

REPORT TO: Audit Committee	DATE 30 March 2010	CLASSIFICATION	REPORT NO.	AGENDA NO. 5.1
REPORT OF: Corporate Director, Resources		Quarterly Assurance Report Ward(s) Affected: N/A		
ORIGINATING OFFICER(S): <i>Service Head Risk Management</i>				

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period December 2009 to February 2010.
- 1.2. The report sets out the assurance rating of each audit finalised in the period and gives an overall assurance rating. The quarterly assurance report feeds into the annual internal audit opinion which will be produced at the end of the financial year.

2. RECOMMENDATION

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

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of holder
And address where open to inspection
Minesh Jani, 0207 364 0738

3. Background

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

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

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

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

4. Overall Audit Opinion

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

5. Overview of finalised audits

- 5.1. Since the last Assurance Report that was presented to the audit committee on 15 December 2009, 21 final reports have been issued. The findings of these audits are presented as follows:
- The chart below summarises the assurance rating assigned by the level of significance of each report.
 - Appendix 1 provides a list of the audits organised by assurance rating and significance.
 - Appendix 2 provides a brief summary of each audit.
- 5.2. **Members are invited to consider the following:**
- The overall level of assurance provided (para 5.3-5.5).
 - The findings of individual reports. The Audit Committee may wish to focus on those with a higher level of significance and those assigned Nil or Limited assurance. These are clearly set out in Appendix 1.
- 5.3. The chart ranks the overall adequacy and effectiveness of the controls in place. This assurance rating will feed into Internal Audit's overall assessment of the adequacy of governance arrangements that is required as part of the Accounts and Audit Regulations 2003 and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

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

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive		5	1		6
	Moderate		7	7	1	15
	Low					
Total Numbers			12	8	1	21
Total %			57%	38%	5%	100%

- 5.4. From the table above it can be seen that of the six finalised audits which focused on high risk or high value areas; five audits were assigned Substantial Assurance and one received Limited Assurance. A further fifteen audits were of moderate significance and of these, seven were assigned Substantial Assurance, seven received Limited assurance and one was assigned an assurance rating of Nil.
- 5.5. Overall, 57% of audits resulted in an adequate assurance (substantial or full) and 43% of audits have an inadequate assurance rating (limited or nil). Work in progress is shown in Appendix 3.

5.6. Performance Indicators

At the start of the year, three performance indicators were formulated to monitor the delivery of the Internal Audit service as part of the Chief Executive's Monitoring process. The table below shows the actual and targets for each indicator for the period November 2009 to January 2010.

Performance measure	Target	Actual
Percentage of Audit Plan completed up to January 2010.	80%	81%
Percentage of Priority 1 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	100%	100%
Percentage of Priority 2 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	95%	88%

5.7. The table above shows that the proportion of internal audit work completed to January 2010 which is broadly in line with the plan. The target for the year is to complete 100% of the plan.

5.8. The percentage of priority 1 recommendations implemented at the follow up stage was around 100%, whereas the percentage of priority 2 recommendations was 88%. In view of the unsatisfactory progress in implementing agreed recommendations, relevant Corporate Directors were recently sent reports highlighting specific performance against the set targets, so that measures can be taken at Directorate level to improve performance in this area.

6. Comments of the Chief Financial Officer

6.1 The comments of the Corporate Director of Resources have been incorporated into this report.

7. Concurrent Report of the Assistant Chief Executive (Legal Services)

7.1. There are no immediate legal implications arising from this report.

8. One Tower Hamlets Considerations

8.1 There are no specific One Tower Hamlets Considerations issues arising from this report.

9. Equal Opportunity Considerations

9.1. There are no specific Equal Opportunities issues arising from this report.

10. Anti-Poverty Considerations

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

11. Risk Management Implications

11.1. The implications arising from failure to control and manage risks could result in vulnerability to the systems of control that may be exploited. This report identifies areas of risk for management to mitigate.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 There are no specific SAGE implications.

Summary of Audits Undertaken

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
NIL	Moderate	CSF	Langdon Park Secondary School
LIMITED	Extensive	Assistant Chief Executive	Legal Planning Meetings on Child Protection
	Moderate	CLC	Household Waste Recycling – Contract Monitoring
	Moderate	CLC	Control and Monitoring of Parking Permits
	Moderate	THH	Control of Keys to Decanted Dwellings in Ocean Estate
	Moderate	THH	Control of Keys to Void Dwellings
	Moderate	CSF	St Edmunds Catholic Primary School
	Moderate	CSF	Stephen Hawking Special School
	Moderate	CSF	Harry Roberts Nursery School
SUBSTANTIAL	Extensive	THH	THH Financial Systems
	Extensive	CLC	Tower Hamlets Partnership – Governance Arrangements
	Extensive	Resources	Internet and e-mail Computer Audit
	Extensive	Resources	ICT Management and Organisation – Computer Audit
	Extensive	Resources	Information Policies and Procedures
	Moderate	CSF	Children’s Social Care Commissioning
	Moderate	CSF	Children’s Centres
	Moderate	CLC	Management of Highways
	Moderate	THH	Unauthorised Occupants - Follow Up audit
	Moderate	ACE	Members Allowances
	Moderate	CLC	FLARE – Computer Audit
	Moderate	CSF	Seven Mills Primary School

APPENDIX 2

Summary of Audits Undertaken

Nil Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Langdon Park Secondary School	Feb. 2010	<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. The following issues were reported:-</p> <ul style="list-style-type: none"> • The Scheme of Delegations was incomplete. There were no declarations of business interest from some governors and staff with financial responsibilities. • Budget monitoring reports lack explanations on budget variances even where the variances are over 500% of the agreed budget. • The school did not have any purchasing and tendering procedures in place. The school had made high value purchases where there was no evidence of obtaining competitive quotations. Orders are not always raised from the school's accounting system and as such no commitments are accounted on budget monitoring records. • No charging policy in place. Income collection processes for miscellaneous and trip/journey income were inadequate. • The school could not evidence all pre-recruitment checks being completed prior to employment being commenced. There is inadequate separation of duties between processing and authorising starter forms. • There are no robust procedures in place to ensure that all staff are paid correctly. It was established that one teacher was not being paid in accordance with the salary assessment form for two months. This member of staff was being under-paid by £50.49 for April and May 2009. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director of Children's Services.</p>	Moderate	Nil

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Langdon Park Secondary School	Feb. 2010	<p>Management Action</p> <p>Following the Audit, the requirements to undertake visits were reinforced with Schools Finance officer, SIP and link advisors. Clearly the audit found that procedures were not complied with. All recommendations have been agreed by the school, to enable to provided with improved management and support arrangements the school has recently signed a gold service finance SLA, commencing from the 1st of April 2010. These additional arrangements will enable for agreed actions to be tracked and implemented by Schools Finance team including evidence of actions taken where appropriate, within a timeframe that reflects delivery dates for agreed actions.</p> <p>The school has agreed to complete all actions by the 22nd of March 2010, majority of these recommendations have already been actioned to date.</p> <p>The audit report requirements were added to the Schools Finance committee agenda in January 2010 and to be carried forward until an acceptable closure has been agreed and ratified by the Full Governing Body for each item.</p> <p>A further check will be carried out by the auditor, later in the year to ensure measures have been effective.</p> <p>We have written to the school formally to ask what additional steps the school plans to take in light of the audit findings and specifically, for the school to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment.</p>	Moderate	Nil

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Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Legal Planning Meetings on Child Protection Systems Audit</p>	<p>Nov 2009</p>	<p>The objective of this audit was to assure management that there were sound systems in place to plan, control, manage and monitor legal planning meetings on child protection issues. The following was reported:-</p> <p>Officers are required to comply with statutory guidance (Children’s Act - 1989) and the Judicial Protocols (Public Law Outline) when deciding whether the Local Authority is to make an application to Court for a care or supervision order. Although Legal Services have an Office Manual in place which complies with Lexcel standards, we noted that there was no specific written departmental procedure for planning, controlling and managing Legal Planning Meetings. Steps had been taken to document the procedures for the purposes of the Framework-I workflow.</p> <p>Overall, we have reported that systems for administering, managing, controlling and monitoring performance were in place, but during our testing we found cases of non-compliance with systems and procedures which can increase the exposure to unnecessary risks. Our recommendations, therefore, were around reinforcing the requirement to comply with internal controls established by management and improving the monitoring procedures, so that non-compliance issues can be detected and prevented promptly.</p> <p>All findings and recommendations were agreed with the Assistant Chief Executive (Legal Services) and Head of Legal Services – Community.</p>	<p>Extensive</p>	<p>Limited</p>

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Legal Planning Meetings on Child Protection Systems Audit	Nov 2009	<p>Management Action</p> <p>This audit was requested by Legal services as we have implemented a new innovative way to record and track the Legal Planning meeting (which is a key step prior to seeking a care order). We have established a workflow on framework i and our own data time recording software for this in order to record the advice and ensure it is timely so the risk of failure is avoided with these checks and balances. This is a pilot and has not been done at other borough legal departments. In the nature of these new processes the audit helpfully pointed out where officers had not completed forms properly e.g. dates or signatures missing and pointed out that monitoring had gaps these issues have now been acted upon in anticipation of a 6 months review.</p>	Extensive	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Household Waste Recycling Contract Monitoring	Feb 2010	<p>The objective of this audit was to assure management that the systems in place for controlling and monitoring the contract were sound, adequate and secure. We found that the Council has a clear policy on household waste recycling. This is a high priority service to meet statutory household waste recycling targets and manage the increasing costs of land filling. The following issues were reported:-</p> <p>No written contract monitoring procedures were in place and contract monitoring was not being undertaken on a programmed basis. There was a general lack of clarity on the level of monitoring required as a risk assessment had not been undertaken to target the critical areas for monitoring purposes. Roles and responsibilities had not been clearly assigned and some stability in senior management positions providing a continuous lead and presence on a whole spectrum of waste management services was required.</p> <p>Our review also found that errors had been made in making payments to the contractor. We were unclear as to whether payments to the contractor were being made in accordance with the contract prices. Controls around invoice checking, approval and certification needed to be improved significantly. Variation control was weak. Major variations to the contract were not supported by variation orders and financial implications were not being assessed and recorded. Audit trail between financial cost of a variation and invoice payment for that variation needed to be improved.</p> <p>All findings and recommendations were agreed with the Service Head – Public Realm.</p>	£2.7M	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Household Waste Recycling Contract Monitoring	Feb 2010	<p>Management Action</p> <p>A contract monitoring manual has been produced and will form the basis of future contract management meetings. These have been scheduled on both an operational and strategic basis. It should be noted that the investments within the recycling service and close working arrangements with the contract have seen a doubling of recycling within the borough since 2007 and the service has, in both 2008/09 and 2009/10 exceeded its LAA target for recycling and is currently forecasted to deliver over 26% recycling across the borough.</p> <p>The contract documents have been agreed and signed by both parties and a full assessment of all variation orders is in progress. Whilst specific references have been made to the lack of suitable databases for all existing properties, it should be noted that the number of complaints relating to miss collections is low. The fact that properties do not appear on a database does not stop the practical collection of recyclates from the resident.</p> <p>The contract management and risk assessment documents have been structured to reflect the work of the new clean and green division and clearly sets out roles and responsibilities across the service. Permanent staff have been appointed at a senior level within the business and the wider structure will now be addressed as part of the next phase organisational change.</p>	Extensive	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Household Waste Recycling Contract Monitoring	Feb 2010	<p>Management Action (continued)</p> <p>Controls in relation to financial payments were in place at the time of the audit, however these were largely driven by our finance group. The Interim Head of Clean and Green has carried out significant work with the finance section to ensure that all variations are costed and records are maintained.</p> <p>In 2010-11 the control of finances will be much more closely monitored with the introduction of the new Clean and Green division and the appointment of a permanent service head. During the coming months detailed work will be carried out with officers in the division to ensure that proper procedures are maintained and followed, also that the original contract documents are followed according to the contract monitoring manual.</p> <p>Responsible officers will be monitored monthly at 1-2-1's to ensure budgets are accurate and projections are regularly provided to finance. For the current year it is forecast that the service will show an end of year outturn within its budget and meet its key performance indicators.</p>	Extensive	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Parking Permits Systems Audit	Jan. 2010	<p>The objective of this audit was to assure management that the systems for controlling, monitoring and issuing of all types of parking permits were sound, secure and adequate. The following issues were reported:-</p> <p>Generally One Stop Shops were making steady progress in the administration and issue of permits and scratch cards within the policy guidelines set by CLC. Operational procedures had been developed by the Parking Head Office. However, a policy framework for parking permits needed to be developed and approved.. We reported that the resident permit application form allows for non Tower Hamlets residents to obtain Resident permits - there are some 221 Resident permits issued to vehicles not registered and / or insured to a LBTH address.</p> <p>We were unable to ascertain if the applicant's proof of residency had been checked against council tax records as this could not be evidenced due to poorly designed forms. In order to manage an initial high level of processing errors, monthly performance Management Reports were produced on the accuracy of permits processed and there has been an improvement over a period. However, we highlighted a number of systems weaknesses around policy and financial accountability at the Parking Head Office level which can put the systems objectives at risk.</p> <p>All findings and recommendations were agreed with the Service Head Environmental Control.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Parking Permits Systems Audit	Jan. 2010	<p>Management Action</p> <p>The audit inspection identified that a new policy framework for parking permits needed to be developed and approved as there are the current form allows for non TH residents to obtain resident permits and it is estimated that some 221 permits have been issued to vehicles registered outside the borough.</p> <p>As part of the Parking Fees & Charges report presented to Cabinet on 10th February 2010 it was agreed to no longer accept an insurance certificate as a named driver to obtain a parking permit. As a result parking officers are now amending the resident parking permit application form to remove the named driver on the insurance certificate as an alternative proof of vehicle. This means that in future the main proof of vehicle will be the UK registration certificate (V5C) which must be registered at their address in the borough. A consequence of this will be to reduce the risk of fraud e.g. the 221 permits identified will no longer be issued.</p> <p>The audit inspection identified a weakness in the design of the application form, as it did not appear to indicate if the processing office had checked the Council Tax system to either verify the Council Tax ref number or to show if a check had been made. As a direct result the Resident Permit Application Form "official use section" has now been updated to include a section for the Processing Officer to indicate if the applicant is liable for Council Tax. In addition, the resident Permit Process Map makes it clear that the Council Tax System must be checked as a matter of course. An advantage of this change is that we can now be much more proactive in preventing and detecting fraud, as well as sharing information with other directorates.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Parking Permits Systems Audit	Jan. 2010	<p>Management Action (continued)</p> <p>Finally the audit inspection also identified that no reconciliation between the parking permit system and the AIMS payment system was being undertaken by the One Stop Shop Officers at the end of the working day in order to reconcile their takings. This meant that irregularities were not being identified promptly or corrective action being taken on the same day. To address this situation the Parking Permits manager has instructed IT to undertake changes to the PCRM (permits database) to be modified in order to generate a daily location and/or Officer transaction report. This will serve to reconcile the standard AIMS report, which is already available to the One Stop Shop team leaders.</p> <p>All of the matters raised in audit inspection report will be addressed or implemented by the 1st April 2010.</p>	Moderate	Limited

APPENDIX 2

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control of Keys to Decanted Dwellings in Ocean Estate	Jan 2010	<p>This audit was undertaken at management request to examine the controls over the management of decants which are currently subject to demolition as part of Ocean Estate Regeneration. The following issues were raised:-</p> <p>There were no written procedures for securing and decommissioning dwellings earmarked for decanting. The Interim Neighbourhood Housing Manager subsequently ensured that all voids marked for decanting were stripped out and secured and a contract was let to carry out these works. Another company was providing 24 hour patrols at the Ocean Estate. However, this work was not competitively tendered, there should have been a clear contract specification and the contractual relationship should have been clear to provide a basis for stringent monitoring to manage risks of paying for unnecessary and duplicate security services.</p> <p>Audit was advised that THH were requested by the client to provide these services as there were no client security arrangements in place. However, no formal funding arrangement was put in place and THH began to incur expenditure without a formalised budget. We noted that the cost of site security at the time of audit was some £490,200 which was an unfavourable variance. We recommended that Management should closely monitor this situation to ensure that this level of expenditure was affordable and good value for money.</p> <p>All findings and recommendations were agreed with the Director of Housing and Customer Services and findings were reported to LBTH Client.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control of Keys to Decanted Dwellings in Ocean Estate	Jan 2010	<p>Management Action</p> <ul style="list-style-type: none">• Written procedures are now in place for securing and decommissioning properties earmarked for decanting.• At the end of December a contract for the dog patrols was agreed and is in place. We have agreement from the Council that additional costs in excess of 225,000 will be met by them as the extra security costs are over and above allowances in the management agreement. THH Finance officers are in the process of raising the invoice to the Council.• Monthly invoices produced by the contractor providing the dog patrols are now providing greater clarity on the level and frequency of the service (as defined in the contract) and this is checked by the Neighbourhood Manager before sign off.	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control of Keys to Void Dwellings	Jan 2010	<p>This audit was undertaken at management request. The objective was to examine systems for controlling keys to void dwellings across all four housing areas and make recommendations to improve control. The following findings were reported:-</p> <p>Our testing showed that significant improvement was required in the control and security of void keys across all Housing Areas. There were no written procedures for guiding officers on key control issues. In the absence of clear procedures, there was a risk that inconsistent procedures were deployed and accountability was not assured. Furthermore, once keys were handed over to Housing Services, evidence was not always held on the void file to show that locks were being changed and new keys booked in. This can expose THH to unnecessary range of risks. Some LHO's were not holding void keys in secure lockable cabinet or restricting access to void keys. There was no monitoring of void keys and hence keys could be booked out for a number of days, with no follow up action being undertaken.</p> <p>In some cases, the notice to terminate the tenancy had been signed and dated by the tenant only and there was no information on the V2 form to confirm whether or not Housing Services had received the keys back from the tenant. This can result in dilution of accountability as it could not be clearly identified as to who accepted the keys from the tenant.</p> <p>All findings and recommendations were agreed with the Director of Housing and Customer Services.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control of Keys to Void Dwellings	Jan 2010	<p>Management Action</p> <ul style="list-style-type: none">• A record of void lock changes are held on the Northgate (SX3) system. There are written procedures clearly illustrating that lock changes are carried out on all voids.• Written procedures on key control have been issued to all Managers and teams in the Housing Offices. All officers have been requested to sign a receipt. Spot checks are being carried out by managers on key control to ensure officers are following key control procedures	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Edmunds Catholic Primary School	Nov. 2009	<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. The following findings were reported:-</p> <ul style="list-style-type: none"> • The Scheme of Delegations document although approved by the full Governing Body had not included the maximum delegated limits to the Deputy Head Teacher and to the Finance Officer. • Staff members with financial responsibilities with purchasing influence also had not completed business declarations. • At the time of the audit there were no Terms of Reference for the Teaching and Learning Committee. • The Governing Body minutes highlighted that the school is using a credit card for purchase of goods although the use of debit cards/credit cards is not included in the School's Scheme of Delegations. There is no record of the users who are authorised to use the credit card to make purchases and there are no clear protocols around reconciling credit card statements to supporting documents. The credit card statements showed that the relevant invoices had not been authorised by an appropriate officer. • At the time of the audit the school did not have a Charging Policy. • The school did not have an IT Policy in place. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Director of Children's Services.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Edmunds Catholic Primary School	Nov. 2009	<p>Management Action</p> <p>The school has agreed to complete all actions with a defined timeframe. We have written to schools formally requesting the school and the governing body to fully commit to the recommendations made in the Audit report by:</p> <ul style="list-style-type: none"> • by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate • confirm additional steps that the school are planning to take in light of the audit findings • to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment. 	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stephen Hawking Special School	Feb. 2010	<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.</p> <p><u>Main Control Strengths Identified:</u></p> <ul style="list-style-type: none"> • Financial Planning and Budgetary Control • School Meals • Voluntary Fund and School Journey; • Risk Management and Insurance. <p><u>Main Control Weaknesses:</u></p> <ul style="list-style-type: none"> • Due to a lack of evidence the school could not demonstrate that sufficient quotations had been obtained for three procurements in order to achieve best value as required by the School's Purchasing Policy. • The Terms of Reference of committees did not specify the frequency of committee meetings or delegated financial limits. • Whilst a register of business interest was in place, the declarations of twelve governors were out of date. • Bank mandate was out of date. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Director of Children's Services</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stephen Hawking Special School	Feb. 2010	<p>Management Action</p> <p>Management Comments; The school has agreed to complete all actions with a defined timeframe. We have written to schools formally requesting the school and the governing body to fully commit to the recommendations made in the Audit report by:</p> <ul style="list-style-type: none"> • by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate • confirm additional steps that the school are planning to take in light of the audit findings • to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment. 	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Harry Roberts Nursery School	Feb. 2010	<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. Following issues were raised:-</p> <ul style="list-style-type: none"> • There was no evidence of the provision of regular budget monitoring reports to the Finance and General Purposes Committee. • Controls over ordering and certification of invoices were found to be weak. • Declarations of interest had not been obtained from three members of the Governing Body. • There was no clear link between the resource commitments detailed in the SDP and the approved annual budget. • The school did not produce any cash flow forecast reports. • Payroll reconciliations have not been completed since June 2009. • There is no evidence that the school has an approved Pay Policy. • Whilst the school maintain an up to date inventory for IT equipment we identified that non ICT inventory had not been updated since April 2009. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Director of Children's Services.</p>	Moderate	Limited

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Harry Roberts Nursery School	Feb. 2010	<p>Management Action</p> <p>The school has agreed to complete all actions with a defined timeframe. We have written to schools formally requesting the school and the governing body to fully commit to the recommendations made in the Audit report by:</p> <ul style="list-style-type: none">• by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate• confirm additional steps that the school are planning to take in light of the audit findings• to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment.	Moderate	Limited

APPENDIX 2

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
THH Financial Systems	Feb 2010	<p>This audit sought to provide assurance that the company's financial systems for managing the management fee element of the funding were sound and secure. Systems such as creditors, debtors, treasury management, company bank account and VAT management were tested. Budgetary control was programmed as a separate audit. The issues raised are summarised below:-</p> <p>Overall, creditors system needed some improvement. Controls for ensuring that all payments were certified in accordance with the Scheme of Delegation needed improvement. There was risk of invoices being paid without certification and procedures for evidencing, approving and paying expenses to interim staff needed to be strengthened. .</p> <p>Overall, administration of VAT was adequate, but we recommended that VAT returns should be independently checked and should be submitted by due date. In addition, reconciliation process between VAT paid and the amount recorded on the General Ledger system required improvement.</p> <p>Treasury management policy was in place and this was not a significant activity during the audit. However, the current Bank Mandate required updating in order to reflect the names and designation of the current senior management team with details of the level of signing authority for each officer. The bank account was reconciled to the General Ledger on a monthly basis, but these reconciliations were not independently checked and agreed. The opportunity to make more payments by BACS needed to be explored and manual cheque control required to be made robust. All findings and recommendations were agreed with the Director of Resources.</p>	£37.4M	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Partnership Governance Arrangements	Jan 2010	<p>This audit sought to provide assurance over the soundness and adequacy of the governance arrangements within Tower Hamlets Partnership_(THP)</p> <p>Our review showed that in response to legislative requirements, LBTH has established the THP, which functions as a Local Strategic Partnership. Performance objectives and targets pursued by THP are those specified within the Local Area Agreements. Our review of the governance arrangements found that roles and responsibilities of the Partnership Board, the Executive Board and various LAP Steering Groups and Community Plan Delivery Groups were clearly defined within their respective Terms of Reference. There is a forward programme of meetings for the partnerships and minutes of these meetings are taken.</p> <p>However, the minutes of meetings needed to clearly reflect the business that should be conducted at these meetings to achieve the objectives contained within the terms of reference of each forum. There was no clear system to declare personal and prejudicial interests by participants at meetings of the Board and its Executives. A clear system needed to be introduced for identifying and reviewing the Partnership's risks on a regular basis. At operational level, the Director of THP's authority and delegations had not been identified within the CLC Scheme of Delegation and clear financial procedures to support the delegated authority needed to be drafted and formalised to improve financial controls. Overall, we were of the opinion that adequate governance arrangements have begun to be put in place, but there is scope for further improvements and embedding of the principles of sound management.</p> <p>All findings and recommendations agreed with the Director of THP.</p>	Extensive	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Internet & e-Mail Computer Audit	Oct 2009	<p>The objective of this audit was to assure management that there were sound systems in place to control the use of the internet and the use of the email system. This was to help ensure that information was confidential, available and its integrity was assured for Council business as the provision of Internet and E-mail is core to Council services.</p> <p>Overall, we have reported that systems for administering, managing, controlling and monitoring the internet and email were in place. However, we reported that controls could be improved in the following areas:-</p> <ul style="list-style-type: none">• Reviewing the internet and email policy as this has not been reviewed for 3 years, approving this policy and assigning ownership of the policy• Reviewing email usage logs to identify excessive use of the system• Ensuring a contract is in place with the Internet Service Provider for internet services detailing the roles and responsibilities• Locking web browser settings to help ensure that these cannot be amended to weaker settings which could expose the Council to the risk of insecure services entering the Council• Alerting management to suspicious activity on the Firewall system• Implement a separate environment for testing the firewall <p>All findings and recommendations were agreed with Information Governance Officer and members of the ICT DMT.</p>	Extensive	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
ICT Management and Organisation Computer Audit	Feb 2010	<p>The objective of this audit was to assure management that there were sound systems in place to control the use of the Council's ICT facilities. This service forms part of the Resources Directorate and currently managed within four key services - Service Delivery, Customer Services, Service Development and Business Support. The service follows the Council's corporate planning/performance framework. An ICT Service Review was performed in May 2007 which identified the need to establish an ICT competency framework for staff and to restructure the service to deliver customer focused, pro-active services.</p> <p>Overall, we have reported that systems for managing the ICT service are in place. However, controls could be improved in the following areas:-</p> <ul style="list-style-type: none"> • Proactively recruit to fill vacant staff positions and the impact of temporary positions on the budget • Review the responsibility and position for ISO27001 (Information Security standard accreditation). • Consider the completion of an ICT Service Catalogue as part of the Service Improvement Plan along ITIL (IT Infrastructure Library) lines. • Review and continue to monitor ICT KPIs and identify remedial action where performance is not as expected. • Put processes in place to improve how the ICT service maintains customer satisfaction via the Service Desk. <p>All findings and recommendations were agreed with Service Head - ICT</p>	Extensive	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Information Policies and Procedures	Dec 2009	<p>This audit sought to provide assurance that there were sound systems in place to control the use of ICT equipment including some of the policies and procedures in place. There are a number of approaches and processes to Information Security and Information management. Overarching guidance is provided by Information Governance Group (IGG) which includes nominated members from key directorates. There is an Information Security Policy owned and reviewed by the IGG. The policy includes statements on applicability of document and expected controls.</p> <p>Overall, we have reported that systems and procedures providing secure framework are in place. Following recommendations were made:-</p> <ul style="list-style-type: none"> • Consistent policy statements are made across the range of Council policies that control IT working, including reviewing and making references to Home Working, Internet and email and security policy. • Review staff training processes on Information Security and ensure that good practices are reflected. A process to assess staff awareness should also be implemented. • Develop data management protocols including controls over data access, retention, security and disposal. • Review which organisations the Council shares data with and ensure appropriate controls are in place. • Review the use of email encryption in use with the Council and identify where further use can be made of this. • Extend the use of protective marking to other areas of the Council where sensitive information is held. <p>All findings and recommendations were agreed with Information Governance Manager and members of the ICT DMT.</p>	Extensive	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Children's Social Care Commissioning Systems Audit</p>	<p>Nov. 2009</p>	<p>To assure management that the systems of control for the procurement, performance monitoring and paying for children's social care services were sound, secure and adequate. The following issues were reported:-</p> <p>There were sound arrangements in place for the commissioning and formal tendering, however we recommended that because of the risks involved, there should be a system for declarations of interests by relevant staff.</p> <p>The systems in place for checking and approving payments for projects were in accordance with the Council's procedures. However, there were instances where the administration, approval and checking process had been inadequate.</p> <p>There were sound budgetary processes in place but budget meetings needed to be recorded. Generally there was adequate contract monitoring process in place. We have recommended that following the current restructure, an effective management information system should be established that informs management on all areas of the commissioning process.</p> <p>All findings and recommendations were reported to the Acting Corporate Director and were agreed with the Service Head Strategy and Performance.</p>	<p>£1.86M</p>	<p>Substantial</p>

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children's Centres	Dec 2009	<p>This audit was carried out using a regularity audit programme for establishment audits. There are currently 21 Children's Centres in Tower Hamlets. In consultation with the Head of Early Years and Senior Strategic Manager, Internal Audit selected five centres to visit: These were Little Oaks; John Smith; Montefiore; Shadwell and Wapping. Our review found that generally there were adequate procedures in place, but particular attention was needed in the following control area:-</p> <p>Governance arrangements needed to be strengthened to ensure that decision making was clear and transparent.</p> <p>Provision for financial and budgetary information required to be improved so that financial management can be sound.</p> <p>The checking and approving of petty cash expenses, utility bills and treatment of VAT needed improving.</p> <p>Procurement for goods and services required improvement and inventory control should be put on sound footing.</p> <p>All findings and recommendations were agreed by the Head of Children's Centres and reported to Service Head Early Years.</p>	Moderate	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Highways	Feb 2010	<p>This audit sought to provide assurance that the systems of control for developing and managing the highways works programme and individual projects within this programme were sound, secure and adequate.</p> <p>The review found that there were clear policies and procedures for managing the capital programme and projects. There was an adequate control to establish that the programme was developed to meet priorities and was properly costed, funded and approved. There was a transparent process in place for selection of the appropriate contractors to undertake the required works. However, the requirement to ensure that adequate records were maintained to log Declarations of Interest was not adhered to. There were instances where the authorisation of Purchase Orders did not comply with the Authorised signatory list. Projects were being administered, controlled and managed to ensure they were within budget but the completion of schemes may not be within set targets. Financial records required to be in an orderly system to mitigate the risk of prime documents being mislaid or lost. There was some slippage in the programme of works and the action required to address this was formally reported to management and the principal funding body, but the required actions were not formally laid down and may result in continual slippage occurring and loss of funding.</p> <p>All findings and recommendations were agreed with the Service Head – Public Realm.</p>	£2.2M	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Unauthorised Occupants – Follow Up Audit</p>	<p>Jan. 2010</p>	<p>This audit was a follow up audit to a systems review which was reported in June 2008. A Follow-up audit was undertaken as part of the 2009/10 Audit Plan.</p> <p>The Follow-up review found that out of 12 recommendations made in the original audit, 6 recommendations had been implemented. These related to carrying out tenancy audits by all Housing Areas and ensuring an improvement in audit trail to support tenancy audits. A dedicated fraud hotline has now been introduced for reporting unauthorised occupants. Regular meetings now take place with Legal Services to review and monitor the progress in dealing with reported cases. However, some of the key recommendations such as having a clear strategy and policy to control and manage various forms of unauthorised occupants; working jointly with other Council Departments, agencies, RSLs, and Local Authorities to proactively identify unauthorised occupants; and developing an anti-fraud strategy and publicising cases of identified fraud still needed to be fully implemented. In view of the progress made so far in implementing some of the key recommendations, we have assigned an assurance level of 'substantial'. However, we emphasised that further progress needed to be made to improve the control environment.</p> <p>All findings and recommendations were agreed with the Director of Housing and Customer Services.</p>	<p>Moderate</p>	<p>Substantial</p>

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Members Allowances Systems Audit	Feb. 2010	<p>The objective of this audit review was to assure management that the systems for administering, managing and controlling members' allowances and claims for travel, subsistence, etc. were sound, secure and adequate.</p> <p>Overall, there were adequate systems in place for paying and processing of Members' Allowances. However, we found that the Council had published two versions of the Scheme - the intranet version which was last updated in July 2007, showed the rates applicable in that year. Whereas the version on the Council's website was updated in June 2008. We have recommended that both these versions should be reviewed and a single version should be put on both sites. In addition, we found that there were no written procedures for the administration of members' allowances for Members Support staff to follow. We recommended some restructuring of the budget to ensure that the budget for Members Allowances has a dedicated cost centre and object codes so that the spend on different types of expenses can be accounted for and monitored. In 2007/08 and 2008/9, the members allowance budgets were overspent by £51,000 and £24,000, respectively. We have therefore, recommended that a budgetary control and monitoring system be put in place.</p> <p>All findings and recommendations were agreed with the Service Head – Democratic Services.</p>	Moderate	Substantial

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>FLARE (APP Public Protection Audit)</p> <p>Computer Audit</p>	<p>Dec 2009</p>	<p>The objective of this audit was to assure management that there were sound systems in place to plan, control, manage the CIVICA APP (Public Protection System) used for the management of Trading Standards and Environmental Health services at the Council.</p> <p>The Council performs a variety of environment and public protection activities relating to trading standards, environmental health and community safety. These activities are governed by legislation, such as the Environmental Protection Act 1990, the Public Health Act 2006 and the Licensing Act 2003. The Civica APP application is used to support the coordination of these activities, as it provides a central repository for data pertaining to premises, inspections, investigations, resident complaints and service requests.</p> <p>Overall, we have reported that systems for administering, managing, controlling and monitoring the system were in place, but during our testing we found some cases where control could be improved. Our recommendations, therefore, were focused at ensuring that adequate controls exist for the support of the system in the event of unavailability of the current administrator, improving the password and access controls to obtain access to the system and performing a review of all users to help ensure that their access is required.</p> <p>All findings and recommendations were agreed with the Head of Trading standards and Environmental Health.</p>	<p>Moderate</p>	<p>Substantial</p>

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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Seven Mills Primary School	Feb. 2010	<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.</p> <p><u>Main Control Strengths Identified:</u></p> <ul style="list-style-type: none"> • Accounting for Income and Expenditure; • Personnel and Payroll Management; • Security of IT Infrastructure, and Data Protection; • Risk Management and Insurance. <p><u>Main Control Weaknesses:</u></p> <ul style="list-style-type: none"> • Whilst the Scheme of Delegations document had delegated authorisation of orders to the Deputy Head Teacher, Bursar, Office Manager and Budget holders no maximum limit had been specified. • While terms of reference were available for the Finance Committee, these did not exist for the remaining 3 Committees at the school. The Finance Committee meets at least twice a term but there was no evidence that the other Committees meet regularly. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director of Children's Services.</p>	£1.6m	Substantial

Audit Plan 2009/10**Work in progress**

Audit Activity	Audit status
Corporate Systems and Council-wide Reviews	
BV Performance Indicators	Draft Report
Management of Climate Change	Draft Report
Council Wide Debt Management	Draft Report
Contract Management and Monitoring	Draft Report
Absence Management	Draft Report
Risk Management	Field work
Control and Use of Minicabs by Staff	Draft Report
Assistant Chief Executive's	
Charges on Property	Draft report
Working Neighbourhood Fund	Field Work
Mainstream Grants – Strategic Commissioning	Field work
Children's, Schools and Families	
Common Assessment Framework	Draft Report
Management and Control of Surplus Balances	Draft Report
Building Schools for Future – contract audits	Draft Report
ContactPoint Implementation	Audit Brief

APPENDIX 3

CLC	
Budgetary Control	Draft Report
Development and Renewal	
Homelessness	Audit Brief
Management of Planning Permissions	Audit Brief
Tower Hamlets Homes	
Grounds Maintenance – Contract Monitoring FU	Draft Report
Installation of Aerials – Contract Audit	Draft Report
Budgetary Control	Draft Report
Performance Management	Field work
Housing Repairs	Field work
Adults, Health and Wellbeing	
Governance of Pooled Agreements	Field work
Resources	
NNDR	Draft Report
Council Tax	Draft Report
Pensions	Draft Report
Management and control of VAT	Draft Report