


<p><i>Non-Executive Report of the:</i> Audit Committee <i>20th September 2016</i></p>	 <p>TOWER HAMLETS</p>
<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 and Bharat Mehta</i>
Wards affected	<i>All wards</i>

REASON FOR URGENCY

The reason the report was unavailable for public inspection within the standard timescales set out in the Authority's constitution because the initial draft report needed to be updated to reflected management comments and audit findings following the preparation of the initial draft. It is important the audit committee has an up to date understanding of the internal controls environment and the planned management action to allow it to appraise the Council's control environment.

The Chair of the Committee is satisfied that the report cannot be deferred to the next meeting on the 8th November 2016 as this would mean that that Committee will not be able to approve the draft Annual Governance Statement to meet the statutory deadline of 30 September. The findings arising from the quarterly assurance report and the annual risk report are also considered alongside the Annual Governance Statement.

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period June 2016 to August 2016.
- 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 within the authority.

4.2. Direction of Travel

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

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

5. Overview of finalised audits

- 5.1. Since the last Assurance Report that was presented to the Audit Committee in June 2016, twenty seven 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 (A) provides a brief summary of each audit.
 - Appendix 2 (B) provides a summary of our review of the Award of Concession Contracts for Ice Cream Pitches.
 - Appendix 2 (C) provides a summary of the Youth Services review.
- 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	-	17	2	-	19
	Moderate	-	6	2	-	8
	Low	-	-	-	-	-
Total Numbers		-	23	4	-	27
Total %		-	85%	15%	-	100%

- 5.4. From the table above it can be seen that of the nineteen finalised audits which focused on high risk or high value areas; seventeen were assigned Substantial Assurance and two were assigned Limited assurance. A further eight audits were of moderate significance and of these six were assigned Substantial Assurance and two were assigned Limited Assurance.
- 5.5. Overall, 85% of audits resulted in an adequate assurance (substantial or full). The remaining 15% of audits have an inadequate assurance rating (limited or nil).

6. Performance Indicators

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

Performance measure	Target	Actual
Percentage of Audit Plan completed up to the quarter to June 2015	20%	20%
Percentage of Priority 1 Audit Recommendations implemented up to July 2016 by Auditees at six monthly follow up audit stage	100%	92% 11 out of 12
Percentage of Priority 2 Audit Recommendations implemented up to July 2016 by Auditees at six monthly follow up audit stage	95%	88% 15/17

- 6.2. The percentage of priority 1 recommendations implemented at the follow up stage was 92%, whereas the percentage of priority 2 recommendations was 88%. Details of priority 1 and priority 2 recommendations not implemented are set out in Appendix 3. Further to the usual escalation actions to the relevant Corporate Director and Service Heads, the Corporate Director - Resources has also been informed.

7. Comments of the Chief Finance Officers

- 7.1. This is a quarterly noting report covering the period June 2016 to August 2016 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. Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the

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

9. One Tower Hamlets

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

10. Best Value Implications

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

11. Risk Management Implications

- 11.1. This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

12. Sustainable Action for a Greener Environment (SAGE)

- 12.1. There are no specific SAGE implications.

13. Crime and Disorder Reduction Implications

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

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Tower Hamlets Homes	THH Major Works – Systems Audit
	Extensive	Tower Hamlets Homes	Corporate Health and Safety
	Moderate	Children’s Services	Langdon Park Secondary School
	Moderate	Children’s Services	Stewart Headlam Primary School
SUBSTANTIAL	Extensive	Law, Probity and Governance	Registrar’s Office
	Extensive	Resources	Creditors
	Extensive	Resources	Pensions
	Extensive	Resources	Emergency Grants Funding
	Extensive	Resources	Bank Reconciliation Follow Up Audit
	Extensive	Resources	Enforcement and Tracing Service (Bailiffs) Contract Monitoring
	Extensive	Resources	Risk Management – Follow Up Audit
	Extensive	Resources	Back Office Revenue Collection and Processing
	Extensive	Resources	VAT Follow-Up
	Extensive	Tower Hamlets Homes	Right to Buy Follow Up Audit
	Extensive	Tower Hamlets Homes	Specialist Repairs Contracts
	Extensive	Tower Hamlets Homes	Major Works – Follow Up Audit
	Extensive	Children’s Services	Children Missing Education
	Extensive	Adults Services	Recovery of Unspent Funds From Individual Budgets for Adults Social Care
	Extensive	Corporate	Compliance with Transparency Code 2015
	Extensive	Corporate	Efficiency Savings
	Extensive	Development and Renewal	Risk Management – Follow Up Audit

Assurance level	Significance	Directorate	Audit title
	Moderate	Communities, Localities and Culture	Poplar Mortuary
	Moderate	Children's Services	St. Agnes Primary School
	Moderate	Children's Services	St Matthias Primary School
	Moderate	Children's Services	St Anne's Catholic Primary School
	Moderate	Children's Services	Marion Richardson Primary School
	Moderate	Children's Services	Thomas Buxton Primary School

**Summary of Audits Undertaken
Limited Assurance**

APPENDIX 2 (A)

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Major Works Systems Audit	June 2016	<p>Major works are usually large ‘one-off’ projects designed to extend and improve the life of a building, and could include the replacement of old windows or the replacement of a broken lift. They are typically payable under the terms of leaseholders’ agreements with the Council. Recent major works projects have included the Decent Homes Programme, and the ongoing Planned Maintenance Programme. Where works are carried out on buildings in which leaseholder properties are located, the leaseholders are liable for a proportion of the costs incurred. The objective of this audit was to provide assurance on the effectiveness and adequacy of the systems and controls THH has put in place for the management and control of Major Works.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> ● In 16 of 20 cases tested, it was noted that a S20 notice was not issued to the leaseholder within 10 days of receiving the request for consultation from the THH Property Services team. In addition, it could not be confirmed that the S20 notices issued had been reviewed independently by a second officer before being sent to the leaseholder, as the notices are not currently signed and dated following review. ● Consultation meetings had not always been held in a timely manner, following the issuing of the Section 20 notice. ● Of the 13 relevant policies and procedures in place, 10 had not been reviewed within the past 12 months to confirm that they were up to date. ● The teams have experienced issues around lack of co-ordination and information sharing, and this has created inefficiencies in working to achieve the major works targets. ● The Resident Liaison Teams are currently not made aware of which flats in the blocks have not yet been surveyed by the contractor. In addition, the reports produced by the contractors do not indicate whether the residents 	Extensive	<p>Limited</p> <p style="text-align: center;">←</p>

		<p>require additional support, due to any disabilities or other needs.</p> <ul style="list-style-type: none"> ● A target timeframe has not been set for reviewing the leaseholder accounts regularly and in a timely manner, in order to identify the status of arrears. In eight cases out of 20 tested, it was found that leaseholder arrears for major works had not been appropriately actioned for recovery on a regular basis. ● From a sample of 20 cases examined, it was found that none of the Understanding Residents Needs (MOLESD) forms tested were signed by the contractor responsible for visiting the property to identify any vulnerable residents. ● In seven out of 20 cases tested, the leaseholder liability table was either not dated by the preparer, or was not signed and dated by the reviewer to confirm that a review had been completed. ● As a result of testing a sample of 20 cases, severe delays were found in the implementation of the 2014/15 Major Works Programme such that, in all cases tested, the works were still not 100% complete and a practical completion certificate was yet to be issued. ● In addition, due to the delays in the practical completion of the 2014/15 Major Works Programme, breakdown of final accounts could not be sent to the Quantity Surveyors Team Leader for the audits of these sample of blocks to take place. We were also informed that none of the blocks under the Major Works Programme 2014/15 have been audited as the breakdown of the final accounts have not been received. <p>All findings and recommendations were agreed with the Head of Property Services and Acting Head of Leasehold Services and reported to the Chief Executive (THH).</p>		
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Management Comments


Revised consultation procedures are now in place.

Closer working with the leasehold teams and joint meetings occur each week to ensure information is shared and up to date. Meeting with both teams take place every Wednesday.

The internal program is now completed. Block surveys are now undertaken for external major works only and these are now achieved via consultant surveyors.

The process for identifying vulnerable residents for major works has been reviewed. We have identified the need to include housing staff to provide the information before surveys. Those residents identified as vulnerable and requiring works will be individually assessed by THH staff using the MOLESD form which is/will be signed and dated in line with the procedure. Contractors will not be required to undertake this task.

Final accounts are being actively managed through to completion. Future programs will be smaller in scale and will be more closely managed. Consultants have been instructed to ensure paperwork is properly signed and action reports on contractor progress are provided every month.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
THH Corporate Health and Safety	July 2016	<p>Tower Hamlets Homes (THH) is responsible for ensuring a safe and healthy workplace in accordance with the Health and Safety at Work Act 1974. A new accident reporting system has recently been introduced, supplied by the firm Santia. Health and safety compliance is monitored via dashboard reporting and meetings of the bi-monthly Health and Safety Forum which is used to discuss and monitor actions from previous meetings, recent issues, and forward planning. This audit was undertaken as part of the agreed 2015/16 Audit Plan and the scope covered the administrative buildings and facilities, but did not cover the inspections or reviews of rented and leased streets, grounds or properties for which THH is responsible (as these are covered by other audits previously undertaken or planned for the future, in dedicated audits such as Gas Installation, Water Tests, Highways, and Grounds Maintenance).</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • A tracker spreadsheet is maintained to monitor the training courses that have been attended by all staff. However, the log is incomplete and it is therefore not possible to know whether all staff have attended the necessary training for their roles. In addition, it was not possible to ascertain whether the appropriate training has been undertaken by the appointed fire marshals and first aiders. • There is currently no schedule of inspections in place and therefore inspections may not be carried out at the required regular intervals which may lead to failure to identify and prevent incidents. In addition, there is not currently any formal procedure for raising health and safety issues and no log is currently kept of all issues that have been raised, thus providing no means of tracking progress or following up these issues. • It was seen that investigation forms had only been completed by managers for five of the 20 cases that were tested. It was confirmed that an accident log is currently kept. However, this is incomplete and is not up to date. 	Extensive	Limited 

		<ul style="list-style-type: none"> It was confirmed that health and safety reports are only sent to the Board on an annual basis. <p>All findings and recommendations were agreed with the Head of Health and Safety and Head of Property Services and reported to the Chief Executive (THH).</p>		
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Management Comments

Work is ongoing to develop the incident reporting system. A meeting has been held with Santia, the organisation collecting incident information and compiling reports to ensure a full understanding of contract agreement and service delivery.


Incident investigations have been included in the dashboard presented to the Health and Safety Forum and EMT. Entries have been made on News & Views to raise awareness to the important of incident reporting.

A paper was presented to the Executive Management Team in July 2016 outlining a new governance structure and work is ongoing to develop the structure. The Health and Safety Forum will remain the strategic lead for THH and risk-based directorate meetings will be set up, commencing October 2016 to manage health and safety at a local level. Thereafter, the Health and Safety Forum will meet three monthly and all meetings will be co-ordinated to allow Directorates to report upwards.

Special groups are being set up to ensure high risk areas such as Fire Risk Assessment and Asbestos are managed effectively.

The new style dashboard has been drafted and presented to the August Health and Safety Forum and will, subsequently, be presented to the EMT. This provides a higher level report.

An Improvement Plan for THH Health and Safety will be developed in time for the October Forum

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Langdon Park Secondary School	June 2016	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The school has a Full Governing Body and a Finance and Resources Committee, which have overall responsibility for financial planning and control. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • From examination of a sample of five higher value purchases above £5,000, there was no evidence that alternative quotes had been obtained in two cases. In addition, there was no evidence that the basis of supplier selection had been documented. • The School was unable to confirm whether the leases examined were classed as 'Operating' or 'Finance' leases. Furthermore, there was no evidence that Local Authority advice was sought when entering into the contracts and leases. • For a sample of 10 purchases the following was identified: <ul style="list-style-type: none"> - For three out of nine applicable transactions there was no evidence that the purchase order had been signed as authorised. - In four cases there was no evidence that a goods or services received check had been carried out. - In one instance it could not be confirmed that the invoice had been authorised for payment. - For two transactions, the same signature was evident on all the ordering and payment documentation. As such full segregation of duties could not be confirmed in these instances • From a sample of 10 petty cash purchases the following was identified: <ul style="list-style-type: none"> - in three instances the claimant had not signed the petty cash voucher. - in seven transactions the voucher amount approved was over £20 (suggested limit for budget holders). • From a sample of six new starter files tested the following issues were noted: <ul style="list-style-type: none"> - In one instance a new starter form to evidence when key documentation had been checked was missing from the file. - In two instances documentation to evidence right to work was not held 	Moderate	Limited 

		<p>on file.</p> <ul style="list-style-type: none"> - In two instances documentation to evidence two work references had been obtained was not held on file. - In one instance documentation to evidence only one valid work reference had been obtained was held on file. - In one instance documentation to evidence a medical check had been completed was not held on file. - In one instance documentation to evidence job acceptance or a signed employment contract was not held on file. <ul style="list-style-type: none"> • From examination of the declaration of business interest forms the School held on file, audit noted that a number of staff members who attended both full Governing Body and/or Committee meetings did not have a declaration of business interest form on file. It was also established that while full Governing Body meetings had a standing agenda item for declaration of interests, this was not evident in the various committee meeting minutes. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors.</p>		
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Management Comments

The Schools Finance Manager discussed and provided options of additional support which the School could consider; such as providing a bursar service to review and support the school to implement the recommendations or commissioning an independent consultant to support the improvement in all key findings. Additional/refresher information has also been provided to the School on the guidance/procedures that need to be adhered to.

In June 2016, the School have commissioned an external finance support following the departure of their bursar, a structured review of their current documentation and processes is been reviewed, including an action plan, with key time scales for improvement. This will aid the School to implement the recommendations from this audit.


Additionally further general support action has included or will include:

- News bulletins provided to all Schools which are used to encourage good practice in Schools to support operational procedures.
- Termly director's reports to Governors include good financial management practices which Schools should follow.
- The Schools Business Managers' forum includes advice on actions to improve Audit outcomes through more self- assessment and peer to peer reviews.
- Audit check lists circulated to all Schools.

- Governors training to be provided in the Summer term.

The School have acted immediately and agreed to complete all actions within a defined timeframe. The School and the Governing body are fully committed to the recommendations made in the Audit report and will:

- be tracking all actions within the timeframe stipulated in the report, including evidence of the actions taken.
- confirm additional steps that the School are planning to take in light of the audit findings.
- take immediate action in mitigating exposure to risks arising from weaknesses in the control environment.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stewart Headlam Primary School	July 2016	<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"> • A written Disaster Recovery Plan should be created and could include areas such as arrangements for restoring data and access to systems, alternative working arrangements/locations, as well as protocols to be followed in the event of an emergency. • Orders should be raised prior to making procurement card purchases, and should be appropriately certified. A separate member of staff should review the procurement card statements to provide segregation of duties. • The School's Scheme of Delegation and Finance Procedures should be reviewed and updated to ensure that all financial limits for procurement are clearly stated as well as who the designated responsibility lies with. • Declaration of pecuniary interest forms should be completed by all relevant staff members and governors as soon as possible. Governors should be asked to declare any interests at the beginning of full Governing Body meetings and this should be minuted. • The Policy Log should be reviewed and any errors or omissions corrected as soon as possible. • All reconciliations should be signed by both the School Business Manager on the preparation of the reconciliations and by the Head Teacher on the checking of the reconciliations. • The School should seek to obtain alternative quotes for higher value purchases. Ongoing use of particular suppliers should be reviewed to confirm whether this represents best value (compared to other similar suppliers). If long term value for money can be demonstrated, the School 	Moderate	Limited 

		<p>could consider creating an 'approved supplier list for times where urgent or emergency works are needed, and seek Governing Body approval.</p> <ul style="list-style-type: none"> • End of journey statements should be prepared and presented to Governors. These statements should include summaries of the income, expenditure and any net surplus/deficits incurred from the journey. • Invoices should be paid within 30 days of being raised. If an invoice is being queried (leading to a delay in payment), this should be annotated on the respective invoice. Invoices should be retained for future reference. • All income should be banked in a timely manner. The insurance policy should be reviewed to confirm whether the safe limit should be amended to a more practicable amount. • A formal equipment loan form should be created that tracks the asset make, model & serial number, requires authorisation by a delegated officer, an annual inspection and an explanation regarding the staff member's responsibility for insurance and safekeeping of the asset. • Employee application forms should be hand-signed by the applicant. <p>All findings and recommendations were agreed with the School Business Manager and Head Teacher and reported to the Chair of Governors.</p>		
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Management Comments

The Education, Social care & Well-being Finance Directorate have put the following systems and processes in place:-

- Internal audit reports on schools are now a regular item on the DMT agenda for discussion.
- Internal audit reports are used by schools Finance team to feed into systems to determine schools requiring priority support.
- Internal Audit assurance rating is used to target specific support to schools.

In addition, necessary intervention is put in place by Schools Finance to assist and support schools in improving governance, financial management and control in specific areas of business activities.

Comments:

The school have acted immediately and agreed to complete all actions with a defined timeframe.

The school and the governing body are fully committed to the recommendations made in the Audit report by:

- by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate
- confirming 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


Schools Finance manager has provided additional support to schools, via a bursar service to review and support the school in its recommendations with additional signposting them to the guidance procedures to follow.

Additionally further action included:


- News bulletins are used to encourage good practices in schools to support operational procedures
- Termly director's Report to Governors includes good financial management practices to follow.
- Schools business managers forum included actions to improve their Audits through more self-assessment.
- Audit check list was circulated to primary's (see attached)

It's proposed a member from schools finance, Audit, HR and learning and achievement will meet with the Head and Chair of Governors to support and ensure the recommendations are completed to a high standard.


Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Registrar's Office	June 2016	<p>The objective of this audit was to provide assurance on the effectiveness and adequacy of the systems and controls LBTH has put in place for the management and control of the Registrar's Office (Register Office).</p> <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. The Registration Service is governed by the General Register Office (GRO), a department within Immigration and Passport Services (IPS) at the Home Office. Over time, the Home Office has gradually released more of its registration responsibilities to local authorities. In October 2013, a review was conducted in order to assess the staffing of the service, its income sources, costs, systems, and position in the marketplace. This resulted in a proposed restructuring and business plan, which was hoped to be implemented during 2014/2015 with additional services and revised service charges. This has been a protracted process and has yet to be completed but will be fully introduced during 2016/2017.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> ● Business Support Officers do not cross-check the daily cash sheets, detailing the income received on a daily basis to the individual receipts prior to reconciling them. ● Appropriate records are not maintained for all birth, death and marriage certificates issued or spoiled. Testing was undertaken for a sample of 20 cases of which five related to spoiled certificates and 15 to issued certificates. Issues were found in two of the five cases; it was determined that in one of five cases of spoiled certificates it was not possible to 	Extensive	Substantial 


		<p>determine the officer responsible for the spoiled certificate. In one out of five cases there was no record of whether the certificate spoiled was a birth, death or marriage certificate.</p> <ul style="list-style-type: none"> ● Reconciliations undertaken are not signed by the preparer and they are not signed and dated by the reviewer. ● Segregation of duties is not in place when placing orders using the corporate card and records in relation to the orders placed are not maintained. Items which could be purchased using Office Depot have been purchased using the corporate card, for which no documented scheme of delegation exists. ● There is no documented Scheme of Delegation in place in respect of payments using the corporate card. ● The process of collecting cash and recording it on the daily cash sheet was observed. It was established that two different members of staff were present; one member of staff individually counts the cash under no supervision while the other member of staff inputs the information on the daily cash sheet. <p>All findings and recommendations were agreed with the Superintendent Registrar Head of Registration & Citizenship and reported to the Corporate Director, Law, Probity and Governance.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Creditors	June 2016	<p>This audit was undertaken as part of the 2015/16 agreed internal audit plan.</p> <p>The Creditors function is concerned with processing of invoices received by the Council for payment, including confirming that these have been appropriately ordered, goods and services received and certified, prior to making prompt payment.</p> <p>The Creditors system is managed using the Council's financial ledger system, Agresso Business World (ABW), which was introduced from the beginning of the 2013/14 financial year. This records purchase orders, invoices, receipting of goods and services, and payments, and uses workflows to manage requests for approvals. There have been over £27m worth of invoices paid / received by the Council since April 2015. In addition, there have been over £326m in CHAPS payments made in the same period.</p> <p>The Council also uses an electronic procurement system, Requisition to Pay (R2P), which enables suppliers to set up and maintain online price lists or catalogues for officers to use in procurement to raise purchase orders. R2P also sends e-orders to, and receives e-invoices from suppliers, and allows suppliers to request amendments to be made to the records of their details as held by the Council. Any transactions or changes to standing data made online are then fed through into the workflows of the financial ledger system for approval.</p> <p>The audit was designed to provide assurance to management as to whether the systems of control around the Creditors system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Amendments to supplier details are not always supported by adequate documentation to evidence and explain why the amendment was requested. In addition, the checks that have been made prior to the amendment are not always evidenced, and there is no independent checking of changes made after the event. • There is no formal system in place for disabling the access to the system 	Extensive	Substantial 

		<p>of employees who have left the Council's employment. In addition, there are a large number of parked accounts.</p> <ul style="list-style-type: none"> • VAT is not always being correctly accounted for. • In the event that the Assistant Accountant is absent from work for lengthy periods, KPI reports are not produced for discussion at the Finance Management Team meetings. • There was no documentation in place in respect of the general ledger to the BACS payment run reconciliation procedures. • The independent check undertaken in respect of reconciliations is inadequate since errors are not always identified. In addition, the dates appended to the sign-off of the independent check do not appear to be accurate. • Although BVPI reports are being produced, they do not indicate specific cases that are not meeting the target of being paid within 30 days. <p>All findings and recommendations were agreed with the Financial Systems Manager and reported to the Corporate Director of Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pensions	July 2016	<p>The Pensions function is responsible for the administration of the Council's pension scheme. Employees of the Council up to 75 years of age, who have a contract of more than three months duration, are entitled to join the Local Government Pension Scheme (LGPS). Decisions on delegated provisions are agreed by the Pensions Committee. The LGPS is a contributory scheme, whereby the employees contribute from their salary. Employees automatically become members of the Council's pension scheme unless they choose to opt out in writing. The scheme is contracted out of the State Second Pension (S2P) and National Insurance contributions are accordingly payable at the reduced, contracted out rate. A contracting out certificate is in force. Employees who choose not to join the pension scheme remain members of the S2P scheme.</p> <p>The identified weaknesses were as follows:-</p> <ul style="list-style-type: none"> • For six out of 20 refunds tested in a sample they had not been appropriately checked by a second officer and for two out of the same 20 cases, documented evidence of emails sent to Payroll had not been appropriately retained. • For a random sample of 20 Resource Link forms tested, one had not been appropriately signed by the officer responsible for completing the form. • For two out of 11 cases tested, a segregation of duties was not in place, with officers undertaking and reviewing their own work in respect of transfers into the LBTH Pension scheme. • For two out of 20 life certificate forms sampled, (that were sent to overseas pensioners), it was identified that they were not always appropriately completed and followed up (in the event of the form not being returned). • Three out of 20 (Accounts Payable) AP1 forms sampled had not been appropriately signed by all officers undertaking the work. 	Extensive	Substantial 

		<ul style="list-style-type: none">• Reconciliations between Altair and Agresso are not completed on the agreed monthly basis. No reconciliations had been undertaken for 2016 at the time of testing. <p>All findings and recommendations were agreed with the Pensions Manager / Team Leader(s) and reported to the Corporate Director, Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Emergency Grants Funding	July 2016	<p>The objective of this audit was to provide assurance on the effectiveness and adequacy of the systems and controls LBTH has put in place for the management and control of Emergency Grants Funding.</p> <p>The Emergency Funding Scheme is open to Tower Hamlets based organisations that are experiencing an unforeseen emergency which is placing either the organisation or a Council funded project at risk. Organisations are able to apply for a one-off Emergency Funding Grant of up to £20,000. Requests for Emergency Funding support are assessed to establish which applications meet the scheme's criteria which includes demonstrating that the organisation provides a service that is of strategic importance to the borough; and that it has already taken/or is in the process of implementing reasonable measures to address their 'emergency' situation.</p> <p>The audit identified the following weakness:-</p> <ul style="list-style-type: none"> • Verification emails were not retained in three cases in the testing of both payments and monitoring processes. <p>All findings and the one recommendation were agreed with the Third Sector Programmes Manager and reported to the Head of Benefits Service and Corporate Director, Resources.</p>	Moderate	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bank Reconciliation Follow Up Audit	June 2016	<p>Bank reconciliation is a process that explains the difference between the bank balance shown in an organisation's bank statement, as supplied by the bank, and the corresponding amount shown in the organisation's own accounting records at a particular point in time.</p> <p>The Council's Financial Procedures FM8 requires that the Council keeps proper accounting records. The objective of bank reconciliation is to ensure that all income and expenditure in the bank account that relates to a given reconciliation period matches all income and expenditure in the general ledger. This is to ensure that all monies received and spent by the Council are accounted for in the main accounting system. Bank reconciliation involves the reconciling of the Council's main bank account (and subsidiary bank accounts being reconciled individually) with all accounting records via accounting feeder systems.</p> <p>A full systems audit on Bank Reconciliation was undertaken in June 2015, for which the final report was issued in August 2015. This audit was assigned an audit opinion of 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.</p> <p>This follow up audit was undertaken as part of the 2015/16 agreed Internal Audit Plan.</p> <p>Our follow up review identified that of the four medium priority recommendations made in the original audit report, one of these has been fully implemented, two recommendations were partly implemented, and one has not yet been implemented. Following our testing, we have made three medium priority recommendations to enhance the control environment within this area. The areas of weakness are as follows:</p> <ul style="list-style-type: none"> • The Bank Reconciliation User Guide for the reconciliations undertaken outside Agresso is yet to be completed. • The Council is currently trying to decrease the number of bank accounts it 	Extensive	Substantial 


		<p>will hold when the bank moves from the Co-Op to RBS. The move has yet to happen.</p> <ul style="list-style-type: none">• Bank reconciliations are not yet all being undertaken, signed off and dated on a monthly basis, and there are no effective arrangements in place to cover for staff absence. <p>All findings and recommendations were agreed with the Financial Systems Manager and reported to the Corporate Director, Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Enforcement and Tracing Service (Bailiffs)</p> <p>Contract Monitoring</p>	<p>June 2016</p>	<p>This audit provided assurance to management that the systems for monitoring the Performance of the Enforcement and Tracing Contractors are sound, secure and adequate. The Council entered into contracts as part of framework agreement with four enforcement companies for Council Tax and National Non Domestic Rates (NDR) following the granting of a Liability Order. The contracts came into force on 1st June 2015. The statutory enforcement fees are recovered by the enforcement company from the debtor.</p> <p>Audit testing showed that overall there was an adequate control environment in place. However, the following issues were highlighted:-</p> <ul style="list-style-type: none"> • There was no documented approach to contract monitoring in addition to a copy of the contract. As a result the current practice does not comply with the new corporate procurement contract management approach. • Performance monitoring needed to be clearly recorded as part of the client/ contractor meetings in accordance with the KPIs and targets specified in the contract. • Independent sample testing and audit of receipt books to verify the completeness of income received from the enforcement companies needed to be undertaken. <p>All findings and recommendations were agreed with the Head of Revenue Services and final report was issued to the Corporate Director, Resources.</p>	<p>Extensive</p>	<p>Substantial</p> <p style="text-align: center;">⇕</p>


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management Follow Up Audit Resources	July 2016	<p>This audit assessed the progress made in implementing the agreed recommendations at the conclusion of the original audit in June 2015.</p> <p>Our testing showed that out of the two high priority recommendations made in the original report, one was partially implemented and of the two medium priority recommendations agreed, one was partially implemented and one was not implemented. Overall, improvement was required in implementing the agreed recommendations to make the risk management system more effective within the Directorate.</p> <p>The Directorate risk management protocol was circulated to all the relevant officers within the Directorate. However, our review of the Directorate risk registers on JCAD showed that 19 of the 48 risks did not have control measures; 21 risks did not have a target review date; and 9 had passed their review dates but not yet reviewed. In addition, risk assessment needed to have periodic challenge to provide assurance to the DMT that risk scoring across the Directorate was consistent and effective. In addition, sample checks needed to be carried out on the quality of the control measures and other aspects to provide assurance that control measures were firstly in place and were appropriate and effective.</p> <p>All findings and recommendations were agreed with the Head of Risk Management and final report was issued to the Corporate Director, Resources.</p>	Extensive	<p>Substantial</p> <p style="text-align: center;">↔</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Back Office Revenue Collection and Processing	July 2016	<p>The objective of this audit was to provide assurance on the effectiveness and adequacy of the systems and controls LBTH has put in place for the management and control of the Council's back office revenue collection, processing, payment and support functions provided by the ex-Cashier's Office at Albert Jacob House, which has been renamed as the Revenues Processing and Reconciliation Office.</p> <p>Public access to the Tower Hamlets Cash Office ceased around three years ago. As a result, the level of cash transactions has reduced and, in addition, there is no longer any function/requirement for the office to manage petty cash transactions. Although the ex-Cashier's office is formally shut to the public, the existing system still allows for members of public to physically attend Albert Jacob House to collect emergency grants (such as for living expenses) which are paid in cash.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Upon sample testing 20 crisis and support grant applications that were processed at the Revenues Processing and Reconciliation Office, it was identified that in all 20 cases there was no segregation of duties, i.e. the same officer who assessed a grant application also approved it for payment. • While the till cash is balanced daily and the total cash on premises is balanced weekly it was identified that this balancing is done in an Excel sheet that is not electronically signed by the staff as evidence of having performed the balancing activity. • There was no evidence to confirm that periodic review of the staff guidance documentation is undertaken. • Where the mode of payment for a transaction is postal order, the details of the postal order need to be recorded in the postal order book upon receipt. In two of the three sample cases tested, this was not completed in line with expectations. • It was established that, in the event of one of the safe key custodians proceeding on planned leave, the key is kept on the premises in a safe place, and the location of the key is informed to the other custodian. It was identified that this raises a risk that cash is handled by one person only, thereby lacking segregation of duties. 	Extensive	Substantial 


		<ul style="list-style-type: none"> • Upon sample testing 20 transactions (to confirm the adequacy of banking arrangements) exceptions were identified relating to a mismatch in amount banked, only a single signature being evident on the receipt issued by the security firm, and a mismatch of bag numbers noted on the receipt and bank GIRO slip. • Upon sample testing 20 transactions that were posted to suspense account, in 12 cases the transaction receipt date was not recorded, hence it could not be confirmed whether the monies were posted to suspense in a timely manner. • Upon sample testing 20 Court of Protection payments made at the Revenues Processing and Reconciliation Office it was found that, in all cases where it was a standing payment, there was no evidence to confirm that the identity of the cash collector had been established before payment. <p>All findings and recommendations were agreed with the Processing and Reconciliation Manager and reported to the Service Head (Revenue Services) and Corporate Director, Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
VAT Follow-Up	July 2016	<p>The VAT function is concerned with ensuring that all VAT payable to HMRC is paid correctly and in a timely manner, and that VAT claimed back from HMRC is accurate.</p> <p>A full systems audit on VAT was undertaken, for which the final report was issued, in November 2015. This audit was assigned an audit opinion of Substantial Assurance. 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. This follow up audit was undertaken as part of the 2016/17 agreed Internal Audit Plan.</p> <p>Our follow up review identified that of the six medium priority recommendations made in the original audit report, three of these have been fully implemented and three have been partly implemented. Following our testing, we have made three medium priority recommendations to enhance the control environment within this area. The areas of weakness are as follows:</p> <ul style="list-style-type: none"> • A Version History Control document should be appended to the VAT Procedure Notes detailing the next review date and officer responsible for the review. • From our sample testing of supporting documentation retained on Agresso, in one out of five instances, who had approved the journal could not be evidenced. • The Partial Exemption Calculation should be signed-off once the closure of accounts has been completed. <p>All findings and recommendations were agreed with the Operational Accountancy Manager and the Service Head Finance and Procurement and reported to the Corporate Director, Resources.</p>	Extensive	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Right to Buy Follow Up Audit	June 2016	<p>This audit followed up recommendations made in the previous audit finalised in July 2015. The follow up showed that of the four high priority and five medium priority recommendations made at the conclusion of the original audit, two high and three medium priority recommendations had been addressed and one high priority recommendation was not required to be followed up due to exceptional circumstances under which the recommendation was made at the time of the original audit.</p> <p>Following our testing, we have made one high priority and two medium priority recommendations to enhance the control environment within this area. The areas of weakness are as follows;</p> <ul style="list-style-type: none"> • The external outsourced provider is not undertaking the valuation activities in a timely manner in all cases for properties which are processed under RTB. We were informed that the SLA between THH and LBTH has expired and it was mutually accepted by both parties that the timeline of 21 days was practically not achievable. However, this was neither documented anywhere, nor was the SLA revised • THH is not in compliance with the required thorough check of joint applications under the RTB scheme when confirming previous residency at the time of application. • Evidence in relation to checking RTB applicant's eligibility, which is checked by a Team Leader/senior officer/independent officer, is not being retained on file. <p>All findings and recommendations were agreed with the Head of Leasehold Services and final report was issued to the THH Chief Executive.</p>	Extensive	Substantial 


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Tower Hamlets Homes – Specialist Repairs Contracts	June 2016	<p>This audit was designed to provide assurance to management as to whether the systems of control around the Specialist Repairs Contracts system are sound, secure and adequate. THH has a legal responsibility to conduct checks on every gas boiler or other installation located in a tenanted property. THH is also responsible for conducting repairs and maintenance on any gas installations on behalf of their tenants, and in void properties. The contract was previously held by Gem and from April 2015 has been held by Mears. This is managed and monitored as an addendum to the Mears General Build contract and was entered into by the issuance of a variation to the contract at the start of 2015/16.</p> <p>The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Repairs are not always being completed in a timely manner by sub-contractor Gem. • As per the contract with Mears, THH is required to post-inspect 10% of all repairs costing under £1k. From our testing, we identified that the actual amount of post-inspections being undertaken was slightly less than 10%. <p>All findings and recommendations were agreed with the Maintenance & Engineering and Specialist Team Manager, Head of Repairs and reported to the Strategic Housing Manager, Director of Finance and the Chief Executive at THH.</p>	Extensive	Substantial 


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Major Works Follow-Up	August 2016	<p>Major works are usually large ‘one-off’ projects designed to extend and improve the life of a building, and could include the replacement of old windows or the replacement of a broken lift. They are typically payable under the terms of leaseholders’ agreements with the Council. As per Section 20 of the Landlord and Tenant Act 1985, Tower Hamlets Homes (THH) is required to carry out statutory consultations with leaseholders for all repairs and maintenance expenditure over the statutory levels of £250 for any one leaseholder for works of maintenance, repair or improvements, or £100 for any one leaseholder for works carried out under a qualifying long term agreement.</p> <p>A full systems audit on Major Works was undertaken in 2014 for which the final report was issued in April 2014. Our follow up review to this, identified that, of the two high priority recommendations made at the conclusion of the original audit, both have been fully implemented. Of the four medium priority recommendations made, two have been fully implemented, one has been superseded and one has not been implemented. Following our testing, we have made one medium priority recommendation to enhance the control environment within this area. The issue still outstanding is as follows:</p> <ul style="list-style-type: none"> Final accounts audits have taken between one to two years to be completed from the date of completion of the works. Without the account being audited, Leaseholder Services are unable to raise the final invoice based upon the agreed final account figure. In addition, Property Services are yet to send the audited accounts to Leaseholder Services so they have not been able to issue the invoices for final payments to be made. <p>All findings and recommendations were agreed and communicated to the Head of Property Services, Head of Business Development, Head of Leasehold Services, Director of Neighbourhoods, Director of Finance, Director of Asset Management and Chief Executive.</p>	Extensive	Substantial ↔


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children Missing Education Systems Audit	June 2016	<p>This audit reviewed the local education authority's systems and processes in place to identify, to report and to take the necessary action in response to missing children under its statutory responsibility.</p> <p>Overall, our testing showed that there was an adequate system in place for reporting and identifying those children missing education. There is a centralised Missing Children's Register in place, which is monitored for action and reviewed by an officer level group which meets every two weeks. Our sample testing of actions taken in accordance with procedures for those children who were current cases on the missing children's' register and some closed cases showed the following issues:-</p> <ul style="list-style-type: none"> • There was further scope for improvements to the format of current policies and procedures to reflect best practice, including controlled access to the Missing Children's Register. • Improvements were needed in terms of further proactive actions that can be taken to identify the location of missing children. • There was opportunity to review the contributory factors that resulted in children being placed on the missing children's' register. • Recording of the risks in the corporate risk register and the Council's website of the public perception of the council's powers and available actions for missing children. <p>All findings and recommendations were agreed with the Head of Children's Social Care and final report was issued to the Service Head, Children's Social Care and Corporate Director of Children's Services.</p>	Extensive	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Recovery of Unspent Funds from Individual Budgets for Adults Social Care	July 2016	<p>This audit examined systems for recovering of unspent funds paid to service users as part of the direct payment process. Cash payments are made directly to service users (or their nominated representative) so that they can arrange their personal or individual care needs themselves by procuring their own support. One aspect is the management/usage of the cash funds which may result in underspends at year-end. Procedures are in place for claw back or variations to be effected to bring the care plan amounts in line with usage/requirements. However, we highlighted the following issues:-</p> <ul style="list-style-type: none"> • Direct payment policies and procedures had not been reviewed since November 2006, and there were no written procedures in respect of the recovery of funds or write offs. Claw-backs were not being applied in a consistent manner in accordance with the claw back calculator in all eligible cases where underspends of Direct Payments was noted. • Testing showed that the correct amounts were not always recovered as required by the claw-back calculator, and case notes were not on file to show the reason for non-compliance with the claw-back calculator. • The annual reviews for care plans in line with statutory requirements were not completed in 6 of the 20 sample cases. A set of KPIs and management reports were not in place to monitor the effectiveness of the service. • Monies received were banked, however, the spreadsheet for banking the claw back monies was not fully completed with the required details. <p>All findings and recommendations were agreed with the Acting Service Head, Commissioning and Health and final report was issued to the Director, Adults Services.</p>	Extensive	Substantial 


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Transparency Code 2015 Compliance Audit</p>	<p>June 2016</p>	<p>The main objective of this audit was to provide assurance to management that systems deployed in the organisation for collating, quality checking and publishing of the necessary information, are operating as expected to meet the requirements of the Local Government Transparency Code 2015.</p> <p>Our testing showed that there was a system in place for collating the required information for publication at Directorates' level coordinated by the Information and Governance Team. A timetable for publishing the required information was in place to facilitate publication of data required by the 2015 Code. The following issues were also reported:-</p> <ul style="list-style-type: none"> • Payments over £500 were being published later than required by the code. We recommended a process change for collating and timetabling of data in this area. We also noted that names of payees had not been redacted in some instances. • Although the FOI Board's responsibilities in relation to the oversight of other of its functions was defined within its Terms of Reference, the responsibility and oversight function for ensuring compliance with the Transparency Code was not clearly laid down. • We noted that procedures were not in place at Directorates' level to ensure that data to be published was checked and certified as being correct at the time of publication. • We noted non-compliance with the code for publishing all spend on procurement cards. At present only transactions over £500 is published, whereas the code requires all procurement card transactions to be published. <p>All findings and recommendations were agreed with the Interim Head of Legal Services and final report was issued to the Corporate Director of Law, Probity and Governance.</p>	<p>Extensive</p>	<p>Substantial</p> <p style="text-align: center;">↕</p>


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Efficiency Savings Programme	June 2016	<p>This review examined the systems and controls for managing and monitoring the Council's savings programme. In order to deliver the savings of £17.762 Million for 2016/17, a number of efficiency savings had been agreed. The delivery of the savings proposals was managed by individual Directorates and overseen by the Corporate Management Team. Our testing showed that each efficiency proposal for 2016/17 was supported by full Savings Proposal Pro-forma which was approved by Members and the papers had been made publicly available for inspection via the Council's website. A Corporate Transformation Programme Master Savings Tracker is maintained by the Benefits Realisation Analyst for monitoring and reporting purposes. Progress of savings is subject to RAG monitoring which is updated monthly by Directorates. The following issues were highlighted:-</p> <ul style="list-style-type: none"> • Of the 57 savings proposals agreed by Cabinet, 52 were subject to a risk assessment. The exceptions being those savings proposals relating to Law, Probity and Governance Directorate. • Although in a majority of cases, adequate working papers were maintained by the Directorates, no workings papers were received from LPG Directorate and no working papers available for two viz. ADU012/16-17 (£1.0 Million) and CHI008/16-17 (£50 k). • At the time of audit, savings totaling £24.422 Million for 2015/16 were reported as 'banked' against Cabinet approved savings of £30.650 Million. Variance against Cabinet approved savings was shown as £2.798 Million, mainly emanating from Adult Services (£1.338 Million) and Children's Services (£1.460 Million). Audit was advised that DMT's were currently working on how to address these matters. However, at time of reporting no firm plans had yet been put in place. <p>All findings and recommendations were agreed with the Service Head , Finance and Procurement and final report was distributed to all Corporate Directors.</p>	Extensive	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Risk Management Follow Up Audit</p> <p>Development and Renewal</p>	<p>June 2016</p>	<p>This audit followed the agreed recommendations at the conclusion of the original audit in April 2015.</p> <p>Our testing showed that out of 3 high priority recommendations made in the final report, all had been progressed. The one medium recommendation was also fully implemented.</p> <p>Our review showed that that a new risk management protocol has been implemented and has been circulated within the D&R Directorate. The protocol; was also consulted with Internal Audit for advice. Furthermore the Business Assurance and Efficiency Co-ordinator has taken an active role in facilitating the risk management process within the Directorate by highlighting outstanding risk reviews and issues from internal audit reports and offering advice and assistance to risk owners. The Business Assurance and Efficiency Co-ordinator also escalates risks to the Risk Champions Group for further reviews and challenge. However, we have noted that risk owners are not as responsive as they should be in reviewing their risks on a timely basis and comply with the approved methodology. We have recommended that as a matter of good practice, the Risk Champion should provide assurance to the DMT on a periodic basis that risk management and scoring across the Directorate is consistent and effective.</p> <p>All findings and recommendations were agreed with the D&R Service Head Resources and final report was issued to the Corporate Director of Development and Renewal.</p>	<p>Extensive</p>	<p>Substantial</p> <p style="text-align: center;"></p>


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Poplar Mortuary	July 2016	<p>The objective of this audit was to provide assurance on the effectiveness and adequacy of the systems and controls in place for the management and control of the Poplar Mortuary.</p> <p>The Public Health Act 1936 gives local authorities' power to provide a mortuary for the reception of bodies and the carrying out of post-mortems. The Council's Public Mortuary, situated in Poplar High Street, is part of the Inner North London Coroner Area Authority, a consortium shared with Islington and Hackney Public Mortuaries and led by Camden Public Mortuary based at St. Pancras. Responsibility for the consortium of public mortuary services resides with the area Coroner governed by the Lord Chief Justice, and therefore beyond the remit of the local authorities. All supporting services to the Coroner, within the mortuary, when working in Tower Hamlets, are provided by the Council's Environmental Health and Trading Standards Service within Safer Communities. The principal aim of the Tower Hamlets Public Mortuary is to provide services to Her Majesty's Coroner and ensure compliance with the Human Tissue Act 2004 that came into force in September 2006.</p> <p>The identified weaknesses were as follows:-</p> <ul style="list-style-type: none"> • From a sample of twenty body releases tested there was one instance where the incorrect date had been recorded in the Mortuary Register against the Coroner's record. • For one out of 20 items in the stock list tested, the incorrect amount of Formalin had been recorded. <p>All findings and recommendations were agreed with the Head of Environmental Health and Trading Standards and reported to the Corporate Director, CLC</p>	Moderate	Substantial 

Substantial Assurance


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Agnes Catholic Primary School	July 2016	<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"> • Declarations of interest should be a standing item on all committee meeting agendas. • The minutes of all committee meetings should be signed by the Chair of the Committee to verify that the minutes reflect an accurate record of the discussions held. • The School should ensure an annual inventory check is carried out and evidence is retained. The results of the inventory check should be presented to the Full Governing Body for review and approval. • The school should develop a standard checklist as part of the leavers check process. The check list should include acknowledgement of : <ul style="list-style-type: none"> - Return of access pass; - Notification sent to the ICT coordinator; - Return of loaned equipment, and repayment of other outstanding payments or loans if applicable. <p>All findings and recommendations were agreed with the Head Teacher and School Business Manager and reported to the Chair of Governors.</p>	Moderate	Substantial 


Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Matthias Primary School	July 2016	<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 inactive committees should be reactivated and the terms of reference should be reviewed and approved by the Full Governing Body. If the sub committees are not required by the School, the decision and reason should be minuted in the Full Governing Body minutes. • Purchase orders should be raised for all purchases, where appropriate, and independently signed-off by an authorised signatory before an order is placed with the supplier. In cases of emergency where a purchase is made without a purchase order, a retrospective purchase order should be raised. • Declarations of Business Interests should be obtained on an annual basis for all staff with financial responsibilities. • The School Development Plan 2016/17 should be presented to the Full Governing Body for review and approval as soon as it has been completed. • The School should ensure that all new staff complete a health check and evidence is retained in the staff personnel files. • Management should ensure that bank reconciliations are signed by the officer completing the reconciliation and subject to checks by a second independent officer. • A leavers checklist should be developed to assist in the staff leaver process and retained in the staff personal files. <ul style="list-style-type: none"> - The checklist should include acknowledgement of: - return of access pass; 	Moderate	Substantial 

		<ul style="list-style-type: none">- notification sent to the ICT coordinator;- return of loaned equipment, and- repayment of other outstanding payments or loans if applicable. <ul style="list-style-type: none">• The School should ensure that evidence of the annual inventory check is retained and the results of the inventory check are presented to the Full Governing Body as soon as the check is completed. <p>All findings and recommendations were agreed with the Head Teacher and School Business Manager and reported to the Chair of Governors.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Anne's Catholic Primary School	July 2016	<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 TOR for all Committees should be reviewed and approved by the Full Governing Body on an annual basis. This should be carried out at the first meeting of each academic year and the Head Teacher should ensure that this is minuted accordingly. • The School Funds Accounts should be audited on an annual basis by an individual with relevant financial knowledge and independent of the operation of the school. • The audited accounts should be presented for review to the Full Governing Body, or delegated committee, and the approval clearly minuted. • The School should present the business cases of large contracts to the Full Governing Body for approval before formally entering into a contract. The approval should be recorded in the minutes of the meeting. • Declarations of Business Interests should be obtained on an annual basis for all staff with financial responsibilities. • The SDP should be reviewed and updated annually. The revised SDP should be presented to the Full Governing Body for review and approval and minuted accordingly. • The School should submit for market testing on a periodic basis the services that they contract from the Local Authority and private contractors to help ensure that they are achieving value for money. • A purchase order should be raised for all purchases where appropriate, and independently authorised by an authorised signatory before the order is placed with the supplier. 	Moderate	Substantial 

		<ul style="list-style-type: none"> • Income received by the School should be banked on a regular basis to ensure that the safe limit is not breached. • A Debt Management Policy should developed by the School covering actions to be taken to recover debts. • The Debt Management Policy should be presented to the Full Governing Body for review and approval, and for noting in the minutes. • The School should ensure the results of the annual inventory check is presented to the Full Governing Body for review and sign off once the check is completed. This should be formally minuted in the meeting. • The School should ensure that an End of Journey Statement should be produced and presented to the Full Governing Body for noting following approval / sign-off by the Resources Committee. <p>All findings and recommendations were agreed with the Head Teacher and School Business Manager and reported to the Chair of Governors.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Marion Richardson Primary School	July 2016	<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 Senior Leadership Team should remind staff that purchase orders should be raised for all purchases where appropriate and independently signed-off by an authorised signatory, before an order is placed with a supplier. Where staff are unsure, they should seek advice from the School's Finance Team. • The School should ensure that all income is accurately recorded on the Schools Information Management System (SIMS) as soon as income is received so that it can be reconciled back to the Financial Management System (FMS). • The School should ensure that an End of Journey Statement should be produced and presented to the Full Governing Body and the Finance & General Purposes Committee for review and approval as soon as the trip had concluded. • The School should ensure the results of the annual inventory check is presented to the Full Governing Body for review and sign-off as soon as the check is carried out and this should be minuted accordingly. <p>All findings and recommendations were agreed with the Head Teacher and School Business Manager and reported to the Chair of Governors.</p>	Moderate	Substantial 

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Thomas Buxton Primary School	July 2016	<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 should ensure that income is either: <ul style="list-style-type: none"> - banked more than once a week so that the cash held on the premises does not exceed the £500 limit as set out in the School's insurance policy; or - investigate whether its insurance policy could be adjusted to cover larger sums of cash held on site. • The School should review and follow-up on unreconciled items as part of the monthly banking reconciliations. • The School should ensure that all application forms are signed at the interview stage. • Staff should be reminded that the tax status of all self-employed individuals must be confirmed to ensure PAYE / NI is deducted accurately. The School may wish to consider the implementation of a checklist (to be completed upon appointment and as required) to provide assurance that such verification has been obtained. • For all future journeys, the initial costing report should be retained on file and an 'End of Journey' Statement presented to the Full Governing Body for review and approval in a timely manner. <p>All findings and recommendations were agreed with the School Business Manager and Head Teacher and reported to the Chair of Governors.</p>	Moderate	Substantial 

APPENDIX 2 (B)

Title	Date of Report	Comments / Findings
Review of Concession Contracts for Ice Cream Pitches	June 2016	<p>On 20th November 2015, the Head of Audit received a whistle blow inquiry from an unsuccessful bidder regarding the Letting of Concession Contracts for Ice Cream pitches in Victoria Park for Lot 15. This bidder had been through the Council's Complaints procedure and had issued stage 1, stage 2 and stage 3 complaints. Responses to all these complaints had been sent out by the Council, but the complainant was not satisfied that his complaints had been investigated and addressed properly. The Head of Audit initiated an audit investigation into the evaluation and award of the concession contract. The estimated value of concession income for letting of the 7 Lots of Ice Cream Pitches in various parks would yield an income of £40,050 p.a. (i.e. £120,150 over three years).</p> <p>The Council's Procurement procedures at para 4.1 of the Procedures specifies that 'Corporate Directors' have responsibility for all contracts tendered, let and managed by their departments. They are accountable to the Cabinet for the performance of their duties in relation to contract letting and management'.</p> <p>Our review highlighted the following control weaknesses in the tendering and complaint investigation process, which can make the award of the contract non-compliant :-</p> <ol style="list-style-type: none"> 1. There was a significant control failure over price evaluation and scoring. The evaluation team, assisted by Procurement officers, carried out incorrect and inconsistent price evaluation and scoring across all the bidders for all the Lots. 2. The control over quality assessment and scoring also failed. The quality evaluation was carried out by three Parks Officers and reviewed by the Procurement Officer. 3. There were significant flaws in the contract award report. Although reviewed by a Procurement Officer, the contract award report was deficient and did not meet the expected standards. 4. The control over preparation and sending out of letters to successful and unsuccessful bidders failed absolutely. These letters were prepared by an officer who carried out tender evaluation and against whom the complaint was later made. The letters contained incorrect scoring details. 5. The officers were involved in the whole process of tender advertisement, tender preparation, agreeing to changes in tender documentation, tender evaluation, tender award report, communication with bidders outside the Portal, preparation and dispatch of successful and unsuccessful letters, issuing of contract

		<p>documentation, notification to Debtors of income to be invoiced and contract monitoring. This represented non-compliance in the principle of segregation of duties in the tendering process and the necessary management oversight, scrutiny and authorisation of key decisions.</p> <ol style="list-style-type: none"> 6. The complainant's concerns about the price and quality scoring of his bid and swapping of his scores were not addressed fully. Although he was informed by the Head of Parks in a response to his complaint that Procurement would be asked to double check scoring, no such referral was made to the Head of Procurement. 7. The complaint regarding the social media contact via Facebook, between the successful bidder for Lot 15 and Parks Community Engagement Officer appeared not to have been investigated thoroughly. 8. Overall, our opinion is that there were a series of significant lapses and failure of control procedures in the award of the Ice Cream pitches.
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Management Comments

The findings of this audit review have been noted and the previous procurement exercise has been set aside. A new contract is being re-tendered. Procurement processes are being re-tendered to ensure the findings are addressed and a follow up audit will be undertaken as part of the audit plan.

Title	Date of Report	Comments / Findings
Review of Youth Services	Aug 2016	<p>The Risk Management team had received and investigated a number of allegations of irregularity and fraud relating to the financial years 2013/14 and 2014/15 that raised concerns over the effectiveness of the control environment operating within Youth Service.</p> <p>The key areas reviewed were; Governance; Financial Management and Control; Human Resource Management; and Monitoring and Inspection of Youth Service Delivery. Key findings arising from each of these areas is provided below.</p> <p>Overall Findings and Governance</p> <p>Our examination found that during 2013-2015, the governance of Youth Services had fallen below the standards expected by the Council, compromising the aims and objectives of the service. We noted that: -</p> <ul style="list-style-type: none"> • There had been a failure to declare business interests in organisations that had received funding from the Council; • Payments had been made to organisations for provision of youth service that either did not exist in reality or provided questionable outcomes; and • There was little evidence of regular or effective monitoring of services provided and the Council's Financial Regulations and procurement procedures were not complied with in the purchase of goods and services. <p>Cases were identified where either duplicate or excessive claims were made for hours worked, and the system for recruitment had been compromised by either being worked round or controls around DBS checks not being applied. In one case a person was re-employed having previously been dismissed for gross misconduct.</p> <p>These failures reflected a fundamental lack of good effective governance and the absence of checks and balances had compromised the service's ability to demonstrate it was being run effectively.</p> <p>The provision of youth work is by nature difficult to adequately measure success however it is clear from the work undertaken from this audit that the lack of effective controls resulted in some organisations being paid when</p>

the organisations appear not to have existed.

It was noted that 21 of the 260 staff members had business interests that were not disclosed to the Council. The failure to declare, record, review and manage potential or actual conflicts of interest as required by the Council's policies and procedures further compromised any monitoring that may have been provided as being sufficiently independent.

Financial Management and Control

The Youth Service had a mechanism in common with many other parts of the Council for the use of purchase cards, to be used to facilitate purchases to enable, inter alia, the payment to suppliers where BACS payment is not possible or where a supplier's invoice is not raised.

The Council has established controls around the use of these cards; the amounts that can be spent per card which is £1,000 per transaction with a maximum spend of £4,000 in a month. Further, the purchase cards have 'closed categories' where card users cannot use the purchase card where its use is outside the scope of the 'for work' conditions.

A review of the use of these cards for the financial year 2014/15 highlighted 14 purchase card holders based within Youth Services. The total spent was over £149,000 in the period.

In eight cases, card holders had exceeded their monthly limits on seven occasions. One card holder had exceeded their monthly limit on fourteen occasions and spent a total of £91,000 over a two year period.

Other expenditure on leisure activities and coach hire was identified, which could have potentially be procured using the Council's purchase order system and processed following receipt of an invoice where paid using purchase cards.

There were also four cases where Youth Service staff had a direct interest in the suppliers used and these procurements had breached the financial threshold stated on the supplier set up. The concerns raised by this examination led to a review of 2013/14 card use to establish the extent of the spend in that period. The review is on-going and its findings will be reported to the audit committee in due course.

It is clear from the examination of 2014/15 purchase cards that little or no meaningful monitoring was undertaken and a culture of using purchase cards more widely than originally intended had developed. The number of purchase card holders has since been significantly reduced following senior management action and all

expenditure is reviewed prior to approval.

Human Resource Management

Our key findings highlighted individuals were delivering youth service provision without being formally on the Council's payroll or DBS checks being undertaken.

There have been instances of excessive hours claimed by some staff and management controls have failed to prevent this and in some cases low salary rate engagements have resulted in significant payments. This was particularly focussed on zero hour or 14 Hours and under cases where housing benefit could also be claimed. Instances such as these have been referred to the Department for Works and Pensions.

Monitoring and Inspection of Youth Service Delivery

37 visits were made to youth clubs over 3 days in February 2016. The work was commissioned by the Interim Head of Integrated Youth and Community Services. The examination highlighted the following issues.

- 10 clubs had between 0-5 participants;
- Nine clubs had between 6 and 10 participants and seven clubs had over 10 participants;
- Seven organisations had more than 10 attendees;
- In 11 cases the number of young people could not be verified.

The following observations arose from the visits:-

- On the whole, most organisations provided detailed session plans with activities in line with the plan. However, six organisations appeared to be offering just indoor games, pool and PlayStation games;
- Different variations of attendance sheets were in use; some listed all names of attendees and placed ticks against those in attendance whilst others printed the names of attendees. There was no space on the attendance register for entry / exit times which could cause difficulties in identifying youths in the event of a fire / evacuation;
- Health and Safety concerns were raised at eight organisations who could not provide evidence they had carried out fire alarm tests or inspections and where the fire extinguishers were out of date or had not been tested; and
- Anti-social behaviour and graffiti was noted at four organisations.

		Going forward disciplinary action has been instigated where the Council considers officers' conduct has fallen short of its ethical standards and significantly, systems improvements that require corporate consideration to ensure risks are managed effectively and confidence can be established in financial and operational systems are being actioned.
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Management Comments

Management within the youth service is committed to undertaking the necessary actions that will provide assurances that steps are being taking to address the historic shortcomings within the service as articulated in this report. As a result the service has undertaken work with colleagues in Human Resources, Procurement; and Law, Probity and Governance to produce a robust action plan designed to resolve any outstanding issues as they relate to governance and practice.

The following management actions have been taken by the Youth Service:

- **Whistle blowing:** In May 2016 policy reminders were circulated on the staff code of conduct to all staff. The policy reminder included an item on whistleblowing.
- **Recruitment processes:** In 2015/2016 the Service Head for Safer Communities introduced recruitment control measures to design out bias and personal patronage in the IYCS recruitment process. These are subject to on-going review.
- **Credit card usage:** In 2015/2016 the Service Head for Safer Communities withdrew corporate credit cards from certain member of IYCS staff; Introduced a Head of Service sign off on all spend over £100; and commissioned internal audit to review previous corporate credit card expenditure.
- **Finance - AP1 Procurement processes:** IN 2015/16 the Interim Head of IYCS introduced additional scrutiny into all AP1 payments leading to a number being held or referred for investigation. From 1st April 2016 all purchases for supplies and services are processed on purchase orders and invoices rather than AP1's.
- **IYCS Grant making process:** In March 2015 additional controls were introduced, following the arrival of the Commissioners, around all grant making processes. In November 2015 all grant making processes in the service were put on hold. During 2016/2017 contractual processes have been implemented wherever possible to avoid AP1 use except in emergencies.
- **Disclosure of personal interests:** As at April 2016, and on-going, the Interim Head of IYCS has ensured that all IYCS managers have undated their expressions of interest and that have cascaded this action to their staff. Any declarations are flagged directly to the Interim Head Service.
- **Disclosure and Barring Scheme (DBS):** In 2015/16, and on-going, the interim Head of Service has been following up on expired DBS' and missing risk assessments with relevant members of staff and HR.
- **Payroll systems and additional hours claiming:** In November 2015 the Interim Head of IYCS:
 - Placed a ban on additional hours and overtime;
 - and implemented a procedure in which all signed timesheets were sent to her for central review before being passed onto payroll.
- **Procurement:** From April 2016 the Interim Head of youth service introduced a central procurement of goods and services for use within the IYCS.

- **Use of youth Centre buildings by third party organisations:** In 2015/2016 the Interim Head of youth service worked with Corporate Asset Management to ensure that any third party organisation using youth centres were brought in line with the Corporate Landlord model and any buildings rented by the IYCS were subject to corporate valuation and suitable lease arrangements. As at August 2016 the interim head of youth service was devising a booking and fee charging policy for youth centre usage by third party organisations.

APPENDIX 3

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

Audit Subject	Recommendation	Service Head	Officer Name
Risk Management Resources	It should be ensured that the Directorate Risk Register is reviewed on a quarterly basis to ensure that the quality of risk identification and assessment is of good standard and that emerging risks are captured, assessed and mitigated effectively	Service Head, Risk Management and Audit	Strategic Risk Advisor

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

Audit Subject	Recommendation	Service Head	Officer Name
Risk Management Resources	It should be ensured that sample checks are carried out on the quality of the control measures and other aspects by the Risk Champion to provide assurance to the SMT/DMT that control measures are firstly in place and are appropriate and effective so that risks are being successfully mitigated.	Service Head, Risk Management and Audit	Strategic Risk Advisor
Bank Reconciliation	Management should ensure that a comprehensive reconciliation of bank accounts is undertaken on a monthly basis, which are signed and dated following review by an independent officer. An officer should be assigned responsibility for making sure that all accounts are reconciled on a monthly basis.	Service Head Finance and Procurement	Operational Accountancy Manager