes assessment against the Schools Financial Value Standard.

- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.

- **Contract Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.

- **Fraud and Ad Hoc Work:** A contingency of audit days are set aside to cover any fraud and irregularity investigations arising during the year and additional work due to changes or issues arising in-year.

- **Knowledge and Insight:** The Head of Audit and Risk Management, in conjunction with the Internal Audit and the Corporate Fraud teams, will use the knowledge and insight gained of the organisation and carry out reviews in specific areas.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to management and to the Audit Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and in summary to departmental

and corporate management on a quarterly basis. Summary reports are also provided to the Audit Committee four times per year. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

Internal Audit – Resources 2014/15

	Revised Plan	%	Outturn	%
In-house staff days	1170	70%	1252	73%
Deloitte / external	501	30%	456	27%
Gross days	**1671**		**1708**	
less Leave	145	63%	159	58%
less Sickness absence	15	7%	18	8%
less Non Operational Time	70	30%	98	34%
Unproductive time	**230**		**275**	
Net productive days	**1441**		**1433**	

Internal Audit Budget 2014/15

	Budget £000	Actual £000	Variance £000
Salaries	**424**	**424**	**0**
Contract costs	**24**	**10**	**-14**
Running costs	**207**	**250**	**+43**
Central Recharges	**150**	**150**	**0**
Gross cost recharged	**805**	**834**	**+29**

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

Internal Audit Reports 2014/15 – 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 2014/15 audit reports not previously reported

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Education, Social Care and Wellbeing	Cleaning Services – Contract Services
	Extensive	Education, Social Care and Wellbeing	Direct Payments
	Extensive	Education, Social Care and Wellbeing	Failed Visit Procedures
	Extensive	Tower Hamlets Homes	Aids and Adaptations - Follow Up audit
	Moderate	Communities, Localities and Culture	Rechargeable Works
	Moderate	Education, Social Care and Wellbeing	St Mary and St Michael Primary School
	Moderate	Education, Social Care and Wellbeing	Ian Mikardo High School – Special School
	Moderate	Education, Social Care and Wellbeing	Marion Richardson Primary School
	Moderate	Education, Social Care and Wellbeing	St Luke's Church of England Primary School
SUBSTANTIAL	Extensive	Communities, Localities and Culture	Leisure Services Contract Monitoring
	Extensive	Communities, Localities and Culture	Market Services Follow Up Audit
	Extensive	Communities, Localities and Culture	Highways Inspections
	Extensive	Communities, Localities and	Risk Management

Assurance level	Significance	Directorate	Audit title
		Culture	

Assurance level	Significance	Directorate	Audit title
	Extensive	Communities, Localities and Culture	Management and Control of Blue Badges
	Extensive	Corporate	Equalities Impact Assessments – Follow Up
	Extensive	Corporate	Early Retirement and Voluntary Redundancy Programme – Employment Options
	Extensive	Development and Renewal	Risk Management
	Extensive	Development and Renewal	Pre-contract Audit – Watts Grove
	Extensive	Development and Renewal	Landlord Incentive Scheme
	Extensive	Education, Social Care and Wellbeing	Risk Management
	Extensive	Education, Social Care and Wellbeing	Emergency Duty Team (Children)
	Extensive	Law, Probity and Governance	Freedom of Information – Follow Up audit.
	Extensive	Tower Hamlets Homes	Out of Hours Repairs
	Extensive	Tower Hamlets Homes	Financial Systems
	Extensive	Resources	Budgetary Control
	Extensive	Resources	Business Rate Retention Scheme
	Extensive	Resources	Capital Programme Monitoring
	Extensive	Resources	Creditors Follow Up Audit
	Extensive	Resources	Treasury Management
	Extensive	Resources	Debtors
	Extensive	Resources	Council Tax
	Extensive	Resources	Payroll
	Extensive	Resources	NNDR
	Extensive	Resources	Recruitment Follow UP
	Moderate	Education, Social Care and	George Green's Secondary School

Assurance level	Significance	Directorate	Audit title
		Wellbeing	
	Moderate	Education, Social Care and Wellbeing	Bishop Challoner Secondary School
	Moderate	Education, Social Care and Wellbeing	Stepney Greencoat Primary School
	Moderate	Education, Social Care and Wellbeing	Shapla Primary School
	Moderate	Education, Social Care and Wellbeing	Sir John Cass Foundation School

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cleaning Services – Contract Services	Apr 2015	The audit was designed to provide assurance to management, as to whether the systems of control around Cleaning Services 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:- • Signed SLAs were not in place with all clients, and no documented review of the costs of the services provided to clients has been performed. No records of requests received from the schools for additional services (window and carpet cleaning) are maintained, and variations to the SLAs are not formally agreed and recorded. • In 13 cases of 25 tested, the payments made via Commensura to agencies for the staff time purchased could not be confirmed to be accurate against the agency staff bookings records maintained. Additionally, all of the booking records for August and December 2013 were not retained due to an IT malfunction. • Cases were found where the client organisations were not invoiced and followed up for payment in a timely manner, and in some cases had not been recharged for services purchased on their behalf by the Cleaning Service. • Training and DBS records on Cypad were not up to date, and the DBS checks had expired for 19 of the 102 cleaning staff employed. Signed timesheets were not available for some staff, and were not signed as having been confirmed by a separate officer. • At the time of the audit, no stock records were in place and regular inventories were not conducted. • No customer surveys have been sent out to clients regarding cleaning services in the past twelve months. All findings and recommendations were agreed with the Head of Contract Services, and the Head of ESW Resources, and reported to the Corporate Director, Education, Social Care and Wellbeing.	Extensive	Limited

Management Comments

Signed SLAs
A full review of all SLAs is currently being reviewed with new documentation being designed, where appropriate. All sites have been advised of their costs for 2015/16 and any sites who have not returned their SLA duly signed will be pursued to do so.
A Variation Order type form is to be used (rather than the existing email trails) to record requests for additional services with the Administration Team being notified by the Area Cleaning Manager on the end of month income return to ensure all invoicing occurs in a timely manner.

Payments to Comensura
Meeting with Comensura agencies to ensure there is a process of notifying Contract Services if the actual person carrying out the duties differs from that originally notified. Monthly tick sheet to ensure each booking has been verified is now in place.

Client Invoicing
Discussions have taken place to see what opportunity there is for the service to be added to the Council's SLA Online System. Not all the service's transactions can be handled through internal recharges as many are school establishments which require an invoice and many also are unwilling to pay on any frequency of more than a month. Whilst there is no legal route to retrieve outstanding payments the Council's Recovery Team will do all that they can to assist.
A spot checking process for income to ensure data has been transposed accurately with the level of checking to increase if issues are highlighted.

Training, DBS and Staff Signing In Sheet Checking
DBS checks are managed centrally and when/if advised of the DBS reference number then this is updated to CYPAD by the Administration Team. Under the new DBS system managers do not see the employee's certificate. All DBS numbers are recorded on Resource Link separately so are retrievable if required.
Training records are being reviewed and updated where necessary on CYPAD by the Administration Team. A piece of work is being completed with eHR to produce a monthly report of DBS checks.
We have been working with Corporate IT Project Team to install biometric signing in systems for all staff at all sites so all records are cloud based and accurate records can be maintain and verified. A trial is currently being organised before the full implementation in a small number of sites.

Stock Records
Monthly stock checks against consumption and stock delivered are now being completed.

Customer Surveys
It is intended to carry out customer surveys during the next few weeks to provide the opportunity to analyse returns during the summer break.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Direct Payments	Mar 2015	The main objectives of the audit were to assure management as to whether the systems of control around the Direct Payments System are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses identified were as follows:- • From a sample of 20 new users for 2013/14, in 11 cases there was no signed user agreement retained on the system. • The system records were not updated with the latest financial information received as per the quarterly user returns in nine cases of 25 tested, and the returns had not been returned in a further six cases. • In the same testing sample, there were 11 cases where clawback of funds was required based on the information on the system, but no action had been undertaken to date in nine of these. There were also cases where we noted unspent amounts of £25,000, £16,000 and £13,000 in the individual's account. • Delays and errors were noted in the set up and payment of the cash budgets. • The six week follow-up and annual reviews were not completed in some cases. All findings and the recommendations made were agreed with the Programme Director: Special Projects, and the Brokerage Team Manager (East), and reported to the Interim Service Head – Commissioning and Health, Interim Service Head - Adult Services, and the Corporate Director, Education, Social Care and Wellbeing.	Extensive	Limited

Management Comments

A number of immediate steps were taken in response to the audit findings to further strengthen operational procedures relating to ensuring that signed user acceptance forms are included on individuals' records, that finance information is updated in a more timely fashion and that claw-backs are actively managed. Most claw-back activity relating to a particular financial year happens during quarter 1 of the subsequent year, and the responsible Service Manager is therefore planning a follow up check on a sample of case files in July 2015. This will test the extent to which compliance with the three areas referenced above has improved and will identify any further improvements that are necessary.

Work to extensively update the Direct Payments Policy and Procedures in response to the Care Act coming into force is largely complete and due to be presented to the Directorate Management Team for approval before the end of June 2015.

The Directorate has also put additional resources into ensuring that individual's support plans are reviewed at six weeks and then annually on schedule.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Failed Visits Procedures	May 2015	This audit examined the controls for managing and monitoring compliance with the Directorates procedures for failed visits. The audit was undertaken at the request of the Corporate Director ESCW. A failed visit occurs when care and other staff attending a vulnerable adult's home are unable to gain access. This may be a scheduled visit or as part of concerns about a vulnerable person. There were documented procedures in place. The procedures were supported by a failed visit record, standard letter, flow chart and referral form. There was a case note type within the social care case management system (Framework-i) for recording failed visits. Failed Visits Procedure forms part of the current Service Specification for Domiciliary Care provision and service providers are required to ensure that these procedures are included in staff induction training programme. We, however reported the following issues:- - The Procedures were out of date. There was no evidence of the procedures being reviewed and updated, they were not version controlled and dated. Although we were advised by East London Mental Health NHS Foundation Trust teams that they follow the Local Authority's procedures, this requirement had not been made explicit within the procedures. - Not all teams were complying with the Failed Visits Procedure guidance as Long term Homecare had their own internally produced office procedures. There was risk that procedures were being applied inconsistently. - We noted variability in the way failed visits were recorded in Framework-i. In 17 out of a sample of 65, we noted that failed visit case notes were being used to record non failed visit events, increasing the risk that the number of failed visits could be under/over reported resulting in poor management information for monitoring purposes. - We highlighted a number of issues with regards to insufficient information being recorded on Framework-i on either the background leading to the failed visit, the actions taken by staff and/or the outcomes achieved. In 6 out of 65 cases reviewed, there was insufficient information recorded on the system to confirm that the required follow-up action had been taken and five cases, where the case notes of the failed visit were in retrospect.	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		• There was no formal protocol in place which covered the transfer of responsibility for care co-ordination of the Services User's social care provision, from the Council to the East London Foundation Trust or any other Health Providers. • At the time of audit, external domiciliary care service provider's compliance with Failed Visits Procedure was not subject of routine contract monitoring. All findings and recommendations were agreed with the Interim Service Head, Adults Social Care and final report was issued to the Corporate Director, Education, Social Care and Wellbeing.		

Management Comments

With regards to externally commissioned providers, the Quarterly Monitoring Return required by our Contract Management Team has been updated to require the commissioned providers to provide information on failed visits, which can be cross-referenced with information on Frameworki. The updated failed visits policy will be disseminated to commissioned providers once it is completed, and the importance of compliance stressed both at the point of dissemination and in subsequent routine contract monitoring visits.

Operationally, when a failed visit occurs, the appropriate checks are being carried out by staff and the resulting actions are formally recorded and reported to management and the appropriate agencies in accordance with prescribed procedures. Internal audit have noted that all recommendations have been accepted and are in the process of being implemented. Service managers are also being required to ensure application of the process within each area, including ELFT.

Teams have also been reminded of the requirements linked to failed visits and the following up of commissioned support to establish that the support has in fact commenced.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Aids and Adaptations Follow Up Audit	May 2015	A full systems audit was undertaken in 2013 for which the final report was issued in January 2014. This audit was assigned limited assurance. The objective of this audit was to assess whether the agreed recommendations at the conclusion of the initial audit had been implemented. Since the previous audit, the Aids and Adaptions section of the Tower Hamlets Homes (THH) has been short-staffed due to the long-term sickness of the main post holder in the process. Despite this, some targets have now been set, inspections are being undertaken on all works valued over £1k, and plans are in place for improvements to the management information reported, including performance management information. Our follow up review showed that of the seven recommendations made in our original report (three high priority and four medium priority) none have been fully addressed. The main issues arising from our review are as follows • Management have set a target for 10% of major works adaptations to be inspected, although there is no formal target which has been set for other works to be inspected. Where possible, major works have been inspected, although from April 2015 management have undertaken to inspect 100% of major works. Some clarification around the actual target is required and this needs to be agreed by both the Council and THH. • Performance reporting is not currently in place. • KPIs for all contractors should be developed and agreed to assist in monitoring contractor performance. In addition, the results generated by KWEST could be more effectively utilised. • There are no signed contractual agreements in place with either Openview Limited or Precision Limited. All findings and recommendations were agreed with the Head of Repairs, and the M & E and Specialist Repairs Manager and reported to the Director of Investment, the Director of Finance and Customer Services, and the Chief Executive.	Extensive	Limited

Management Comments

A robust performance management regime is in place for Aids and Adaptation. Management have clarified with staff the performance targets for post inspection that have been set. Post inspections are undertaken prior to payment to the contractor.

The targets for post inspections are:

10% of all jobs with a value of under £1000

100% of all jobs over £1,000

For jobs over £1,000, 29 were completed in April 2015 that require 100% post inspection, of which 18 post inspections have been carried out and 11 have inspections raised to be done. Only one completed job under £1,000 require post inspection. From June 2015, a report to generate a random 10% sample of works under £1000 has been created to assist management and staff. Post inspection rates are also reviewed in officers' 121 meetings.

In addition, the following key performance indicators are monitored through the contract meetings and the next meeting is scheduled for 23rd June 2015:-
- No. Requests rec'd for month
- No. A & A works completed for month
- No. Cases for month and to date
- No. and percentage completed in target
- Expenditure to date
- Expenditure against budget (variance +/-)

The Head of Repairs has liaised with LBTH Legal Services on 9th June 2015 with a view to confirming signed contractual agreements that are in place for both Openview Limited and Precision Limited. A follow up meeting is planned for 19th June 2015.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Rechargeable Works	March 2015	This audit examined systems for correctly identifying and charging for works carried out under Section 278 Agreements which are undertaken by the Council under its Measured Term contract and rechargeable to client/customers such as Developers. There is also an Administration Fee charged on the cost of works. Our testing found that there was guidance in place for Developers to follow and that s278 Agreements were only entered into after planning permissions had been granted. The systems for estimating the works, collecting the estimated sums from Developers, raising of orders and paying contractors against these orders were adequate. However, we reported that once the works are completed, there is no system for preparing and issuing the Final Accounts to the Developers. Out of eight schemes tested by Audit, we found that in five cases the final costs of the schemes were less than the estimate, and in three cases the final costs had exceeded the estimate. There was no supporting documentation to evidence that these final costs had been reviewed so that overcharges could be refunded to Developers and additional costs invoiced and recovered. This practice was found to be contrary to procedures and the s278 legal agreement. Our testing also showed that in some cases the Administration fees were not calculated and coded to the revenue account correctly, which resulted in the revenue account not fully being credited for the administration on-cost. All findings and recommendations were agreed with the Service Head, Public realm and final report was issued to the Head of Paid Services and Corporate Director, Communities, Localities and Culture.	Moderate	Limited

Management Comments

This Audit identified 6 areas of good practice in the management of S278 works, but found 4 areas of high priority risks. These areas of concern required joint actions between Engineering, CLC Finance and Legal to tighten up existing practices.

An action plan incorporating 9 key actions was agreed between these 3 parties and all have been incorporated into revised procedures implemented as of April 1st 2015, with the exception of two requiring more detailed consideration.

The actions implemented to improve the S278 procedure were :-
- the revision of the S278 process map,
- provision of revised estimates to the developer prior to commencement of works,
- verification of the Budget Monitoring Sheet by Finance;
- final accounts forwarded to the developer upon completion ;
- over / undercharges identified and rectified;
- file note provided where additional works are carried out to explain reasons, record action taken to alert the developer of explain why they are not liable for these costs;
- specification in the S278 agreement that payment must be by BACS.

A full analysis of the final accounts for completed S278's over the past 3 financial years (2012/13 – 2014/15) is required to be completed by the end of September 2015 to establish the amount of over or under recovery of costs.

Legal are also required to give a definitive view on their initial opinion that recovery of costs is not possible where no revised estimate was provided to the developer and the definition of the appropriate fee to be applied. This request has been passed to Legal in order that it can inform appropriate actions arising from the analysis of final accounts (above).

With the implementation of these recommendations, the Head of Engineering is confident of achieving an improved level of assurance at the six month audit review.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Mary and St Michael Primary School	Mar 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Premises and Finance Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • From examination of a sample of four higher value purchases above £10,000, we noted that for four higher value payments tested, in all cases the basis of supplier selection had not been documented. For two purchases over £20,000 a tendering process could not be evidenced, although the School's Financial Procedures Manual states that a tendering process should occur for orders above £20,000. In three of the four instances, it could not be evidenced that full Governing Body approval had been obtained, whereas the School's Financial Procedures Manual states that full Governing Body approval is required for all payments over £10,000. • It could not be evidenced that monthly budget monitoring reports were produced or signed by the Head Teacher for three out of six months sampled. Furthermore, it could not be evidenced that budget monitoring reports were being produced for specific budget holders. • Bank reconciliations are being performed directly onto the School's accounting system and no reconciliation report to evidence monthly reconciliations was being produced, or could be produced retrospectively. Therefore, no record of the monthly bank reconciliations could be obtained or evidenced that these are independently checked. • Documentation to evidence VAT reclaims for petty cash transactions could not be obtained at the time of audit. From a sample of 10 petty cash purchases, one voucher had not been signed as authorised. In addition, one voucher did not state who had received the cash.. 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
Ian Mikardo Special High School	Mar 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and Premises Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • Our examination of a sample of 10 general purchases identified that a purchase order had not been raised for three out of 10 purchases made. For one out of six applicable purchases, the purchase order had not been signed in line with the Scheme of Delegation, and there was no evidence that a goods receipt check had been carried out for all 10 purchases. • From our testing of a sample of two higher value purchases and one contract above £15,000, we noted that for one of the higher value purchases, there was no evidence of sufficient quotes being obtained. A 'Chair's Action' was raised for authorisation to proceed with the purchase. This detailed the rationale for selecting the supplier, but it did not provide any alternative options, costs or suppliers for value for money purposes. There was no evidence in subsequent Finance Committee minutes that the Chair's decision to approve the purchase was formally ratified. For another higher value payment, whilst it was noted that the Governing Body had approved the supplier selection for the new MIS software, there was no evidence that the invoice concerned had been authorised, or subsequently reported to the Governing Body for information. • The private funds had last been audited in June 2013 for the year ended 31 March 2013. There was no evidence of the audited accounts being presented to the full Governing Body. • Examination of recent cheque entries and identified that cheque entries had not been entered onto the system promptly. The last cheque issued by the school at the time of audit was cheque number 005879. However, the system was up to date only up to cheque number 005854. 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
Marion Richardson Primary School	Feb 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and General Purposes Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • We noted for two higher value payments tested (i.e. in excess of £5,000) evidence of the appropriate Governing Body or Finance and General Purposes Committee approval could not be demonstrated. For one higher value payment tested, the Finance and General Purposes Committee had approved the expenditure, but the reasons for the approval were not explicitly stated. For two higher value payments tested, we were unable to confirm that three quotes had been obtained. • From our examination of a sample of 10 general purchases, we noted a purchase order had not been raised for seven out of 10 purchases made. There was no evidence that a goods receipt check had been carried out for eight out of 10 purchases (or evidence of receipt). • Examination of the personnel files for a sample of new starters identified a number of exceptions, whereby documentation was not on file, such as evidence of identity checks, DBS information, references, medical checks, etc. • We also noted a number of issues with regard to the quality of meeting minutes and other clerking issues. From discussions with the Headteacher, we note that governors were aware that clerking of meetings (Full Governing Body, Finance and Curriculum) had become an issue and that key decisions made were not being minuted appropriately or accurately. Because of this a decision was made to dispense with the services of the external clerk and a new clerk was appointed through Tower Hamlets governing body support team from 1st April 2014. 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 Luke's Church of England Primary School	May 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and Resources Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • The School did not formally tender for the renewal of a photocopier contract in December 2014, which was in excess of £10k, as per the School's 'St. Luke's Code of Practice for Financial Management' document and the LBTH requirements for procurement. We also noted a number of other examples where the Code of Practice had not been complied with in respect of procurement. • For seven out of nine applicable purchase orders sampled, there was no evidence that an official order form had been completed. From the remaining two purchase orders sampled with an order form attached, one of the order forms was not signed. (Please note that this issue was also identified in the School's previous internal audit report, dated April 2014). For three out of nine applicable purchase orders sampled, there was no evidence that a goods or services received check had been performed. Since the above orders also did not have an approved purchase order form attached, sufficient segregation of duties could not be evidenced. • A number of issues were noted following a review of a sample of five new starters files, e.g. in four instances, documentation to evidence that an identity check had been performed and a right to work check had been completed was not held on file. • From examination of the equipment loan forms held at the School, eight out of ten equipment loan forms could not be located to evidence that the responsibility and liability for the equipment loan was accepted by the borrowers 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 is proposed that 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
Leisure Services Contract Monitoring	Mar 2015	The main objectives of the audit were to provide assurance that there are sound systems and controls in place for managing and monitoring the contract to ensure that the contractor delivers the services contracted for economically, efficiently and effectively., and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses identified were as follows:- • There is no contract variations log in place. • The contract documentation for the Mile End Sports Centre lease has not been signed off. • Formal policies and procedures are not currently in place to set out the processes for monitoring the performance of the contractor. • In testing, cases were found where the contractor invoices were not paid by the due date as per the invoice received from the supplier. All findings and the recommendations made were agreed with the Service Head Culture, Learning and Leisure, and reported to the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Market Services Follow Up Audit	Mar 2015	A full systems audit on Markets was undertaken in 2013 for which the final report was issued in November 2013. This audit was assigned limited assurance. The objective of this audit was to assess whether the agreed recommendations at the conclusion of the initial audit had been implemented. Our follow up review showed that the sole high priority recommendation made in our original report has been addressed. However, of the six medium priority recommendations made, we identified that four of these had not been fully implemented. The main issues still outstanding are as follows; • There has been a delay in documenting the procedures for THEOs; • Daily allocation sheets still remain incomplete. Of the 24 daily allocation sheets tested, 11 of them had missing attendance marks; • Documentation confirming the existence of public liability insurance cover of traders was not available in a number of cases; • The Markets Strategy Progress Report is not clear in terms of what the level of increase in charges would be required in order to run the service effectively and to implement some of the suggested initiatives for improvements and more detail is required in this regard to enable the reader to make informed decisions based on robust financial data; • In addition, we have also made one new recommendation to the effect that management should request that the Markets team are granted full user permissions within Agresso in respect of managing its debtors, in order to make the process of arrears recovery more effective. All findings and recommendations were agreed with the Head of Service, Community Safety Enforcement and Markets and reported to the Service Head – Safer Communities, and the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Highways Inspection	Mar 2015	The main objectives of the audit were to assure management as to whether the systems of control around the Highways Inspection Programme are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses identified were as follows:- • Evidence of works checks made, and the approval of applications, are kept by individual Council officers, and are not stored centrally. There is, therefore, a disconnect between this part of the control process and the authorisation process, in that the authoriser cannot see clearly that the works being paid for have been undertaken to a satisfactory standard. Furthermore, there is no documented guidance in this area that sets out which works should be prioritised for checking (e.g. those over a certain financial value). • Management reconciles a sample of payments with the task orders held on file; however, this task can be frustrated at times by a lack of detailed information on the invoices received from the contractor, which leads to difficulties in reconciling the two items. • We could not evidence that action was taken to investigate cost variances between estimated and charged cost for works undertaken by the contractors. • We found that of the 25 public reports in respect of highways defects that we tested, seven had not been investigated and action taken in a timely manner. All findings and the recommendations made were agreed with the Head of Clean and Green, and reported to the Service Head, Public Realm, and the Corporate Director – Communities, Localities and Culture and Interim Head of Paid Service.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management – CLC	March 2015	This audit sought to provide assurance that the systems in place for identifying, assessing, mitigating and reporting of risks were sound and secure. Our review found that Risk Management policies, procedures and guidance were readily available and staff received Risk Management training. Roles and responsibilities for the Risk Champion were clearly defined. A Risk Register was maintained and the Risk Management Process document was approved by the DMT. According to the procedures, identification of risks is embedded in the service planning process. However, we noted that the standard corporate risk template was not used for recording the risks identified by respective teams and that one service had no service plan, therefore no risks had been identified for this team. We noted that risks assessed at service levels, had not been challenged independently. We also recommended that sample checks should be carried out on the quality of the control measures to provide assurance that each risk has an adequate control measure which is working and mitigating the risk. All findings and recommendations were agreed with the Directorate Risk Champion and final report was issued to the Head of Paid Services and Corporate Director, Communities, Localities and Culture.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Blue Badges	April 2015	This audit reviewed the systems in place for the control, assessment and monitoring the use of Blue Badges. The Blue Badge scheme provides a national arrangement of parking concessions for people with severe mobility problems to access goods and services by allowing them to park close to their destination. The Scheme is open to eligible disabled people irrespective of whether they are travelling as a driver or as a passenger. Our review showed that in general the service is operating in accordance with procedures. A Contract was in place for the Provision of External Mobility Assessments and these assessments were undertaken in pre-arranged clinics. Where a decision to refuse the award of a Blue Badge was made, applicants were informed in writing and information was provided on the appeals process. Meetings with the external assessment contractor were being held in accordance with procedures and these meetings were structured around service delivery Our testing identified some control weaknesses. For example, testing of 30 applications showed that 22 applicants provided documentary proof to support automatic entitlement. However, in 8 cases we were unable to evidence the applicant's proof of identity. Further enquires showed that these applicants had applied on an older type application form which did not request provision of proof of identity. We reported that there needed to be proactive & reactive enforcement of fraudulent Blue Badge users by the deployment of Parking Fraud Officers & CEO's on a planned and directed basis. We recommended that Legal Services should seek authority from the Registrar General Office to release monthly death lists to the Mobility Team which could be matched with data held by the Team to cancel Blue Badges of the deceased. 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.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Equalities Impact Assessment Follow Up Audit	March 2015	This follow up audit assessed the progress made in implementing the agreed recommendations at the conclusion of the original report finalised in December 2013. The previous audit had made a recommendation that there should be a centralised monitoring across the Council to evidence due regard of equality issues within key decisions, plans, strategies or policies which are not required to be reported at committee level. However, our testing showed that although monitoring control had started, there was a need to improve consistency in the quality of Equality Analysis for all reports considered at DMTs and that this needed to be carried out to the required standard. In addition, we could not see evidence that DMT reports and supporting equality analysis documentation was being reviewed by One Tower Hamlets Service each quarter. All findings and recommendations were agreed with the Service Head, Corporate Strategy and Performance and final report was issued to the Head of Paid Services.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Early Retirement and Voluntary Redundancy Programme	May 2015	This audit involved an examination of the systems in place for the Employment Options Savings Programme (ER/VR). A Project Initiation Document (PID) was developed in July 2014 setting out the remit of the programme and the mechanism in place to achieve the overall aim for making permanent reductions to the general fund salary budget through workforce savings. The Programme was widely advertised on the intranet and a number of drop – in sessions were held for those expressing an interest in the ER/VR programme. Our review showed that the guidance for managers and employees was available on the LBTH intranet. The options and processes including deadlines had been clearly communicated to staff, managers and trade unions. The ER/VR project was overseen by the People Board. Various working documents, e.g. a control spreadsheet had been developed to capture key data at various stages of the process. Access to sensitive data had been restricted to relevant members of staff working on the project team. Standard letter templates had been developed for various stages of the ER/VR process. An Equality Impact Assessment was carried out for the Employment Options Savings Programme. Calculations of redundancy and discretionary payments were verified as correct. However, we noted that the recommendations agreed by directorates were not evident in the case of the CLC directorate where certain decisions were made outside of DMT and this was not recorded. For the ESCW directorate, what was discussed and agreed could not be evidenced except for meetings invites showing meetings were held to discuss the ER/VR requests. In line with the PID for the Employment Options Savings Programme, decisions ratified by the People Board could not be evidenced except for ER/VR being an agenda item in the meetings held in October. All findings and recommendations were agreed with the Service Head, Human Resources and Workforce Development and final report was issued to all Corporate Directors.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management – Development and Renewal	April 2015	The objective of this audit was to provide assurance that the systems in place for identifying, assessing, mitigating and reporting of risks were sound and secure. Our review found that Risk Management policies, procedures and guidance were readily available and staff received Risk Management training. Roles and responsibilities for the Risk Champion were clearly defined. A Risk Register was maintained. for the Directorate. However, we found that some risks within the Directorate Risk Register needed to be defined clearly and that the risk scoring and assessment process needed to be improved. Our testing of a sample of control measures documented in the Directorate Risk Register showed that in some cases the control measures needed to be appropriately considered and that pprogress updates within the risk register needed to be carried out on a timely basis. All findings and recommendations were agreed with the Acting Service Head, Resources 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
Pre-Contract Audit Watts Grove Affordable Housing Scheme	April 2015	This audit reviewed the procurement process including invitation to tender, sifting brief, tender receipt, tender evaluation and contract award process for the Watts Grove capital project. A capital estimate of £26.33m (including fees and on-costs) was approved under Mayor's Executive Decision on 28/02/2014 and the contract was awarded on the 10/12/2014 in the sum of £23.2m on a fixed rate basis. We found that the contract was procured using the London Development Panel (LDP) Framework. The successful contractor was selected following a competitive tendering process off the Framework. Public authorities with land suitable for residential development in London are encouraged to use the LDP Framework to achieve savings in time and costs of procurement over a full OJEU compliant process. Testing showed that the tender sum was within the capital estimate approved by the Cabinet. Consultants and Project Management staff carried out tender evaluation. Tenders were evaluated and scored in line with the specified evaluation criteria published on the Invitation to Tender. The Project Manager maintained a financial tracker to monitor the costs of the project to date, the details of which were reported to the Major Projects Board. However, we found some minor issues like the Project Initiation Form, although signed-off by the Project Sponsor and Project Manager, was not signed off by the Procurement Category Manager. The Record of Tenders Register was not evidenced as signed by officers who attended and witnessed the tender opening process. The tender evaluation was undertaken by an Evaluation Panel of five Panel Members. However, the Evaluation Report provided by Corporate Procurement had not been signed or dated by any of the Panel Members. Furthermore, only not all Panel Members had completed a Declaration of Interest form for the project. We also noted that in Cabinet report of 05/11/2014, concerning the selection of the preferred bidder, there were errors regarding tender sums, which required amendments which were tabled. We, therefore, recommended that cabinet reports be subject to robust quality checking process. All findings and recommendations were agreed the Service Head, Corporate Property and Capital Delivery 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
Landlord Incentive Scheme	May 2015	The audit was designed to provide assurance to management as to whether the systems of control around the payment of incentives to landlords in respect of housing homeless families 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 issues arising from our review are as follows • The Scheme of Delegation under which the decision was taken to change the scheme from the Family Rent Deposit Scheme to the Landlord Incentive Scheme has not been formally approved and does not form part of the current version of the Constitution. • Testing of a sample of 20 incentive payments pertaining to the 2014 calendar year identified three cases where the Private Sector Access Scheme Agreement was not on file. • Testing of a sample of 20 incentive payments pertaining to the 2014 calendar year, found two cases where landlord accreditations were not on file. In addition, for the same two cases, there was no evidence of electrical inspections being undertaken, no evidence of approval of eligibility to the scheme, proof of property ownership, ID checks, etc. All findings and recommendations were agreed with the Service Manager Housing Management & Procurement, and the Service Head, Housing Options Service and reported to the Director of Development and Renewal, and the Interim Monitoring Officer.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management – Education, Social Care and Wellbeing	Dec 2014	This audit provided assurance that the systems in place for identifying, assessing, mitigating and reporting of risks were sound and secure. Our review found that Risk Management policies, procedures and guidance were readily available and staff received Risk Management training. Roles and responsibilities for the Risk Champion were clearly defined. A Risk Register was maintained. for the Directorate. However, from our discussions with the Risk Champion and from our testing, we found that controls around risk identification needed to be strengthened. From discussions with senior officers, we found that the risk scoring and assessment process was not consistent across the Directorate and needed to be challenged by the DMT, Service Managers and the Risk Champion. Our testing of a sample of control measures documented in the Directorate Risk Register showed that in some cases the control measures needed to be properly considered and progress updates within the risk register needed to be detailed. . All findings and recommendations were agreed with the Risk Champion and Service Head, Resources and final report was issued to the Corporate Director, Education, Social Care and Wellbeing.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Emergency Duty Service (Children)	May 2015	The main objectives of the audit were to assure management as to whether the systems of control around the Emergency Duty Service (Children) are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses identified were as follows:- • Hard copy notes are retained by social workers. These notes are used to submit the reports for each case. Through discussion with management, it was understood that case workers retain the hard copy notes in locked cabinets at their homes, as the social workers may need to refer back to these notes until the case is resolved. Management should remind staff of the requirement to record all relevant information for inclusion within the formal record of the case (on Framework I) and to securely dispose of any other paper records. A proposed timescale (four weeks) for the retention of handwritten records should be agreed and communicated to staff, after which time staff should be instructed to bring any handwritten records to the office for destruction in the normal way. All findings and the recommendations made were agreed with the Manager, Emergency Services (Children), and the Interim Service Head, Children's Social Care, and reported to the Corporate Director, Education, Social Care and Wellbeing.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Freedom of Information Follow Up audit	April 2015	This follow up audit assessed recommendations made at the conclusion of the original audit finalised in February 2014. Our testing showed that of the five medium priority recommendations made all had been progressed. We noted that sample testing of FOI requests which had been processed during a period, were being undertaken. However, to improve the control further we have recommended that the sample checking should be carried out on a timely basis and that the quality and consistency of sample checking be reviewed, checked and evidenced. In cases where corrective action was identified by management during the sample checking process, we recommended that appropriate corrective action needed to be taken which would make the sample checking meaningful until the new system is implemented. All findings and recommendations were agreed with the Service Head, Legal Services and final report was issued to the Monitoring Officer.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Out of Hours Repairs	Mar 2015	The audit was designed to provide assurance to management, as to whether the systems of control around the Out of Hours Repairs 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 identified were as follows:- • From testing conducted on a random sample of 20 calls received by GDIT, it was found that adequate information is not being recorded on Northgate SX3 as to the completion of work orders, such as works performed, solutions used, time of arrival, time of completion, or any issues encountered. The Northgate records are also not being updated in a timely manner. • There is currently no monitoring system in place to provide data on whether the repairs contractors arrive at the site in a timely manner, or when the work is completed. Therefore instances where out of hours work orders have been deliberately delayed to the following day-time shift cannot be determined, and it is not possible to determine the contractors' overall performance except via the numbers of service user complaints received. • An update report on the property data as per the records held on the Northgate SX3 system should be sent to GDIT by LBTH every six months, to help to ensure that their records are up to date. However, at the time of the audit this had not been done in the previous 12 months. • It was found that in eight cases of 20 tested from the past year, the GDIT system had not retained a recording of the call received from the service user on the Local Government Shared Services Portal. • The Out Of Hours Emergency Manuals in place was most recently reviewed in January 2014, and the procedure for Out Of Hours follow-ons was last reviewed in May 2013. It is stated within the procedures that they should be reviewed every six months. All findings were agreed with the Head of Customer Access and Facilities 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
Tower Hamlets Homes – Financial Systems	May 2015	The audit was designed to provide assurance to management as to whether the systems of control around the financial 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:- • The Procurement Code is not always followed, leading to a lack of clarity as to whether value for money is being achieved. Greenacre is being used as a source for temporary staff, although a contract is held with Comensura in this respect. Waivers are being obtained on an individual basis for all Greenacre staff used. • Sample checks are undertaken on a quarterly basis, but not on a monthly basis as has previously been recommended. The number of checks being undertaken differs each time that the exercise is carried out. • The Procurement Code is unclear on authorisation levels for waivers and the various levels of authorisation need to be clarified. All findings and recommendations were agreed with the Head of Finance and reported to the Director of Finance and Customer Services, and the Chief Executive.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Budgetary Control	Apr 2015	The audit was designed to provide assurance to management, as to whether the systems at corporate level for controlling and monitoring revenue budgets across the Council to meet the agreed objectives are sound, secure and effective, 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 list of 193 budget holders provided was not up to date for any of the five directorates. For example, at least one budget holder on the ESW Directorate was on adoption leave and his post was being covered by another member of staff and another budget holder from the ESW Directorate had left. There was another budget holder from the Resources directorate who is currently on secondment. • We received nine responses to the questionnaire that we sent to a random sample of 20 budget holders, which included a number of questions regarding the current budget setting/budgetary control processes. From the responses received, it is clear that here is a need for increased consultation between finance and budget holders about their needs in terms of budgetary control information. All findings and recommendations were agreed with the Head of Financial Planning & Corporate Finance Partner and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Summary of Audits Undertaken
Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance L
Business Rate Retention Scheme	Apr 2015	The audit was designed to provide assurance to management, as to whether the systems of control around the Business Rate Retention Scheme 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:- • Awards of Charitable Relief are currently reviewed every three years. However, currently SBR, Part-Occupied Relief, Retail Relief and Void Relief are not reviewed to confirm the continued eligibility of the discounts awarded. • Information had not been scanned onto the system in all cases tested, making access to information take longer than necessary, and increasing the risk that documentation may be lost. • There were instances where information could not be found. It was determined that this was typically due to a business having more than one account and all the information being retained under only one of these accounts. • There is a need for the Council to take a more planned approach to identifying opportunities to increase the tax base, through the use of a dedicated resource to carry out this function using proactive and intelligent IT analysis and exercises. All findings and recommendations were agreed with the Head of Revenues Services and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Capital Programme and Accounting	Mar 2015	The audit was designed to provide assurance to management, as to whether the systems of control around Capital Programme and Accounting 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 first reconciliation between the CAPS system and Agresso for the financial year 2014/15 was not undertaken until December 2014. • The account rule within the Agresso accounting system is still to be altered so that revenue account codes cannot be used as capital account codes. All findings and recommendations were agreed with the Assistant Chief Accountant and reported to the Interim Service Head, Corporate Finance, and the Interim Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Creditors Follow Up Audit	Mar 2015	A full systems audit on the Creditors system was undertaken in July 2014, and the audit report assigned Limited Assurance to the area. The objective of this audit was to assess whether the agreed recommendations at the conclusion of the initial audit had been implemented. Our follow up review showed that of the ten recommendations made at the conclusion of the full systems audit, eight recommendations have been implemented, including the two high priority recommendations, and two have been partly implemented. Our review has shown that management have undertaken a review of the systems and processes for managing the Creditors system to ensure that greater control is achieved. However, following our testing we have raised two recommendations to ensure that the recommendations that are partially implemented are addressed, as follows:- • Guidance documentation should be made available to all relevant members of staff on the procurement processes in place. • Records should be maintained to indicate which cases are in dispute or have been put on hold as the BVPI report does not capture this.. All findings and recommendations were agreed with the Financial Systems Manager and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	Feb 2015	The audit was designed to provide assurance to management, as to whether the systems of control around Treasury Management 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:- • Annual cash flow forecasts are not signed and dated by the officers responsible for preparing and reviewing them. It was established in discussion with the officers concerned that one produces the forecast and the other reviews it as it is produced in order to provide a segregation of duties, however no formal signing and dating of the document occurs. • Meeting minutes are not currently produced for Treasury Management meetings held. All findings and recommendations were agreed with the Investment and Treasury Manager and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Debtors	Apr 2015	The audit was designed to provide assurance to management as to whether the systems of control around the Debtors 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:- • Reconciliations between the general ledger and the debtors system have not been signed off and dated after being reviewed by an independent officer. • The Agresso system permits multiple credit notes to be issued in relation to one invoice number. We identified a total of 56 different invoices which have had a total of 116 credit notes raised against them worth £167,115.29. We undertook testing to determine whether any refunds had been made and we established that no refunds had been made based on our sample testing. However, the process of reversing duplicate credit notes is time consuming and results in a substantial loss of officer time. • There are unallocated payments in the suspense account dating back to 01/04/2014 which could delay the recovery of debt as well as cause unnecessary or incorrect debt recovery procedures to be applied, resulting in financial loss and/or reputational damage to the Council. • The Corporate Debt Recovery Policy was obtained and it was determined that the policy was last updated in November 2013. However, the final section of the policy states that the framework will be continually reviewed to enable it to be updated where necessary and to take into account any service improvement or changes to legislation. All findings and recommendations were agreed with the Head of Revenue Services and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Council Tax	May 2015	The audit was designed to provide assurance to management, as to whether the systems of control around the Council Tax 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:- • Spot checks are no longer undertaken on completed work items to ensure that staff are performing to the expected standard, as of the 2014/15 financial year. • No evidence could be found to support that sample spot checks were being undertaken with regards to the correct allocation of payments moved from the suspense account. • Reconciliations between the Council Tax system and the General Ledger are not dated to indicate when they are signed off for weekly or monthly reconciliations, and for the week 37 reconciliation one signatory was not recorded. In addition, reconciliations between AIMS and CIVICA are not always signed by the officer who was responsible for performing the reconciliation. • In the case of one out of the 10 weekly Valuations Office to CIVICA reconciliations which were tested, the reconciliation had not been performed for the week selected.. All findings and recommendations were agreed with the Head of Revenues Services and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payroll	May 2015	The audit was designed to provide assurance to management, as to whether the systems of control around the 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:- • The payroll policies and procedures in place appear to be appropriate. However, there is a need for them to be reviewed and evidenced as such. In addition, the payroll procedures lack any reference regarding the processes to be followed by staff when undertaking the various reconciliations of the payroll system, e.g. reconciliation to the general ledger. This may lead to difficulties in completing these exercises in the event of the absence of the Payroll Manager. • A spot checking regime is in place, but there is no established guidance or records in place regarding the size of the samples taken or the frequency of the checking undertaken. In addition, the spot checking undertaken is not evidenced. • From our testing of leavers, it was noted that in one case the employee was overpaid as the leavers form was not received by Payroll until 6th August 2014, whereas the employee actually terminated their employment on 25th July 2014. In addition, the P45 for this employee was not produced until 16th October 2014. In another case, the leaver form was not signed by the employee and was received by the Payroll section on 27th May 2014, although the form was actually completed and signed by Bow School on 14th May 2014. • In addition, it should also be noted that reconciliation of the general ledger to payroll has not been fully completed for any month in the current financial year. Elements of the reconciliation have been completed, but this has not always been undertaken on a timely basis throughout the financial year... All findings and recommendations were agreed with the Payroll Manager and reported to the Service Head – Human Resources and Workforce Development, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
NNDR	May 2015	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:- • There is no independent quality review of the amendments made to individual accounts. • The workflow reports are not reviewed by an independent member of staff. • There is no review of retrospective void reliefs awarded where accounts are in arrears, and this is a known area where frauds have been committed at other authorities. This has previously been raised as an issue by internal audit. • Reconciliation of NNDR income as per GL to bank statement is not performed on a timely basis. • It was established that the suspense account items are routinely investigated and cleared, but it was not possible to identify which officer had undertaken the review of the suspense account reports as they were not signed or dated. Similarly, inhibited accounts reports are reviewed on a monthly basis by individual officers inhibiting the accounts to ensure whether the expiring accounts need to be extended or deleted but are not signed or dated following review. All findings and recommendations were agreed with the Head of Revenues Services and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Recruitment Follow Up Audit	May 2015	A full systems audit on Recruitment was undertaken in October 2013. This audit was assigned Limited Assurance. This report presents the findings and recommendations of a follow up audit and the objective was to assess whether the agreed recommendations at the conclusion of the original systems audit had been implemented. Our follow up review showed that, of the three high priority recommendations made in our original report, one has been fully implemented. The remaining two high priority recommendations have been partly implemented. In addition, of the three medium priority recommendations made, we identified that two of these had not been fully implemented. As a result, we have made recommendations that those outstanding issues be addressed, in order to enhance the control environment within this area. Our follow up of the audit results revealed that showed tangible improvements have been made on some recommendations and significant progress with the remainder. The issues still outstanding are as follows; • Management should ensure that evidence is retained of the 10% sample checking that is undertaken; • The newly drafted recruitment procedure needs to be reviewed and approved by senior management, and formally distributed to staff; • All staff who require recruitment training as potential recruiters should be scheduled onto the planned courses as soon as possible; and • The Recruitment and Selection Standards should be annotated with version control history. All findings and recommendations were agreed with the Service Head – Operations, and reported to the Service Head – Human Resources and Workforce Development, and Interim Corporate Director of Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
George Green's Secondary School	Mar 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and Pay Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • For one contract tested (£528,480 net over three years) we identified that this purchase exceeded EU procurement thresholds and therefore a formal tender process was required. This procurement took place on January 2009 and the EU procurement threshold for public sector contracts in relation to services was £139,893 at that point in time. The contract came into effect on January 2009 for three years, and has since been renewed for an additional 12 months thereafter. There was no evidence of a formal tender process having been carried out. At the time of the audit, the EU procurement threshold value was £172,514 for public sector supplies and services contracts. • From examination of a sample of five higher value purchases and three contracts above £15,000, we noted that for three higher value payments tested, whilst sufficient quotes had been obtained for all purchases, the basis of supplier selection had not been documented. • Register of business interests had been completed by governors and staff with financial responsibility. However, we noted that the form had not been signed and dated by three staff members and forms had not been dated by three staff members. We were therefore unable to ascertain the period to which these declarations of interest related to. • The school has lettings for the use of its Hydrotherapy Pool; however, we were informed that no hire agreements including terms and conditions had been completed between the school and hirers. 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	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bishop Challoner School	Mar 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • We identified a contract to the value of £51,656, which as per the Finance Policy should have followed the tendering process. However, a tendering process was not completed. In addition, we identified one transaction for £5,620 which was over the £5,000 level where three quotes were required, but only one quote was obtained. We also noted another transaction for £4,200 which was over the £2,500 limit, above which two written quotes should have been taken, but only one quote was obtained. • Through review of the business interest forms for the governors, it was identified that in two cases a business interest form was not available. • Through review of the meeting minutes of the Governing Body, it was identified that the School Improvement Plan (SIP) 2014/15 had not been approved. Furthermore, through review of the SIP 2014/15 it was established that it did not detail the financial resources required (where applicable) and the measures for achievement of the objectives. • From our testing a sample of 20 loans, it was identified that the loan forms do not document the required return date on them. 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	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stepney Greencoat Primary School	Feb 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. 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:- • The school has a service level agreement (SLA) with a consultancy service under which the company provides ICT services for the school which includes identifying providers for ICT equipment for the school. Under this SLA, the consultancy service should obtain three quotes for goods/ services (for ICT related purchases) over £5k on behalf of the school. At the time of the audit, it could not be determined if three quotes had been obtained for one transaction over £5k as these were not sent to the school by the consultancy service. • The school had loaned iPads to several members of staff. However, no equipment loan forms were signed. • The budget for 2013/14 was approved by the Resource Committee. Although the budget for 2013/14 was mentioned in the meeting of the full Governing Body on 24/06/2013 it could not be ascertained from the meeting minutes if the full Governing Body had approved the budget for 2013/14. • Through review of the budget monitoring reports, we were unable to identify any evidence that the monthly budget monitoring reports were being reviewed. • Through review of a recent school journey it was established that the school journey was not costed and a summary of account was not created. 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	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Shapla Primary School	May 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • Examination of the 2014/15 Standards Committee Terms of Reference provided at the time of the audit identified that the document had not been signed by the Chair of the Governing Body or the Head Teacher. • Examination of a sample of 10 payment transactions identified one instance where the official order had not signed by the Head Teacher (or Deputy Head Teacher). • Examination of a sample of 10 asset loans identified that the anticipated date of return had not been indicated in most cases. It is understood from further discussion that new loan forms would have the date included. It was also noted that asset loans were yet to be included on the inventory. In addition, whilst the forms contain a statement that staff must 'take good care' of the items, the insurance liability and responsibility had not been specified. • Testing of two new starters from September 2014 onwards identified one instance where one verbal reference was obtained rather than two written references. • Examination of the asset register on hand at the time of the audit identified that this had not been updated since October 2013. Discussion identified that this has not yet been undertaken because of the new electronic system to be used from April 2015 onwards. We were advised that once the new system is functioning completely the asset register will be updated. 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	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Sir John Cass's Foundation and Redcoat CE Secondary School	June 2015	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and Premises Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:- • The School's main IT asset register did not include a large number of IT assets held at the School during the time of audit. A large number of items across the School could not be evidenced as security marked. This included IT equipment, desirable premises items such as white goods and music equipment. • Testing of a sample of 10 asset loans and examination of the loans register identified a number of issues where control could be improved. • From examination of a sample of four higher value purchases above £10,000, we noted that a sufficient number of quotes had not been obtained for one purchase. It was noted that the purchase order form related to works/materials for two separate classrooms and the overall payment amounted to £36,444.00 (across four different orders). • For two out of ten purchase orders sampled there was no evidence that the official order form was raised in advance of the invoice. • There were a number of areas within the School's "Financial Code of Practice" document which could have been more specific or clearer. Three of the eight recommendations made were not fully accepted by the school which felt that further testing should have been undertaken where non-compliance with procedures was identified. Due to the time constraints we do not undertake additional testing in such cases, since the identification of any cases of non-compliance are sufficient for us to determine that the controls are not operating as they should and therefore the recommendations made are valid. The remaining five findings and recommendations were agreed with the Head Teacher and all eight issues were reported to the Chair of Governors and the Corporate Director - Education, Social Care and Wellbeing.	Moderate	Substantial

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

Audit Subject	Recommendation	Service Head	Officer Name
Aids and Adaptations Follow Up	Management should set a percentage target of the proportion of aids and adaptations works that should be subject to an inspection by THH upon completion. Performance against this target, as well as a summary of the inspections undertaken should be reported to the Council on a regular (i.e. quarterly) basis.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Aids and Adaptations Follow Up	Where property inspections are not undertaken, there is an increased risk of the works not meeting the required standards, not being safe and fit for the client use and payments being made for work not completed.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Aids and Adaptations Follow Up	Management should monitor and review the performance indicators relevant to the performance of the aids and adaptations service on a regular, i.e. quarterly basis.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Recruitment Follow Up	The HR service should ensure that shortlisting and selection panels consist of a minimum of two officers as stated by the Recruitment and Selection Standards Policy. Furthermore, shortlisting grids should be completed to evidence transparency in the selection of candidates for interviews. The HR service should undertake sample testing to ensure that the requirements of the Recruitment and Selection Standards Policy are being complied with.	Simon Kilbey, Head of HR and Workforce Development	Brenda Young, Senior Manager - Operations
Recruitment Follow Up	Panel members should be reminded of the importance of evidencing interview scorings and selections. HR should undertake sample checks on compliance and procedure notes should be updated to require panel members to submit key documents to HR for retention.	Simon Kilbey, Head of HR and Workforce Development	Brenda Young, Senior Manager - Operations

Follow Up Audits – List of Priority 2 Recommendations still to be implemented

Audit Subject	Recommendation	Service Head	Officer Name
Equality Impact Assessment	It should be ensured that all DMTs include equality analysis requirement in checklists for all reports. A sample of five DMT reports and supporting equality analysis documentation should be reviewed by One Tower Hamlets Service each quarter and any issues reported back to the DMT and other forums as necessary to ensure that there is compliance in this area.	Louise Russell	Shanara Matin/ Robert Drive
Markets	We recommend that management should request that the Markets team are granted full user permissions within Agresso in respect of managing its debtors.	Andy Bamber	Debbie Carpenter
Markets	The long term sustainability of markets should be assessed using financial analysis methods. Pricing for market pitches should be reviewed on an annual basis.	Andy Bamber	Debbie Carpenter
Markets	Management should remind all THEOs that all traders are required to present a valid Certificate of Public Liability Insurance from a verified company before the licence is renewed/and or granted. Sufficient documentation should be held on file. Spot checks should be completed to ensure insufficient documentation is followed-up on, i.e. cover notes.	Andy Bamber	Debbie Carpenter
Markets	Management should regularly review a sample of daily allocation sheets on a periodic basis and identify which members of staff are regularly failing to complete the sheets fully and take appropriate action to ensure that performance improves.	Andy Bamber	Chris Golds

Follow Up Audits – List of Priority 2 Recommendations still to be implemented

Audit Subject	Recommendation	Service Head	Officer Name
Aids and Adaptations Follow Up	Management should liaise with the Council's Legal Services team to ensure that there is a signed contractual agreement in place with both Openview Limited and Precision Limited.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Aids and Adaptations Follow Up	Management should remind the Occupation Therapist team of the need to ensure that aids and adaptations referrals are sent to THH in a timely manner. Timescales for referring aids and adaptations to THH should be set out in the major adaptations procedure.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Aids and Adaptations Follow Up	Management should specify and monitor the timescales it takes THH to complete aids and adaptation works from when the Occupation Therapist's referral is received.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Aids and Adaptations Follow Up	THH should remind staff of the need to raise orders promptly following the receipt of the referral from the Occupation Therapist team. In addition, THH staff should be reminded of the need to retain copies of the original referral.	Molly Wallis, Head of Repairs	Keith Peirson, M & E and Specialist Repairs Manager
Recruitment Follow Up	The HR service should ensure that all panel members are trained to recruitment standards as specified by the policy. Refresher training should be offered to panel members who may have had training prior to electronic records being kept. The HR service should undertake sample testing to ensure that only appropriately trained officers are acting as panel members.	Simon Kilbey, Head of HR and Workforce Development	Brenda Young, Senior Manager - Operations

Audit Subject	Recommendation	Service Head	Officer Name
Recruitment Follow Up	The Recruitment and Selection Standards should be reviewed and revised on a regular basis and be subject to senior management approval.	Simon Kilbey, Head of HR and Workforce Development	Brenda Young, Senior Manager - Operations

Title	Date of Report	Comments / Findings
Management and Control of Animal Warden Service	Oct. 2014	This audit was commissioned by the Service Head, Community Services. The Service had an annual Budget of some £155,600. Staffing compliment consisted of two Animal Wardens who reported to the Senior Animal Warden managed by one of the Team Leaders in Environmental Protection. The team operation consisted of reactive works (calls received via TH Contact Centre) plus Service Level Agreements with LBTH Parks and One Housing Group. The Team worked one weekend in three on Toil basis. Agreement had been given by the Service Manager that allowed vehicles to be taken home by these officers when on stand-by duties; this arrangement had been agreed with transport services. Our review showed that whilst the team was undertaking the duties that were placed upon them, a number of operational weaknesses were identified in the areas of administration of record keeping of animals, income recording, payment and reimbursement processes, which needed to be strengthened to improve the control environment. Our review highlighted that as there were no formalised contracts in place for areas such as veterinary services and for the boarding of dogs, there was risk that the suppliers may not be providing good value for money. We noted that there were no detailed operational procedures that underpinned the service operation from the front line to back office processes, which weakened the audit trails. All findings and recommendations were agreed with the Service Head, Community Services and final report was issued to the Head of Paid Service and Corporate Director, Communities, Localities and Culture.

Title	Date of Report	Comments / Findings
Construction Industry Tax Deduction Scheme Compliance Testing	October 2014	This CIS compliance testing was requested by the Interim Service Head for Operations (Finance) as a result of the HMRC inspection carried out in relation to the CIS tax paid by LBTH. Our testing showed that of the 154 CIS registered suppliers on Agresso, 23 suppliers were required to be paid net of income tax. Compliance testing on invoices paid to these 23 suppliers and their corresponding accounts payable transactions on Agresso showed the following:- - Three of the suppliers were registered with HMRC as higher tax rate payers at 30%. However, on LBTH system, these suppliers were recorded as 20% standard rate tax payers, which meant that any tax deduction made by LBTH would be at lower rate than what was required; - The CIS return for the month of May 2014 was not complete. We also noted that some NET suppliers were paid GROSS and the required CIS tax was not deducted from the invoices paid; - In some cases Tax was not deducted at source, as required by the regulations and in some cases where tax was deducted, it was applied to the whole invoice amount rather than just to the Labour element. In a few cases, tax was applied to the incorrect labour element. In order to address control weaknesses, we recommended that the capturing and recording of the correct details of construction related contractors and their tax status by Procurement should be strengthened and that relevant training should be given to all officers involved in this process. We also recommended that the status/tax treatment should be verified on the HMRC website on an annual basis or more frequently to ensure the correct CIS tax treatment is applied. All findings and recommendations were agreed.

Title	Date of Report	Comments / Findings
Troubled Families Programme	Nov 2014	We were requested by the Corporate Director, Education, Social Care and Wellbeing to undertake audit testing in advance of the Troubled Families team submitting Grant Return to the DCLG to confirm that the cases included within the Return were correctly identified as eligible and were supported by the appropriate documentation. We attended a number of meetings with the Data team, which was working to create a workable list of claims using a variety of data sources (including benefits, school survey, and crime information) to identify the eligible cases for the Payment By Results claim. We gave advice on the kind of information that would need to be in place to support the claims in the event that DCLG carried out any spot-checks on the claims, and also advised take a manual approach to finding the claims when it became clear that the data solution alone could not provide these. The main issues arising from our testing of 15 cases which were planned to be included in the return are as follows; •　　In three cases, turnaround was achieved on one criterion only, education (as Learning Disabilities (LD) does not count, no information was available on employment, and crime/ASB was neutral). We could not confirm from the DCLG notes available that this was acceptable. •　　In two cases, due to lack of information on the younger members of the family, we were not able to confirm that the education attendance turnaround result had been met for the family. •　　In four cases, we did not have access to details of the employment information provided by the Job Centre Plus worker, and so were unable to confirm / see the details of his results for the Level 2 claim. •　　In two cases, one family was found to be at two UPRNs; however, only one claim was to be made in each case.

		All findings were reported to the Troubled Families Co-Ordinator and the return was amended and additional supporting documentation obtained where necessary.

List of Planned Audits Undertaken in 2014/15

Audit Description	Significance	Assurance
Law, Probity and Governance		
Information Governance Confidentiality Audits	Extensive	Substantial
Risk Management	Extensive	Substantial
Equality Impact Assessments - Follow Up audit	Extensive	Substantial
Freedom of information – Follow Up audit	Extensive	Substantial
Corporate		
Employment Options	Extensive	Substantial
Management and Control of Waivers of Financial Regulations	Extensive	Limited
Equality Impact Assessment	Extensive	Substantial
Education, Social Care and Wellbeing		
Failed Visits Procedures	Extensive	Limited
Cleaning services – Contract Services	Moderate	Limited
Woolmore and Stebon Schools Building Contract Audit	Extensive	Substantial
Management and Control of Leaving Care Services	Extensive	TBC
Public Health Contracts	Extensive	Limited
Direct Payments	Extensive	Limited
Emergency Duty Team - Children	Extensive	Substantial
Risk Management	Extensive	Substantial
Customer Journey - First Response	Moderate	Substantial
ESW Petty Cash	Moderate	Limited

Audit Description	Significance	Assurance
Youth Offending Services	Moderate	TBC
Framework - I	Extensive	TBC
Troubled Families Programme	Moderate	N/A
Children's House School	Moderate	TBC
St John's School	Moderate	Substantial
Guardian Angels School	Moderate	Nil
St Luke's School	Moderate	Limited
St Mary and St Michael School	Moderate	Limited
Shapla School	Moderate	Substantial
Bishop Challoner	Moderate	Substantial
Stepney Greencoat	Moderate	Substantial
Bowden House School	Moderate	Substantial
CFGS	Moderate	Limited
George Green's School	Moderate	Substantial
Marian Richardson	Moderate	Limited
Ian Mikardo School	Moderate	Limited
Mulberry School	Moderate	Nil
Mulberry School	Moderate	Limited
Oaklands School	Moderate	Limited
Sir John Cass's School	Moderate	Substantial
Communities, Localities and Culture		
Transport Services	Moderate	Substantial
Markets Follow Up	Moderate	Substantial
Best Value Review –Policing ASB	Extensive	N/A
Management and Control of Blue Badges	Extensive	Substantial
Management of Leisure Contract	Extensive	Substantial
Parking on-street Income	Extensive	Limited

Audit Description	Significance	Assurance
Management and Control of Animal Warden service	Moderate	N/A
Risk Management	Extensive	Substantial
Rechargeable Works	Moderate	Limited
Poplar Mortuary	Moderate	Substantial
Highways Inspections	Extensive	Substantial
Commercial Waste – Follow Up audit	Extensive	Substantial
Management of Anti-Social Behaviour – Follow Up audit	Extensive	Substantial
Control and Monitoring of Penalty Charge Notices – Follow Up audit	Extensive	Substantial
Management of Parking Appeals – Follow Up audit	Extensive	Substantial
Tower Hamlets Homes		
Out of Hours Repairs	Moderate	Substantial
Housing Repairs	Extensive	Substantial
THH Housing Insurance Claims	Moderate	N/A
Housing Rents	Extensive	Full
THH Financial Systems	Extensive	Substantial
Aids and Adaptations Follow Up	Extensive	Limited
Leaseholder Service Charges	Moderate	TBC
Management of Asbestos	Moderate	Limited
THH Governance – Follow Up audit	Extensive	Substantial
Management of Voids – Follow up audit	Extensive	Substantial
Management of Estate Parking Permits – Follow Up audit	Extensive	Substantial

Audit Description	Significance	Assurance
Development and Renewal		
Management and Delivery of Homelessness Strategy	Extensive	N/A
Management and Monitoring of Energy contracts	Extensive	Substantial
Watts Grove – Pre-contract Audit	Extensive	Substantial
Monitoring of MSG Grants	Extensive	Limited
Management and Control of Housing Improvement and Renovation Grants	Moderate	Substantial
Risk Management	Extensive	Substantial
Tower Hamlets Homes –Client side Monitoring	Extensive	Substantial
S 106 Planning Obligations – Follow Up audit	Extensive	Substantial
Management and Control of Land Charges – Follow Up audit	Extensive	Substantial
Resources		
CIS Compliance Testing	Extensive	N/A
Systems Development and Variation Control for Future Sourcing Contract	Extensive	TBC
Risk Management	Extensive	Substantial
Photocopier and Printing Contract Monitoring	Extensive	Limited
Cash and Deposit System	Extensive	Limited
Follow Up Audit on Agresso GL testing	Extensive	Substantial
Follow Up Audit on Agresso – Accounts Payable	Extensive	Substantial

Audit Description	Significance	Assurance
Follow Up audit – Competitive Tendering	Extensive	Substantial
Follow Up audit – Purchase Cards	Extensive	Limited
Follow Up audit - ITRES	Moderate	Full
Follow Up audit – Future Sourcing Contract Monitoring	Extensive	Substantial
Follow Up audit – Photocopying and Printing Contract Monitoring	Extensive	Limited
Business Rate Retention Scheme	Extensive	Substantial
Bank Reconciliation	Extensive	Substantial
Capital Programme and Accounting	Extensive	Substantial
Council Tax	Extensive	Substantial
Debtors	Extensive	Substantial
Housing Benefits	Extensive	Substantial
Payroll	Extensive	Substantial
NNDR	Extensive	Substantial
Treasury Management	Extensive	Substantial
Budgetary Control	Extensive	Substantial
Pensions	Extensive	Limited
General Ledger Follow Up	Extensive	Substantial
Creditors Follow Up	Extensive	Substantial
Recruitment Follow Up	Moderate	Substantial

Audit Description	Significance	Assurance
Computer Audit		
Information Governance Confidentiality Audits	Extensive	Substantial
IT Asset Management	Extensive	Substantial
Management of Council Data and Information Asset Owners	Extensive	TBC

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 2014/15

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 2015.

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 it 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 2014/15, including an assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2014/15 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 2014/15 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.

97% of Internal Audit work for the year to 31 March 2015 was completed in line with the operational plan. The percentage levels of assurance achieved for reports submitted to the CMT in 2014/15 are depicted in Graph 1 below. This shows that 68% of the systems audited achieved an assurance level of full or substantial assurance, whereas 26% 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 88% of priority 1 and 63% 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.
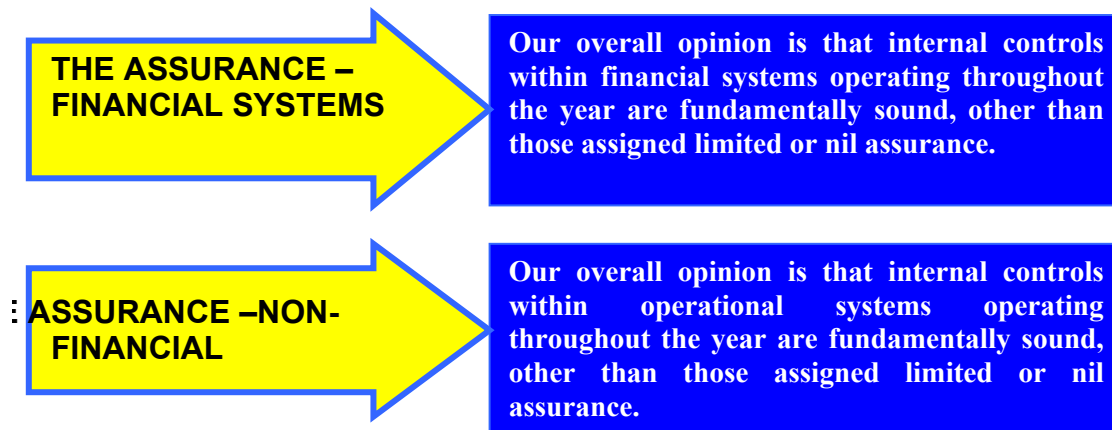
Graph 1 – Levels of Assurance for 2014/15
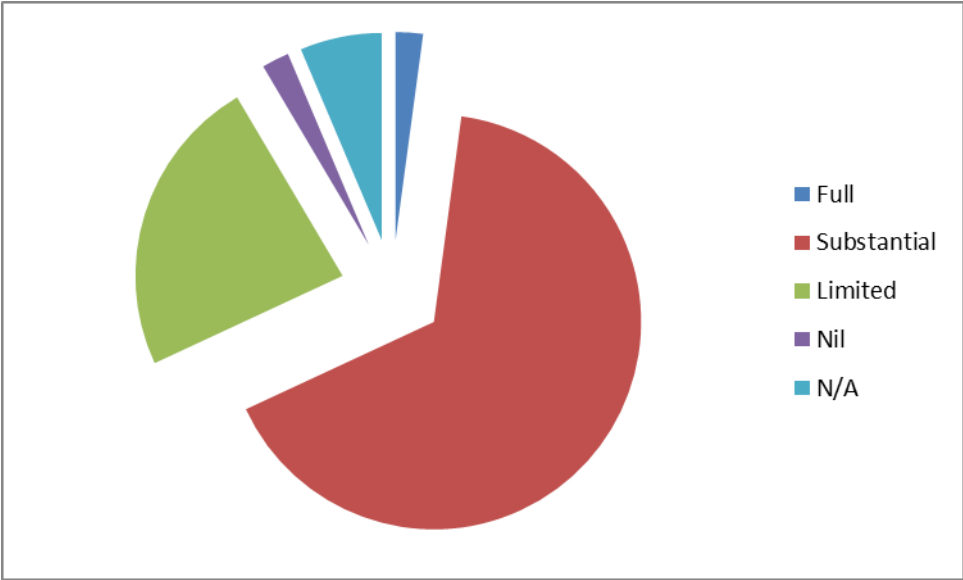
2014/15 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2014/15, 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 2015 accords with proper practice, except for any details of significant internal control issues as documented in the Detailed Report on pages 85-98. The assurance can be further broken down between financial and non-financial systems, as follows:

THE ASSURANCE – FINANCIAL SYSTEMS	→	Our overall opinion is that internal controls within financial systems operating throughout the year are fundamentally sound, other than those assigned limited or nil assurance.
ASSURANCE –NON-FINANCIAL	→	Our overall opinion is that internal controls within operational systems operating throughout the year are fundamentally sound, other than those assigned limited or nil assurance.

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 2015.**

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 2015

DETAILED REPORT

Introduction

This section is a report detailing:

- any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;

- any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;

- the identification of work undertaken by other assurance bodies upon which Internal Audit has placed reliance to help formulate its opinion;

- the management processes adopted to deliver risk management and governance requirements;

- comparison of the work undertaken during the 2014/15 year against the original Internal Audit plan; and

- 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 2014/15. Key issues included:

Monitoring and Control of Mainstream Grants

Our review showed the following common issues across the three Directorates:-

Overall, the quality of monitoring was not sound and secure. At the time of audit in July/August 2014, there were no documented monitoring procedures 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. 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 on a

timely basis for necessary action to be taken, which could potentially result in grant funding not being used for the intended purposes. From interviews with MSG Monitoring officers and their respective Service Managers, it appeared that some Directorates were using the existing MSG procedures, some were using the new draft procedures and some were not aware of the existence of MSG procedures. Therefore, there was the risk that different standards for the management and control of grant were being applied.

Details of specific findings and management comments from each Directorate were reported to the Audit Committee at its meeting of 4th February 2015.

Management Comments - Social Welfare Advice Service Programme - Development and Renewal

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.

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.

Management Comments - Youth & Connexions – Communities, Localities and Culture

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.

Management and Control of Tele Care Services

This audit was reported to the Audit Committee in its February 2015 meeting. The audit was designed to provide assurance to management as to whether the systems of control around Telecare Services were sound, secure and adequate. The review showed that inefficient working practices were 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 a budgetary overspend. 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. We highlighted other issues of importance such as Telecare installation assessments had not been recorded appropriately and in a timely manner in some cases; service outcomes were not being formally monitored; performance was not reported to senior management; and stocktakes were not formally documented and recorded.

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.

Management and Control of Panel Decisions

This audit was designed to provide assurance that the systems of control around the Management of Panel Decisions were sound and secure. The Council provides a wide range of care, support and assistance to adults in need of these services. The services provided range from giving advice and information through to long-term residential care for the elderly, people with physical or learning disabilities or mental health problems. Needs and risks are assessed as being Very High (critical), High (substantial) Medium (moderate) and Low (low) and support is provided accordingly. A number of Social Care Panels have been constituted to consider the needs of these individuals. Panels meet on a weekly basis and the Fair Access to Care Services (FACS) Policy is followed to ensure that everyone who needs care can get the right level of support. Assessments are based on levels of need and the risks faced by service users if support is not provided.

The Audit Committee at its meeting in February 2015 was informed of the issues emerging from this audit. We found that the guidelines and terms of reference for these Panels were out of date and had yet to be reviewed. Panel quorum requirements were not always being met .There were incomplete documentation retained for some cases for the Mental Health Panel and for the Joint Commissioning Panel, and it was not possible to confirm that the required documentation had been provided to the Panels as part of the decision making process. The options considered by social workers in reaching decisions to recommend a particular support plan to Panels were not documented in information presented to Panels.

There had not been regular meetings with Finance representatives to review budget reports and query any inaccuracies or variances that may exist in reporting. Budgetary information was not provided for discussion at the regular panel case approval meetings. The position of the Long Term Support (LTS) Panel was unclear, having been disbanded without the creation of a clear proposal for any replacement arrangements to be put in place.

No information governance arrangement was in place with the East London NHS Foundation Trust over how client records managed by the Mental Health Panel were controlled. The Data Disposal procedure was out of date having been established in 2011 without any date for review stated on it.

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.

Management and Control of Mobile Phones

This audit was reported to the Audit Committee in its February 2015 meeting. The audit was designed to provide assurance that the systems of control exercised by the Council to meet its agreed objectives with regards to management of mobile phones and Blackberry devices were adequate and effective. Overall, it appeared that since the Mobile Phone contract was novated to Agilisys, the Council Officers have not been able to review and control mobile phone usage effectively. There was an 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. There was no evidence to confirm that officers set up as approvers of mobile phones requests were checked on a regular basis to verify that they were still the appropriate to approve such requests.

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.

Management of Staff Declaration of Interests

Under the Employees Code of Conduct, officers have a duty to declare interests which conflict with the impartial performance of their duties and declare in writing any financial or personal/social interests that could be considered in bringing about conflict with the Council's business or interests. Any additional work (whether paid or unpaid) must not conflict with the council's interest or in any way weaken public confidence in the authority. Accordingly, all employees of the Authority are required to obtain consent in writing (and retained on the staff HR file) from their chief officer in advance and on each occasion.

A system on HR Self Service has been set up for declaration of interests. Our testing found that at the time of audit, this system could not report on all status of DOI declarations, for example, where staff had saved and not submitted their DOI forms, these cases were not reported on, affecting the integrity of management reports. At the time of this audit, some 50% of permanent staff had completed their forms. Where staff declarations were made concerning additional employment and outside interests, the information given was either incomplete or not fully provided. This showed that the checking and monitoring control was not working as it should.

The Audit Committee was informed of the findings and recommendations of this audit in September 2014 and Members were informed that a complete review of the process for collection and completion of Declaration of Interests and additional/secondary employment had been undertaken.

Management Comments

A complete review of the process for collection and completion of Declaration of Interests and additional/secondary employment has been undertaken. The form has been re-designed to make it easier for staff to complete and also to ensure that there is a clear process for approval prior to submission. There have been problems with the HR self-service system which have prevented early implementation of the new form and process. These have been escalated via Agilisys to Northgate and have finally been resolved.

Managers are responsible for ensuring Declarations of Interest are completed by staff who report to them and that these declarations are signed off and recorded either through the self-service system or, in the case of staff who have no access to self-service by completing a form which is then scanned and sent to HR for recording. Managers have been, and will continue to be, reminded of the need to ensure that Declarations of Interest are kept up to date and registered even when there are no interests or additional/secondary employment to declare. As part of the PDR /PDP process in October, Managers will be required to check with staff that they have declared interests, relationships and additional/secondary employment (where applicable) by completing the appropriate form or submitted a nil return. The returns will be monitored with an escalation process to Service Heads in the case of non -returners/ non-compliance.

Monitoring of Photocopying and Printing Contract

The Council entered into a 36 month rental agreement for the supply of the Multi-Functional Devices (MFD's) which have the capabilities of photocopying, scanning, faxing and printing. It is anticipated that the charge for lease finance of these machines will be £160,000 p.a. The Council has also through its partnership with Agilisys entered into a Managed Print Service Level Agreement to deliver cost savings. This agreement will cost £94,300 for year one (2014/15) and then £22,000 for the second and third successive years. Click Charges (printing) have been estimated to be in the region of £240,000 p.a.

The Audit Committee at its meeting in September 2014 was informed that the systems for monitoring of the MFD Service Level Agreement with Agilisys had not yet been established. We noted that rental Agreements were not in place and contractually signed for all MFD equipment.   We identified discrepancies between the numbers of MFD's recorded by Facilities Management, ICT and the Supplier. The number of MFD's entered on the finance leases did not agree with those recorded on the LBTH asset register, which showed weak inventory control. In addition, the supplier's invoicing system was cumbersome and confusing increasing the risk of duplicate payments and errors occurring. At the time of audit officers had so far concentrated on the roll-out of the MFD's to Council buildings, which in turn has left some of the control and monitoring systems vulnerable. We recommended that officers should risk assess the project and business as usual functions to ensure that measures are put in place to strengthen the control environment, both for the project and for monitoring the SLA with Agilisys.

Management Comments

There is an established quarterly meeting between Xerox, Agilisys and LBTH where service performance reports are presented and discussed. The performance reports are based on the SLA and includes sections on Performance Review, Observations & Trends, Innovation Ideas and Next Steps. The following quarterly performance indicators are reported on:-
SLA Uptime against Target
Average Monthly Volume
Ticket Summary – GDC Proactive/Reactive
Break Fix – Reactive verses Proactive
Supplies – Reactive verses Proactive
Highest Utilisation/Impressions - Serial Number
Lowest Utilisation/Impressions - Serial Number
The meetings are scheduled on the 3rd week of the month following the quarter and all meetings are now minuted.

This arrangement has been in place since Client Team has taken of the management of the MFD fleet on the 1s of April 2014.

Rental Agreements

All Agreements for phase 1, 2 & 3 have been signed by both parties, paper copies have been filed. Awaiting Rental Agreement Numbers and signed copies by both parties for Phase 4. A new resource has been seconded into Client Team who will take this work forward.

Discrepancies between the numbers of MFD's recorded by Facilities Management, ICT and the Supplier

The discrepancy between FM and ICT assets arose due to timing issue and status of devices (devices on contracts, installed devices, devices subject to moves and changes etc.) as project was in progress and final homes for all 180 devices had not been identified. Highlight report is about installations not necessarily an asset report, but work in progress

Control and Monitoring of On-Street Parking Income

The findings of this audit were reported to the Audit Committee in March 2015. The audit reviewed the systems for collecting, banking, monitoring and accounting for on-street parking income. The cash from on-street P&D machines is collected and banked by a contractor. When cash is collected from each P&D machine, an audit roll is produced by the machine which shows how much cash the machine has at the time of collection. The amount of cash collected and banked by the contractor should be then reconciled with the amount of cash notified as banked by the contractor to the Council. Our testing showed that there were no contract specific procedures covering collection of cash income, reconciliation of cash income banked with audit rolls and regular monitoring of cash income to identify any significant trends. In addition, there were no management checks built into the procedures for monitoring compliance. There were no effective systems in place for monitoring that income collected by the contractor was banked intact; that this income reconciled against the audit rolls for each machine and that variances above tolerance were investigated. This increased the risk of errors, omissions, theft, fraud and irregularity in the collection and banking of cash income. We also noted that there was no system for recording and controlling of counterfeit and foreign coins and accounting for this. There were concerns around the effectiveness of contract monitoring and payment system resulting in possible overpayments to the contractor.

Management Comments
Due to the system and organisational structure changes there appeared to be a number of gaps in managing this process end to end without any evidence that there was any impact to the service. Having subsequently looked at it, it does not appear that there was any impact to the Service however there could have been potential. We have already put all systems in place and invited internal audit to review it.

The steps that have been put in place are as follows to address each of the issues:

- The procedures have been rewritten and the whole process has now been moved to sit within Parking & Mobility Services, with an additional resource tasked to carry out the daily task of recording the till rolls, audit tickets and banking sheets. With this then being reviewed by the Services & Technical Equipment Manager and spot checks being carried out by the Parking Business Unit and Finance.
- There is now 100% reconciliation with every variance recorded and reported to management.
- A system is now in place recording and controlling and disposing of both counterfeit and foreign coins

- 15 new P&D machines have now been installed with anti-blocking chutes and with real time recording to assist with tackling fraud and concerns highlighted by the audit.
- There is now a two-step process for reconciling the invoice against the collected schedule
- It has been confirmed that the collection schedules are the KPI's that the contractor has to adhere to and due to the cash needing to be collected on a rolling weekly basis. This being reviewed against the value of the collection from each machine to ascertain usage verses value.

Integrated Youth Service

The Audit Committee in its meeting of March 2015, was informed about the issues around this audit. The principal concerns were regarding the effectiveness of the system for monitoring DBS (previously CRB) checks on staff providing youth services. Testing found that DBS checks for 17 of the 224 staff within Youth Services had expired. In addition, no DBS records could be evidenced for a further 23 staff.

We reviewed the training records for 20 staff in Youth Services for completion of Information Governance training and could find no evidence that 18 of these staff had undergone this training.

Management Comments

- IYCS Head of the service since then made rigorous checking among all staff with the service. Notice of letter offered to all senior managers to get their staff members DBS completed. In partnership with HR, we have undertaken a significant tasks not only focusing on those 17 identified but the entire service. The HoS subsequently sent letter template to all senior managers and staff team members to get their DBS completed. It now seems there are no outstanding issues. Even the managers were given letter template to issue to their staff members for reminder and submission of DBS to HR upon completed. These tasks have been completed. It seems 1 or 2 did not submit their DBS to HR (such as maternity leave and so on…..). Management now need to make decision to take it to next step for action. Details to be discussed with my manager in my next one to one. We are currently developing a chart for all senior managers about all their staff BDS number including expiry date so that they are likely to have tighter control on all their team members.

- All 18 now completed information governance training.

Electronic Home Care System

In this audit, we examined the operation of the Electronic Home Care Monitoring system which was procured in 2009. Through review of the management reports for electronic logging generated by the system from July 2013 (when the system was initiated) to March 2014, none of the 24 service providers had logged in all their visits electronically. Management has said that the implementation and operation of the system generated a number of significant operational and contract payment difficulties that meant intended

efficiencies were not fully realised. In particular, the original business case for the solution did not properly take into account the relatively high proportion of households in the borough where no accessible landline (the default means for carers to log in and out of the system at beginning and end of visits) was available. This meant a larger than expected proportion of less suitable alternative logging methods being used, which had an impact on contract payments to be made to the providers of home care services. This, allied with a number of other factors including choices LBTH had made about the level of detail at which visits would be monitored, led to a significantly greater than expected number of individual visits that had to be arbitrated before payment could be determined. This in turn meant significantly greater manual intervention was required by the Brokerage Teams than had been envisaged. There was also a period of time, from November 2013 to July 2014, when a key component of the system was not working, which added to the manual effort required.

The Council ceased using the IT system in September 2014, and the contract came to an end on 31 December 2014. Agilysis have procured a new solution on the Council's behalf and the Council is currently working on its implementation. We understand that the specification against which the new product was evaluated was designed to address all of the areas of weakness identified in this audit.

Management Comments

The implementation and operation of the previous Electronic Home Care Monitoring solution, procured in 2009, generated a number of significant operational difficulties that meant intended efficiencies were not being fully realised. In particular, the original business case for the solution did not properly take into account the relatively high proportion of households in the borough where no accessible landline (the default means for carers to log in and out of the system at beginning and end of visits) was available. This meant a larger than expected proportion of less suitable alternative logging methods being used. This, allied with a number of other factors (including choices LBTH had made about the level of detail at which visits would be monitored), led to a significantly greater than expected number of individual visits that had to be arbitrated before payment could be determined. This in turn meant significantly greater manual intervention was required by the Brokerage Teams than had been envisaged. There was also a period of time (from November 2013 to July 2014) when a key component of the system was not working, which added to the manual effort required (and for which LBTH negotiated compensation with the system supplier).

The contract for the previous solution was due to expire in December 2014, and Agilysis were engaged to evaluate options for a new system in early 2014. A new supplier was chosen as a result of this process, and their solution is in the process of being implemented. The chosen solution offers a greater range of visit logging options, better management information, and is being implemented in a way that seeks to avoid the difficulties experienced with the previous solution. In particular, we are implementing the system in a way that will mean much lower levels of arbitrations.

Given the ongoing difficulties with the previous solution a management decision was made in September 2014 to cease using it with immediate effect and to instruct providers to submit invoices with supporting timesheets. While this left a gap between the ending of the old system

and the introduction of the new system, this was considered preferable to continuing with the previous solution which had lost all credibility with service providers and internal staff

THH Information Governance

The audit was designed to provide assurance to management that the systems for securing and protecting Tower Hamlets Homes (THH's) data were sound, secure and adequate. The main weaknesses were as follows:-

- THH 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. These documents had 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 were issued with portable storage devices (including encrypted memory sticks); however, there were no records of which staff members had what storage devices. In addition, staff were able to take paper based sensitive information off site which was not recorded or logged.

- There was no formal programme of training with regards to information governance at THH and information governance was not included in the staff induction training provided to new members of staff at THH. We were also unable to confirm that staff were kept up to date with current legislation with regards to information governance.

Management Comments

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

The Records Management Policy and Data Protection Policy have been published on the intranet.

The IT Security Policy is under review as part of the Council-led review.

Localised procedures are being prepared to align with the Council's Information Governance Policy Framework.

THH have adopted the Council's management arrangements for portable storage devices (including memory sticks). 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 in place to promote and embed Information Governance across THH.

Schools Audits

During 2014/15 we carried out probity audits on 15 schools - 9 secondary, 5 primary and 1 nursery schools. A total of 8 of these schools received Limited assurance and one

received Nil 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 will be 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.

This matter has been raised in the Annual Governance Statement which includes an action plan to improve governance in this area.

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 financial benefits e.g efficiencies and savings emerging from each procurement needed to be clearly identified. In addition, the arrangements for monitoring and reporting of the successful delivery of community benefits by the contractor needed to be made robust.

This matter has been raised in the Annual Governance Statement which includes an action plan to improve governance in this area.

Direct Payments

Cash personal budgets are part of a new approach to managing care and support called 'personalisation', a government policy that aims to give more power to the recipients of social care services and to improve the way that local authorities provide services. Direct payments are fundamental to achieving the government's aim of increasing people's independence, choice and control by providing personalised alternatives to the social care services offered by a local authority with social services responsibilities. A direct payment involves making cash payments directly to service users (or their nominated representative) so that they can manage their personal or individual budget themselves by procuring their own support.

From our testing of a sample of 20 new users for 2013/14, in 11 cases there was no signed user agreement retained on the system. The system records were not updated with the latest financial information received as per the quarterly user returns in nine cases of 25 tested, and the returns had not been sent to the Council in a further six cases. There were 11 cases where claw back of funds was required based on the information on the system, but no action had been undertaken to date in nine of these. There were also cases where we noted unspent amounts of £25,000, £16,000 and £13,000 in the individual's account. Delays and errors were noted in the set up and

payment of the cash budgets. The six week follow-up and annual reviews were not completed in some cases.

Management Comments

A number of immediate steps were taken in response to the audit findings to further strengthen operational procedures relating to ensuring that signed user acceptance forms are included on individuals' records, that finance information is updated in a more timely fashion and that claw-backs are actively managed. Most claw-back activity relating to a particular financial year happens during quarter 1 of the subsequent year, and the responsible Service Manager is therefore planning a follow up check on a sample of case files in July 2015. This will test the extent to which compliance with the three areas referenced above has improved and will identify any further improvements that are necessary.

Work to extensively update the Direct Payments Policy and Procedures in response to the Care Act coming into force is largely complete and due to be presented to the Directorate Management Team for approval before the end of June 2015.

The Directorate has also put additional resources into ensuring that individual's support plans are reviewed at six weeks and then annually on schedule.

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:

- Explains the Council's underlying approach to risk management;
- Documents the roles and responsibilities of the Council, Cabinet and Directorates;
- Outlines key aspects of the risk management process; and
- 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 2014/15 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 2014. 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:

- The work of external audit; and
- 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 2013/14 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.