

APPENDIX A

Summaries of Finalised Internal Audits

Assurance level	Significance	Directorate	Audit title
LIMITED	Extensive	Resources	IR35 – Management and Control of Off Payroll Engagement
	Extensive	Resources	Backup Schedules and Protection
	Extensive	Place	Control and Monitoring of Parking Permits
	Extensive	Health, Adults and Community and Resources	Financial Assessments for Residential and Non-Residential Support
	Extensive	Resources and Place	Capital Programme Governance
	Extensive	Place	Management of Acquisition of Properties for Temporary Accommodation
SUBSTANTIAL			
	Extensive	Resources	Creditors System
	Extensive	Governance	Data Protection and Security Toolkit -Compliance Review
	Moderate	Children and Culture	Kobi Nazrul Primary School

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
IR35 – Management and Control of Off Payroll Engagement	August 2020	<p>This audit sought to provide assurance on the adequacy and effectiveness of the control framework across the council with regards to compliance with IR35 requirements in terms of employment status. IR35 is tax legislation introduced to address Government concerns about tax avoidance. It challenges whether people who supply their services to the Council via their own company and therefore are 'self-employed' (and recognised by HMRC as such), often referred to as 'off payroll', or whether the work should be taxed as PAYE. Since 6 April 2017 public sector bodies have had a duty to ensure that people working for them through intermediaries are paying the right tax and complying with IR35. HMRC has an online tool - Check Employment Status for Tax (CEST) questionnaire, to assist organisations in assessing whether individuals are within or outside of the scope of IR35, and to inform the decision on whether to tax that individual via PAYE.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The prompt on Proactis (eRFQ) for staff to carry out a CEST test is not clear enough to engage officers. The Council's intranet page and the IR35 process contains the contact details for the former Agency Contract Manager and does not include the contact details for the Operational Accountancy Manager, who has responsibility for tax compliance and IR35 within the Council. The process does not outline how to correctly complete and upload a CEST test, and the implications of non-compliance. • Whilst guidance was provided to engagement officers between September – November 2018 through 'lunch time learning sessions' and a briefing to the Finance Management Team, these sessions were not mandatory and no subsequent learning sessions or briefings have been delivered, to ensure that all engaging officers know how to completely correct a CEST test. Our 	Extensive	Limited

		<p>survey circulated to a sample of 20 staff (of which we received 5 back) indicated that staff did not have a complete understanding of IR35.</p> <ul style="list-style-type: none"> • Our testing on a sample of 28 suppliers engaged through Proactis (eRFQ) to confirm whether an IR35 assessment had been carried out identified: <ul style="list-style-type: none"> ○ One instance where a supplier was incorrectly assessed as being within the scope of IR35 when in fact they were outside the scope of IR35, after we had re-performed the CEST test. ○ Eight instances where the engaging officer had indicated that the supplier was delivering goods, when in fact the suppliers in question were actually delivering services, where a CEST test is mandatory. ○ Eight instances where a tick box was checked indicating that a CEST test was carried out with the outcome “IR35 does not apply”, however evidence of the CEST test was not held on the Proactis system, detailing how the engaging officer came to the conclusion. ○ One instance related to a grant payment which should not have gone through the Proactis (eRFQ) system in the first place. ○ Three instances where a CEST test was required, however we were unable to obtain evidence of the completed CEST test as this was not uploaded onto Proactis. Two of the three in question were companies with single officers where the work may fall within scope as the services were in relation to the South Service Capacity Building Project. We were unable to verify details for the other company due to no records being available on Companies House. • There is no process of regular compliance checking to confirm whether agency workers outside the scope of IR35 have been categorised correctly on the Fieldglass system. • We reviewed a sample of 20 invoices paid from April 2019 to date, where no corresponding purchase order was raised (a “direct commission” order). In all 		
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		<p>20 instances tested, no evidence was held to demonstrate whether a CEST test was carried out, and whether the scope of work fell inside or outside IR35 regulations.</p> <ul style="list-style-type: none"> • Since the disbanding of the Council’s compliance team, there is no proactive monitoring place of engagements and whether IR35 regulations are being correctly followed and applied. Prior to the disbanding of the Compliance team, the process was such that a nominated HR officer would produce a list of all new engagements in the previous month and send this to the Compliance team, who would confirm whether the CEST test had been performed correctly. Additionally, there is no process of reporting compliance with IR35 to any directorate. <p>Results of Follow Up</p> <ul style="list-style-type: none"> • We reviewed the implementation status of the seven high and two medium priority recommendations raised during the previous audit on IR35 Off Payroll Engagement in 2017/18. We found that three high and two medium recommendations have not been implemented, including holding documentary evidence of IR35 assessments, producing monthly reports from Proactis and checking whether suppliers have been assessed for compliance with IR35, reporting to the Corporate Director from the [former] Compliance Team in relation to IR35 compliance and the progress of measures put in place to reduce the risk of non-compliance with IR35. <p>All findings and recommendations were discussed and agreed with the Director of Finance, Procurement and Audit, Divisional Director, Human Resources, Head of Procurement, Operational Accountancy Manager, Contracts and Supplier Development Manager and Agency Contract Manager between June and August 2020, and the final report was issued in August 2020 to Corporate Director, Resources.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Backup Schedules and Protection	August 2020	<p>This audit sought to provide assurance that the processes and systems for backup data and key information systems across the Council are sound and secure to meet the agreed objectives.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The Council does not have appropriate backup arrangements and policies for the vendor hosted and Azure hosted applications. • There is no appropriate and regular restoration testing process in place for the Council to recover in the event of failure, potentially resulting in significant data loss. • There is no appropriate secured transmission of the backed up data. • There were two failed daily backups repetitive from December 2019 and thus an ineffective backup monitoring control in place. <p>All findings and recommendations were discussed and agreed with the Divisional Director IT, Head of Business Applications and Contracts and Commissioning Manager in August 2020, and the final report was issued in August 2020.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Parking Permits	Sept. 2020	<p>This audit examined and assessed the systems and controls for administering parking permits by the Parking Team. Some £4.1M was received in income from parking permits during 2019/20. The service migrated to a new IT application, called WSP Taranto in October 2019. The system has limitations such as lack of matching facility with Council Tax, NNDR and Council data bases for validation of names and addresses. Between October 2019 and May 2020, a total of 27,000 permits had been issued. The following key issues were reported:-</p> <ul style="list-style-type: none"> • Previous audit reviews undertaken in 2009 and 2017 identified lack of clear officers' delegated authority for the effective administration and management of all categories of Parking Permits. The previous audit recommendations to improve governance, delegation and decision making were still un-implemented. For example, a new policy on mini-zones coming into effect from 1/09/20, was agreed by the Parking Policy Review Group (PPRG), but the decision making authority and delegation for this group needed to be formalised. • There was no reconciliation between income recorded on Taranto with the income on AIMS and General Ledger system. There was no assurance that all income had been received and accounted for. • Budget monitoring and forecasting was unreliable and hampered decision making. Budget forecasts and working papers were not retained by the budget holder. Significant changes in forecasts were noted from month to month which were not supported by complete and reliable commentary or any proposals for mitigation. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Parking Permits	Sept. 2020	<ul style="list-style-type: none"> • A significant number of permits (11 out of a sample of 31) had been issued without the required proofs and without further checks such as matching against the Council Tax, and other databases. This increased the risk of fraud and irregularities. • There was a system of quality checking in place and these checks were documented on a spreadsheet. A review of the spreadsheet showed that there were a number of cases where correct documents were not submitted and criteria were not met. Once these issues were identified, the applicants should have been approached to provide correct documents so that it could be demonstrated that they met the required criteria. • Most permits are now issued virtually. A small stock of hard copies of permits is still retained for multi vehicle permits and visitor scratch cards for residents. There was no evidence of regular reconciliations being carried out between stocks held and permits issued. <p>All findings and recommendations were agreed with the Divisional Director of Public Realm and final report was issued to the Corporate Director, Place.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Financial Assessments for Contributions to Adults and Social Care (ASC)	Oct. 2020	<p>This audit examined systems for ensuring that the Council's arrangements for managing financial assessments and other associated procedures including recovering of outstanding debts were sound and secure. Financial assessments are undertaken for all individuals that meet the eligibility criteria for residential and non-residential support. Currently, there are 740 and 2,500 service users respectively, receiving residential and non-residential support. Since the introduction of charging for non-residential care, £4.5m has been collected. Outstanding debts are at £1.4m (as at March 2020). Testing identified that financial assessments were completed correctly for all 21 non-residential and 10 residential cases in our sample. In all these cases, clients' financial information was either verified against information held on the DWP portal or by obtaining bank statements and other documents. Where DWP portal was used, consent forms were signed. The following key issues were also reported:</p> <ul style="list-style-type: none"> • Service users subject to S117 of the Mental Health Act should be exempt from charges. Testing of 60 cases classified as S117, found that there was risk that some service users were flagged as S117 erroneously. This increased the risk of potential loss of income to the Council. The Financial Assessment Manager advised audit that the Team are reliant on the accuracy of information held on MOSAIC and information provided by the Mental Health Team. • In absence of a service level agreement between ASC, Legal Services and the Financial Assessment Team, there were no clear responsibilities for ensuring that a Deferred Payment Agreements are drawn up, charges are secured on the service user's property and documents are retained. • It is important that financial assessments are conducted as soon as care packages are created for invoices to be raised promptly where contributions are due. Testing showed that financial assessments were carried out several months after the care packages commenced. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Financial Assessments for Contributions to Adults and Social Care	Oct. 2020	<ul style="list-style-type: none"> • Invoices were being raised long time after the placements which in turn increases the risk of income control. Currently, service users are given financial declaration packs for completion by the social worker arranging the care package, and it is this process which requires improvement. We have recommended that consideration should be given to developing a technical solution which would allow service users or their next of kins to provide the financial declarations and supporting documentation online. • We found that there was a delay in generating the first invoice in the majority of residential and non-residential care packages, in some cases many months. Testing of 10 client accounts in arrears showed that in 3 of 7 relevant cases, the first invoices had been issued up to a year later. • The recovery of adult social care debts diverges from that for other sundry debts in that judgements made by the court are not being enforced. The Corporate Debt Recovery Policy advises that the needs of vulnerable residents should be taken into account in the collection process, however debts relating to adult social care are not enforced as a matter of course and hence a clear policy for recovering social care debts is required. • The work of the Financial Assessment Team is governed by legislation and corporate policies, supplemented by internal procedure notes. There are some areas such as quality assurance, residential billing, deferred payments etc. which are not covered by the written procedure notes. <p>All findings and recommendations were agreed with the Divisional Director, Adults Social Care and Head of Benefits. Final report was issued to the Corporate Director of Health, Adults and Community. Following this, a Project chaired by the Divisional Director, ASC has been commenced.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Capital Programme Governance	Oct. 2020	<p>This audit sought to provide assurance over the governance arrangements for the Council's capital programme and projects. The Capital programme for 2019/20 was set at £378M. The governance of capital is through the Capital Strategy Board, Asset Management & Capital Delivery Board and Asset Management & Capital Delivery Working Group. Roles and responsibilities of these groups were clearly set out in relevant terms of reference. The Capital Programme Process and Guidance (V4 February 2020) clearly set out the responsibilities of all managers and staff engaged in the delivery of the Council's Capital Programme. The audit highlighted the following issues:-</p> <ul style="list-style-type: none"> • The Council's Financial Regulations require capital programming to be undertaken over a three-year rolling period. The Council's Capital Strategy (7th February 2017), extended the Capital Programme planning from 3 years to 5 years and in January 2019, the capital programming was further extended to 10 years. Planning capital expenditure over such a long term period has the risk of having a "wish list" of capital projects – there being no assurance that the necessary capital funding was available in the first instance. A fundamental review of the Capital Programming for 2020-2023 has been undertaken to cover capital programme for the current financial year and two subsequent financial years. • Adequate profiling of capital budgets could not be undertaken due to limitations in the current Agresso financial system. This, together with the time lag of six weeks in carrying out the manual reconciliation process at the end of each quarter, resulted in capital budgets showing as underspent. For example, the Capital programme for the 2019/20 was set at £378m of which only £121.7m or 32% had been spent as at the end of period 9. For period 12, capital spend is £180M which is 47.6%. 	Substantial	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Capital Programme Governance	Oct. 2020	<ul style="list-style-type: none"> • The Capital Growth Bid forms part of the Office of Governance Commerce (OGC) Gateway Approval process. The capital approvals process must follow the OGC Gateway process. Audit testing of 10 Capital Growth Bids showed that there were issues regarding authorisation of the bids, identification of funding sources and completion and approval of the Project Initiation Documents (PIDs). Legal comments on the application of s106 funding were not provided for two PIDs. Legal comments are an essential part of the governance process to demonstrate to developers of how planning contributions are to be spent. • Audit was advised by officers that there was no alignment of the financial information held by the Capital Delivery team (reported through the Capital Programme tracker) and that reported by Finance to Cabinet through the quarterly Revenue and Capital Budget monitoring process to Cabinet. • A complete list of all authorised Exception Record /Change Control documents was not maintained by a single officer, which increases the risk that not all Change Controls can be captured and reported to the Cabinet. Of the eleven Exception Record /Change Control reports approved by the Capital Strategy Board between 12/04/2019 and 27/01/2020, seven had been reported to Cabinet for approval. • An examination of papers of Asset Management & Capital Delivery Working Group and Asset Management Capital Delivery Board showed there was poor attendance at these meetings from some Directorates. <p>All findings and recommendations were agreed by the Interim Divisional Director, Finance, Procurement and Audit and final report was issued to Corporate Directors Resources and Place.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Acquisition of Properties for Temporary Accommodation	Oct. 2020	<p>This audit sought to provide assurance over the systems and controls for managing property purchases. The acquisition programme was agreed by the Individual Mayoral Executive Decision process (Decision log (No: 176)) on 23rd October 2017 and agreed by the full Council on 22nd November 2017. Capital estimates were adopted totalling £119M – Poplar Harca (£19M), Purchases In and Out of Borough (£40M) and acquisition of S106 properties (£60M). Cabinet and the Full Council also agreed £30M and £20M respectively in February 2017 and January 2019. The following issues were reported :-</p> <ul style="list-style-type: none"> • As at December 2018, the actual spend on Poplar Harca was some £53.6M. In December 2018, a Change Note approved the merging of three separate capital budgets into one and also approved the programme name change. The Change Note stated that verbal agreement was obtained from the Mayor so that £60M could be used for purchasing properties for temporary accommodation as well as for S.106 properties. At the time of this audit in January 2020, the Change Control was not reported to the Cabinet. Procedures require all Change Controls to be reported to Cabinet for approval as part of the Quarterly Revenue and Capital Budget Monitoring process. • We have recommended that the success , costs, benefits, value for money, lessons learnt etc. of the Acquisition programme in meeting the Council's objectives and priorities should be reported to Cabinet. • The report for the adoption of capital estimates for the three capital projects did not clearly identify in detail the resources to fund these projects. We have recommended that in future when capital budgets are adopted by the Mayor or the Cabinet, the associated funding streams and the amount of funding available is clearly identified for approval. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Acquisition of Properties for Temporary Accommodation	Oct. 2020	<ul style="list-style-type: none"> • We were informed by the Council's Insurance service that they had not been notified of details of the properties acquired. Hence there was risk that these properties were not insured against key risks. • Testing of a sample of 20 properties purchased for the period January 2018 to date showed that the Officers' Authority (OA) for 6 properties over £250k but under £5M was correctly authorised. However, the approval process for remaining 14 acquisitions was not entirely in line with the officer's scheme of delegation. • Each acquisition required to be financially assessed for value for money by Finance before approval was given. Audit testing of 20 purchases showed no evidence of a system in place for financial assessment and consultation with Finance to be undertaken before purchase approval. • Once properties are purchased by LBTH, repairs and associated works are managed by Tower Hamlets Homes. Sample testing of 20 repairs found that some control improvements were required, especially in the area of approval for variations orders by LBTH. There were significant variations and in some cases the variations were over 100% of the original order values which should require approval by LBTH client. <p>All findings and recommendations were agreed with the Divisional Director, Housing and Regeneration and final report was issued to Corporate Directors Place and Resources.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Creditors Systems	September 2020	<p>This audit sought to provide assurance that the systems of control within the Creditors system are sound, secure and operating effectively.</p> <p>The following issues were reported:-</p> <ul style="list-style-type: none"> • Leaver access rights were not being terminated in line with agreed timescales. Our sample testing of ten leavers for the period April 2019 to January 2020 found eight employees were not removed within the required one day window. Four of the eight were caused by HR not providing a leaver notification. • Review of approvers' access to the system highlighted four leavers who had previously been flagged in our 2018/19 audit were still live on the system. We identified two more leavers who had not had their access revoked. From our discussions we understand the main reason for access not being revoked was due to delays in managers informing HR of leavers. <p>All findings and recommendations were discussed and agreed by the Head of Financial Systems in September 2020 and the final report was issued in September 2020.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Data Security and Protection Toolkit Compliance Review	August 2020	<p>The purpose of the audit was to provide an independent high level review of the assertions and evidence items in the DSP Toolkit return in December 2019 and to identify how compliance could be improved for the 2019/20 year-end return. At the time of the audit, the Council had completed 33 of the 42 assertions in the DSP Toolkit return. For a sample of 10 of the 33 completed assertions, we reviewed the evidence to ensure compliance with the DSP Toolkit requirements.</p> <p>Testing found that there was insufficient evidence to completely support, at the time of the audit, four of the 16 mandatory sub-assertions across three of the ten assertions included in our sample. We found that the evidence provided for these sub-assertions does not meet the requirements of the DSP Toolkit. The key exceptions relate to the absence of sufficient evidence uploaded to the DSP Toolkit to support the following:</p> <ul style="list-style-type: none"> • There is a clear understanding of what Personal Confidential Information is held • The Council maintains a current record of staff and their roles • All staff understand that their activities on IT systems will be monitored and recorded for security purposes. <p>We noted that where assertions have been completed, the work done to date has, to a large extent, been in line with the requirements of the Toolkit. However, in order to comply with the DSP Toolkit, the Council is required to meet all mandatory sub-assertions, therefore further work will be required ahead of the year-end submission to address the identified areas of non-compliance and to complete all remaining assertions that were not tested as part of this audit.</p> <p>All findings and recommendations were discussed and agreed with Head of Information Governance and Senior Information Officer and Schools Data Protection Officer in July 2020, and the final report was issued in August 2020.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Kobi Nazrul Primary School	July 2020	<p>This audit sought to provide assurance that the Head Teacher and the Governing Body have implemented adequate and effective controls over the administration and financial monitoring affairs of the school.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The evidence available at the time of the audit was insufficient to demonstrate that the required procedures to ensure adequate control over procurement, including sufficiency of quotations for high value purchases and lease agreements. The Schools procurement card, goods receipts are not retained or evidenced for purchases and there is no independent review of the credit card statements. This could result in purchases of goods and services that are not appropriate or do not provide value for money. • There was a shortfall in the controls relating to the school bank account as a school Governor was inappropriately included as an authorised signature. This could result in a Governor no longer acting independently. • There was inadequate Governance and controls for the following committees the Head Teacher Performance Review Committee, Finance, Premises and Personnel Committee and Pay Committee. <p>All findings and recommendations were discussed and agreed with the Head Teacher in July 2020, and the final report was issued in July 2020.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Creditor Systems	September 2020	<p>This audit sought to provide assurance that the systems of control within the Creditors system are sound, secure and operating effectively.</p> <p>The following issues were reported:-</p> <ul style="list-style-type: none"> • Leaver access rights were not being terminated in line with agreed timescales. Our sample testing of ten leavers for the period April 2019 to January 2020 found eight employees were not removed within the required one day window. Four of the eight were caused by HR not providing a leaver notification. • Review of approvers' access to the system highlighted four leavers who had previously been flagged in our 2018/19 audit were still live on the system. We identified two more leavers who had not had their access revoked. From our discussions we understand the main reason for access not being revoked was due to delays in managers informing HR of leavers. <p>All findings and recommendations were discussed and agreed by the Head of Financial Systems in September 2020 and the final report was issued to the Corporate Director, Resources in September 2020.</p>	Extensive	Substantial