

APPENDIX A

Summaries of Finalised Internal Audits

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Extensive	Corporate Cross Cutting	Corporate Governance
	Extensive	Corporate Cross Cutting	PCI and DSS Compliance
	Moderate	Children and Culture	Bowden House Special School
	Moderate	Children and Culture	St. John's Primary School
	Extensive	Resources and Health, Adults & Community	Management of Appointeeships and Deputyships
	Extensive	Resources	Cyber and Network Security
REASONABLE			
	Extensive	Place	Payment Control for Temporary Accommodation
	Moderate	Children and Culture	Stepney Greencoat Primary School

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Corporate Governance	Jan 2021	<p>Good governance is essential for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is properly accounted for. CIPFA/SOLACE have published best practice guidance notes on Delivering Good Governance in Local Government. This guidance defines best practice for developing and maintaining a locally adopted code of governance and assists local authorities in reviewing the effectiveness of their own governance arrangements.</p> <p>The objective of this audit was to provide assurance that the Council's arrangements for corporate governance are sound, secure and effective.</p> <p>This audit was undertaken in 2019. The audit testing, findings and opinions relate to the governance arrangements in place across the Council up to March 2020. Finalising the audit has been understandably delayed by the pandemic. Where management has subsequently taken action to update and/or improve its governance arrangements since March 2020 we included references to these changes and improvements in the report.</p> <p>The Council commissioned Grant Thornton in 2018 to undertake a review of its governance arrangements against CIPFA's "Delivering Good Governance in Local Government 2016". During this audit we assessed the progress made in implementing key actions from this report. The following key issues and findings were reported at the conclusion of this audit:</p> <ul style="list-style-type: none"> • The Council has a Code of Corporate Governance which sets out the commitment to uphold the highest possible standards of good governance. The Code was first put together in 2018, it was reviewed in 2019 but in a less formal manner before being provided to the Audit Committee as an appendix to an early draft of the 2018/19 Annual Governance Statement. It 	Extensive	Limited

		<p>would have been more appropriate to report the document to CLT for verification that all policies, procedures and other documents cited in the Code to support and evidence compliance were up to date, appropriate, relevant and valid.</p> <ul style="list-style-type: none"> • Since this audit was undertaken, the Code has been reviewed and presented to both CLT and the Audit Committee for their review, comment and agreement. During the audit, in order to verify that the collection of policies, procedures and other documentary evidence listed in the Code against CIPFA/SOLACE principles were actually operational and effective, we reviewed a sample of key documents and carried out our own independent audit testing. The detailed issues and observations were reported and management comments and proposed actions were agreed. • The final report in June 2018 on Grant Thornton’s review of the Council’s governance arrangements contained 48 separate observations/actions. Our enquiries found that there was no action plan to progress and implement key issues raised in this report. The outcome was not formerly reported to the CLT or the Audit Committee. This issue was brought to the Monitoring Officer’s attention and she immediately tasked the Deputy Monitoring Officer to review the GT report and prepare an action plan. • Local authorities are required to report publicly about how they have complied with their governance arrangements through an Annual Governance Statement (AGS). Each Corporate Director is required to confirm that their Directorates are run efficiently, effectively, and with proper risk management, governance and sound system of internal control. Directors are required to review their internal controls and submit an Annual Assurance Statement to the lead Officer identifying any significant governance issues within their Directorates. • During the preparation of AGS for 2018/19, the previous Head of Internal Audit wrote to all Corporate Directors for a self- evaluation to be carried out and this followed up by reminders. The first draft of the 2018/19 AGS 		
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		<p>was published in the Statement of Accounts before the returns were received from the Corporate Directors. When we reviewed the returns, which were received in July 2019, we noted that a full response was received only from the Corporate Director, Resources and Corporate Director, Health, Adults and Community; nil returns were received from the Corporate Director, Governance, Corporate Director of Place and the Corporate Director of Children's and Culture. The two populated responses formed the basis of the significant governance issues raised for 2018/19 within the AGS. The 2018/19 AGS was approved by the Audit Committee in July 2020.</p> <ul style="list-style-type: none"> • Recently, there has been no evaluation of how various policies and documents listed in the Code effectively deliver good governance of the Council. The Code of Corporate Governance should not just record and list a collection of policies and procedures, but there should be an evaluation on a regular basis to assess how these policies and procedures are effectively delivering good governance. • At the time of the audit, the 2019 Code of Corporate Governance had not been published on the staff intranet or on the LBTH Internet website to ensure that all staff and stakeholders are informed fully in an open and transparent manner about its governance processes. Since our fieldwork concluded, the 2019 Code has been updated and approved by both CLT and the Audit Committee, it will be published in the Intranet imminently. • At the time of the audit, the Council had not issued up to date guidance on the Councillor Call for Action Procedure, which would enhance the overview and scrutiny function. Since our fieldwork concluded, guidance is currently being produced and is expected to be published imminently. <p>All findings and actions were agreed by the Monitoring Officer and by individual Divisional Directors and Heads of Services. The final audit report was issued to the Chief Executive and all Corporate Directors.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payment Card Industry Data Security Standard (PCI DSS) Governance	December 2020	<p>This audit sought to provide assurance that the processes and systems for ensuring that the Council is compliant with the required standards.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • There was a lack of clear ownership and responsibility for ensuring that the Council meets the requirements of the PCI DSS. • There was no strategic document or policy in place for compliance with PCI DSS. <p>All findings and recommendations were discussed and agreed with the Divisional Director of Finance, Procurement and Audit, and Interim Corporate Director Resources and Section 151 Officer and Head of Revenue & Benefit Services in November and December 2020, and the final report was issued in December 2020.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Bowden House Special School	December 2020	<p>This audit sought to provide assurance over financial management, governance and administration of the school's financial affairs. The following issues were reported:</p> <ul style="list-style-type: none"> • The School was not routinely raising purchase orders, therefore goods received and invoices could not be easily matched to the original order, which could lead to paying for unauthorised goods/services. • The Scheme of Delegation did not contain sufficient evidence surrounding financial limits. Financial limits for signing work/purchase orders/invoices and signing cheques/payment instructions were not included. • Financial cost and implications were not included in the School Improvement Plan. • For high value transactions there was insufficient evidence that the School is getting the correct amount of quotes. • There was insufficient evidence of E-safety arrangements being discussed with the Governors. • The School had several policies which had not been reviewed within the timeframes outlined by the School's policy log. • The School did not have a contracts register in place. <p>All findings and recommendations were discussed and agreed with the Head Teacher in October and November 2020, and the final report was issued in December 2020.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St John's Primary School	November 2020	<p>This audit sought to provide assurance that there were adequate and effective controls over the governance and financial management of the school. The following issues were reported:</p> <ul style="list-style-type: none"> • Adequate evidence was not in place resulting in control weaknesses for self-employment status and tax responsibilities for contractors and self-employed individuals resulting in possible non-compliance with IR35 tax legislation. • Arrangements needed to be improved to support effective Governance and decision making. These included Governing Body and committee minutes not being sufficiently detailed, Terms of Reference for committees not adequately documented, an outdated policy log and declarations of interest forms were not complete and reviewed. • Reconciliation of the School Fund account needed to be improved. • Control weaknesses for personnel and payroll management related to medical checks being undertaken prior to employment. • School assets were not being security marked to identify them as property of the school. • The procedures in place to ensure compliance with data protection regulations were inadequate. We identified the school was not registered with the Information Commissioners Office (ICO), leaving the school exposed to risks of regulatory non-compliance and fines. <p>All findings and recommendations were discussed and agreed with the Head Teacher in October and November 2020, and the final report was issued in November 2020.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Appointeeships and Deputyships	January 2021	<p>This audit sought to provide assurance on the adequacy and effectiveness of the control framework for managing the Deputyships and Appointeeships arrangements.</p> <p>A deputy is an individual or entity appointed by the Court of Protection to manage the affairs of an individual who lacks the mental capacity to manage their own affairs. If the individual in question has no property or savings, and their only income is from benefits, there is no need for a deputy, as the benefits can be managed by an 'appointee' – who is an individual or entity appointed by the DWP.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • Whilst a central record is maintained that recorded a description of the items within each storage box obtained from an individual subject to an appointeeship or Deputyship process , it contained minimal information surrounding dates of items being entered into storage or key information such as which box the possessions are stored in, meaning it was difficult to reconcile the boxes and the database. • There was no single record for signing items in and out of storage confirming all movement of items within the box. It was not possible to verify if any removal of personal effects or documentation from storage had been approved by anyone other than the social worker. • Three different procedure documents were in place, they did not include information regarding the process for storage of personal possessions, except for financial documentation or the requirements relating to the length of time the service has to process an application once the referral has been received. The procedures were not being reviewed regularly or version controlled. 	Extensive	Limited

		<ul style="list-style-type: none"> • In two out of ten sampled cases, the files for clients held information pertaining to a different client. Whilst a checklist is present within the process documentation, this was not present within the physical or digital folders to confirm a quality check had been undertaken. • The reconciliations between the Client Financial Affairs community account and the general ledger within the Agresso finance system were not being completed on a timely basis each month and not signed off by a second officer. • There was no evidence of separation of duties between the preparation and approval of the annual returns to the Office of the Public Guardian (OPG) for deputyship clients. <p>All findings and recommendations were discussed and agreed with the Interim Head of Strategic Finance – Health, Adults and Community Services between October and December 2020, and the final report was issued in January 2021.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cyber and Network Security	January 2021	<p>This audit sought to provide assurance that the Council has implemented adequate and effective controls over the procedures for identifying, protecting, detecting, responding, and recovering its information assets from cyber-attacks and for managing its cyber security risks on an ongoing basis. The following issues were reported:</p> <ul style="list-style-type: none"> • There are 47 privileged user accounts in the Council's IT network and 30 Azure Global administrator accounts. Best practice to manage privileged user accounts is to assign the administrator role to the fewest possible users. Not restricting the number of users with elevated permissions increases the risk of users gaining unauthorised access to the Council's IT network • There is no programme in place for providing cyber security training and awareness to members of staff. • The Council has unsupported Windows operating machines (Windows 7, Windows 2008 servers) in use. The use of unsupported operating systems increases the risk of vulnerabilities to the IT network. • There are no defined procedures in place for responding to cyber security incidents. • There is no mechanism in place for proactively identifying and responding to suspicious network activity. <p>All findings and recommendations were discussed and agreed with the ICT Team in October 2020, and the final report was issued in January 2021.</p>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payment Control for Temporary Accommodation- Compliance audit	Dec. 2021	<p>This audit tested the payment control for all forms of temporary accommodation to ensure that there was adequate division of duties, authorisation and checking before payments were made to providers. The budget for accommodation sourced from the private sector (PLA) for 2020/21 is £26M against the outturn of £26M for 2019/20. The current budget for accommodation sourced through THH and other RPs (including buybacks) is £4.1M against the 2019/20 outturn of £3.6M. For B&B and hotel accommodation, the budget for 2020/21 is £3.9M against the outturn of £3M for 2019/20. The following issues were reported:</p> <ul style="list-style-type: none"> • At the commencement of this audit, there were no formal procedures in place covering payment controls for temporary accommodation. This hindered the audit process as reliance had to be placed on information obtained through staff interviews. We also noted that as the audit progressed, some procedures were drafted, but not all procedures were subject to formal review, management approval or were version controlled. • Our testing showed that the quality of checks on invoices before they were approved for payment was not robust. Invoices from hotels for B&B were paid on the basis of weekly Registers sent to the Council. However, in view of some discrepancies, we were not clear how the invoices were being matched with Registers. We provided examples of discrepancies to the Manager for further checks and investigations. The extent of checks carried out to verify and approve invoice payments on the basis of hotel registers may not be as sound as it should be. The Council's Financial Regulations require that payments are made after ensuring that goods and services are actually received by the Council. The system for approving invoices on the basis of hotel registers did not meet the requirements of the Financial Regulations and it was unclear who authorised this process. 	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payment Control for Temporary Accommodation	Dec. 2021	<ul style="list-style-type: none"> • There was no reconciliations process carried out between what should be paid on Northgate SX3 system and what was actually paid on Agresso system. • There were a number of administrative issues such as Service Level Agreement with one NST provider had not been signed; B&B bookings forms which had the wrong rates due to clerical errors; not all booking letters tested had been signed by the booking officer for NST; and in one case the invoice did not record the key details. All these issues were referred to the Manager who duly looked into the issues with resolution proposed. <p>All findings and issues were discussed with the Divisional Director, Housing & Regeneration and actions for improving internal control were agreed. The Housing Management and Procurement Manager took timely actions to address some of the issues raised by audit. Final report was issued to the Corporate Director, Place.</p>		

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Stepney Greencoat Primary School	October 2020	<p>This audit sought to provide assurance that the school has implemented adequate and effective controls over its governance, administration and financial management.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The procurement processes were not adequate. There are no assessments or agreements in place for self-employed individuals providing services to the School to confirm their employment status. There was an inappropriate leasing arrangement and tendering has not been undertaken for high value payments that could result in the School not receiving value for money. • There were weaknesses in the Governance arrangements to support decision making. We identified Governors DBS clearances had not been undertaken prior to being appointed and declaration of interest forms had not been reviewed. • The controls relating to new starters were not demonstrated as no medical checks had been completed and overtime claim forms were not signed by the employee; this could result in non-compliance with safe staffing processes and inaccurate or fraudulent claims being made. <p>All findings and recommendations were discussed and agreed with the Head Teacher in September 2020, and the final report was issued in October 2020.</p>	Extensive	Substantial