

## APPENDIX 1

Assurance level	Significance	Directorate	Audit title
<b>NIL</b>			
	Moderate	Children and Culture	Guardian Angels Primary School
<b>LIMITED</b>			
	Extensive	Place	Client Monitoring of Fire Safety in Residential Dwellings
	Extensive	Place	Management and Control of Electronic Parking Income
	Extensive	Resources	Request for Quotation (RFQ) System
	Extensive	Resources	Debtors Systems Audit
	Extensive	Resources	Right to Work Compliance
<b>SUBSTANTIAL</b>	Extensive	Children and Culture	Outdoor Education Service
	Extensive	Children and Culture	Management of Child Protection Case Conferences Follow Up Audit
	Extensive	Resources	Treasury Management
	Extensive	Resources	Income Maximisation
	Moderate	Governance	Members Training and Induction Follow Up audit
<b>CONSULTANCY AUDITS</b>	Extensive	Governance	Review of Whistleblowing Systems and Procedures

## Nil Assurance Audit

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Guardian Angels RC Primary School	Oct. 2019	<p>This audit was carried out at the request of the Local Authority (LBTH) and the current Executive Head teacher who took up her post on 23 April 2019. The previous Head teacher of Guardian Angels school had been asked to step down following a poor Ofsted inspection. The following issues were raised:-</p> <ul style="list-style-type: none"> <li>• The 2018/19 budget setting and budget monitoring controls were poor which led to budgetary failure for 2018/19 with a significant un-forecasted overspend of £160,000, which was over 10% of annual budget. This deficit is estimated to increase to £300,000 due to unpaid invoices not accrued to 2018/19 financial year.</li> <li>• Governors did not discharge their duties and responsibilities fully to ensure that the School's financial performance was sound. The finance committee did not meet November 2017 and November 2018, even though financial problems became apparent at the full governing board meeting in July 2018 when the 2018/19 budget was considered.</li> <li>• The previous Head teacher failed to ensure sound management of the school's finances. Instead, she elected to process all payments on the school's financial system herself. It was further noted that she required the Acting Senior Admin Officer (SAO) and Admin Officer to pre-sign blank cheques.</li> <li>• There was no evidence that higher value procurement of goods and services had been market tested.</li> </ul>	Moderate	Nil

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Guardian Angels RC Primary School	Oct. 2019	<ul style="list-style-type: none"> <li>• The School's Scheme of Delegation was not being complied with. The post of the "finance worker/bursar", was not filled for some time. A senior teaching assistant was made to act up as Senior Admin Officer without a job description. This officer had not been given any training, or access to the School's financial management system. Instead, the previous Head teacher had sole access to the financial system and she processed financial transactions on the system herself.</li> <li>• There was no evidence of any payroll reconciliations carried out to ensure that salary payments matched budgeted expenditure. The previous Head teacher introduced a scheme whereby certain support staff who normally claimed additional hours for breakfast club/afternoon club cover could claim 2 weeks holiday pay in August and December. This policy was not approved by Governors. The previous Head teacher failed to approve any overtime claims, in breach of the School's Scheme of Delegation.</li> <li>• A number of teaching staff did not have their performance appraisal and review for some time. This in breach of the Education (School Teachers' Appraisal) (England) Regulations 2012; and the School Teachers' Pay and Conditions Document (STPCD). it is possible that these teachers are due the relevant pay increase which has to be funded from the budget.</li> </ul> <p>All findings and recommendations were agreed with the current Executive Head Teacher and the Governing Body. Final report was sent to the Corporate Director of Children and Culture, the Chair of the Governing Body and the RC Dioceses.</p>		

## Limited Assurance Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Client Monitoring of Fire Safety in Residential Dwellings	Sept. 2019	<p>This audit examined the controls in place for the LBTH Client to monitor fire safety arrangements for the 900 residential blocks managed by Tower Hamlets Homes. The Regulatory Reform (Fire Safety) Order 2005 places responsibility on the “Responsible Person” to manage the risk in buildings by carrying out regular fire risk assessments. For LBTH owned residential dwellings, this function has been delegated to Tower Hamlets Homes (THH). However, the responsibility that this statutory function is undertaken effectively rests with the Council through its ALMO Client Monitoring role. The following issues were reported:-</p> <ul style="list-style-type: none"> <li>• Fire Risk Assessments for the Council’s 900 blocks was undertaken in 2016 and a programme of fire safety works amounting to £32.7M was put in place.</li> <li>• LBTH monitors THH’s delegated functions by means of monthly, bi-monthly and quarterly operational and strategic meetings at which fire safety is a standing agenda item. There are also meetings with the Mayor to discuss housing related issues, including an update on fire safety. However, these meetings covered a wide range of topics, and fire safety formed a short part in the minutes. Hence we were not able to fully assess the effectiveness of the monitoring by LBTH of THH fire safety functions. The minutes of these meetings may not always reflect the full extent of discussions. Therefore, we recommended that the quality of monitoring meetings needed to be improved.</li> <li>• There were no written procedures, guidance, templates and tools for the monitoring officer to follow. Client roles and responsibilities were not entirely clear as monitoring appeared to be carried out at different levels by different officers depending on the sensitivity, significance and materiality of the issue. This may increase the risk of duplication, confused accountability and responsibilities. The Council’s corporate procedures and tool kits for monitoring contracts were not being used.</li> </ul>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Client Monitoring of Fire Safety in Residential Dwellings		<ul style="list-style-type: none"> <li>• THH has its own governance arrangements of fire safety functions. Fire Safety Group Meetings are held at THH level. However, it was not clear whether the LBTH Client-side attended these meetings and whether the THH governance around Fire Management has been reviewed by LBTH Client-side.</li> <li>• Fire risk assessment surveys of 900 blocks were carried out in 2016. This identified 9 blocks at substantial risk. However, the Council's Insurance Manager was not informed of the substantial building risks and hence these risks have not been reported to the Council's Insurance providers. The Council's Insurance Team needed to take a pro-active approach in re-assessing Fire Safety risks to Council owned buildings.</li> <li>• THH undertook to carry out inspections to ensure that Fire Risk Assessments carried out in 2016 still remained valid and that no significant fire risks have emerged. However, it was not clear whether such inspections had been undertaken and that the results had been reported to LBTH.</li> <li>• From our examination of reports and minutes of the monthly and quarterly monitoring meetings, it was not clear that THH reported on the progress of the works programme for Fire Safety works on a systematic basis to LBTH.</li> </ul> <p>All findings and recommendations were agreed with the then Interim Divisional Director - Strategy, Regeneration and Sustainability. Final report was issued to the Corporate Director, Place.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management and Control of Electronic Parking Income	Oct. 2019	<p>This audit sought to provide assurance that systems of control and monitoring of parking income received via pay by phone system were sound and secure. In October 2018, the Council entered into a contract for the collection and banking of electronic parking income. The annual income is approximately £5.4 million.</p> <p>The key findings of the audit are summarised below:</p> <ul style="list-style-type: none"> <li>• Testing showed that the Parking team did not currently check and monitor that all income received by the contractor was passed on to the Council intact. Hence there was no assurance that all income collected at the individual parking session level was received by the Council, intact.</li> <li>• Our analysis showed that income was collected from fewer parking locations. There were 334 parking locations from which parking income was collectable. However, income was received from fewer locations than 334 and there was no management investigation to identify reasons for this and for any potential shortfall in income.</li> <li>• To date, over £140,000 in transaction fees (3% of income received) was paid to the contractor due to merchant IDs not being set up for income to be received directly into the Council's account. This payment may have cancelled any savings offered over other bidders during the tendering stage and would require a variation order. There was no evidence provided by the contractor to substantiate that they were incurring the 3% bank charges.</li> <li>• There were no written procedures covering various areas such as electronic parking income, contract management and income reconciliation.</li> <li>• Payment control was weak. Payments were not being made promptly. Contractor was set up late on the creditors system and a duplicate payment of £29,224.55 was made, which has now been refunded.</li> </ul> <p>All findings and recommendations were agreed with the Head of Parking and Mobility Service and Divisional Director, Public Realm. The final report was issued to the Corporate Director, Place.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Request for Quotation (RFQ) System	July 2019	<p>This audit reviewed the systems for requesting to quote (RFQ) for purchases of goods, works and services of up to £100,000. The primary rule is that contracts must be awarded either through RFQ or through a full tender process (above £100,000). Procurement below £100,000 is conducted through the electronic RFQ system viz. Proactis. Corporate Directors are responsible for all contracts tendered, let and managed by their departments. The audit highlighted the following control weaknesses:-</p> <ul style="list-style-type: none"> <li>• There was no segregation of duties and a single officer can perform tasks such as selecting suppliers, writing of specifications, inviting bidders, evaluating bids, selecting a successful bidder and awarding contract without oversight from Procurement or from budget holder/procurement owner. We have therefore, recommended a mandatory requirement to complete and upload a Contract Award Instructions Form with key procurement details, signed by the RFQ user and budget holder.</li> <li>• Currently there is no system for Corporate Procurement to be notified before a procurement starts. Where corporate contracts are already in place or where there is potential non-compliance with procedures, these cannot be identified by Corporate Procurement until after the RFQ is concluded, by which time there is already a contractual commitment.</li> <li>• Specification templates had not been completed in 4 procurements out of a sample of 21. An absence of specification increases the risk that goods, services and works required from the suppliers are not described clearly and unambiguously.</li> <li>• The current system allows evaluation to be carried out by a single officer. We have recommended that bids over £50,000 are evaluated by two officers to ensure objectivity, transparency and fairness, and that evidence is kept to support this.</li> </ul>	Extensive	<p>Limited (Directorates)</p> <p>Substantial (Corporate Procurement)</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Request for Quotation (RFQ) System		<ul style="list-style-type: none"> <li>• We reported a number of non-compliance issues. Such as spend of £287K on Transport Management Consultancy and £440K on Property Acquisitions consultancy should have been carried out using the formal competitive tendering process, but instead the RFQ system was used. In 1 case, although a Council contract was in place, the procurement owner had commissioned the same supplier through the RFQ system. We noted that similar non-compliance issues had been reported by the Head of Procurement to the Procurement Board annually. However, it was not clear as to what action, if any, had been taken by the Board. We have, therefore, recommended that the Procurement Board receives at least quarterly reports and actively holds to account Directorates that repeatedly fail to comply with the policies and procedures.</li> </ul> <p>All findings and recommendations were discussed with the Head of Procurement and final report was issued to the Corporate Director, Resources.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Debtors Systems Audit	Oct. 2019	<p>This audit sought to provide assurance as to whether the systems of control around the Sundry Debtors system were sound, secure and adequate. As at May 2019, the value of invoices raised since April 2018 was £110 million. At the end of the 2018/19 financial year, £22 million was outstanding, a collection rate of 77%. The value of cancelled invoices as at 1 May 2019 was £1.75m. The following issues were reported:-</p> <ul style="list-style-type: none"> <li>• Documentation to support the recovery action taken is not always retained on file as per the debt recovery policy.</li> <li>• For the outstanding debt on Commercial Rents, a Commercial Rent Monitoring is in place to discuss case progression and the necessary action that should be taken. The terms of reference require the group to meet on a monthly basis. However, testing showed that the Group did not meet every month.</li> <li>• One overpayment of salary was written off as 'unenforceable', but this was not the case and it should have been written off under a different code.</li> <li>• All write offs were completed on a quarterly basis and in a timely manner. Write offs are prepared separately based on whether the invoice was raised in Agresso or Civica. It was noted that the July 2018 Agresso certificate was not dated by the relevant director.</li> <li>• It was confirmed that 4 recommendations made in 2017/18 audit, had not been implemented due to the intended changeover from Agresso to Civica by the end 2018. Given that these recommendations (one high and three medium) remain outstanding and that the associated risks will not be addressed until the new system is implemented, this has resulted in the Limited Assurance opinion with regards to design of the controls.</li> </ul> <p>All findings and recommendation were discussed with the Head of Revenue Service and final report was issued to the Corporate Director, Resources.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Right to Work Compliance	Oct. 2019	<p>This audit reviewed the systems for the management and control of Right to Work and Certificates of Sponsorship. Section 15 of the Immigration, Asylum and Nationality Act 2006 places a responsibility on all employers to prevent illegal working. This is done by carrying out right to work checks as set out in the Home Office guidance “An Employer’s Guide to Right to Work Checks. The Council could receive a civil penalty of up to £20,000 per worker, if there is failure to conduct the prescribed checks. The following issues were reported:</p> <ul style="list-style-type: none"> <li>• Our testing of 30 new starters showed that there was no evidence that the “right to work” checks set out in the Home Office guidance “Employer’s Guide to Right to Work Checks” had been carried out. The Right to Work check list provided by the Home Office is not used to document the checks, nor were the scanned images annotated with the prescribed declaration appropriately in accordance with the guidance.</li> <li>• The Council as a licensed sponsor of migrant workers was not meeting its record keeping and reporting duties. Further, there was insufficient or no evidence that a full resident labour market test in accordance with UK Visas and Immigration rules had been carried out in any of the 4 cases tested by Internal Audit. This increases the risk that the Council may have its sponsorship licence revoked.</li> <li>• User access to the Sponsorship Management System is not well controlled. The current number of 13 users is deemed excessive; at least 2 users who still have access to the system were no longer involved in sponsorship administration.</li> </ul> <p>All findings and recommendations were agreed with the Interim Head of Business Support and final report was issued to the Corporate Director – Resources.</p>	Extensive	Limited

## Substantial Assurance Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Outdoor Education Service	July 2019	<p>This audit sought to provide assurance that systems and procedures for the provision of Outdoor Education Service were sound and secure. The team, based at Mile End Park offers young people an opportunity to broaden their horizons by developing key capabilities such as leadership, teamwork and self-motivation. The service delivered some 163 outdoor education sessions during 2018/19 and generated an income of £71,000 approximately. The budget for 2019/20 was set at £363,500. The following key findings were reported at the conclusion of audit:-</p> <ul style="list-style-type: none"> <li>• Procedures were in place to guide officers responsible for providing the activities. Officers working with young people were all found to be DBS checked. Up to date risk assessments were in place for the activities carried out and annual inventory checks were carried out by the service.</li> <li>• Our testing showed that 17 (81%) of the 21 officers in the establishment as at 28<sup>th</sup> February 2019 had not completed a declaration of interest (DOI) form, which is corporate requirement.</li> <li>• Testing of 10 expense claims made by staff showed that the claim forms could not be fully reconciled to the supporting receipts. In addition, a number of claims were for supplies and not bona fide expense claims. VAT was not claimed back on the expense claims which contravenes the Council's policy for expense claims which are meant for travel, subsistence, out of pocket and disturbance allowances.</li> </ul> <p>All findings and recommendations were agreed with the Outdoor Education Manager, and Head of Sports . Final report was issued to the Divisional Director - Culture, Learning and Leisure and Corporate Director- Children's and Culture.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Child Protection Case Conferences  Follow Up Audit	Sept. 2019	<p>This follow up audit assessed the progress made in implementing the recommendations made at the conclusion of the original audit on this subject finalised in June 2018. Our testing showed that out of 6 recommendations made in the original audit, 3 had been implemented, 2 had been partially implemented, and 1 had not been implemented. It was concluded that controls in some key areas had not yet been fully embedded. The following findings were raised:-</p> <ul style="list-style-type: none"> <li>• We noted that a stand-alone episode for inviting professionals to the conference was delayed due to changes necessary in the FW-I system. The system went live on 22 July 2019. However, our testing of 10 cases during the period May and June 2019, identified that in 5 cases the invitation lists could not be located in FW-I.</li> <li>• There was still a high incidence of social workers submitting pre-conference reports well outside the required time scales. Our testing of cases in May and June 2019, showed that in 6 out of 9 relevant cases, the pre-conference report was either late or not on file.</li> <li>• Attendance lists were still not consistently uploaded. We found that in 4 out of 10 cases, attendance lists could not be located. Testing of 10 recent conferences showed that in 8 out of 9 relevant cases, it had been recorded that the chair had met the parents/carers before the conference.</li> <li>• A section on advocacy has also been included in the new CP conference form. However, we found that in 5 out of 8 relevant cases there was no evidence of advocacy</li> <li>• The overall level of compliance for the areas tested in this follow up review has increased from 38% (April 2018 – original audit) to 69% (June 2019).</li> </ul> <p>All findings and recommendations were agreed with the Divisional Director Children’s Social Care. Final report was issued to the Corporate Director – Children’s and Culture.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	Oct. 2019	<p>This audit sought to provide assurance that the systems of control within the Treasury Management function were sound, secure and adequate. The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow, imposes a duty on local authorities to determine an affordable borrowing limit and it provides a power to invest. The Council expects to hold total investments of £400m and borrow a total of £82.3m with external financial institutions during 2018/19. From our testing of systems, we reported the following key issues:-</p> <ul style="list-style-type: none"> <li>• We noted that reconciliations between Agresso and the Treasury System were not signed off by the preparer (and reviewer) since August 2018.</li> <li>• The most recent Counter Party Credit List was not used prior to making investment decisions. We also noted that User privileges prescribed within the Treasury Management Procedure Notes did not include financial delegations for individual officers and privileges given to users were not in line with the privileges prescribed within the Treasury Management Procedure Notes and there was inadequate segregation of duties.</li> <li>• It could not be confirmed whether due diligence was conducted before entering into investments. It was observed for two investment transactions that there was only one authorisation on the Deal Confirmation and CHAPS Authorisation printout whilst under the procedures there should be two.</li> <li>• Where money was borrowed by the Council, Loan Confirmation Letters were not retained for future reference for seven out of a sample of ten cases tested.</li> </ul> <p>All findings and recommendations were agreed with the Head of Strategic Finance. Final report was issued to the Corporate Director of Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Income Maximisation Project	Oct. 2019	<p>This audit sought to provide assurance that the Project was delivering its key objectives and outputs. We noted that there was a Project Board in place, which reported to the Transformation Board. An approved business case was in place to increase income by £2m p.a. from April 2017 from work streams such as improving in-year collection of income, improving collection of arrears, identifying fraud/error etc. The benefits tracker was regularly reviewed and the savings targets of £3m per annum, for 2017/18/ and 2018/19, were revised to £1.5m annually. The following key issues were reported:-</p> <ul style="list-style-type: none"> <li>• The change in personnel caused some continuity issues in terms of governance - with important documentation either not developed, missing or not being appropriately disseminated or approved.</li> <li>• A single Project Initiation Document (PID) was not compiled in accordance with Council requirements which require the PID to be presented to the Programme and Transformational Boards for approval. In addition, a detailed project plan was not in place, instead, some alternative documentation was being used to manage and monitor progress .</li> <li>• Timelines for key activities and milestones were being revised a number of Times , and the rationale for these changes and rectification action was not clearly documented.</li> </ul> <p>All findings and recommendations were discussed with the Head of Revenues and final report was issued to the Corporate Director, Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Members Training and Induction</p> <p>Follow Up audit</p>	<p>Oct. 2019</p>	<p>This was a follow up audit to assess the progress made in implementing the recommendations made in the original report finalised in November 2018. Testing identified that of the 5 medium priority recommendations made in the original audit, 2 have been partly implemented, 1 remained outstanding and 2 were no longer applicable. The key findings raised are as follows:-</p> <ul style="list-style-type: none"> <li>• The Council has not formally adopted the LGA Charter and Charter Plus for Councillor development as LGA are reviewing the Charter Mark. We have recommended that the Council should consider formally adopting the LGA Charter and Charter Plus following the LGA review and take a strategic approach to member development and training.</li> <li>• We were informed that there was no appetite to form a cross-party member group with a named Member and officer to lead on training and development. The Democratic service has started engaging with the group political officers who will then liaise with their Members in building the programme of future training sessions.</li> <li>• Our testing of a sample of seven training sessions delivered during the period April 2019 to June 2019 showed that no evaluation forms were completed by attendees for any of those seven training sessions. Management informed that the service has now reverted to hard copies training evaluation forms since August 2019 since the online evaluation forms were not being completed and returned.</li> <li>• Our testing showed that not all Members had a Performance Development Plan to identify their training needs since September 2018 to date.</li> </ul> <p>All findings and recommendations were agreed with the Committee Services Manager. Final report was issued to the Corporate Director – Governance.</p>	<p>Moderate</p>	<p>Substantial</p>

## Consultancy Audits

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Review of Whistleblowing Procedures	June 2019	<p>This was a consultancy audit undertaken at the request of the Corporate Director of Governance, who wanted to seek assurance that the current procedures for administering and managing whistle blows received through the Monitoring Officer's inbox were efficient, effective and fit for purpose. The Council's Whistleblowing Policy and Procedure were last reviewed and agreed by Audit Committee on 16<sup>th</sup> November 2017. All council employees (including permanent and temporary staff) can use the policy. The policy also covers agency workers, employees seconded to the council and contractors working for the council. The following key control issues were identified from our review:-</p> <ul style="list-style-type: none"> <li>• We noted that the published process on Council's website enables anyone to raise concerns which they believe are in the public interest. This is at variance with the existing approved Whistleblowing policy and procedures. Audit testing confirmed that during the period 4<sup>th</sup> June 2018 to 7<sup>th</sup> February 2019, 113 cases had been sent to the Monitoring Officer. Of these, only 8 cases (7.0%) were assessed as raising whistle blows worthy of further investigation. The remaining were complaints or other concerns, but not whistleblows.</li> <li>• Audit testing confirmed that a complete audit trail did not exist for the forms/reports of whistle blows received during the period 16<sup>th</sup> November 2017 to 12<sup>th</sup> April 2018 and that it is likely that these forms/reports/emails had been deleted.</li> <li>• The current Whistleblowing Policy and processes have not been reviewed since they were approved in November 2017.</li> </ul>	Extensive	N/A

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> <li data-bbox="577 320 1650 587">• There were no written internal procedures for administering, processing, approving and monitoring whistle blow reports to ensure that those officers processing the cases have clear guidance on their roles, responsibilities and limitations. We noted that a clear separation of duties needed to be introduced to ensure that the administration officers who open up the whistle blow reports/emails do not take part in decision making or decision executing process. In addition, officers undertaking these duties have not received appropriate training to manage the process efficiently and effectively.</li> <li data-bbox="577 627 1650 893">• The Whistleblowing Register was being maintained to log whistle blow concerns received in the Monitoring Officer inbox. However, this register was not being kept up to date. For example, testing identified 6 Whistleblowing report forms which had been emailed to the Monitoring Officer and duly processed between March 2018 and April 2018, which had not been recorded in the Whistleblowing Register. In addition, 18 whistleblow forms had been processed during the period February 2019 to March 2019. However, the Whistleblowing Register had not been updated with this information.</li> </ul> <p data-bbox="577 933 1650 1023">All findings and recommendations were agreed with the Legal Advisor and Deputy Monitoring Officer. Final report was issued to the Corporate Director, Governance.</p>		



