

<p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>23rd September 2015</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Zena Cooke - Corporate Director - Resources</p>	<p>Classification: Unrestricted</p>
<p>Quarterly Assurance Report</p>	

<p>Originating Officer(s)</p>	<p><i>Minesh Jani and Bharat Mehta</i></p>
<p>Wards affected</p>	<p><i>All wards</i></p>

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period June 2015 to August 2015.
- 1.2. The report sets out the assurance rating of each audit finalised in the period and gives an overall assurance rating. The quarterly assurance report feeds into the annual internal audit opinion which will be produced at the end of the financial year.

2. RECOMMENDATION

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

3. Background

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

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

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

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

4. Overall Audit Opinion

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

5. Overview of finalised audits

- 5.1. Since the last Assurance Report that was presented to the CMT in May 2015, sixteen final reports have been issued. The findings of these audits are presented as follows:
- Chart 1 below summarises the assurance rating assigned by the level of significance of each report.
 - Appendix 1 provides a list of the audits organised by assurance rating and significance.
 - Appendix 2 provides a brief summary of each audit.
- 5.2. **Members are invited to consider the following:**
- The overall level of assurance provided (para 5.3-5.5).
 - The findings of individual reports. Members may wish to focus on those with a higher level of significance and those assigned Nil or Limited assurance. These are clearly set out in Appendix 1.
- 5.3. The chart ranks the overall adequacy and effectiveness of the controls in place. This assurance rating will feed into Internal Audit's overall assessment of the adequacy of governance arrangements that is required as part of the Accounts and Audit Regulations 2011 and the 2013 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector.

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

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive	-	9	1	-	10
	Moderate	-	5	1	-	6
	Low	-	-	-	-	-
Total Numbers		-	14	2	-	16
Total %		-	87%	13%	-	100%

- 5.4. From the table above it can be seen that of the ten finalised audits which focused on high risk or high value areas; nine were assigned Substantial Assurance and one was assigned Limited assurance. A further six audits were of moderate significance and of these five were assigned Substantial Assurance and one was assigned Limited Assurance.
- 5.5. Overall, 87% of audits resulted in an adequate assurance (substantial or full). The remaining 13% of audits have an inadequate assurance rating (limited or nil).

6. Performance Indicators

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

Performance measure	Target	Actual
Percentage of Audit Plan completed up to the quarter to June 2015	20%	20%
Percentage of Priority 1 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	100%	66% 6 out of 9
Percentage of Priority 2 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	95%	50% 4 out of 8

- 6.2. The percentage of priority 1 recommendations implemented at the follow up stage was 66%, whereas the percentage of priority 2 recommendations was 50%. Details of priority 1 and priority 2 recommendations not implemented are set out in Appendix 3. Further to the usual escalation actions to the relevant Corporate Director and Service Heads, the Corporate Director - Resources has also been informed.

7. Comments of the Chief Financial Officer

- 7.1. This is a quarterly noting report covering the period June 2015 to August 2015. There are no specific financial implications arising from the contents of this report.

8. Legal Comments

- 8.1 The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness by virtue of section 3 of the Local Government Act 1999. This is known as its Best Value Duty.
- 8.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates

effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

9. One Tower Hamlets

- 9.1. There are no specific one Tower Hamlets considerations.
- 9.2. There are no specific Anti-Poverty issues arising from this report

10. Best Value Implications

- 10.1. This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

11. Risk Management Implications

- 11.1. 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.

12. Sustainable Action for a Greener Environment (SAGE)

- 12.1. There are no specific SAGE implications.

13. Crime and Disorder Reduction Implications

- 13.1. By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Resources	Contract Management of Photocopying and Printing Contract
	Moderate	Corporate	Management and Control of Staff Use of Taxis and Minicabs
SUBSTANTIAL	Extensive	Communities, Locality and Culture	Transport Services – Systems Audit
	Extensive	Development and Renewal	Energy Management – Systems Audit
	Extensive	Law Probity and Governance	Risk Management – Systems Audit
	Extensive	Resources	General Ledger – Follow Up
	Extensive	Resources	Bank Reconciliation – Systems Audit
	Extensive	Resources	Housing Benefits – Systems Audit
	Extensive	Resources	Risk Management – Systems Audit
	Extensive	Resources	Pensions – Systems Audit
	Extensive	Tower Hamlets Homes	Leaseholder Service Charges – Systems Audit
	Moderate	Children’s Services	Oaklands Secondary School
	Moderate	Children’s Services	Ben Jonson School – Follow Up Audit
	Moderate	Children’s Services	Bowden House Special School
	Moderate	Children’s Services	St. John’s C of England Primary School
	Moderate	Children’s Services	Sir John Cass’s Foundation Secondary School

**Summary of Audits Undertaken
Limited Assurance**

APPENDIX 2

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Contract Management of Photocopying and Printing Contract</p> <p>Follow Up Audit</p>	<p>July 2015</p>	<p>This audit followed up recommendations made at the conclusion of the original report on this subject finalised in June 2014.</p> <p>Our testing showed that of the three high priority recommendations made in the original report, one recommendation had been fully implemented. Of the remaining three medium priority recommendations made, one was partially completed. The following issues were raised:-</p> <ul style="list-style-type: none"> • Our review of the photocopier asset database showed that there are currently 11 lease agreements which have not been signed by the Authority and Supplier. Some of these lease agreements date back to December 2013. • Testing showed that orders were being raised after invoices were received. Out of a sample of 10 invoices tested, in 4 cases the invoiced amounts did not match the agreements. There was an overpayment of £938.43. • A review of independent Safecom reports on MFD usage provided to us showed that this report did not capture accurate usage information and could not be relied upon. • ICT Client Officers informed Audit that they undertake sample checks of machine usage online via the MFD's IP Address. However, we could not be provided with the evidence that these checks were being carried out. In addition, controls needed to be established by way of detailed monitoring procedures to enable effective contract management and monitoring. • Our review showed that there were no detailed minutes of the meetings held in respect of monitoring undertaken by Agilisys on the Xerox contract. Examination of the action points did not give assurance that the performance of Agilisys or Xerox was being achieved or acted upon. <p>All findings and recommendations were agreed with the Head of ICT and final report was sent to Service Head - Customer Access and ICT Transformation and Interim Corporate Director – Resources.</p>	<p>Extensive</p>	<p>Limited</p>

Management Comments

1. It is accepted that the client team made a mistake and failed to follow correct procedures in purchasing 11 devices outside the original lease agreement. This was done as a result of our incorrect understanding of the original lease agreement we genuinely believed that these purchases would have been covered by that agreement. This will not happen again. Any team member with responsibility for purchasing is clear now on the terms of that agreement as they will be on any other IT supplier agreements where we have a responsibility for procuring IT equipment or services on behalf of the Council.
2. We have significantly improved the ordering process with Xerox where the ICT Client team are responsible for raising Purchase Orders (PO) to ensure that all our invoices in the future have PO numbers and that orders are always matched to an agreement. We have informed Xerox of the PO schedule and they know that they must only send invoices that match up with a PO number. This will ensure that invoices do not get paid that do not have accurate PO in the future. This has finding is unique to the Xerox contract due to the complex nature of multiple lease ending dates. By mid-September 15 we will have reconciled any outstanding overpayment or underpayment with Xerox.
3. Safecom is the reporting system used to monitor the usage of the Xerox MFD's. The ICT Client team do carry out checks on MFD usage so that we can alert high volume print users and work with them to change their behaviour with copying and printing. We are working with Agilisys and Xerox to improve the accuracy of these reports. Evidence of how and when the ICT Client team monitor MFD usage is now available.
4. We have significantly improved our sample checking process as a result of the audit and we have a sample checking quarterly usage report that is available for review whenever required. Evidence of which machines are checked are now be logged and are also available for review whenever required.
5. We accept the finding regarding lack of detailed minutes from our Agilisys/Xerox contract review meetings. We now have detailed minutes with actions and performance being tracked and monitored. These are available for review

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Staff Use of Taxis and Minicabs	July 2015	<p>The objective was to provide assurance that secure systems were in place for procuring, requisitioning, approving, controlling and paying for taxis and minicabs used by Council officers. The responsibility for controlling taxis/minicabs use by staff rests with the respective services. However the facilitation of the bookings for taxis and paying for the journeys is carried out by Facilities Management within the Development and Renewal Directorate. Bookings are made electronically on the intranet and these are managed by the FM Helpdesk team. Invoices are processed by the Facilities Management Contracts Admin Officer who recharges the respective services budgets. Although accurate management information was not available, we understand that some 811 journeys amounting to £15,386.38 were undertaken during the period April 2013 to February 2015.</p> <p>Our testing showed that a framework contract was put in place in January 2013 and all the seven bidders were awarded the contract. The most economical provider was initially used. However, due to various issues, the second highest provider is currently being used. The contract, however, requires a call-off of the least expensive provider in turn.</p> <p>We reported that the contracts needed to be signed and sealed in accordance with the Council's procedures. Expenditure for taxi journeys needed to be authorised by approved officers in accordance with the Council's Scheme of Delegation and not be self – authorised by officers undertaking the journeys. Invoices from the provider were not detailed enough to show full post codes of pick up points and destinations, which made it difficult to check that correct rates were being charged. Wait time duration was not detailed for further management checks so that charges levied can be verified to the agreed schedule of rates. Proper contract monitoring procedures were not invoked to monitor the contract to resolve the performance issues. Instead, the contract was awarded under the Framework to the second most expensive contractor.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<p>We also noted that quarterly management reports were not produced for each Directorate with details of the journeys, names of officers requesting and authorising the journeys, spend analysis and names of most frequent users of taxis/minicabs. The Council's Asset Management system was used for recording details of journeys, which did not produce the required management reports.</p> <p>All findings and recommendations were agreed with the Service Head, Corporate Property and Capital Delivery and final report was issued to all Corporate Directors.</p>		

Management Comments

1. The contract calls for management information to be provided by the taxi companies on the various lots of the framework to the Transport Services Unit which was provided to FM at the start of the contract, but this has become less frequent as TSU has reduced in resources. Management information was collected at various points in the first year of operation of the contract which evidenced different aspects of performance, and the lowest bidder was found to use drivers that were not familiar with the area and as a result often got lost en-route and were the least punctual in terms of arriving at the booked time. Given the unseen costs of officer time waiting for taxis to turn up, and time wasted trying to find locations, the taxi firms selected for use were based on feedback on punctuality and local geographical knowledge. The view was taken that VFM should not just be based on the lowest operator price as it did not reflect the true cost of the provision of service when officer time delay was factored in.

It is proposed that FM and procurement work together and look at ways in which performance monitoring can be reintroduced as the contract allows for the use of KPIs and to a limited extent Liquidated and Ascertained Damages in respect of additional costs being incurred because of failures of service (clause 9 of the contract and paragraphs 6, 17 & 18 of the Specification), and comparative pricing used on regularly benchmarked basis to select the lowest cost provider based on those rates (Clause 33.5 of the contract allows for annual tendering/mini-competition of fixed price journeys if the prices offered on an ad hoc basis do not meet with Council agreement, , therefore a mini-competition can weight price score against quality and rank the providers allowing us to select the provider(s) who demonstrates not just lowest price but best value for money).).

2. The issue of signing and sealing the contract is one that needs to be addressed by Legal Services and TSU as the lead procurers of the contract.

The current process for booking cabs is for an e-form to be submitted which is authorised by the requestor's manager. It is impossible for FM to know with absolute certainty if the authorisation is valid unless the process was changed so that journeys could only be authorised by a limited number of authorisers in each directorate. FM and Corporate Finance will review procedures to ensure that the commissioning directorates understand the requirements for approval by managers when booking cabs.

3. Detailed management information should be provided to TSU on the Monday following the end of the month. Paragraph 3.2 specifies that this information must be made available to TSU, therefore a Variation of Contract Order must be agreed to amend this in such a way as to facilitate a change in this requirement. In the meantime FM and Procurement will agree local arrangements with providers based on a template that we will submit to the providers, this will be completed by the end of October This will assist more accurate monitoring and management for TSU and service directorates.

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Transport Services	June 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Transport Services 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:-</p> <ul style="list-style-type: none"> • We identified that there was no effective stock management system in place and we were unable to verify that stock ordered by Transport Services had been consumed by the Workshop for the maintenance and repair of Transport Services vehicles. • Whilst a fuel card register was in place for Passenger Services, we noted that staff had not always completed the register in full as we identified instances of the fuel card not being signed out and back in. • Examination of the spare fuel card spreadsheet and fuel contingency bunker spreadsheet identified that the monitoring spreadsheets were not being completed in full and important information was not being recorded. • Non-professional drivers are not subject to driving assessments and eyesight checks on a regular basis. Furthermore, there no continuous training is provided to non-professional drivers in relation to the Council's requirements. • Examination of the external provision of Transport Services identified that effective contract performance monitoring arrangements for contractors were not in place such as key performance indicators. • The Vehicle Maintenance, Fleet Management and Passenger Operational, Contractual and Financial Processes documents were last evidenced as reviewed on various dates in 2010. <p>All findings and recommendations were agreed with the Transport Operations Manager, and the Fleet Operations Manager and reported to the Interim Service Head, Development, Compliance and Commissioning, the Service Head, Parking, Mobility and Transport, and the Head of Paid Service and Corporate Director – Communities, Localities and Culture.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Energy Management	June 2015	<p>The objective of this audit was to provide assurance that the systems for procuring, managing, monitoring and reporting of energy contracts were sound and secure.</p> <p>The procurement for the supply of gas and electricity through the framework operated by Crown Commercial Services (CCS) was approved by Cabinet. LBTH procures the energy supply for its own sites, for Schools and for Tower Hamlet Homes. The total cost of supply is around £12M p.a. A brokerage fee of £160,000 is levied by CCS for their services.</p> <p>Our testing showed that contracts with the providers were not signed and sealed. The Energy Team needed to pro-actively monitor energy consumption and tariffs to ensure that sites were put on best tariffs, however, we understand that as a consumer we have no authority to request sites be placed in particular classes.</p> <p>The Energy Team relied on CCS to undertake benchmarking to ensure that best tariffs and best value was obtained. A clear structure was not in place for the Energy Team to be notified of the change in circumstances for the properties on a timely basis for prompt actions to be taken. Due to the nature of the contracts the Energy team stated that it was in close communication, sometimes daily, with all three suppliers and meet face to face at least twice a year.</p> <p>All findings and recommendations were agreed with the Service Head, Strategy, Regeneration and Sustainability. A copy of final report was issued to the Corporate Director, Development and Renewal.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management – Law, Probity and Governance	July 2015	<p>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.</p> <p>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.</p> <p>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.</p> <p>We note that the issues raised during the course of the audit were considered by the Risk Champion and the Risk Registers were being revisited and updated by the respective teams. However, we would emphasise that for risk management to be embedded effectively in the strategic and operational management and the decision making process, further improvements are required and the Risk Champion needs to play a more active role in challenging and scrutinizing the risk identification, definition, scoring, and reviewing and mitigation action.</p> <p>All findings and recommendations were agreed with the Risk Champion and the Service Head, Legal Services. The Final report was issued to the Monitoring Officer.</p>	Extensive	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
General Ledger Follow Up Audit	May 2015	<p>A full systems audit on General Ledger was undertaken for which the final report was issued in July 2014. The objective of this follow up 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 five recommendations raised at the conclusion of the full systems audit; one recommendation has been implemented; three recommendations have been partly implemented; and one recommendation could not be implemented.</p> <p>The main issues arising from our review are as follows: -</p> <ul style="list-style-type: none"> • There are 13 feeder systems in operation. However, it was only possible for the Financial Systems Team (FST) to check the values of seven of these at the time of the audit, as information was not being provided by Agilisys for the six remaining feeder systems in order to reconcile these. • A payroll reconciliation was completed for periods one through to eight of 2014/15 simultaneously, and no reconciliations were completed in months April to October. Also, it was established in discussion that unreconciled items are being prioritised for investigation and resolution depending on the size of the variances, and this was ongoing at the time of the audit. • The FST had requested from Agilisys that a system of automatic notifications the processing of interface uploads should be in place to notify the FST of any failures or missed uploads, so that these can be investigated and resolved. Agilisys have reported that this is not possible given the current financial system; therefore this recommendation has been removed. <p>All findings and recommendations were agreed with the Chief Accountant, and the Financial Systems Manager and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bank Reconciliation	Aug 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Bank Reconciliation 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:-</p> <ul style="list-style-type: none"> • The Bank reconciliation User Guide is still in draft format. In addition, other relevant policies and procedures are out of date and have not been reviewed on a timely basis. • The Council's Financial Procedures do not make any reference to undertaking the bank reconciliation. • A large number of bank accounts are in existence, we have recommended the number of accounts is reviewed. • Reconciliations are either not always carried out in a timely basis. In addition, reconciliations are not always signed, dated or reviewed by an independent officer. <p>All findings and recommendations were agreed with the Financial Systems Manager and reported to the Interim Service Head, Corporate Finance and Procurement, and the Corporate Director of Resources.</p>	Extensive	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Benefits	May 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Housing Benefits 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 weaknesses identified were as follows:-</p> <ul style="list-style-type: none"> • Delays of more than two weeks were identified during our audit testing between the Council being notified of a change in benefit entitlement and the calculation of the overpayment. • Version history control is not included on all policy and procedure documents. The procedure notes for backdated claims available on the intranet for staff are dated as 2008/09. <p>All findings and recommendations were agreed with the Head of Benefits Services and reported to the Interim Service Head, Corporate Finance and Procurement, and the Interim Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management – Resources	July 2015	<p>This audit provided assurance that the systems in place for identifying, assessing, mitigating and reporting of risks were sound and secure within Resources Directorate. The Risk Management Team within Risk and Audit Service provides support in assessing service, directorate and corporate risks to ensure principles and standards in the Council’s Risk Management framework are achieved. The team is also responsible for facilitating risk management within the Directorate.</p> <p>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. The Resources DMT endorsed the directorate Risk Management Protocol on the 27th May 2014. We highlighted the following issues:-</p> <ul style="list-style-type: none"> • Our review of the Directorate Risk Register showed that the quality of risk identification and assessment needed to be improved and that emerging risks needed to be captured, assessed and mitigated promptly. • From discussions with senior officers and from our testing, we found that the risk scoring and assessment process required to be consistent across the Directorate and needed to be challenged by the DMT, Service Managers and the Risk Champion. There was a concern that an inconsistent approach when scoring the risk, could impact on the overall ranking of the risk, its mitigation, reporting and escalation of the risk to either Directorate Register or Corporate Risk Register. • Our testing of a sample of control measures documented in the Directorate Risk Register showed that in some cases the control measures had not been properly considered and progress had not been reported adequately <p>All findings and recommendations were agreed with the Head of Risk and Audit and final report was issued to the Interim Corporate Director – Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pensions	Aug 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Pensions system are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Supporting documentation is not always retained on file. It was subsequently determined that the documentation was not on file since the necessary actions had not been taken. • Policies and procedures are not up to date. • Task Management (workflow) items are not always set up before tasks are completed. This results in an incomplete audit trail and lack of delegation of tasks to other members of the team. • The annual reconciliation of the transfer-in records as per the Altair and Agresso systems was not completed for 2013/14. • The reconciliation of lump sum payments records as per the Altair and Agresso systems is not formally signed off by the officer responsible for producing the reconciliation, and by the officer responsible for reviewing the reconciliation. • Amendments to officers' pension records are not always updated in a timely manner. • Declaration of business interest forms had not been completed by Pensions staff. <p>All findings and recommendations were agreed with the Pensions Manager and reported to the Interim Service Head, Corporate Finance and Procurement, and the Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Leaseholder Service Charges	Aug 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Leaseholder Service Charges system are sound, secure and adequate and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures.</p> <p>The main weaknesses identified were as follows:-</p> <ul style="list-style-type: none"> • The Arrears Recovery Procedure is not always being followed by staff in a timely manner. • The suspense account does not show clearly items that are currently in the account and those that have been debited from the account. • There is currently no effective system in place to ensure that account adjustments submitted to Finance are actioned. • Policies and procedures do not show date of last review and when they are due for review. • Patch lists are not reviewed on an annual basis and compared to declarations of business interests. • Supporting documentation had not been retained for one of our sample of write-offs tested. <p>All findings were agreed with the Head of Leasehold Services and reported to the Director of Finance and Customer Services, and the Interim Chief Executive.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Oaklands Secondary School	July 2015	<p>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:-</p> <p>A sample of ten purchase orders was sampled. It was found in testing that:</p> <ul style="list-style-type: none"> • For five, there was no evidence that the official order form was raised in advance of the invoice. For three of these orders there was no evidence that a goods/services received check had been performed, and as a result it was not evident that an adequate segregation of duties was in place. Of the remaining five orders sampled, it was found that for two of the orders that the goods received check was undertaken but the officer undertaking the check had signed either in the incorrect box within the certification stamp or outside of the certification stamp completely. For one of these orders, it appeared that the same person who raised the order also authorised the payment invoice and as a result it was not evident that an adequate segregation of duties was in place. • It could not be evidenced that monthly income and expenditure reports or budget monitoring reports were produced or signed by the Head Teacher in the previous six months. However, termly income and expenditure and budget monitoring reports were obtained. • There was no evidence that income and expenditure had been appropriately reviewed for a school trip in January 2015, as the official costings had not been fully completed. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Interim Corporate Director – Children’s Services.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Ben Jonson School Follow Up Audit	July 2015	<p>This audit report details the findings, conclusions and recommendations of a follow up audit carried out in Ben Jonson Primary School in May 2015. A probity audit was undertaken in October 2013. This audit was assigned nil assurance.</p> <p>A number of serious concerns about the financial management and administration of the school under the previous Head teacher were identified during the original audit and key recommendations were made.</p> <p>From the work we have undertaken and the discussions held, it is apparent that the Interim Head Teacher and the School Business Manager have made significant progress towards improving the internal control framework within the school. Of the 70 recommendations made, we identified that 46 of these had been fully implemented and the remaining 24 had been partly implemented. As a result, we have made recommendations that those outstanding issues be addressed, in order to enhance the control environment within this area. It should be noted that a number of the issues would now be deemed low priority, and would normally be combined together with other related recommendations noted within the report.</p> <p>The minor issues still outstanding are in the following areas; Scheme of Delegation and Financial Code of Practice, Terms of Reference and School Policies, Budget Setting, Payroll Reconciliations, Staff Recruitment, Clearance and Attendance, Financial Controls, Voluntary Accounts, and Assets and Insurance.</p> <p>All findings and recommendations were agreed with the Interim Head Teacher and reported to the Chair of Governors and the then Corporate Director - Education, Social Care and Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bowden House School	June 2015	<p>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:-</p> <ul style="list-style-type: none"> • From examination of a sample of seven higher value purchases above £5,000, a number of exceptions were noted with regards to compliance with the procurement elements of the Council's Financial Procedures Manual. It is accepted that the bulk of these departures from the Manual arose as a result of the fact that these purchases related to contracts which had arisen as a legacy of the Building Schools for the Future initiative and the school was effectively tied into these arrangements. It should also be noted that the Financial Procedures Manual does not cover such arrangements. • Examination of the School's Finance Committee Terms of Reference noted that whilst the terms of reference did state relevant authorisation limits, these limits did not agree to the limits stated with the London Borough of Tower Hamlets Financial Procedures Manual 2008 and no exception to this was noted in the School's additional Scheme of Delegation. • Examination of the School's 3-year budget plan identified that for financial year 2016-2017 a cumulative deficit has been planned. There was an In Year Deficit planned for the current year's budget (2014-2015) and for the following year (2015-2016). The School has had a surplus balance that has been carried forward which will absorb the In Year Deficit for financial years 2014/15 and 2015/16. However, since the In Year deficit is ongoing, the School will need to revise budget plans to ensure that the School can meet its commitments and operate effectively in subsequent years. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the then Corporate Director - Education, Social Care and Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St John's C of E Primary School	June 2015	<p>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, Personnel and Premises Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Although governors and officers with financial responsibilities had signed the register of business interest forms, not all of these had been dated and therefore we could not confirm that these forms were completed recently. • Although the Head Teacher, who is responsible for reviewing the reconciliation, had signed and dated the sample of disbursement reconciliations, the officer responsible for undertaking the task had not signed or dated the documents to help confirm segregation of duties. This is a requirement of the Financial Management Manual. • For a sample of 10 payments it was identified in two cases that the invoices had not been signed as evidence of checking approval to pay. For three items in the sample, there was no evidence that a delivery note (or other paperwork) had been signed or stamped on receipt of goods. • Examination of committee meeting minutes identified that the Finance, Personnel and Premises Committee meeting minutes for 16/10/2014 and 06/11/2014 were not signed. • For one out of 10 free school meals students tested, there was no evidence that eligibility have been confirmed. Further discussion and examination of documents identified that the Council had not been able to provide confirmation as the pupil could not be identified in their records. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the then Corporate Director - Education, Social Care and Wellbeing.</p>	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	<p>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:-</p> <ul style="list-style-type: none"> • 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. <p>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 then Corporate Director - Education, Social Care and Wellbeing.</p>	Moderate	Substantial

APPENDIX 3

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

Audit Subject	Recommendation	Service Head	Officer Name
Management of and Photocopying Printing Contract	It should be ensured that all Lease Agreements are signed as a matter of urgency to protect the Council contractually and legally.	Sean Green	Khaled Hussain
Management of and Photocopying Printing Contract	In order to simplify the payments system, orders should be raised separately before the invoice is received for each agreement and the order raised should be for the amount stipulated on each agreement. The ICT Client Monitoring Officer should undertake a full analysis of Orders / Invoices for each agreement since the contract start to establish the amount of under / over recovery of costs to Xerox. The outcome of this review should be reported to the Service Head for appropriate action.	Sean Green	Khaled Hussain
Management of and Photocopying Printing Contract	It should be ensured that a performance monitoring process is established to enable the contractor's performance to be independently assessed and reported upon as part of business as usual functions of the client team. There should also be a system for monitoring the delivery by Agilisys of the SLA for Managed Print Services and evaluate the overall value for money achieved through this approach on a regular basis. For example a 10% sample check can be introduced on the contractors meter readings invoiced by Agilisys. The Contracts and Performance Manager Client Unit ICT should Investigate the inaccuracies in the data being provided by Safecom in order that these issues can be resolved and corrected prior to any Directorate user recharges being implemented	Sean Green	Khaled Hussain

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

Audit Subject	Recommendation	Service Head	Officer Name
Management of Photocopying and Printing Contract	The Contracts and Performance Manager Client Unit ICT should ensure that the minutes of meetings fully record the details held within the highlight reports to ensure that performance and risks associated with the project delivery and associated issues are documented and actioned.	Sean Green	Khaled Hussain
Management of Photocopying and Printing Contract	The Contracts and Performance Manager Client Unit ICT should ensure that all associated risks are identified documented and scored to enable effective risk management to be undertaken for this Managed Print Service SLA with Agilisys. Controls need to be established by way of detailed monitoring procedures to enable effective contract management and monitoring to be achieved.	Sean Green	Khaled Hussain

