


<p><i>Non-Executive Report of the:</i> Audit Committee <i>27th September 2017</i></p>	 TOWER HAMLETS
<p>Report of: <i>Zena Cooke - Corporate Director - Resources</i></p>	<p>Classification: <i>Unrestricted</i></p>
<p>Quarterly Assurance Report</p>	

Originating Officer(s)	<i>Minesh Jani</i>
Wards affected	<i>All wards</i>

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period covering July 2017 to August 2017.
- 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. Members are 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 over the areas reviewed.

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 June 2017, twenty 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 2005 and the 2013 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector.

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

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive	1	11	6	-	18
	Moderate	-	2	-	-	2
	Low	-	-	-	-	-
Total Numbers		<i>1</i>	<i>13</i>	<i>6</i>	<i>-</i>	<i>20</i>
Total %		<i>5%</i>	<i>65%</i>	<i>30%</i>	<i>-</i>	<i>100%</i>

- 5.4. From the table above it can be seen that of the eighteen finalised audits which focused on high risk or high value areas; one was assigned Full assurance, eleven were assigned Substantial Assurance and six were assigned Limited assurance. A further two audits were of moderate significance and were assigned Substantial Assurance.
- 5.5. Overall, 70% of audits resulted in an adequate assurance (substantial or full). The remaining 30% 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 July 2017	20%	18%
Percentage of Priority 1 Audit Recommendations implemented up to August 2017 by Auditees at six monthly follow up audit stage	100%	80% 20 of 25
Percentage of Priority 2 Audit Recommendations implemented up to August 2017 by Auditees at six monthly follow up audit stage	95%	75% 18 of 25

- 6.2. The percentage of priority 1 recommendations fully implemented at the follow up stage was 80%, whereas the percentage of priority 2 recommendations was 75%. Details of priority 1 and priority 2 recommendations not implemented are set out in Appendix 3. Details of recommendations not implemented for each Follow Up audit are sent to the relevant Divisional Director and the Corporate Director for any appropriate action they would like to take.

7. Comments of the Chief Finance Officers

- 7.1. This is a quarterly noting report covering the period July 2017 to August 2017 highlighting findings arising from the work of the internal audit. 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. Pursuant to Regulation 3 of the Accounts and Audit Regulations 2015 ('the 2015 Regulations'), the Council is required to ensure that it has a sound system of internal control that facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational

management of the authority is effective; and includes effective arrangements for the management of risk.

- 8.3 The Council is also required by Regulation 5(1) of the 2015 Regulations to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 8.4 Quarterly Assurance Reporting from Internal Audit is an integral part of ensuring compliance with these duties.

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	Corporate	Control and Monitoring of Declaration of Interests by Staff
	Extensive	Place	Street Lighting
	Extensive	Resources	Tower Hamlets Local History Library and Archives (THLHLA)
	Extensive	Resources	Client Monitoring of ICT Contract
	Extensive	Corporate	Acting Up and Honoraria Payments
	Extensive	Governance	Registrars Follow Up
SUBSTANTIAL			
	Extensive	Resources	Staff Recruitment – Follow Up
	Extensive	Resources	Treasury Management
	Extensive	Resources	Payroll Account Reconciliation Follow Up
	Extensive	Resources	Housing Benefit and CTRS
	Extensive	Resources	Emergency Grants Funding Follow-Up
	Extensive	Corporate	Business Continuity Planning and Disaster Recovery
	Extensive	Tower Hamlets Homes	Sickness Management
	Extensive	Tower Hamlets Homes	Housing Rents
	Extensive	Tower Hamlets Homes	THH Estate Parking, Sheds and Garages
	Extensive	Place	Tendering for Waste Contracts
	Extensive	Place	Pay By Phone Parking Income – Follow Up
	Moderate	Children’s Services	Norman Grove Children’s Home - Follow-Up
	Moderate	Children’s Services	Guardian Angels CoE Primary School
FULL	Extensive	Children’s Services	Missing Children

**Summary of Audits Undertaken
Limited Assurance**

APPENDIX 2

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Declaration of Interests by Council Staff	August 2017	<p>This audit reviewed the systems and controls for declaration of interests (DOI) by staff. The Council requires officers to act with the highest standards of integrity and not to act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. In accordance with the Code of Conduct, every employee either positively declares that they have no interests or if they believe they have any actual or potential, conflict of interest they make a written declaration for consideration and approval by their manager. Each Directorate is required to maintain a confidential register of declarations which must be in writing, giving information about the nature of the interest and the names of the parties and the functions involved and this process is managed through the HR Self Service system.</p> <p>This audit was conducted in two parts. Firstly, the in-house team carried out the systems based audit to assess and test the effectiveness of governance, controls and risk management around DOI. Secondly, an external Data Analyst was procured to carry out data matching exercise with Open Source information in accordance with the agreed Scope. For this analysis, a methodology was agreed with the Statutory Officers, which required a random sample of 100 employees to be drawn from a list of services which was risk assessed. In addition, the Statutory Officers agreed to include all 35 members of the CLT and DMTs to be included in the data matching exercise. In total the sample included 135 employees' personal details such as names, addresses, dates of birth, NI numbers, managerial authority and content of declared interests, if any. The sample included five senior managers who had been procured through Comensura. The methodology adopted was approved by the Statutory officers.</p> <p>From our testing, we found that HR and WD service established adequate control at corporate level over the DOI system. There was improvement in the number of staff completing their DOI's since our last review in August 2014. The DOI completion rate was 99.98%, compared with less than 48% in August 2014.</p>	Extensive	<p>Limited</p> <p style="text-align: center;">↔</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Declaration of Interests by Council Staff	August 2017	<p>However, we found the following control weaknesses.</p> <ul style="list-style-type: none"> • There were no written procedures on the type of risk assessment to be undertaken by line manager when a DOI has been made by staff and there was no facility within HR Self-Service system to capture the risk assessment and authorisation by Divisional Directors. • Our testing of 23 declarations which were approved by line managers, in 3 cases, no response was received from line managers to support their authorisation. In 1 case the officer's declaration was subject to an internal investigation. In 6 cases, the DOI disclosures should have been referred to the Divisional Directors for further decision/approval or no evidence was provided to demonstrate that the referral had been made. In addition, we had concerns about 7 officers' declarations, which were recommended to be referred to the Anti-fraud team for further inquiries subject to Statutory Officers approval. • Of the 135 employees selected for detailed testing and data matching against open source data, there were 4 officers who were members of DMTs whose DOIs through agency, were not adequate. Testing showed that all four had completed DOI's when audit testing was being undertaken. As these officers were not on the Council's Establishment List, they were not required to submit DOI forms on HR Self Service. We have recommended a process be put in place that ensures declarations of interests are completed, validated and approved when any new consultants or interims are engaged through agencies and their DOI information should be updated annually. • Audit testing of officers DOI's and their details against open source data such as Companies House, Charity commission, Electoral Roll etc showed that 4 employees had failed to declare a company directorship and 5 employees failed to declare their consultancy companies. These cases will be referred to Statutory Officers for further consideration. 		


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Declaration of Interests by Council Staff	August 2017	<ul style="list-style-type: none"> • In cases where members of the same family are employed by the Council, our testing of 65 such cases found that in 9 cases the relationship was declared in full by both employees, in 17 cases the relationship was declared by only one employee, and in the remaining 39 cases there was no declaration by either employee. <p>All findings and recommendations were agreed with the Central Services Manager and Divisional Director, HR and WD. Final report was issued to the Chief Executive, the Monitoring Officer and Corporate Director, Resources.</p>		

Management Comments

The Declaration of Interest process including the procedure, guidance and the form is currently subject to review which will incorporate written guidance on the type of risk assessments to be carried out by line managers. Additionally, guidance will form part of the 'Tower Hamlets manager' development programme and wider communications will be issued to staff about the declaration of interest process and the requirement for disclosing interests including family relationships.

The development of an electronic risk assessment form with authorisation in-built to the HR system will be included in the programme of eForm development of HR forms.

Work will shortly commence on a review of the declaration of interest form and process applied to consultants, interims and agency workers with the proposal being that recruiting managers have sight of these prior to interview to inform their discussions/decision-making.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Street Lighting	May 2017	<p>This audit was undertaken as part of the 2016/17 agreed internal audit plan and entailed a review of the systems and controls operating within the Council, in respect of the arrangements for street lighting.</p> <p>The Council has a contract with Bouygues (value circa £1million), to cover the maintenance of the borough's street lighting (including both parks and highways). Bouygues draws down on the budget set to repair any faults identified. The Council's internal team does perform a degree of monitoring to help assess contractor activity, on the basis that the nature of the work allows Bouygues to both identify and complete maintenance works (which is therefore a potential area of risk).</p> <p>The 'Mayrise' system is used within the street lighting function. This system allows information regarding street lighting to be logged, and includes all the streets within LBTH that Bouygues is responsible for scouting, the assets within each street as well as information regarding costing.</p> <p>Following a recent restructure, the management of the service is relatively new to post (past 12 months). Since this time, there have been developments in the provision of guidance to staff in the form of process maps, as well as the introduction of more sophisticated technology (handheld devices) which are used by the contractor to log maintenance activity so that this can be reconciled through to eventual payment/draw-down.</p> <p>It should be noted that the in-house operational team for this area has been reduced in size and therefore the ability to perform additional monitoring is limited by the resources available to the service.</p> <p>The audit was designed to review the monitoring arrangements for street lighting to ensure that works are identified, ordered, carried out, monitored and paid for in accordance with the contract, 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>	Extensive	Limited 


		<ul style="list-style-type: none"> • Only a limited amount of in-house street lighting monitoring is undertaken, which is outside of the normal working hours of the officer undertaking the monitoring, to help provide assurance that Bouygues is undertaking its work sufficiently. • Quarterly contractor meetings between the Council and Bouygues have not taken place for the last 18 months to discuss performance as well as any other developments that may have taken place. • Key Performance Indicators (KPIs) do not appropriately total and are incomplete for October 2016 and November 2016 (Note: KPIs have only started being produced/filed since August 2016). • Policies, procedures and guidance documents do not contain version control histories (including review date and author). • Information regarding non-working street lights is often being acknowledged via member's enquiry (this is where members of the public report issues with assets at Councillor surgeries/forums). Information should only come through this channel once a query has been logged and no further action has been taken to rectify the issue. • From a sample of three monthly payments made, for the April 2016 payment of £4,413.73, no confirmation to pay email was provided to confirm that the payment was approved for payment. <p>All findings and recommendations were agreed with the Divisional Director Public Realm, Highways Manager and Interim Head of Clean Green and Highways, and reported to the Corporate Director CLC.</p>		
--	--	--	--	--

Management Comments

The service accepts the recommendations outlined in the report, and are making progress in delivering more robust monitoring procedures. The service is being restructured to provide more resource to ensure systems are in place, and the post for a Business Manager in the Highways Team has recently been advertised.

Contract monitoring across Highways functions will be a key priority and it is important that we have the systems in place to deliver this. Work is also in progress to implement the PSI project, and although this will take longer in the Highways functions it is now at the development phase, and is projected to be delivered in the next 9-12 months.

The team will continue to ensure that progress is made, and that contract monitoring is recorded and evidenced to ensure compliance, and that a quality service is delivered for the Council.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Local History Library and Archives (THLHLA)	May 2017	<p>Tower Hamlets Local History Library and Archives (THLHLA) covers the area of the present-day London borough of Tower Hamlets - the original East End of London which, until 1965, comprised of the boroughs of Bethnal Green, Poplar and Stepney. It is the recognised Place of Deposit for the archives of Tower Hamlets Council.</p> <p>This audit looked to review the procedures for various areas of the THLHLA and help to provide assurance as to whether they are up to date and being complied with. The Grade II listed library building dates from 1860 and hosts a joint service managing both archives and local studies library collections. The extensive collections cover a vast range of popular subjects such as housing, health and immigration, and include thousands of photographs and press cuttings as well as rare publications. The archive collections are spread across a variety of formats, from medieval parchment to digital audio and video. The collections are managed according to two similar but different professional disciplines:</p> <ul style="list-style-type: none"> • The <i>library</i> collections are managed by a professional (postgraduate qualified) librarian. Library materials are so defined because they are published, i.e. more than one copy was printed and disseminated at the time of creation. They include paper and audio-visual formats. While they are generally replaceable, some items can be extremely rare. • The <i>archives</i> collections are defined as 'recorded evidence of an activity' and can take any format. They are usually unique - for example, minutes, correspondence, reports, and diaries. The archives are managed by professional (postgraduate qualified) archivists. Archives are usually unique and therefore very hard if not impossible to replace in the case of loss. <p>Both collections are catalogued onto the same database (Axiell CALM) by the appropriate staff member/s, but the procedures for creating the descriptions in each case are different.</p>	Extensive	Limited 


		<p>The audit was designed to provide assurance that the controls over collection management – including acquisition, cataloguing, preservation, security, and the facilitation of public access and engagement – are sound and secure, and to evaluate the potential consequences which could arise from any weaknesses in internal control procedures including value for money and equalities issues. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Policies and procedures remain in draft format and are yet to be finalised and subsequently approved by senior management. Policies and procedures for the use of the collections are not yet ready for public reference. • Examination of 20 archive items accessioned since April 2016 (identified from the CALM database), identified one instance where the item could not be located. In a further 10 instances, the location of the item was not recorded on the database, although the Borough Archivist was still able to locate each item manually (as per the Auditor's request to physically examine the accessioned items). It is noted that these 10 items were still being processed at the time of the test, i.e. their location was not finalised. • Examination of the Archive Cataloguing Back-Log List identified that there are a number of cases that have been accessioned but not yet catalogued and made available to the public. In two instances the items were accessioned as far back as 1987. However, the majority of backlog material dates from the 1990s. • The Auditor conducted a physical check to verify whether 10 archive items of catalogued inventory could be traced back from their physical locations on site to the CALM database. Testing identified one instance where there was no information on the CALM database for the item's location. In a further two instances, it was identified that the item's physical location did not match that expected, as per the CALM database. • Discussion with the Heritage Manager identified that THLHLA does not have insurance on its collections, other than in respect of one painting that is valued as being over £80k. Instead, a management discussion of whether to insure or conserve collections at THLHLA was advised to be in process (including agreement on the percentage of the collections to conserve), but it was advised that no decision has been reached. • The existing strong room (where collections are stored) has been full to 		
--	--	---	--	--

		<p>capacity since 2005. The Auditor observed that items are being stored in 'overspill' rooms which are not as secure and environmentally sound as the strong room (i.e. does not have four-hour fire doors for example).</p> <ul style="list-style-type: none">• Examination of 20 items catalogued (since April 2016) identified one case where the catalogued reference number was not identifiable on the item itself. It was also identified that five items had no date of accessioning stated in their records. <p>Note: Points/Recommendations 3 and 6 (above) are considered to be the highest priority. Although the audit has classified other recommendations to be High Priority, numbers 3 and 6 have the most serious impact on the service's work. Recommendations 3 and 6 are outside of the control of THLHLA staff to address directly. The remaining recommendations are still considered as fundamental, but in comparison are potentially less significant (on the basis that the actions proposed which can reasonably be dealt with within the next few months).</p> <p>All findings and recommendations were agreed with the Heritage Manager, Deputy Head of Idea Store and Divisional Director (Customer Access), and reported to the Corporate Director Resources.</p>		
--	--	---	--	--

Management Comments

Action has been taken by THLHLA management to address all recommendations within their purview. Recommendations 3,5 and 6 are outstanding however and require senior management attention.

1. More policies are being written by the team onsite to ensure completeness. The full suite of policies will be ready for management sign-off by the end of September 2017.
2. All unaccessioned material has now been accessioned.
3. A growth bid for fixed-term cataloguing archivists needs to be drafted, submitted and funded, so as to address the extensive backlog of uncatalogued collections – approximately 50% of all materials held. The impact of having such a longstanding backlog is that approximately half of the collections being stored at THLHLA are not accessible. Researchers need to be able to search THLHLA's collections using the online catalogue and then be able to locate specific items which they then request to consult onsite. But without additional funding the status quo will be maintained – ie that no-one, not even staff, knows what information is contained within this material. It may be noted that the largest bulk of uncatalogued backlog consists of council records from the 1950s-1990s, access to which is often required by LBTH staff investigating legacy issues, as well as by Tower Hamlets residents and the general public.
4. and 7. Certain in-house staff procedures have been improved, namely recording locations for work-in-progress, and for ensuring that all mandatory fields are completed before records are made live on the catalogue.
5. The collections remain uninsured. Additional funding needs to be sought or the cost of insurance added to the growth bid.
6. Since 2005 an expanded strongroom facility has been required so as to properly store the growing heritage collections, which need specific controlled and secure environmental conditions for their permanent preservation. There is insufficient space in the building footprint to meet the existing requirement plus 40 years' growth. We are awaiting the result of feasibility study by Capital Delivery for shared use of the building with neighbouring QMUL (involving an extension onto their land); this will be considered alongside an options appraisal regarding possible relocation of the Local History Library & Archives service to an alternate location with sufficient room for bespoke collections storage as well as public access, educational activities and exhibitions – perhaps a location such as Spitalfields or Bethnal Green better suited to maximise audiences for heritage tourism than the present site in Bancroft Road.
7. See (4) above

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Client Monitoring of ICT Contract	July 2017	<p>The objective of this audit was to provide assurance that procedures for monitoring the ICT contract which was refreshed in June 2016, following a mid-term review, were sound and secure. The original contract with Agilisys Limited covering ICT services was signed on the 30th April 2012. The annual Partner Price including indexation and after price smoothing is £10,473,635 for the financial year 2016/17; £9,759,154 for 2017/18 and £8,577,055 (2018/19).</p> <p>Our review found that governance arrangements have been strengthened and the membership of the Executive Partnership Board (which meets annually), Strategic Partnership Board (meets quarterly) and Monthly Operations Meeting was constituted at the appropriate level. There were adequate procedures for the client team to monitor the key requirements of the refreshed contract. The performance standards and KPI's have been revised to allow any improvement in performance to be clearly measured and monitored. Our testing showed that the Client team reviewed and signed off the monthly performance reports, including the PI Dashboard, performance against key service levels, exceptions reports including major incidents reports, other service disruptions/priority issues and a complaint/compliment log. Reality checks were also made against data/evidence submitted by the contractor. For these reasons, we assigned Substantial Assurance that the client team's systems for monitoring the contract are adequate.</p> <p>However, we were concerned that the contractor's performance is not fully compliant with all the requirements of the contract. The Client Team, despite their current lack of numbers, have identified a number of contract compliance issues through the contract monitoring process. These issues include non-compliance with some key requirements included in the refreshed contract. A number of PI reports including those on open book accounting, asset management, quarterly Third Party Contract Financial reports and user experience had not been provided. We were concerned that although the Council has provided direct funding of some £59,000 p.a. to the contractor to meet the cost of a Performance Monitoring Officer and despite the client team raising non-compliance issues</p>	Extensive	Limited 

		<p>regularly, the contractor was not compliant with key PI requirements. We recommended that the Corporate Director, Resources should seriously consider available options to ensure that the contractor is compliant. For these reasons we assigned Limited Assurance to the compliance aspects of the contract.</p> <p>All findings and recommendations were agreed with the Divisional Director of ICT and final report was issued to the Corporate Director of Resources.</p>		
--	--	---	--	--

Management Comments

The Tower Hamlets Divisional Director IT is meeting regularly with the Agilisys Partnership Director to achieve compliance with the contractual performance indicators. If this does not achieve the desired outcomes the Corporate Director Resources will write formally to Agilisys requiring compliance. Performance Indicators marked as not-complete previously were presented and discussed at the August Monthly Operational Management Board indicating the desired direction of travel.

The Tower Hamlets Client Team has produced a register of contractual reporting obligations based on the performance indicators and current compliance status. The register will be reviewed weekly by the Divisional Director IT and Agilisys Partnership Director; with issues being worked through one by one and the register updated as compliance progresses. The Monthly Operational Meeting chaired by the Divisional Director IT and attended by representatives from Tower Hamlets and Agilisys provides a regular checkpoint on progress.

If the Divisional Director IT and Agilisys Partnership Director are unable to make adequate progress the Corporate Director Resources will initiate formal action.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Acting Up and Honoraria Payments	June 2017	<p>This audit provided assurance that systems and procedures for selecting approving, processing and controlling Acting-Up Allowances and Honoraria Payments are sound and secure. Acting Up Allowances and Honoraria payments are made to staff for work carried out on behalf of the Council deemed over and above their normal duties. Acting Allowances and Honoraria are paid through the Council's Payroll system. During the financial years 2014/15 and 2015/16, total Honoraria payments amounted to some £ 471,194 and £481,717 respectively. For the period April 2016 to December 2016, Honoraria payments stood at £421,827 paid to some 126 staff. Due to the accounting method, acting up allowances cannot be identified separately.</p> <p>The following issues were highlighted:</p> <ul style="list-style-type: none"> • An overarching Council policy for directing management in relation to acting up roles and honoraria payments was not in place, albeit the 'Guidance for Managers', dated November 2012 provide some guidance to process acting up appointments and honoraria payments; • We noted that the 'Guidance for Managers' needed to be reviewed to include monitoring controls around discretion given to managers to directly appoint for acting up roles. • Testing showed that there were no procedures in place for operational and management duties, e.g. processing of forms, setting up payments, evidencing verification of payments set – up, producing monthly returns and management reports; • As a result of control weaknesses and audit trail issues, we recommended that all Directorates should undertake a complete review of their current acting up arrangements and honoraria payments to identify discrepancies and instigate corrective actions, such as filling in vacant posts, reviewing pay of staff on ongoing honoraria basis, stopping payments which have continued in error and recovering overpayments made. 	Extensive	Limited

		<ul style="list-style-type: none"> • A set of management reports is not currently produced and circulated to relevant officers on a regular basis to enable Directorates to make informed decisions in relation to acting up roles and honoraria awards; • An honorarium payment of £2,244.00 was made to an employee without supporting documentation and authorisation. It was noted that this payment was made in error and recovery of the overpayment had begun from the employee's March salary; <p>All findings and recommendations were agreed with the Consultancy Business Manager HR, Human Resources and Workforce Development and final report was issued to all Corporate Directors.</p>		
--	--	--	--	--

Management Comments

The current project on reviewing HR policies and procedures will incorporate a review of the existing guidance and the development of a policy and criteria for determining the basis for the payment of an acting allowance or honorarium payment, including the limits on discretions to managers and detail the escalation mechanism to Corporate Directors if an acting arrangement exceeds 12 months. The new guidance will be communicated to all managers and staff in accordance with the usual process for launching new and revised guidance. It is proposed to launch the revised guidance in October 2017.


Monthly reports on acting and honoraria payments will be distributed to Corporate Directors for reviewing, controlling and monitoring in collaboration with their HR Business Partner.

The existing Acting and Honoraria forms have been reviewed and two new electronic forms (one for acting and one for honoraria payments) accessible in HR Self Service are currently in development with the intention of launching these in October 2017. Each of these forms will include specific sections within which a manager has to provide a full business case and demonstrate the relevant criteria detailed in the guidance in which the request falls. In addition the acting up form will include the requirement of providing a post number and the method of recruitment for acting arrangements. The workflow for the new eforms will enable managers to submit their request for honoraria payments and acting up arrangements via HR Self Service with the request flowing electronically to Divisional Directors and Corporate Directors. This will

mean that all requests will be held within the HR system on the relevant employee's electronic personal file, with a clear audit trail from which monthly reports will be submitted to Corporate Directors. Additionally, the workflow between the HR and Payroll Teams is currently being reviewed as part of the One HR Programme and the development of eforms and will eliminate the need for checklists and other manual interventions. This workflow will be reviewed within the development period with the proposed 'go live' date in October 2017.

In conjunction with the launch of the revised procedure in October 2017, a report of current acting and honoraria arrangements is being prepared and will be sent to all Corporate Directors to review all payments that are being paid in their service areas and determine whether payments should continue. The Senior Business Partners will also receive these reports and will be raising the actions required at the Directorate Management Meetings that they attend. These reports will subsequently be produced on a monthly basis. Where payments are to continue the relevant extension of acting up form (which has already been revised) will need to be completed in full, prior to HR and Payroll processing the request.

It has been accepted that a payment made without supporting documentation was as a result of human error and the payment has subsequently been recouped. The workflow between the HR and Payroll Teams is currently being reviewed as part of the One HR Programme and the development of e-forms and will eliminate the need for checklists and other manual interventions.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Registrar's Office Follow-Up	August 2017	<p>The Registration Service has a statutory duty to provide the registration of life events; Births, Deaths, Stillbirths, Marriages, Civil Partnerships and Civil Partnership Conversions for all citizens of England and Wales who meet the criteria for the specific service and provide ceremonial services to the public.</p> <p>Among other responsibilities, the Registration Service also Licence 'Approved Venues' within Tower Hamlets which they can attend to conduct Civil Ceremonies. They hold security stock of current registration events, medical certificates for general practitioners and hospitals, and are custodians of all registration documents and registers (both current and historical) on behalf of the Council. They are also appointed by the Home Office (HO) to conduct Citizenship Ceremonies and are regulated under the Office of the Immigration Service Commissioner (OISC) to provide a Nationality Checking Service and Joint Passport Application facility (processing applications for members of the public wishing to become British Citizens).</p> <p>The Registration Service is governed by the General Register Office (GRO), a department within Immigration and Passport Services (IPS) at the HO. Over time, GRO has gradually released more of its registration responsibilities to local authorities. GRO also requires the local authority to replace and update the tools and systems that enable Registration Officers to deliver an accurate and efficient service meeting strict Key Performance Indicators (KPIs).</p> <p>A full systems audit on the Registration Service was undertaken as a part of the 2015/16 agreed Internal Audit Plan and the final audit report was issued in June 2016. This audit was assigned Substantial Assurance and seven recommendations were raised (five medium priority recommendations and two low priority recommendations).</p> <p>This report presents the findings and recommendations of a follow up audit and the objective was to assess whether the agreed recommendations at the conclusion of the original systems audit had been implemented.</p> <p>Our follow up review showed that of the five medium priority recommendations</p>	Extensive	Limited 

made at the conclusion of the original June 2016 full systems audit, two have been partly implemented and three have not yet been implemented.

We have made five recommendations. The areas of weakness are as follows:

- Examination of 10 daily cash sheets, from the period January 2017 to March 2017, identified that in nine cases (daily cash sheets: 08/03/2017, 06/03/2017, 28/02/2017, 21/02/2017, 20/02/2017, 03/02/2017, 24/01/2017, 19/01/2017 and 10/01/2017), the daily cash sheets were not signed and dated by the reviewer. The Auditor also noted that, in three cases (daily cash sheets: 28/02/2017, 20/02/2017 and 24/01/17) the name and/or signature of the officers completing the daily cash sheets were not indicated.
- Examination of five spoilt certificates from the period January 2017 to March 2017, identified that four spoilt certificates (BRR 645482, BBL 337869, BRR 644820 and RTA 678898) were not initialled by the issuing officer. In addition, two of these spoilt certificates (BBL 337869 and BRR 645482) were also not dated when spoilt.
All five spoilt certificates were not crosschecked or reconciled by an officer.
Discussion between the Business Support Manager and the Auditor identified that there was no formal procedure in place for the disposal of spoilt certificates.
The Spoils Log for the period January 2017 to March 2017 did not indicate the date and type of spoilt certificate. One out of the five spoilt certificates examined (BBL 337869) was not found in the Spoils Log.
- Examination of seven out of 112 card payments for the period covering June 2016 to December 2016 identified that, in all seven cases, there was no formal recording of purchase requests, authorisation and/or delivery confirmation.
- Discussion between the Business Support Manager and the Auditor identified that there was no documented Scheme of Delegation in place with respect to the use of the corporate card.
- It was identified that regular one to one meetings between staff and their managers, a record of performance development review (PDR) and a record of staff training sessions were not currently documented.

		<p>The awarding of 'Limited Assurance' has been given due to the lack of evidence to support that timely and significant progress has been made to implement the recommendations raised in the original full systems audit that took place in 2015/16 (particularly recommendations with potential for a financial/reputational impact i.e. those linked to gaps in the segregation of duties and/or scheme of delegation).</p> <p>All findings and recommendations were agreed with the Superintendent Registrar Head of Registration & Citizenship and reported to the Corporate Director (Governance).</p>		
--	--	---	--	--

Management Comments

Following on from the agreed Final Audit Report, the Head of the Service unfortunately went on long term Sickness Absence from July 2016 – February 2017. Due to the additional pressures this put on the Team and Management, the recommendations were not implemented. This matter has been addressed in full.

End of day administration procedures have been improved and introduced and training on these for all Team members arranged.

Spoilt Security Stock now on advice from GRO can be disposed of on a rolling annual basis. This will be undertaken with both a Registration Officer and Business Support Officer from Legal on a monthly basis.


PRD Training has taken place for Managers. A PDR information and support exercise has taken place and dates are being finalised for everyone to submit PDR/PDPs paperwork in accordance with guidelines.


The Head of Registration takes full responsibility for the fact that these recommendations were not implemented immediately and within the timescales agree. This was due to unfortunate circumstances, increased workloads and staffing levels.

Substantial Assurance


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Staff Recruitment Follow-Up	July 2017	<p>Staff recruitment is concerned with the interviewing, selection and validation of new and existing employees that are to be appointed by the Council. Recruiting managers identify a vacancy and advertise the post both internally and externally depending on the nature of the job.</p> <p>I-Grasp is used by staff, as well as recruiting managers, applicants and redeployees, the latter having access to the redeployment portal. This system is used to retain all evidence of the approval / decision to recruit, the applications made, interviews held as well as the eventual confirmation of employment. Approval of the decision to recruit is completed electronically through this system, by Service Heads with an audit trail being retained.</p> <p>Once the decision to recruit is approved, each post is advertised. Methods of advertisement include: the Council's website, the Guardian newspaper and the internal intranet. The method can vary depending on which is deemed most appropriate by the Recruiting Manager.</p> <p>The People Resourcing Team arrange interviews and contact the candidates for the recruiting managers. Pre-employment checks are also completed by the People Resourcing Team, with the level of checks required being dependant on the specific post being applied for. The start date of employment is agreed once the required checks are completed and the manager deems the clearances to be satisfactory to the council (in line with the Council's internal Recruitment and Selection Standards).</p> <p>This follow-up audit was undertaken as part of the 2016/17 agreed internal audit plan.</p> <p>Our follow up audit identified that, of the four medium recommendations made in our original report, three have been fully implemented and one has been partly implemented.</p>	Extensive	Substantial ↔

		<p>We have made one recommendation. The areas of weakness are as follows:</p> <ul style="list-style-type: none">• Through review of the Recruitment Process Quarterly Review spreadsheet, the Auditor identified that, where documents were missing (i.e. no interview notes on file), there were no record of actions taken.• The Auditor identified that, in eight instances, the name of officer undertaking the Recruitment Process Quarterly Review check was not indicated in the spreadsheet. <p>All findings and recommendations were agreed with the Consultancy Business and Performance Manager, and reported to the Interim HR, OD & Transformation Manager and Corporate Director of Resources.</p>		
--	--	---	--	--


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	June 2017	<p>The objective of this audit was to provide assurance that systems of control around the Treasury Management functions were sound, secure and adequate.</p> <p>The Treasury Management function is responsible for the ongoing monitoring and forecasting of monetary assets of the Council and for the effective investment of funds surplus over any given period of time to generate a sufficient financial return. As at 30th September 2016, the Council had a total of outstanding investments of £406.85M, of which £236.62M was invested overnight with the remainder being invested for longer periods.</p> <p>Our review showed that the Council developed a Treasury Management Strategy Statement that determines the treasury management priorities and details the procedures required for effective investment. This was approved appropriately. All investments tested were undertaken after reference was made to the forecasted annual cash flow position, which is updated on a daily basis and helps the Council's Treasury Management team to maintain control over cash flow. The investments tested were found to comply with the Treasury Management Policy. Monthly reconciliations were undertaken between the GL and the bank statements, in addition to reconciliations between local records and the GL. Counterparty limits are clearly defined so staff are aware of investment limits up to which investments can be made. However , the following issues were also highlighted:-</p> <ul style="list-style-type: none"> • The contract extension for treasury advice with a company was not in accordance with Procurement procedures and a retendering exercise was required to be undertaken as soon as possible. • Appropriate training on Treasury Management needs to be provided to the Members of the Audit Committee. • The Treasury Management procedure notes required version control. <p>All findings and recommendations were agreed with the Divisional Director Finance, Procurement and Audit and final report was issued to the Corporate Director of resources.</p>	Extensive	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payroll Account Reconciliations Follow-Up	May 2017	<p>Financial Procedures FA4 requires that the Council conducts frequent reconciliations of net payroll expenditure against approved bank account(s), payments of statutory and non-statutory deductions to third parties (e.g. pension contributions), and annual year-end statutory deductions compared to amounts paid to the Paymaster General.</p> <p>The Payroll Reconciliation is a three-way reconciliation between BACS payments totals to the Payroll system and to the General Ledger. The objective of the payroll account reconciliations is to ensure that all records of transactions paid and received in relation to a given period as per the Payroll system, match the records of payroll expenditure and receipts in the general ledger. This is to ensure that all monies spent and received by the Council in relation to the payroll are accounted for in the main accounting system.</p> <p>The Payroll reconciliations involve the reconciling of the Council's payroll accounts in the general ledger against the payroll records, using reports generated from Northgate Resource Link and Agresso systems, respectively. The Payroll system has an inherently high risk of errors and irregularities. A strong control environment is necessary to manage this level of risk. Within the financial year, there are 12 payroll reconciliation periods (one each month).</p> <p>A full systems audit on Payroll Account Reconciliation was undertaken as a part of the 2015/16 agreed Internal Audit Plan and the final audit report was issued in March 2016. This audit was assigned Substantial Assurance.</p> <p>This report presents the findings and recommendations of a follow up audit and the objective was to assess whether the agreed recommendations at the conclusion of the original systems audit had been implemented. Our follow up review showed that, of the four medium recommendations made in our original report, two have been fully implemented, one has been partly implemented and one has not yet been implemented.</p> <p>We have made two recommendations. The areas of weakness are as follows:</p>	Extensive	Substantial 

		<ul style="list-style-type: none">• The Payroll Reconciliations procedure note has not been reviewed and appropriately signed off.• Information regarding unrecognised items outstanding, and the duration of the outstanding items, was not included in the Financial Systems and Controls spreadsheet. It was advised that the original recommendation had not been implemented due to a non-allocation of permanent staff to this area. <p>All findings and recommendations were agreed with the Senior Accountant and reported to the Divisional Directors for HR and Finance/Procurement, and the Corporate Director of Resources.</p>		
--	--	--	--	--

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Benefit and CTRS	July 2017	<p>Tower Hamlets operates a centralised benefit claims processing service and a dedicated benefits call centre both based at the Town Hall (but supported by the One Stop Shop). Areas of responsibility include the processing of claims for Housing Benefits and the Council Tax Reduction Scheme (CTRS), the correct award or rejection of claims received, and the accurate payment of the amounts awarded.</p> <p>In addition, the function is responsible for identifying where the eligibility of claimants has lapsed, and for the recovery of overpaid amounts.</p> <p>Northgate is the Council's system that is used to store and process all Housing Benefits and CTRS information.</p> <p>As at February 2017 (and since April 2016), there had been 4,113 new claimants, 103,459 separate instances of changes to circumstances and 29,837 instances of overpayments which totalled £13,447,509.58 (averaging to £450.70 per case).</p> <p>It was also noted, through discussion with the Head of Risk Management and Internal Audit, that there is a known issue regarding the consistency of data between the LBTH Council Tax records and the LBTH Housing Benefits records. More detailed testing is in the process of being undertaken within the Council Tax Department regarding those claimants who are claiming Single Person Discount, against Housing Benefit claims as well as against the electoral role, to highlight any discrepancies.</p> <p>The audit was designed to provide assurance to management as to whether the systems of control around Housing Benefits and CTRS are sound, secure and adequate, and to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses were as follows:</p> <ul style="list-style-type: none"> Some procedure notes available to staff are dated 2008 (for example, the Absence from Home Policy) which could lead to confusion as to whether the guidance remains up-to-date. Procedure notes, which are available to all staff via the shared drive, are also not in a 'read only' format, which 	Extensive	Substantial 

		<p>could allow unauthorised staff to make amendments without management consent/knowledge.</p> <p><i>Note: The recommendation linked to this finding has not been accepted by management, but has remained in the report for transparency (along with a supporting rationale).</i></p> <ul style="list-style-type: none"> • Reconciliations between Northgate Housing Benefits, Northgate Rents and Agresso (the Council's Financial system / General Ledger) are signed by both the HB Manager and the Head of Benefits Services, but there are no dates for the Head of Benefits Service signature stated to verify when these signatures have been appended, thus it is not possible to confirm that the reconciliations have been consistently prepared and reviewed in a timely manner. • No evidence was provided to verify that any benchmarking takes place with other councils. <p>All findings and recommendations were agreed with Benefits Subsidy/Overpayments Benefits and ICT Manager and Head of Benefits Services, and reported to the Corporate Director of Resources.</p>		
--	--	--	--	--

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Emergency Grants Funding Follow-Up (Revised Final)	July 2017	<p>This follow-up audit has been undertaken as part of the 2016/17 agreed Internal Audit Plan.</p> <p>A full systems audit on Emergency Grants Funding was finalised in July 2016. This audit was assigned Substantial assurance. This report presents the findings and recommendations of a follow up audit and the objective was to assess whether the agreed recommendation at the conclusion of the original systems audit had been implemented.</p> <p>The one medium priority recommendation included within the original audit was raised on the basis of audit testing which examined 13 emergency grants cases. Payments were made in nine cases and it was discovered that the Emergency Grants Team were unable to provide evidence of the approval email sent from the certifying officer to the grant officer in three of these cases (Tower Hamlets Law Centre, Volunteer Centre Tower Hamlets and Senrab Football Club). In addition, audit testing of the monitoring regime further identified that the Emergency Grants Team were also unable to provide evidence of the confirmation email sent by the monitoring officer to the budget holder in three cases (Tower Hamlets Law Centre, Volunteer Centre Tower Hamlets and Triratna Arts).</p> <p>Our follow up review aimed to identify whether the one medium priority recommendation made in the original audit report had been implemented. However after a number of requests no information to support the implementation of the recommendation was provided. In the absence of this engagement, it was initially necessary to downgrade the follow-up opinion to Limited and a Final report was therefore issued in April 2017 (as we could not provide assurance on this basis). It could also not be confirmed how much the Council had paid during 2016/17 for emergency grants to put the potential risk exposure into context. The area of weakness was as follows:</p> <ul style="list-style-type: none"> • Verification emails were not retained in three cases in the testing of both payments and monitoring processes (at the time of the original audit). It was recommended that management should remind the Emergency Grants 	Extensive	Substantial 


Team of the need to retain all supporting evidence in respect of control processes undertaken in the administration of grants. However, evidence of this control now operating appropriately was not forthcoming during the course of follow-up.

NOTE: Post audit (June 2017), the Head of Benefits Services subsequently responded to provide assurance that the identified risks (as highlighted above) had been addressed. A revised version of the Final Report has therefore been produced to acknowledge an improvement in overall assurance rating up to Substantial, based on the new evidence received.


For clarity and transparency, it can be confirmed that the following evidence was provided by the Head of Benefits Services:

- Evidence that payment approval request emails and the confirmation emails (sent to the Third Sector Programmes Manager by the Programmes Officer that manages the Emergency Funding Programme) are retained and kept in a central Agresso Payment folder on the team's shared drive. Screenshots were provided (but it was noted that this procedure is no longer to be followed).
- The Head of Benefits Services confirmed that the above approach was adopted by the Third Sector Team when the financial system changed to Agresso). The previous system had the approver physically signing the AP1 prior to it going to payments. This was used for all grant programmes. The Council now has a Procedure Note (v3 12/02/16) that includes this process for all grant payments. The process was not brought in due to benchmarking or engagement externally and is not a corporate requirement.
- Evidence of the further improvements made with effect from January 2017. Noted that monitoring, premises and debts outstanding checks should always have been made by the Grants Monitoring Officers prior to the raising of payment approvals. The Desktop Monitoring Confirmation Report evidences that checks have been made and the Emergency Funding – East London Asian Family Counselling report was provided. The improvements made from January 2017 include the establishment of improved processes and clarification of expectations regarding Grants Monitoring Officers

		<p>responsibilities relating to premises and debtor checks and the introduction of a new Grants Spotlight Review Panel to meet with groups whose performance ratings are Amber or Red rated. The checks are undertaken and recorded by the Grants Monitoring Officer on each quarterly performance monitoring assessment.</p> <ul style="list-style-type: none"> • Evidence that the Emergency Funding procedures have been updated (update is from 21 October 2016 and includes the 'Email Verification' process which is no longer used). <p>In summary, the additional documentation provided has helped to demonstrate that the points raised by audit are being addressed. It was noted by the Head of Benefits Services that there is a work in progress to improve processes and provide greater assurance. The change to the payments approval process and specifically no longer using the 'Email Verification' process, demonstrates that the Council is updating and developing improved processes all the time. There are upcoming plans to introducing a new ICT system, including workflow, which will further improve operational arrangements and will be transparent and fully audit trailed.</p> <p>All findings and recommendations were reported to the Corporate Director of Resources.</p>		
--	--	---	--	--


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Business Continuity Planning and Disaster Recovery	July 2017	<p>Business Continuity Planning continually confronts the likelihood, or otherwise, of a disaster. The cause of the interruption doesn't matter, but being capable of gaining management control of the interruption does. Business Continuity Planning is an answer to the unexpected. It is an executive commanded, crisis management programme driven by business requirements. Business Continuity Planning modifies the consequences of a business interruption to a level acceptable to management and provides a vehicle which when executed, will permit an effective resumption of interrupted functions.</p> <p>The London Borough of Tower Hamlets (the Council) has specific legal duties under the requirements of the Civil Contingencies Act 2004. These duties include planning the response to civil emergencies in the Council and to prepare, test and exercise business continuity plans for its core public essential services. The Civil Protection Unit publishes and distributes the Corporate Risk Register with the identified risks being assessed / reviewed in conjunction with other Council services. The Unit also prepares, and co-ordinates the preparation of, generic response plans (i.e. Borough Major Emergency Plan Parts 1, 2 & 3) along with other Council services and subsequent exercising of these arrangements being undertaken by the Council.</p> <p>The audit was designed to provide assurance to management as to whether the systems of control around Business Continuity Planning and Disaster Recovery are sound, secure and adequate, and to evaluate the potential consequences which could arise from any weaknesses in internal control procedures. The main weaknesses were as follows:</p> <ul style="list-style-type: none"> • The ICT Disaster Recovery Test Schedule details the prioritised critical IT systems / services that are subject to scheduled disaster recovery testing. The list was previously reviewed by CLT, but has not been specifically reviewed recently to help ensure that the priority list still aligns with the Council's service requirements. • Business Impact Assessments (BIAs) are not being completed for every service within the Directorates. For three out of a total of 20 individual service areas selected for testing, a Business Impact Assessment had not been completed. 	Extensive	Substantial 

		<ul style="list-style-type: none">• In a further four cases, the BIA could not be agreed to the BCP. In one of these four cases, the Business Impact Assessment had also not been fully completed, including the Contingency Action Plan section.• Business Continuity Champions are not in place for each of the Directorates. There are vacant posts where previous champions have left the Council.• Staff training records concerning business continuity require updating following the recent restructuring of the Council.• The Council undertakes an annual communications exercise known as Sandcastle and this was undertaken in August 2016. However, a scheduled no-notice exercise involving a Council building in 2016 is still yet to be performed. <p>All findings and recommendations were agreed with Divisional Director for Community Safety, and reported to the Director of Resources and Corporate Director of Health, Adults & Community Services.</p>		
--	--	---	--	--


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
THH Sickness Management	June 2017	<p>This audit examines the systems in place for managing, controlling and monitoring sickness management at Tower Hamlets Homes (THH) and has been undertaken as part of the 2016/17 agreed Audit Plan.</p> <p>Sickness documentation for THH employees is held locally by their respective service managers. THH uses the Council's systems for recording and monitoring sickness. These systems include HR Shared Services, where managers input staff sickness information, which is subsequently fed through to Resource Link, the system used by the Council for Payroll.</p> <p>The average number of days lost per employee for 2016/17 was 10.7 days in comparison to 11.1 days for 2015/16. The number of staff on formal sickness reviews has decreased for 2016/17 to 144 in comparison to 146 for 2015/16. Five staff were dismissed for sickness in 2016/17 in comparison to two being dismissed for 2015/16. The total number of days lost due to sickness absence has decreased from 5,151 in 2015/16 to 4,882 for 2016/17.</p> <p>The audit was designed to assure management that there are sound systems in place for managing and monitoring services, and ensuring that services are well planned, managed and controlled in order to achieve key service objectives. The main weaknesses were as follows:</p> <ul style="list-style-type: none"> • The Managing Sickness Absence Procedure has not been updated since November 2013. In addition, there is no indication of who has produced, approved and reviewed the procedure note. • The Managing Sickness Absence Procedure states that officers on long term sickness absence should still be provided with the 'News for Views' communications as well as any minutes for team meetings. The Auditor requested this information but was not provided with any evidence of this occurring for the 20 long term sickness absence cases tested within the sample. • The HR Shared Services System (system used to input data which is then fed into ResourceLink, the Council's payroll system) is not always updated in a timely manner. This has caused officers to be informed that their salaries will be reduced to 50 percent due to their absence, when 	Extensive	Substantial 

		<p>this could have been avoided by managers updating the system promptly following the staff member's return to work.</p> <ul style="list-style-type: none"> • A sample of 20 short term and 20 long term sickness absence cases was sampled for Q1-Q3 of the financial year 2016/17. It was identified that there were six instances (121475, 133480, 39253, 117109, 37048 and 133460) of short term sickness absence, out of 20 examined, where no RTW/self-certificate form was provided and two equivalent exceptions (117678 and 37227) in respect of the long term sickness absence cases examined. In addition, there was one long term absence case (37072) where there were no signatures nor dates of the officer and manager, but the names were printed on the RTW/self-certificate. There was one instance for short term sickness where the RTW was completed a month after the employee returned to work (27653). This RTW was also not signed by the manager or dated. • From the sample of 20 short term and 20 long term sickness cases tested, it was identified that, for short term cases, there was one instance (118044) where the General Practitioner's (GP) note was unclear (retained copy was illegible) and one instance (117678), for the long term cases, where a GP note was not provided. In two further long term instances (118113 and 37072), the GP notes held did not cover the full sickness period. • Examination of the sample of 20 short term and 20 long term sickness absences identified that, in five short term cases (36885, 133480, 39253, 37172 and 37048) and four long term cases (27687, 37072, 37304 and 37227), there was no evidence of OH being discussed or an OH appointment taking place despite being expected. There was one instance (117109) for short term sickness where an OH appointment was due but no evidence was provided to confirm it took place. In addition, there was one instance (27539) for long term sickness where an OH appointment was discussed but no further evidence was available to verify that the appointment took place. • Examination of 20 instances of short term absences and 20 instances of long term absences, where staff had reached trigger levels (an amount of sickness which requires investigation) identified that for nine short term cases (121475, 133480, 39253, 36782, 117109, 128851, 126058, 133460 and 122666), no evidence was held to support that a review had 		
--	--	--	--	--

		<p>taken place. For long term sickness absences, there was one instance (37304) identified where discussion regarding a formal review had taken place but there was no evidence to support this subsequently taking place. In addition, there was one case (124575) where there was no evidence of a formal review at all.</p> <ul style="list-style-type: none">• Discussion with the Lead HR Business Partner identified that trigger levels are identified via managers, as well as when manual reports are created. However there is no automatic trigger level notification in place for when an officer reaches an unacceptable level of absence marker.• The Auditor was only able to gain assurance that meetings of the HR SMT Management Information, Organisational Stream Board took place in Q1 for 2016/17. No other minutes were provided upon request although the expectation was for quarterly meetings to be held. <p>All findings and recommendations were agreed with Senior Employee Relations Manager and Lead HR Business Partner, and reported to the Director of Business Transformation (THH) and Chief Executive (THH).</p>		
--	--	--	--	--


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
THH Housing Rents	August 2017	<p>Tower Hamlets Homes (THH) is an Arms-Length Management Organisation (ALMO) owned by Tower Hamlets Council. The THH rents function is responsible for the correct billing of rent increases, amendments, arrears and the collection of rental income from Council owned housing stock.</p> <p>The 2015/16 budgeted gross rents collection was set at £69.3 million, with an additional £6.6m in relation to tenant service charge. The Housing Revenue Account rental income and tenanted service charges outturn figures for 2015-16 were subsequently £68.116 million and £6.493 million respectively. For 2016/17 the budgeted figures are £67.2 million of rental income and £6.4 million of service charges. This has reduced from the 2015/16 figures on account of a reduction in housing stock and also a one percent reduction on rents charged (in line with Central Government policy). The current arrears figure as at September 2016 was £2.79m, which had increased from £2.68m as at September 2015.</p> <p>The housing rents section is split across four areas. There are North and South Arrears Teams which chase current tenant arrears. There is a manager who oversees the recovery of debt from former tenants and an Accounts Team who deal with the processing of rent charges and increases.</p> <p>The audit was designed to provide assurance to management as to whether the systems of control around the Housing Rents system are sound, secure and adequate. The main weaknesses were as follows:</p> <ul style="list-style-type: none"> • Reconciliations are not signed and dated by both the officer performing the reconciliation and the officer reviewing the reconciliation. • The quarter four 2015/16 write-offs were not approved in a timely manner, instead they were approved for write-off with the quarter one 2016/17 write-offs. • Debt recovery for former arrears was not always undertaken in a timely manner (verified through sample testing of 20 arrears cases examined). One instance was identified where the debt was not chased due to the 	Extensive	Substantial 


		<p>officer considering it too low (£54.50), but was higher than the agreed lower limit (£50).</p> <ul style="list-style-type: none">• Access rights forms need to be confirmed as appropriate but the Head of Resources had not tabled this issue at the latest meeting with Agilisys. The Head of Resources has included it within the October meeting agenda with Agilisys/ICT.• Policies and procedures lack information regarding review/approval details and when they are next due for revision.• Examination of 20 current arrears cases identified two cases where payment had been missed by the tenants who were on payment plans but these were not identified within the team's six weekly checks.• Examination of 20 current arrears cases also identified one instance where an ARL01 (reminder letter of money due) was sent before the tenant had fallen into arrears. <p>All findings and recommendations were agreed with Director of Finance (THH), and reported to the Director of Neighbourhoods (THH) and Chief Executive (THH).</p>		
--	--	---	--	--

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
THH Estate Parking, Sheds and Garages	August 2017	<p>Estate parking within the borough is controlled by parking regulations. Residents living on estates and wishing to park their vehicles, whether in parking bays, car parks or on the street, must obtain a parking permit. A charge is levied on all permits, though there is no charge for a disabled blue badge holder. Each year, THH can put forward a bid to suggest how much should be charged for non-residential items but the decision of whether to increase any charges is ultimately determined by the Council (LBTH). Charges for non-residential items (including parking, sheds and garages) have only increased in line with the Consumer Price Index (CPI). The Head of Customer Access and Facilities Management confirmed that this approach had been considered appropriate on the basis that additional price increases would be detrimental to Tower Hamlets in light of its economic status as a poorer borough.</p> <p>The rents are chargeable at weekly rates and determined by the Council. Consideration has been given by THH as to whether to convert some existing garage licences to storage licences. However, negativity was expressed from residents in light of concerns over what may be stored if these changes were to be implemented.</p> <p>The Housing Service Centre Team uses the Northgate system to record information on all non-residential items. However, THH has plans to introduce a self-service function to form part of Northgate, which would allow individuals to bid/apply for any non-residential items directly. On an administrative basis this would prove beneficial as it would also help to control applications i.e. if an agreed maximum number of bids was received the system would prevent further bids from being submitted and help quicken/improve the decision making process. Work is ongoing to implement this during 2017/18.</p> <p>There is no waiting list for non-residential items and individuals are expected to use the THH website and search for vacancies themselves, subsequently submitting applications on a first-come-first-served basis. If an individual does not have access to the internet, or is unable to use a computer, they can attend a one-stop-shop and an officer of the Council will help the individual to search</p>	Extensive	Substantial 

	<p>and complete their application.</p> <p>It should also be noted that the Head of Customer Access and Facilities (THH), and the Special Initiatives Manager (THH), at the time of the audit, communicated that work remains ongoing across the processes for managing parking, sheds and garages. Such proposed changes include amendments which would see applicants being required to pay in advance for their respective parking/shed/garage licences (whereas currently they are paid for monthly). In addition, there was a suggestion that some processes may currently be less effective than they could be as a result of information being stored in individual rent accounts (which results in a greater amount of administration). Although not specific points of testing within the agreed audit scope, this information has been stated here to help provide greater context.</p> <p>The audit was designed to provide assurance that management have put in place effective controls for administering, managing and controlling estate parking, sheds and garages, and to verify that assets are managed efficiently and effectively. The main weaknesses were as follows:</p> <ul style="list-style-type: none">• Policies, procedures and guidance documents do not contain version controls and are out of date.• Examination of 20 instances, where either a garage or parking permit had been awarded to an applicant (from a total population of 389 issued since April 2016), identified that, although supporting evidence to support each decision could be traced upon audit sample testing, there was no summary evidence retained to verify the management control in place which is used to provide periodic and ongoing assurances about the compliance in this area.• Benchmarking against other boroughs is not undertaken nor is information utilised to inform decision making regarding increases to non-residential item charges.• Examination of 10 shed applications (processed since April 2016) identified no exceptions in respect of the expected document retention. However, there was a potential improvement in the pipeline (through the implementation of the Northgate system for voids management) which would allow applicants to apply directly onto the system and therefore		
--	---	--	--

		<p>improve the robustness of the audit trail maintained. As this is yet to be implemented, a recommendation has been raised to allow these improvements to be monitored through the audit follow-up process.</p> <ul style="list-style-type: none"> • In addition, in light of the low financial value gained from the rental of parking spaces, garages, and particularly sheds, the Auditor identified a need for THH to further consider its approach to managing the system overall, and whether it remains financially viable to implement additional controls. • Budget variances are not explained and budget information is not discussed/passed up to senior management. • No evidence was provided to confirm that checks were undertaken on garages and sheds to confirm that they were suitable to be re-let. • There is currently no restriction on the number of permits one household can obtain as long as all required information is provided. • Discussion with the Senior Housing Advisor, and examination of the THH website, identified that there is no information regarding how the public can confidentially report instances of inappropriate use of non-residential assets (for example, using a garage to store anything other than a motor vehicle). It is difficult for THH to identify potential areas of misuse itself. <p>All findings and recommendations were agreed with the Head of Customer Access and Facilities (THH) and Special Initiatives Manager (THH), and reported to the Director of Neighbourhoods (THH) and Chief Executive (THH).</p>		
--	--	--	--	--


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tendering for Waste Contracts	June 2017	<p>The purpose of this review was to determine whether EU Regulations, and the Council's Procurement Procedures and Financial Regulations were being complied with whilst tendering for the Council's waste management contracts. Four contracts which were procured recently were tested viz. Refuse Collection and Street Cleansing (EC2713); Interim Recycling Collection (CLC 4969); Waste Treatment and Disposal (CLC 3245);and Material Recovery Facility (MRF) services (CLC5077). Our testing showed the following:-</p> <ul style="list-style-type: none"> • Approval was sought from Cabinet for all the procurement undertaken. • Our review showed that the EU Regulations and the Councils' Procurement procedures were complied with for the procurement of the waste contracts. • In accordance with the Procurement procedures, Tollgate 2 reports were completed. • Risk management system, JCAD was used to record and manage major project risks. • Conflict of Interest and Confidentiality Agreement forms had been completed by the teams who carried out the ITT evaluation but not by the Project Sponsor and Project Manager (CLC 4969) and Project Sponsor (CLC4970). • We noted that there was no independent officer or a moderator present in the Evaluation Panels. This appeared to be due to no corporate guidance or criteria over the make-up of the tender evaluation panel and their roles and responsibilities. <p>All findings and recommendations were agreed with the Divisional Director, Public Realm and final report was issued to the Corporate Director, Place.</p>	Extensive	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pay by Phone Parking Income Contract Monitoring Follow Up	May 2017	<p>This follow up audit provided assurance that the recommendations agreed at the conclusion of the original audit in May 2016 have been implemented and embedded in the business.</p> <p>Our testing showed that out of seventeen high priority recommendations made in the original report, fourteen had been progressed and implemented. Subsequent to the final report issued in May 2016, Management undertook a full investigation of any missing income and has now established the key components of the system which is fully understood by all officers. Procedures for monitoring the contract and reconciling the income received from the contractor have been put in place. Risk assessment of the key contract risks has been undertaken. Contract monitoring meeting have standing items on the Agenda and these meetings cover key aspects of performance. Contract variations have been agreed to control refunds and chargebacks.</p> <p>However, we have reported that the procedures for supervisory and spot checks needed to be fully embedded in the business process. Although performance information was provided by the contractor, it was not clear whether this information was of relevance to the service and whether other KPIs and targets required by the client needed to be put in place. Although, the deed of variation included the chargeback process, our testing showed that the chargebacks amounting to £1937 had not been included in the contractor's invoices. A credit note has now been received from the contractor.</p> <p>All findings and recommendations were agreed with the Divisional Director, Public Realm and final report was issued to the Corporate Director, Place.</p>	Extensive	Substantial 


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Norman Grove Children's Home Follow-Up	June 2017	<p>This follow-up audit has been undertaken as part of the 2016/17 agreed Internal Audit Plan.</p> <p>A full systems audit of the Norman Grove Children's Home was finalised in February 2017 and was awarded Limited assurance. This follow-up audit was undertaken to provide assurance as to whether the eight high and two medium priority recommendations raised at the time of the full audit have been subsequently implemented.</p> <p>Norman Grove Children's Home is able to provide accommodation for up to six children aged between 13 and 17 years of age. They can be of either gender and are all in the care of the Council under the provisions of the 1989 Children Act. Each child has an individual Care Plan which determines the main objectives for their stay at Norman Grove. Some return to the family network and some remain placed in the children's home until they are ready for independence at 18. Others move on to alternative placements.</p> <p>All children's homes have unannounced inspections by Ofsted twice in a calendar year. This is a full inspection and a follow up inspection. Norman Grove had its full inspection in August 2016 and was rated 'Good', and an interim/follow-up inspection in February 2017 was rated as 'Sustained Effectiveness'. The children's home has a budget of £843,600 for the financial year 2017/2018.</p> <p>Our follow up audit identified that six of the high priority recommendations and one of the medium priority recommendations made in the original audit report had been implemented. Two of the high priority recommendations and one medium priority recommendation had been partly implemented.</p> <p>We have made three recommendations. The areas of weakness are as follows:</p> <ul style="list-style-type: none"> • Testing of five petty cash requests (with a value over £25) made between January 2017 and April 2017, identified that in one case the money request form was not signed by the Registered Manager (money request 	Moderate	Substantial ⇒

		<p>form M371).</p> <p>In addition, there was one instance where the money request form was both requested and approved by the Registered Manager (money request form M359), which resulted in there not being a segregation of duties enforced.</p> <ul style="list-style-type: none">• Testing of five purchases made via the credit card from January 2017 to April 2017 identified that in one instance, the date of the order was not completed on the Card Holder Transaction Log (date 31/03/2017 - for an Oyster Card top-up of £20).• The Auditor noted that, in one case (Inventory Sheet, Staff 1st Office Downstairs), the date and name of the officer who prepared the Inventory Sheet had not been indicated. <p>All findings and recommendations were agreed with the Group Manager and Children's Home Manager / Registered Manager, and reported to the Corporate Director of Children's Services.</p>		
--	--	--	--	--

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Guardian Angels CoE Primary School	July 2017	<p>The audit was designed to ensure that the Head Teacher and the Governing Body have implemented adequate and effective controls over the administration and financial monitoring affairs of the school and to evaluate the potential consequences which could arise from any weaknesses in internal control procedures, including value for money issues and any equality issues. The key recommendations were as follows:-</p> <ul style="list-style-type: none"> • The School Development Plan (SDP) should be presented to the governors for review and formal sign off. This should be formally minuted. • The Head Teacher should retain evidence of monthly payroll reconciliations. • The School should renew its licence with the Information Commissioner's Office (ICO) as soon as possible. • The School should renew its Declarations of Business Interest annually, for both the governors and staff. A clear record of these declarations should be retained within the School. • The Finance Officer and the Head Teacher should sign and date all the key documentation in respect of the monthly reconciliations as evidence of being reviewed and checked. The monthly reconciliation processes should be carried out within two weeks of the month end to ensure consistency and timeliness of the process. • All invoices should be paid within the 30 days of payment period. • The School should keep a record of the cash transfers between staff and each staff member should sign the record to confirm receipt. • The results of the Inventory Check and the list of assets marked for disposal should be presented to the FGB for review and sign-off. This should be formally minuted in the meeting. • The School should ensure the safe limit is not breached or consider increasing the authorised limit (if appropriate). 	Moderate	Substantial 

		<ul style="list-style-type: none">• All staff should complete a pre-employment medical questionnaire as part of the recruitment process.• The School should consider developing a leavers checklist to capture all the necessary checks and information into one comprehensive document for when a member of staff leaves. This should be kept in the member of staff's personnel file.• The School should ensure that an Initial Costing and an End of Journey Statement is produced and presented to the FGB for review and sign-off.• The Loan of School Equipment form should be signed-off by both the member of staff loaning the item and the authorising officer. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors.</p>		
--	--	--	--	--

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children Missing Education - Follow Up	May 2017	<p>The objective of this follow up audit was to carry out required testing in assessing the progress made in implementing the recommendations agreed in the final audit report issued to Management in June 2016. Our testing showed that out of nine medium priority recommendations tested, all had been progressed and implemented.</p> <p>We found that following the amended guidance from the Department for Education (DfE) from 1st September 2016, the LBTH Guidance on Children Missing from Education (CME), Missing Children and The Missing Children Register was reviewed and updated. Flowcharts were included to improve clarity on the process. We understand that the triangulation of information on children missing education and children who go missing was undertaken to support effective information sharing and coordination by the Multi-Agency Missing/ CSE/ Trafficking Working Group.</p> <p>In addition, Independent schools were notified and reminded of their responsibilities via email and the Designated Safeguarding Leads Forum, which they also attend. A workshop was held in September 2016 by the Multi-Agency Missing/ CSE/ Trafficking Working Group where the Tower Hamlets Guidance on Children Missing from Education (CME) and the Missing Children Register was fully discussed and agreed. Attendance and Welfare Service agreed to hold workshops on an annual basis to seek to identify and address issues and improve identification. A specific risk viz. "Child suffers serious harm or death" as a result of "a child is missing from school or goes missing from education and procedures are not followed" has been added on JCAD risk register. The missing child register is currently maintained on MS Excel and password protected.</p> <p>The report was agreed with the then Divisional Director, Children's Social Care and final report was issued to the Corporate Director, Children's Services.</p>	Extensive	Full 

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

Audit Subject	Recommendation	Divisional Director	Officer Name
Norman Grove Children's Home	Checks should be undertaken by the line manager of the credit card holder to ensure that the Card Holder Transaction Log is correctly completed, indicating the order date of the purchase and the date goods were received.	Nancy Mehan	Phil Morgan
Norman Grove Children's Home	Staff should be reminded that the money request forms for petty cash should be checked and counter-signed by the line manager of the officer who is requesting the money. Money request forms should be requested and approved by independent officers (in line with the above). The administrative staff should sign the money request form when change is received.	Nancy Mehan	Maria Best
Pay By Phone	As documented in the procedures notes, a senior officer should carry out monthly supervisory and spot checks to monitor that the necessary checks, reconciliations and other key processes are being complied with.	Roy Ormsby	John Eaton
Pay By Phone	The contract monitoring officer should identify which KPIs and targets, in addition to what the contractor currently provides, should assist in monitoring the performance of the contract. These should be communicated to the contractor and should form the basis of future monitoring.	Roy Ormsby	John Eaton
Pay By Phone		Roy Ormsby	John Eaton

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

Audit Subject	Recommendation	Divisional Director/ Corporate Director	Officer Name
Staff Recruitment	<p>When HR undertakes the quarterly 10 percent checks of new starters (to confirm that the selection decisions made are in line with the Recruitment and Selection Standards and that the new starter's files includes all of the relevant documentation required), the monitoring spreadsheet should be updated to clearly indicate:</p> <ul style="list-style-type: none"> • the date and name of the officer(s) who have undertaken the checks, and • the mitigating actions taken (in the event that exceptions are identified). 	Heather Daley	Debbie Southgate
Norman Grove Children's Home	<p>The Inventory Sheet should indicate the date and the name of the officer who prepared it.</p> <p>An inventory check should be undertaken on a regular basis by an independent officer on all assets over £100 owned by Norman Grove Childrens Home.</p>	Nancy Mehan	Maria Best
Payroll Account Reconciliation	The Payroll Reconciliation Procedure note should be reviewed and signed off as approved soon as possible.	Stuart Young/Neville Murton	Danny Warren
Payroll Account Reconciliation	The Financial Systems and Controls spreadsheet that is submitted to the FMT meetings, should contain information regarding which unreconciled items are outstanding and how long they have been outstanding.	Stuart Young/Neville Murton	Danny Warren

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

Audit Subject	Recommendation	Divisional Director / Corporate Director	Officer Name
Registrars	<p>Purchase orders should be raised with a formal request and authorisation by a delegated officer should be obtained. A record of the formal request / authorisation should be retained.</p> <p>A segregation of duties should exist over the order process. Information regarding segregation of duties should be evidenced and retained, for example one officer raises a request with a different independent officer authorising the purchase.</p>	Catherine Sutton	Grainne Nixon.
Registrars	<p>A formal scheme of delegation with respect to the use of the corporate card should be created and approved.</p> <p>The scheme of delegation should detail the purchase limit for each officer as well as what to do in the event an officer is not available</p>	Catherine Sutton	Grainne Nixon
Registrars	Training sessions undertaken by each staff member, and training needs identified during the annual PDR, are recorded and maintained into a spreadsheet.	Catherine Sutton	Catherine Sutton