

Non-Executive Report of the: Audit Committee 8th December 2015	 TOWER HAMLETS
Report of: Zena Cooke - Corporate Director - Resources	Classification: Unrestricted
Quarterly Assurance Report	

Originating Officer(s)	Minesh Jani and Bharat Mehta
Wards affected	All wards

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period September 2015 to November 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 and Direction of Travel

- 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.

4.2. Direction of Travel

Each audit summary presented at Appendix 2, shows the Direction of Travel for that audit. Each Direction of Travel is defined in the following Table.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
	Not previously visited by Internal Audit.

5. Overview of finalised audits

5.1. Since the last Assurance Report that was presented to the Audit Committee in September 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 2015 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	N/A	Total
Significance	Extensive	-	3	3	2	8
	Moderate	1	6	-	-	7
	Low	-	-	1	-	1
Total Numbers		1	9	4	2	16
Total %		6%	56%	25%	13%	100%

- 5.4. From the table above it can be seen that of the eight finalised audits which focused on high risk or high value areas; three were assigned Substantial Assurance, three were assigned Limited assurance and two were not assigned assurance levels due to the nature of those specific audits. A further seven audits were of moderate significance and of these six were assigned Substantial Assurance and one was assigned Full Assurance. The remaining Limited assurance audit was of low significance.
- 5.5. Overall, 62% of audits resulted in an adequate assurance (substantial or full), 25% of audits have an inadequate assurance rating (limited or nil) and remaining 13% have Not Applicable status.

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 2 to September 2015	40%	40%
Percentage of Priority 1 Audit Recommendations implemented for Qtr 2 by Auditees at six monthly follow up audit stage	100%	82% 9 out of 11
Percentage of Priority 2 Audit Recommendations implemented for Qtr 2 by Auditees at six monthly follow up audit stage	95%	100% 1 out of 1

- 6.2. The percentage of priority 1 recommendations implemented at the follow up stage was 82%, whereas the percentage of priority 1 recommendations was 100%. Details of priority 1 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 September 2015 to November 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	Adults Services	Monitoring of Public Health Contracts – Systems Audit
	Extensive	Communities, Locality and Culture	Highways Repairs and Maintenance – Systems Audit
	Extensive	Resources	Control and Monitoring of Cash and Cheque Income
	Low	Children’s and Adults Services	Management and Control of Petty Cash – Systems Audit
SUBSTANTIAL			
	Extensive	Development and Renewal	Management and Control of Mayoral Community Infrastructure Levy (CIL)
	Extensive	Resources	Management and Control of Insurance Claims Processing by LBTH
	Extensive	Tower Hamlets Homes	Asbestos Management
	Moderate	Children’s Services	Follow-up Report - MSG Lunch club Services
	Moderate	Children’s Services	Children’s House Nursery School
	Moderate	Children’s Services	Clara Grant Primary School
	Moderate	Children’s Services	Hermitage Primary School
	Moderate	Children’s Services	Cubitt Town Junior School
	Moderate	Development and Renewal	Private Sector Home Improvement Grants
FULL	Moderate	Communities, Locality and Culture	Rechargeable Works – Follow Up
N/A	Extensive	Development and Renewal	Homelessness Strategy
	Extensive	Tower Hamlets Homes	Processing of Housing Insurance Claims by THH

**Summary of Audits Undertaken
Limited Assurance**

APPENDIX 2

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Monitoring of Public Health Contracts for :-</p> <p>Smoking Cessation</p> <p>Healthy Start Vitamins</p> <p>Health Trainers</p>	<p>Sept. 2015</p>	<p>This audit examined the arrangements for monitoring Public Health Contracts commissioned by the Council following the transfer of the service from NHS. The Council procured some £22.4 Million of new contracts from various providers.</p> <p>Our review of a sample of contracts showed some common and specific issues which are detailed below:</p> <p>Although there were overarching contract monitoring procedures in place, these were not dated and version controlled. There were no contract-specific monitoring procedures devised for each individual contract. In absence of these procedures, we could not carry out full testing to provide assurance over the quality of monitoring. For example, we could not evidence how the output and outcome information provided by the contractors was substantiated and verified for accuracy. There were no unplanned visits to contractors' sites/offices to carry out an assessment and verification of the integrity of the contractor's performance data. Contracts were still with legal services for signing, and some of these were near completion of their first anniversaries. Operational risks had not been identified by contractors or by monitoring officers, to ensure that monitoring was focused on these critical areas. Although payment procedures were stipulated in contracts, we found some cases where payment conditions were not entirely compliant. There were no procedures that defined how monitoring information on outputs and outcomes would be evaluated and reported holistically to higher level management</p> <p>All findings and recommendations were agreed with the Public Health Programme Manager and final reports were issued to the Director of Public Health and Director of Adults Services.</p>	<p>Extensive</p>	<p>Limited</p> <p>↕</p>

Management Comments

Public health commissioning transferred to the Council in April 2013 and since then all public health contracts have been re-procured under Council procurement procedures. We welcomed the audit review as an opportunity to identify where we need to strengthen contract management and we are implementing a programme to ensure compliance with contractual requirements, and to improve performance monitoring and performance management.

Since the audit reported we have checked levels of compliance with the risk issues identified by the audit across all the public health contract portfolio and are identifying a detailed action plan for each contract to address any gaps. All contracts will be risk-assessed and reviewing the risk register with the contractor will be embedded in the quarterly monitoring procedure. We are carrying out more cross checks on performance information supplied and have started a programme of visits to services. We have introduced a new contract payments process that establishes a stronger link between the checking of performance each quarter and the authorising of appropriate payments to the contractors. As far as we are aware there was only one overpayment identified and this was detected by our own payment system and the amount returned to the Council.

The audit findings and changes to our contract procedures were discussed at our last Delivery Board meeting on 14th October. We have implemented a quarterly process for the reporting of key KPIs across all contracts to our Delivery Board meetings which are attended by the Director of Public Health and senior managers. We now ensure that our Contract Management Procedure Note is version controlled and dated and each commissioning officer is required to agree a specific monitoring schedule for the contracts they are responsible for.

There has been a significant increase in the number of signed contracts but it remains challenging to get signed contracts in place from some of our key contractors, notably Barts Health.

We would like to note additionally that the Smoking Cessation Network Enhanced Service is a service delivered through GP networks and transacted via the CCG. It is subject to slightly different processes and there is a joint monitoring process with the CCG. We are discussing with the CCG how we can ensure that the performance monitoring meets all the requirements.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Highways Repairs and Maintenance Works</p> <p>Systems Audit</p>	<p>Oct. 2015</p>	<p>This audit was undertaken at the request of the Interim Service Head, Public Realm, who had concerns around some control weaknesses in the system for highways repairs and maintenance works. The Council is responsible for undertaking repairs and maintenance of roads and highways that have been legally adopted by it. The Council procured a five year contract in October 2014 for these works. The estimated value of the contract is £1.2 million per annum. The objective of this audit was to work with Management to identify key controls and risks in order to make the system more sound and secure.</p> <p>From our review we found the following issues:</p> <ul style="list-style-type: none"> • Clear procedures needed to be put in place to document key roles, responsibilities and processes for ordering, payment control, variations control, post-inspections etc. • Clear monitoring procedures needed to be documented defining the duties and functions to be undertaken by the nominated Contract Manager for an effective monitoring to be undertaken of the contract. • At the time of audit, the contractual access to the contractor's Asset Management System was not in place for the management and monitoring of the highways assets and the contract. • A complete audit trail to track requisitioned work, orders and payments was not in place and a clear process for carrying out quality checks of materials used and works undertaken was not in place; • Whilst KPIs were being measured and reported upon on a quarterly basis, there were no local KPIs for overall monitoring of the contractor's performance. <p>All findings and recommendations were agreed with the Interim Head of Clean and Green and final report was issued to the Interim Service Head, Public Realm and Corporate Director, CLC.</p>	<p>Extensive</p>	<p>Limited</p> <p>←</p>

Management Comments

- All procedure documents have been created to document key roles and responsibilities for both internal and external stakeholders. Process maps detailing procedures have been. Process maps have been created for functions such as; Scheduled highway inspections, Payments, Pre/Post monitoring inspections and reactive inspections.
- Workflow in Mayrise will provide evidence of how variations are authorised and controlled. Variations that exceed set tolerances will need to be approved by manager before works is carried out.
- All procedure and monitoring documents have been distributed to internal and external stakeholders.
- Access to Mayrise has been given to LBTH officers. LBTH officers have received training and the system is now being used. Handheld devices associated with the Mayrise system have been issued and will be allocated to LBTH staff carrying out reactive inspections. A workflow has been set up to approve works orders for lower category defects.
- New procedure put in place, where LBTH highway officer approves CAT 2 works on Mayrise. Procedures circulated to officers to check repairs are carried out in accordance with the timescales stipulated within the contracts.
- All jobs created as a result from planned inspection are recorded on Mayrise via handheld. The category of the defect and all necessary repair details is recorded and actioned according to procedure set. LBTH have access to Mayrise and are able to view all jobs created.
- Approval of invoices, is a Corporate Finance problem as the Agresso System does not provide the details of each works order (Applications for Approval) to reconcile against the order number. This is out of our control and the matter has been raised with the Agresso team to find a suitable solution.
- Overall monitoring of the contractors performance will done via checking of Variation orders which will be discussed on a regular basis within the monthly contract management meetings. Variation orders are set as item on agenda. Procedures for checking rates of charges are in place. Highway team tasked to monitor charges on a frequent and random manor. This will ensure a stricter monitoring regime is adopted on the contractor.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Control and Monitoring of Cash Income and Disbursements (C&D)</p> <p>Systems Audit</p>	<p>Oct. 2015</p>	<p>This audit reviewed the Council's arrangements for managing and monitoring cash and cheque income collected and banked by some 66 designated Collecting Officers across the Council. With the implementation of the Agresso system, posting of cash income was centralised. Collecting Officers are required to submit electronic C&D returns along with supporting documentation on a weekly or monthly basis to the Operations Accountancy Team (OAT) at the Centre, where necessary checks are undertaken before submitting the C&D electronic returns for uploading to Agresso GL system. For 2014/15, the total cash and cheque income collected and banked for period up to 16th March 2015, amounted to some £9.6M.</p> <p>Our testing showed that a system was set up for receiving, recording and processing C&D Returns and to carry out reconciliations of amounts recorded on C&D returns with amounts banked. A system was also in place to manage the uploading of C&D onto Agresso GL. However, we noted that clear guidance needed to be provided to cash collecting officers to ensure that completion of the C&D's and supporting documentation complied with sound financial practice. In addition, cases where errors were reported at the uploading stage, were referred to Finance Officers for further investigation, which were in turn referred to the Collecting Officers rather than an independent officer for investigation and rectification. Regular management reports were not always produced to take proactive action to deal with issues like bankings not supported by C&D returns; missed bankings; mis-matched items in GL; undisbursed income etc. Internal Audit, requested such a report for 2014/15, which showed that of the £9.6M income banked, £1.8M remained to be credited to the correct accounts at the time of the audit. Other issues reported included, timely and consistent recording, reviewing and monitoring of Control Logs and alerting the relevant officers promptly where bankings have been missed.</p> <p>All findings and recommendations were agreed with the Interim Service Head, Finance and Procurement and final report was sent to the Corporate Director, Resources.</p>	<p>Extensive</p>	<p>Limited</p> <p style="text-align: center;">↕</p>


Management Comments

Officers in the Operations Accountancy team have implemented the recommendations of the Internal Audit report. This includes the revision and standardisation of C&D returns and procedure notes. Officers in the Operations Team took on the C&D work in February 2014 following a re-organisation and have reviewed procedures to improve processing.

Exception reports are produced by the Operations Team to identify un-disbursed income. Control logs will be used to ensure errors are recorded and escalated to Finance Business Partners and resolved. A system of escalating non-compliance is being introduced.

Operations officers are aiming to clear the back-log of undisbursed income by the end of 2015. This is dependent on receiving records from the collecting officers.

Officers are also considering the introduction of a new C&D processing system used at another London Borough to make processing of C&Ds easier.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Adults and Children's Services – Petty Cash	Sept 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around Petty Cash within the Adults and Children's Services Directorates are sound, secure and adequate. During 2014/15 and 2015/16, total sums of £186,812 and £115,466 respectively, were spent through some 19 accounts within the two Directorates. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • A number of issues were identified in relation to the management of petty cash, e.g. expenditure which should have been claimed via the expenses system, reconciliations not being undertaken, differences between the amount of petty cash held plus the vouchers, inconsistencies in records maintained to actual amounts held, loose change being kept in tills, etc. In five out of eight cases tested, differences existed between the amount of petty cash held plus the vouchers and the amount of petty cash imprest amount in the petty cash record. The officers did not have valid reasons as to why the differences existed. • In five out of eight cases, it was identified that the claims were not submitted in line with the Council's policy in relation to the reimbursement claims being submitted no later than one month after the expenditure has been incurred. • The 'Summary of Petty Cash Accounts' spreadsheet is not accurate, as account number 61548585 has an actual float of £1,500 as per the petty cash account holder, but on the spreadsheet received, the amount of the float is £699.26. <p>It should be noted that the Financial Services Group is currently undertaking a review of all petty cash accounts in existence at the Council with a view to discontinuing as many of these as possible.</p> <p>All findings and recommendations were agreed with the Finance Business Partner, and reported to the Service Head Children's and Adults Resources, the Corporate Director of Resources, the Interim Corporate Director of Children's Services, and the Interim Corporate Director of Adult Services.</p>	Moderate	Limited 


Management Comments

1. A review of Petty cash accounts is being completed with the aim to reduce the number of accounts in operation. The remaining account holders will be provided with training on how to administer a petty cash account and the financial rules to adhere to. Non-compliance will also be escalated and the relevant policies used to deal with repeated failure. On the completion of the review a revised control spreadsheet will be updated and maintained.
2. Responsibilities concerning modifications to accounts and the relevant procedure will be covered in the training which will be delivered and will be communicated to account holders in the interim.

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Management and Control of Mayoral Community Infrastructure Levy (CIL)</p>	<p>Oct. 2015</p>	<p>The Mayoral Community Infrastructure Levy (CIL) was introduced by the Mayor of London in April 2012 to fund strategic developments in the capital, focusing primarily on the Crossrail. As at March 2015, a total amount of £9,017,605 had been collected by LBTH and £8,656,901 had been paid to Transport for London. The remaining £360,704 had been retained by LBTH for administering CIL. This audit involved an examination of the systems of control in place for the Mayoral CIL, which forms the basis for managing the LBTH CIL implemented in April 2015.</p> <p>Our review showed that procedures were in place to administer the CIL and all relevant staff were aware of these procedures and the CIL Regulations. CIL monies were correctly calculated and invoices were raised to the Developers within reasonable timescales of issuing the demand notice. Monies collected were passed over to TFL on a timely basis.</p> <p>However, we found that the manual process for calculation of CIL was very complex and needed to be automated to provide efficiency and accuracy in the process. In addition, procedures needed to be put in place for checking and certifying the CIL liability by a second officer before the liability notice was issued to the Developer. A tracking mechanism was not in place for triggering the necessary checks to validate the reliefs granted from CIL to Developers.</p> <p>All findings and recommendations were agreed with the Service Head, Planning and Building Control and final report was issued to the Corporate Director, Development and Renewal.</p>	<p>Extensive</p>	<p>Substantial</p> <p style="text-align: center;">↕</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Insurance Claims Processing by LBTH	Oct 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Insurance Claims 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"> • From our review of the list of users with access to the LACHS system, it was determined that the list of users included a former employee (RD). Although, we were informed that LACHS access had been removed for this user, this could not be confirmed as the employee was still on the list of users with access to LACHS. • All claims should be processed and decisions made in line with the protocol period of the claim being notified to the Council by the claimant, i.e. within 40 working days for Public Liability Claims presented by a solicitor and 30 working days for Employer's Liability Claims presented by a solicitor and three months for any other claims. From our testing we identified one of a sample of 20 claims where the protocol period had been exceeded. • No formal process is in place for assessing and monitoring the performance of the Insurance staff against agreed targets of claims processed, time taken to process claims, etc. <p>All findings and recommendations were agreed with the Insurance Manager and reported to the Head of Risk and Audit, and the Corporate Director of Resources.</p>	Extensive	Substantial ↔

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Management of Asbestos	Oct 2015	<p>The audit was designed to provide assurance to management, as to whether the systems of control around the Management of Asbestos system are sound, secure and adequate. Management of Asbestos is a key part of THH's Health and Safety Policy and procedures. The main weaknesses identified were as follows:-</p> <ul style="list-style-type: none"> • Contractors have access to the asset management system Keystone, so that relevant staff members are aware of the contents of the Asbestos Register. However, it was identified that the contractors are not logging in on Keystone on a regular basis. Whilst we understand that this is not direct evidence that Mears is not ensuring that its staff and contractors are fully apprised of asbestos issues when undertaking visits to properties, it does identify the potential for such a situation to arise and that THH would not necessarily be aware of this. • We identified one Instance where Mears Contractors had cancelled a post completion inspection and no action had been taken by THH. • The Health and Safety Manager informed us that the current financial year's inspections programme was in the process of being completed. However, evidence of previous financial year's programme was not provided and we have no other evidence that such a programme of inspections was in place. • The policies and procedures should be regularly reviewed and updated if necessary, i.e. on an annual basis. However, it was noted that a schedule for review (Version History Control) was not in place and the Asbestos Policy was last updated in 2011. • The Keystone Asbestos Register is not updated on a timely basis in all cases and examples were noted where incorrect information had been recorded. • There is no 'Asbestos Response File' or similar summary record in place which may result in the inappropriate handling of client requests. <p>All findings were agreed with the Head of Resources and reported to the Director of Finance, and the Chief Executive.</p>	Moderate	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Monitoring of Mainstream Grants – Luncheon Clubs Adult Services</p> <p>Follow Up audit</p>	<p>Oct. 2015</p>	<p>This audit followed up recommendations made at the conclusion of the original audit report finalised in August 2014. Ten Mainstream Grant projects from the previous programme providing Older People Lunch Services, were randomly selected for audit testing.</p> <p>The audit confirmed that adequate progress had been made in implementing the agreed audit recommendations. Out of seven high priority recommendations followed up, five had been implemented. In addition, the one medium priority recommendation followed up was fully implemented.</p> <p>We found that the Project Performance and Delivery Health Check report and standard monitoring templates and tools had been revised and successfully implemented for monitoring visits. These visits now required an examination and verification of project expenditure to confirm that the grant was used for the agreed purposes. However, the work to develop an overarching contract management and monitoring framework covering all contract monitoring undertaken by the Team had not been completed.</p> <p>An examination of monitoring visit reports showed that a number of organisations were not complying with grant conditions and the adequacy of monitoring previously undertaken was of concern. However, adequate action plans to address these issues had been put in place. The Monitoring Team was working with providers to ensure that valid Food Registrations were in place, not only for organisations cooking meals on-site but also organisations purchasing meals from other food premises which should have valid registration.</p> <p>All findings and recommendations were agreed by the Interim Service Head, Commissioning and Health and final report was sent to the Director of Adult Services.</p>	<p>Moderate</p>	<p>Substantial</p> <p>⇒</p>


Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children's House Nursery School	Sept 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 Resources 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 three higher value purchases above £2,001, two instances did not have a sufficient number of quotes. Whilst we understand that the decision to continue with the current suppliers was approved by the Finance and Resources Committee, this approval and the reasons for it were not explicitly documented within the minutes of the meeting and therefore we were unable to evidence that formal approval had been granted. • Our review of the School's "Children's House Nursery School Financial Procedures Manual" document identified that authorisation limits were not specific and did not cover the full scope of operations at the School. For example, authorisation limits for signing cheques, raising invoices and raising purchase orders were not stated within the document. • For five out of ten purchase orders sampled the official order form was raised after receipt of the invoice. A number of these orders related to purchases made online from Amazon which were paid for by a member of staff who used their personal payment card and then reclaimed the expenditure from the School. • Examination of the School's Debt Recovery and Write Off Policy noted that the date of review was not stated on the document; therefore the date of last review could not be ascertained. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director – Children's Services.</p>	Moderate	Substantial ↔

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Clara Grant Primary School	Sept 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 Resources Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • From our sample testing of 10 transactions, it was noted that in three cases, purchase orders were not raised. In addition, in all cases tested, the Finance Officer had raised the order and also signed to confirm the receipt of the goods. • Discussions identified that monthly budget monitoring was conducted and while copies of the monthly reports were available, these did not evidence who had conducted the monitoring. • It was evidenced for a period of time that the monthly bank reconciliations were being performed by the School Finance Officer and signed by the Head Teacher but this was not the case in the last three months sampled. • The School has two accounts which are dormant and have remained dormant for a few years. The Head Teacher advised us that the funds had been designated for a project a few years ago but the project was cancelled, hence the funds have remained in these accounts and the lack of activity of the account has resulted in the accounts becoming dormant. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director – Children’s Services.</p>	Moderate	Substantial ↔

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Hermitage Primary School	Oct 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 Resources Committee which have overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • It was established that whilst the School budget had been approved by the Resources Committee on 28th April 2015, this has yet to be approved by the Full Governing Body, as there is no meeting planned until the end of July. The result of this is that the School had been without a formally approved budget for a period of three months at the time of the audit. • For four out of 10 purchase orders sampled there was no evidence that an official order form had been completed (cheque numbers: 3811, 3985 and 4020 and a MasterCard transaction). For the remaining six purchase orders sampled with an order form attached, two had not been raised in advance of the invoice date (cheque numbers 4126 and 3818). • A sample of five new starter files was tested. In two instances, documentation to evidence that a medical check had been completed was not held on file. The School had chased the Council's HR team and requested that the documentation be provided, but no response has been received to date. • It was established that the Governing Body approved the budget created by the Head Teacher for School Journeys in advance. However, a subsequent 'End of Journey' statement, which details the income and expenditure of the journey was not prepared and presented to Governors in respect of the France trip. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director – Children's Services.</p>	Moderate	Substantial ↔

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cubitt Town Junior School	Oct 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 Curriculum 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 Financial Procedures Manual which incorporates the Scheme of Delegation highlights that the Financial Consultant is to provide monthly budget reports to the Head Teacher to review. Discussions with the Head Teacher and the Financial Consultant established that a monthly meeting is held between them to review the budget; however, there was no minutes retained of these meetings and the reports were not signed as evidence of the Head Teacher's review. • Testing of a sample of 10 transactions identified one instance where the amount was annotated as checked and certified for payment on a copy of the order. It was noted that a copy of the invoice was not held. In one case, although a works request had been raised by the Site Manager, it had not been costed and there was no evidence an official order had been raised. • It was established that the annual inventory check had been completed in February 2015 and had been provided to the Chair of Governors. From examination of meeting minutes subsequent to February 2015, it could not be ascertained whether the outcome of the check had been discussed or agreed. • Whilst we noted that transfer of income was comprehensively recorded and signed for on a dedicated document, we also identified on the document that banking of the income was not always regular. Some amounts banked were relatively material indicating that the insured safe limit may have been exceeded on these occasions. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director – Children's Services.</p>	Moderate	Substantial ↔


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Private Sector Home Improvement Grants Systems Audit	Nov. 2015	<p>This audit provided assurance that systems and controls for administering, assessing, approving and paying the Home Improvement grants awarded to the private sector were sound and secure. The budget of £500k was allocated.</p> <p>Our testing showed that policy and procedures were in place, which included clear definition for each type of discretionary grant, and also eligibility and assessment process for each grant type. Once eligibility and assessment was determined, officer recommendations were made to the Grant Panel, which had Terms of Reference. Notes of meetings showed that the Panel met fortnightly and decisions were taken in quorum. Individual cases could be traced to the minutes of the Panel. There was good audit trail throughout the process. Documentation from applicants, contractors, inspectors and regulating agencies clearly depicted the workflow. Grant files were of good quality and arranged in logical order. There was a system of performance indicators designed to monitor expected milestones. Payment claims made by applicants were supported by contractors' invoices and payments were approved in accordance with procedures.</p> <p>However, we reported some control weaknesses such as procedures for staff needed to be brought together in a coherent document to provide guidance on processes for carrying out full assessment of the property and the applicant's financial status to complete the improvement works. Guidance on verification of the sources of funding provided by the applicants was also required. The delegated financial limits for officers needed realigning with the Council's Scheme of Delegation. The Terms of Reference for Grants Panel was not up to date to ensure an adequate separation of duties and accountability of the Panel Chair. The authority structure for waiving the grant policy needed to be reviewed and approved to safeguard against risk of bias, errors and irregularity. Cost benefit analyses, including homes brought back to use and let out to homelessness families needed to be performed to demonstrate that objectives in providing the grants had been met.</p> <p>All findings and recommendations were agreed with the Service Head, Strategy and Regeneration and final report was issued to the Corporate Director of Development and Renewal.</p>	Moderate	Substantial 

Full Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Rechargeable Works</p> <p>Follow Up Audit</p>	<p>Oct. 2015</p>	<p>This audit followed up recommendations made in the original report finalised in March 2015. This audit examined controls for charging Developers for highways related works carried out under Section 278 Agreements.</p> <p>Out of four high priority recommendations followed up, our testing showed that all four had been implemented in full.</p> <p>A system has been put in place to ensure that where works commence more than twelve months from the date of the legal agreement and the Council establishes that the estimated cost is not sufficient, then a revised estimated cost is being provided to the developer prior to the commencement of the works. These costs are being recovered before the works commence on site.</p> <p>On completion of works under each s278 Agreement, a final account is now being prepared and forwarded to the developer to ensure that any overcharges are refunded and undercharges including fees are recovered.</p> <p>Suitable wording has been added to the draft s278 agreement that informs the developers that payment is to be made by BACS transaction only.</p> <p>A system has been developed to enable the fees charged for each scheme to be commensurate with the rate at which the works were completed and charged rather than on an historical basis.</p> <p>All findings were agreed with the Service Head, Public Realm and final report was issued to the Corporate Director, Communities, Localities and Culture.</p>	<p>Moderate</p>	<p>Full</p> <p>⇒</p>

Assurance Not Given

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Homelessness Strategy	Nov 2015	<p>The audit was designed to provide assurance to management that there are appropriate arrangements in place for managing and delivering the Tower Hamlets Homelessness Strategy.</p> <p>The Council produced a Homelessness Statement for 2013-17, approved by the Cabinet in July 2013. This Statement described the borough's approach to tackling homelessness, setting out the direction and priorities for the five year period. This Statement was regularly discussed in 2012 and 2013 at the Homeless Partnership Board, prior to its approval. However, it was noted that there is no overarching Housing Strategy currently in place, with the previous version covering the period from 2009-12. The Homeless Partnership Board has not met since 13th June 2013 and no action plan had been produced to support the delivery of the Homelessness Statement. In addition, roles and responsibilities in terms of delivery of the Statement had not been clearly defined. We also recommended that once the action plan has been produced and appropriately approved, progress against the action plan should be regularly reported to the Homelessness Partnership Board. In addition, management should also ensure that progress is regularly reported to senior management, members and stakeholders.</p> <p>All findings and recommendations were agreed with the Service Head, Strategy, Regeneration, Sustainability, and reported to the Corporate Director, Development and Renewal.</p>	Extensive	<p>N/A</p> 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Housing Insurance Claims Processing and Control.	May 2015	<p>The audit was designed to document the system in place in respect of housing insurance claims administration by THH. The audit sought to review the system from a customer perspective, taking account of the number of different organisations involved in the process. The audit followed the customer journey from beginning to end of the process and hence did not provide an audit opinion. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • There is currently no target timeframe for THH officers to complete the CF2 forms, or a formal performance monitoring process in place to determine the numbers of claims which are delayed; in testing, it was found that delays of over a month were common, with one taking over six months to be completed by the Housing Officer and returned to THH. • The leaseholders and tenants handbooks do not include adequate information on the insurance claims process, and the webpage on leaseholders claims could be made easier to locate. • The template claims forms in place need to be redesigned in order to be clearer for both public and staff users, both in explaining the claims process and setting out how to users are meant to complete them. • The policies, procedures, and template letters in place at THH and LBTH require updating, and agreement needs to be reached between both parties over the new forms to be used. • Delays in communications between the housing officers and the Insurance team were noted in testing in a number of cases, as well as in contacting the claimants to update them on the status of their claims. • Performance reports are no longer produced by the LBTH Insurance Team. Previously these reports were sent to the Head of ICT, Risk, and Contract Governance at THH, on a quarterly basis. <p>All findings and recommendations were agreed with the Head of Customer Access and Facilities, and reported to the Director of Finance, and the Chief Executive.</p>	Moderate	<p>N/A</p> 

APPENDIX 3**Follow Up Audits – List of Priority 1 Recommendations still to be implemented**

Audit Subject	Recommendation	Service Head	Officer Name
Monitoring of Mainstream Grants – Luncheon Clubs	It should be ensured that monitoring visits includes examination and verification of project expenditure in order to confirm that the grant was being used only for the purpose for which it had been agreed	Karen Sugars	Barbara Disney
Monitoring of Mainstream Grants – Luncheon Clubs	Officers should ensure that all organisations have registered their locations (from where the Lunch Club service is delivered) as a food premises with the Councils Environmental Health Team (as per pre-award condition 1.2). The officers' monitoring checklist and monitoring report should be updated accordingly.	Karen Sugars	Barbara Disney

