

### Summaries of Finalised Internal Audits

<b>Assurance level</b>	<b>Significance</b>	<b>Directorate</b>	<b>Audit title</b>
<b>Limited</b>	Extensive	Corporate	Staff Declaration of Interests
<b>Limited</b>	Extensive	Resources	Pensions Administration
<b>Limited</b>	Extensive	Place	Housing Allocations and Lettings
<b>Substantial</b>	Extensive	Resources	Treasury Management
<b>Reasonable</b>	Extensive	Place	New Town Hall - Contract Audit
<b>Reasonable</b>	Extensive	Resources	Debtors and Income Recovery
<b>Reasonable</b>	Extensive	Resources	General Ledger
<b>Reasonable</b>	Extensive	Governance	Local Community Fund
<b>Reasonable</b>	Extensive	Resources	IT Remote Working

**Limited / Reasonable Assurance**

<b>Title</b>	<b>Date of Report</b>	<b>Comments / Findings</b>	<b>Scale of Service</b>	<b>Assurance Level</b>
Staff Declaration of Interests (DOI)	March 2021	<p>This audit reviewed the management and control over declarations of interests by LBTH staff. In accordance with the Staff Code of Conduct, employees either positively declare that they have no interests, or if they have any conflicts, they make a written declaration. Employees are required to complete a DOI form on an annual basis to include financial, non-financial and personal interests and any secondary or additional employments. The declarations are required to be assessed and approved by line managers. The following issues were reported:</p> <ul style="list-style-type: none"> <li>• There are several procedures on the Council's Intranet providing guidance to staff on completion, management and control of staff DOIs. These procedures have not been reviewed and updated.</li> <li>• The DOI guidance to officers dated September 2016 states that each Council employee should complete the DOI form annually, even if there are no interests or secondary employments to declare. Our testing of compliance against this requirement showed that a significant number of staff have not completed their DOI forms on the HR Self Service system for 2020/21. The latest analysis showed that only 29% of staff across the Council had completed the DOI forms during 2020/21.</li> <li>• Director level authorisation is required for secondary employment (either paid or unpaid), a company directorship held or secondary employment within the Council, which could potentially create a conflict of interest or impact on the ability of the employee to carry out their duties effectively and legally. These Director level authorisations were not evidenced on the HR system.</li> </ul>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Staff Declaration of Interests	March 20221	<ul style="list-style-type: none"> <li>• Testing confirmed that for the period 01/04/2020 to 22/01/2021, of the 4,516 staff in the establishment, 1,331 declarations were made by means of submission on HR Self Service. Of this, 1,058 had been authorised (79.48%), 265 had been submitted but not authorised (19.90%) and 8 had been rejected. Where the DOI forms were rejected by line managers, the reasons for rejection and any mitigating actions needed were not recorded in the system, although there is a field for this purpose. The rejected DOIs are not electronically notified (via emails) to the relevant employees by the system and hence the employees do not have the visibility as to why their DOIs have been rejected. Where line managers had approved declarations of interests or secondary employment or both, the basis of approval was not recorded, although there is a section on the form for line managers to comment on why any declarations are approved.</li> <li>• Regular management information reports are not produced for monitoring by the CLT, DLTs, Heads of Services and for line managers to report upon issues such as overall DOI completion and non-completion rates, number of employees who have secondary employment, number of employees who have potential conflict of interest and so on.</li> </ul>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pensions Administration	March 2021	<p>The audit was conducted to provide assurance to management that the systems for managing Pensions within London Borough of Tower Hamlets (LBTH) are sound and secure to meet the agreed objectives.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> <li>• For the Council we reviewed the total employee and employer contribution deductions recorded on the Payroll Summary Analysis and compared it with the amounts credited into the Pension fund bank account for the period April 2019 to March 2020. We identified a cumulative difference of £697,628 not being credited to the Pension fund bank account. It was confirmed that the differences are due to a new auto-enrolment software where the issue is with the third party deduction programme that make payments to the BACS system.</li> <li>• Employers within the scheme are not following the Pension Regulator's (TPR) guidelines of good practice in respect of contributions and funding and record keeping are not followed adequately. Pension contribution deductions from the members' salaries into the pension fund on a timely basis and accurate member records are not uploaded directly onto i-Connect by the employer.</li> <li>• We reviewed a sample of 20 amendments (change of address, bank account details or nominated beneficiaries) from a total of 673 amendments requested in the period 1 April 2019 to 31 March 2020. We identified 11 exceptions where time delays were evident in changing members' information and nine exceptions where confirmation sent to the members could not be evidenced.</li> </ul>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
		<ul style="list-style-type: none"> <li>• We reviewed a sample of 20 members who had opted-out within three months of joining the pension scheme and were due a refund in the period 1 April 2019 to 31 March 2020. Refunds were not made in a timely manner in two cases. The refunds were recorded as complete on the Altair's workflow at a date which was later than the due date, ranging from ten to 21 days. This could lead to member recourse to the ombudsman.</li> <li>• We have noted the following with regards to the risk that information within Annual Benefit Statements and Annual Allowance Statements may be incorrect/inaccurate and has not been sent to members in a timely manner, and the introduction of new systems of checks to mitigate the risk. This risk will be further mitigated upon the introduction of a self-service portal which will enable the members to download relevant statements/information using their unique credentials. The target to implement the automated process is August 2021.</li> </ul> <p>All findings and recommendations were discussed and agreed with the Pensions and Investments Manager and Payroll Manager between January and March 2021, and the final report was issued in March 2021 to the Interim Corporate Director of Resources and S151 Officer.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Allocations and Lettings	March 2021	<p>This audit examined the systems and controls for assessing, approving and prioritising applications to the Housing Register and resulting lettings in order to ensure that decisions taken are in accordance with Council policy and statutory guidance. The following issues were reported:</p> <ul style="list-style-type: none"> <li>• From our testing we identified that 5 out of the 20 applicants either failed to submit the required two pieces of identity documentation or proof of three years residency in the borough.</li> <li>• There was no evidence that officer checks had been undertaken to confirm that applicants had not been evicted, nor subject of bad behaviour in the last three years or that they do not have sole or joint income of more than £85,000 per annum.</li> <li>• Two applicants were identified as homeowners however, there were no notes held on the system to explain why these applicants could join the housing register.</li> <li>• Our review of 20 applicants who have remained on the waiting list the longest (circa 30-40 years) revealed that 7 had last had a biennial review between 2013-2015, 7 had never been contacted and asked to express an interest if they wished to remain or not, and 6 were categorised as band 3 and would not have been subject to a review.</li> </ul>	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Allocations and Lettings	March 2021	<ul style="list-style-type: none"> <li>• 20 live applications on the housing register were reviewed for applicants within an age group of 80 to 103 years. This revealed that 17 had never received an annual review, 3 were found to have had an annual review the last being in 2014. Further testing of this sample group revealed that 5 had moved out of Borough, and 11 were deceased.</li> <li>• We were advised that the new system that was introduced in July 2019 does not include an officer's mandatory checklist of application process checks that should be carried out. Therefore, this does not facilitate efficient management checks to be undertaken on a sample of applications that have been allowed to join the waiting list.</li> <li>• 20 live applicants selected from the months of January 2019 – October 2019 were reviewed for their bidding history. This revealed that 13 of the 20 applicants (65%) had never bid for any properties since being accepted onto the housing register.</li> <li>• Declaration of interest forms were reviewed for 33 staff within the service. We found that 5 staff members had last completed the declaration in 2017, 20 staff members had last completed in 2018, 6 last completed in 2019, 1 member of staff had completed in 2020 and 1 staff member had not completed a declaration at all.</li> </ul>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Treasury Management	March 2021	<p>This audit sought to provide assurance around systems in place to manage the Council's Treasury Management activities, particularly in relation to dealings, transactions and reconciliations (ICD Portal, Logotech and Bank line). We were able to confirm that the following systems were well designed and operating as intended:</p> <ul style="list-style-type: none"> <li>• Treasury Strategy Statements</li> <li>• Roles, Responsibilities and Delegated Authority Levels</li> <li>• Treasury Reporting</li> <li>• Justification for Temporary Borrowings</li> <li>• Compliance with Prudential Indicators</li> <li>• Treasury Management Training</li> <li>• Processing of Treasury Transactions</li> <li>• Cash Flow Forecasting</li> <li>• Short and Long Term Investments</li> <li>• Treasury Management Reconciliations</li> <li>• System Access and Security.</li> </ul> <p>We also followed up the previous internal audit and confirmed that all recommendations had been implemented. It should be noted that during our review, we found that there were un-reconciling balances for Quarter 1 in relation to the balances posted to the Bank, Agresso and ICD Portal, where a finding was initially raised, however these were subsequently corrected for Quarter 2 and presented to us following the first issue of the draft report in February 2021.</p> <p>All findings and recommendations were discussed and agreed with the Interim Corporate Director Resources and Head of Strategic and Corporate Finance. in March 2021, and the final report was issued in March 2021.</p>	Extensive	<b>Substantial</b>



Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
New Town Hall Project	March 2021	<p>This audit sought to provide assurance that the governance, risk management and project management arrangements operating over the New Town Hall Project are adequate and effective to meet the agreed objectives. The following two issues were reported:</p> <ul style="list-style-type: none"> <li>• The risks identified at corporate level are reviewed by the Project Board at each meeting and this is noted in the minutes. There is one Red risk that the New Town Hall Project contingency budget allowance of £5m is not sufficient. There are also four amber risks (engagement with other partners, accommodation requirements, car parking and other accommodations to share) that are being reviewed and noted in the Project Board minutes, however, no changes have been made to the risk register itself, control measures and dates have not been recorded and allocated to the owners for monitoring and implementation.</li> <li>• Previous decisions and value for money considerations in the original business case for the New Town Hall Project were based upon £78m of the £105m project being funded by capital receipts i.e. disposal of redundant building assets. The current cost of the Project is now forecast at £123.350m with £90.120m to be funded from borrowing. The rationale for this was set out in the September 2020 Cabinet papers, where it was noted that the wider Council finance strategy has changed due to the low interest rates. The Project is expected to be completed in spring 2022. Although interest rates are low, there is an associated cost and consequently there is a need to ensure that the original expectations with regards to value for money remains.</li> </ul> <p>All findings and recommendations were discussed with the Project Director - Town Hall in February 2021 and agreed with the Corporate Director – Place in March 2021, and the final report was issued in March 2021.</p>	Extensive	Reasonable

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Debtors and Income Recovery	March 2021	<p>This audit sought to provide assurance that the controls operating over the Sundry Debtors system, debt recovery and operation of various panels for recovering income due are sound, secure and adequate. The following good practice was confirmed:</p> <ul style="list-style-type: none"> <li>• Key details such as the invoice number, amount and description of goods/services of the sampled transactions matched with the supporting evidence.</li> <li>• Value of the sampled outstanding arrears matched with the supporting system screenshots.</li> <li>• Sampled write-off transactions were coded in line with the requirements of the Corporate Write-off policy. These were signed by the officer processing the write-off, Head of Revenues and Chief Financial Officer evidencing adequate segregation of duties.</li> <li>• A workflow was evidenced for all sampled new debtor account requests evidencing who requested and approved the debtor account to be added onto Agresso.</li> <li>• We conducted a walkthrough of the IT system in place for raising debtor accounts on Agresso and assessed that the processes are effective and in line with the internal guidance.</li> </ul> <p>The following issues were reported:</p> <ul style="list-style-type: none"> <li>• A review of a sample of 20 accounts in arrears (£321,256) relating to 1,709 debtor accounts during 1 April 2019 to 23 March 2020, identified that a diary note evidence was not available in two cases, adequate recovery action was not evidenced in one case and the last recovery</li> </ul>	Extensive	Reasonable

		<p>action by the Council was not timely in four cases.</p> <ul style="list-style-type: none"> <li>• A review of a sample of 20 invoices (£65,592) for 2019/20, identified in three cases, the documentation supporting the invoice could not be provided due to remote working arrangements, in three cases we could not confirm if sufficient supporting documentation was available due to no response from officers and in three cases, an invoice was not raised promptly after the end of service period, ranging from 33 to 271 days.</li> <li>• Commercial Rent and Social Care Debt Monitoring Group meetings are not conducted, and minutes of the meetings not recorded, on a regular basis. Management confirmed that the Commercial Rent Monitoring Group meetings were cancelled for the months September 2019, December 2019 and February 2020 whereas Social Care Debt Monitoring Group meetings cancelled for October, November and December 2019.</li> </ul> <p>All findings and recommendations were discussed and agreed with the Head of Revenue Services and Income Collection &amp; Enforcement Team Manager in March 2021, and the final report was issued in March 2021.</p>		
<b>Title</b>	<b>Date of Report</b>	<b>Comments / Findings</b>	<b>Scale of Service</b>	<b>Assurance Level</b>
General Ledger	March 2021	<p>This audit sought to provide assurance that the systems and controls operating over the Council's General Ledger system are sound and secure to meet the agreed objectives.</p> <p>We were able to confirm that the following systems were well designed and operating as intended:</p> <ul style="list-style-type: none"> <li>• Chart of accounts management</li> <li>• Cost centre Management</li> <li>• Financial regulations</li> <li>• Control account reconciliations</li> </ul>	Extensive	Reasonable

		<ul style="list-style-type: none"> <li>• Suspense account management</li> <li>• Back up processes for the Agresso system</li> <li>• Interface management and reconciliation.</li> </ul> <p>The following issues were reported:</p> <ul style="list-style-type: none"> <li>• The Council still has balances relating to income from grants and contributions from 2018/19 which have not been rolled forward. Although the accounts were presented to the Audit Committee in April 2020, with the Council also recognising it as an issue, it is yet to be addressed and the balances rolled forward.</li> <li>• The Deloitte external audit report dated July 2019 stated that errors were identified in the recognition of income from grants and contributions in 2018/19 due to applying the wrong recognition basis and inadequate control over the reconciliation of control accounts. The external audit report also identified the following misstatements: recording leaseholder contributions to capital projects, recognition of community investment levy, accrual of income relating to Dedicated Schools Grant and the carrying forward of a balance on a control account for PFI grant.</li> <li>• Through our audit work, we confirmed that the Council has put in place processes to address the findings raised by the consultant's report in addition to the recommendations raised by CIPFA. For example, through our testing of changes to the chart of accounts and cost centre set ups, we confirmed that there is the use of a form which must be approved by authorised signatories, for which there is a schedule in place. We also confirmed there to be a process in place whereby feeder systems are reconciled to Agresso with the use of monthly reports generated by Agresso and reconciled by the Senior Finance Officer. We were also provided with evidence of cost centres being set up to provide greater detail in terms of financial reporting and being in</li> </ul>		
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		<p>line with the Statement (Chart) of Accounts.</p> <ul style="list-style-type: none"> <li>As recommendations have already been raised by the consultants used by the Council (Worth Technical Accounting Solutions) in respect of the general ledger and overall financial management, we have not raised a formal recommendation as part of this audit report.</li> </ul> <p>All findings and recommendations were discussed and agreed with the Chief Accountant and Head of Financial Systems in March 2021, and the final report was issued in March 2021.</p>		
<b>Title</b>	<b>Date of Report</b>	<b>Comments / Findings</b>	<b>Scale of Service</b>	<b>Assurance Level</b>
Local Community Fund – Grant Awards	Jan 2021	<p>This audit reviewed the processes leading up to the award of funding under the LCF programme. All the bids received were assessed and evaluated by an external firm which was procured via the Council’s Request for Quotation (RFQ) system. In total, 240 project bids were submitted by more than 130 organisations. Projects with the highest scores were recommended for funding, with some adjustments following consultation with directorate leads. The July 2019, Cabinet approved the funding of 50 projects recommended by Officers. The funding was for the period 1st October 2019 to 31st March 2023, amounting to £9.31m over the 42-month period. The following areas of good practice were identified:</p> <ul style="list-style-type: none"> <li>Evaluation of organisational suitability, including the supporting documentation.</li> <li>Projects with the highest scores were recommended for funding, with some adjustments following consultation with directorate leads from the Children and Culture and Adult, Health and Community directorates.</li> <li>Unsuccessful organisations received an outcome email, which offered</li> </ul>	Extensive	Reasonable

		<p>feedback on the application on request.</p> <ul style="list-style-type: none"> <li>• Funding agreements relating to most of the projects in our sample and other projects had been drawn up and signed by both parties in October and November 2019.</li> <li>• In a sample of 8 organisations, quarterly payments had been made in respect of all their projects in accordance with approved funding recommendations.</li> <li>• Assessors had completed declaration of interest forms.</li> </ul> <p>The following issues were reported:</p> <ul style="list-style-type: none"> <li>• The prospectus, which was included in the advertisement inviting the potential bidders to bid for the LCF funding did set out the eligibility and assessment criteria which had been co-produced with the voluntary sector. However, we found that a slightly different version was used by the external assessors for evaluating bids following discussion with the Voluntary Sector Team. We were informed by Management that the change to the criteria related to duplicate assessment of the same issue in both the organisational and project assessments. The change did not go through an approval process within LBTH as CLT approval would have been disproportionate. However, from a control point of view, the change – albeit small, was not formally approved by, for example, the Divisional Director. In Internal Audit's opinion this would have been appropriate, given the recent history regarding grant allocations in Tower Hamlets. Further, in order to be fully transparent and perceived as such, it would have been advisable to communicate the proposed change and the reason for it to the voluntary organisations submitting funding bids. While we did not test the outcomes, had the original version of eligibility criteria been used, management has stated there would not have been a discernible impact on the eventual outcome of the final assessments.</li> </ul>		
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		<ul style="list-style-type: none"> <li>• The Voluntary Sector team advised audit that where there were some examples of discrepancies between total scores awarded by the two External assessors , these were then referred to the moderation panel. However, there appeared to be no documented pre-determined threshold approved by LBTH for referral to the moderation panel. In total, 9 projects were referred for moderation. One of these nine projects were selected for funding. There was evidence that a moderation panel meeting took place, but there were no notes or explanations as to how the final moderated scores which were recorded in the final project score spreadsheet were arrived at.</li> <li>• A planned, timely post assessment review to identify areas that went well, and any issues that could be improved to enhance organisational learning was not completed by the Voluntary Sector Team. Although we understand that as a result of a Judicial Review a review has now been undertaken.</li> </ul> <p>All findings and issues were agreed with the Divisional Director, Strategy, Policy and Performance. Final report was issued to the Corporate Director, Governance and the Chief Executive.</p>		
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Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
IT Remote Working	March 2021	<p>This audit sought to provide assurance that the Council's remote working transition arrangements were effectively executed. The following good practice areas were identified:</p> <ul style="list-style-type: none"> <li>• The Council's IT Support provider, Agilisys, maintains a close view of IT operations, and a detailed IT Service Report is compiled for discussion at regular Monthly Operations Meetings.</li> <li>• The IT Service Report compiled for the Monthly Operations Meetings includes a detailed breakdown of IT issues reported to the Service Desk</li> <li>• Users equipped with Windows10 devices are prevented by the Council's SCCM (Service Centre Configuration Manager) solution from installing applications and software to their devices. This is strictly controlled and only permitted for authorised technical IT staff.</li> <li>• The Council has deployed Solarwinds to monitor the network bandwidth usage, health of systems and infrastructure. Solarwinds, maintains an overall view of the network infrastructure's health and alerts for any exceptions.</li> <li>• The Council has identified risks with the usage of portable memory drives/USB sticks and has taken proactive steps to restrict users from installing these types of removable devices on Council assets.</li> <li>• The Council's devices are configured with the same uniform build to include Bit locker AES 256 encryption. The secure configuration of these devices was based on specifications advised by the NCSC (National Cyber Security Centre).</li> </ul>	Extensive	Reasonable



		<p>The following issues were reported:</p> <ul style="list-style-type: none"> <li>• The process for reporting lost or stolen assets is known by employees, however this is not documented.</li> <li>• There is a technical issue between the Configuration Management Databases (CMDB) and IT Asset Register which is preventing lost or stolen devices from being identified/flagged. The root cause of this issue is unknown.</li> <li>• Several IT Policies (Information Security, Remote Working) are out of date/not yet approved/not in place.</li> <li>• Patch Management operational procedures are not documented.</li> <li>• User education contributes greatly to Service Desk call volumes.</li> </ul> <p>All findings and recommendations were discussed and agreed with the ICT Team in January 2021, and the final report was issued in March 2021.</p>		
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