

## Summaries of Finalised Internal Audits for 2022/23

| <b>Assurance level</b> | <b>Significance</b> | <b>Directorate</b>   | <b>Audit title</b>                                    |
|------------------------|---------------------|----------------------|---|
| <b>Limited</b>         | Extensive           | Children and Culture | Stepney All Saints Church of England Secondary School |
| <b>Limited</b>         | Moderate            | Children and Culture | Blue Gate Fields Junior School                        |
| <b>Reasonable</b>      | Extensive           | Place                | Management of Regeneration Projects                   |
| <b>Reasonable</b>      | Moderate            | Place                | Procurement and Contract Monitoring of Electrical MTC |

## Limited / Reasonable Assurance

| Title   | Date of Report | Comments / Findings  | Scale of Service | Assurance Level |
|---|----------------|--|------------------|-----------------|
| Stepney All Saints Church of England Secondary School | Nov. 2022      | <p>The objective of this audit was to carry out an audit review of the school's governance, financial management, budgetary control, income and expenditure controls, procurement, asset management, HR/Payroll management, security management and other key financial administration processes. The school has an agreed budget for 2022/23 of £13,189,369 with brought forward balance of £1,378,685 from 2021/22 resulting in cumulative budgeted surplus for 2022/23 being £2,087,898. We understand that £478,500 of the brought forward balance was committed to agreed projects by governors for swimming pool re-development, rebranding and uniform. The following good practices were identified:</p> <ul style="list-style-type: none"> <li>• Governors have received appropriate induction and on-going training for their role. Details of training available and attended by governors is recorded within the Governing Body meeting minutes</li> <li>• The Scheme of Delegation and Financial Procedures are up to date for the current year.</li> <li>• A whistleblowing policy is in place and was last reviewed in December 2021. The policy is accessible on the shared drive for all members of staff to access. Staff are further reminded of the whistleblowing policy each year in September.</li> </ul> | Extensive        | <b>Limited</b>  |

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|-------|----------------|--|------------------|-----------------|
|       |                | <ul style="list-style-type: none"> <li>• School Improvement Plan identifies the financial cost and resources required for implementation and has been approved by the Governing Body.</li> <li>• We selected a sample of three leavers from August 2021 to April 2022 and confirmed that they had all been removed from payroll in a timely manner. Payroll reconciliations are carried out on a monthly basis, and are reviewed by the Head Teacher.</li> <li>• The school has a Business Continuity/ Disaster Recovery Plan in place that clearly outlines the current arrangements for restoring data and access to systems, alternative working arrangements/locations as well as protocols in the event of an emergency. We note that the plan is reviewed on an annual basis and was last reviewed in May 2021.</li> </ul> <p>The following key findings/issues and risks were reported:-</p> <ul style="list-style-type: none"> <li>• Governors' Declaration of Interests forms were not reviewed and signed off by the Chair and the Head Teacher to ensure that governors have declared the relevant business and other interests.</li> <li>• There is no evidence of monthly budget monitoring undertaken by the School Business Manager and the Head Teacher.</li> <li>• We identified two contracts where quotes had not been obtained and the rationale for not obtaining quotes was not recorded. One contract for a Building Maintenance Scheme totalled £39,015 and the second contract with Recruitment totalled £26,760.96.</li> </ul> |                  |                 |

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|--------------------------------|----------------|--|------------------|-----------------|
|                                |                | <ul style="list-style-type: none"> <li>• One of the school's bank account (used for making bursary payments) is not reconciled on a monthly basis. The closing balance at 1<sup>st</sup> April 2022 totalled £ 51,232.</li> <li>• For a sample of three payments made to individuals, our test identified that for all payments, the school had not completed assessments for individual's self-employed status vs employee via the HMRC CEST Toolkit, prior to making payments without the deduction of tax.</li> <li>• Evidence of inventory report completed in 2021 could not be located due to the IT Manager at the time having been new to post. The School Business Manager confirmed this was informally communicated to governors.</li> <li>• For a sample of three assets purchased from April 2021 to date, whilst we confirmed that these were physically present within the school, they were not yet recorded on the inventory register.</li> </ul> <p>All findings and actions were agreed with the Headteacher. Final report was issued to the Chair of Governors, Corporate Director of Children and Culture and Strategic Head of Finance – Children and Culture.</p> |                  |                 |
| Blue Gate Fields Junior School | Nov. 2022      | This audit sought to provide assurance around the effectiveness of the school's governance arrangements, financial management, budgetary control, income and expenditure controls, procurement, asset management, HR/Payroll management, security management and other key financial administration processes. The school's approved budget for 2022/23 was £2,822,766 and the surplus brought forward from 2021/22 was £208,670.  | Moderate         | <b>Limited</b>  |

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|-------|----------------|---|------------------|-----------------|
|       |                | <p>The following good practices were reported:-</p> <ul style="list-style-type: none"> <li>• Minutes of Full Governing Body meetings from September 2021, December 2021 and February 2022 included updates regarding budget monitoring information.</li> <li>• The school has a whistleblowing policy in place dated September 2021 which is accessible on the shared drive and is communicated to staff at the beginning of each academic year. However, we noted that the policy was not published around the school.</li> <li>• Our review of the School Development Plan 2021/22 and 2022/23 (SDP) confirmed that it includes the financial cost and resources required for implementation and has been approved by the Governing Body. This School Development Plan is further broken down into specific categories to provide further detail for each plan.</li> <li>• For a sample of three leavers from April 2021 to April 2022, we confirmed that they had all been removed from payroll in a timely manner.</li> <li>• The school has a Disaster Plan (DP) / Backup Letter in place, which was last reviewed in September 2021, and is due to be reviewed again in September 2023, or upon a change to process or legislative change. The Disaster Plan clearly outlines the current arrangements for restoring data and access to systems, alternative working arrangements/ locations as well as protocols in the event of an emergency.</li> <li>• For a sample of four new starters, we noted that at least one panel member had received Safer Recruitment training. We also confirmed that all starters pre-employment checks had</li> </ul> |                  |                 |

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|       |                | <p>been completed including Disclosure and Barring Services (DBS).</p> <p>The following key findings/issues/risks were highlighted:-</p> <ul style="list-style-type: none"> <li>• For a sample of five higher value payments, there was no evidence to demonstrate that three quotes had been obtained before the procurement of each good or service. The value of the payments ranged between £10,056 - £30,507.74.</li> <li>• The Finance Manual states expenditure over £15,000 requires Governing Body approval. For a sample of three higher value payments that exceeded £15,000, we were unable to verify whether the Full Governing Board had approved the payments, as stated in the Finance Manual.</li> <li>• We selected a sample of ten good/services to verify whether a purchase order had been created prior to the purchase being made. Our review identified that five samples, had no evidence to demonstrate that a purchase order had been raised. Additionally, we noted for one sample, whilst a purchase order was raised there was no evidence of it being authorised.</li> <li>• Our review highlighted that there is no segregation of duties as the Head Teacher reviews and signs off their own procurement card statement at month end.</li> <li>• We were informed by the Head Teacher and Finance Manager that the school has no Committees in place. The Full Governing Body assumes the role of all Committees. It was however noted that both the Finance Manual and the Scheme of Delegation makes reference to roles and responsibilities of Committees which do not in fact exist.</li> </ul> |                  |                 |

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|       |                | <ul style="list-style-type: none"> <li>• Our review of the Scheme of Delegations (SOD) highlighted that expenditure limits for authorised personnel are not complete. For example, the SOD does not include expenditure limits for all members of staff with financial responsibilities.</li> <li>• We were informed that budget monitoring is undertaken monthly by the Finance Manager and the Head Teacher however, we were unable to assess the controls in place, as the process is not documented or signed off.</li> <li>• We selected a sample of four starters and found that for one case the interview sheet had not been completed. Furthermore, we noted for two starters the score marks had not been recorded on the interview sheets.</li> <li>• The school has a leavers checklist in place however, we noted that it is not completed for all leavers. Whilst payroll reconciliations are undertaken monthly and reviewed by the Head Teacher, evidence of the Head Teacher's review and approval was not documented.</li> <li>• We reviewed a sample of payments made to three individuals to determine whether the self-employed vs employee assessment via HMRC Toolkit had been used. We found that for all three samples, the school were unable to provide the supporting evidence.</li> <li>• The school has an inventory register; however, we noted that six newly purchased air conditioning units had not been recorded on the register. The school were unable to provide evidence to demonstrate when the last full inventory had been completed or confirm whether the register had been reported to the Full Governing Body.</li> </ul> |                  |                 |

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|                                     |                | <ul style="list-style-type: none"> <li>We reviewed the Full Governing Board minutes and noted that training undertaken by Governors is recorded in the minutes. However, our discussions with the Head Teacher confirmed there is no formal training register maintained to record all training modules completed by Governors.</li> </ul> <p>All findings and actions were agreed with the Headteacher. Final report was issued to the Chair of Governors, Corporate Director of Children and Culture and Strategic Head of Finance – Children and Culture.</p>   |                  |                   |
| Management of Regeneration Projects | Dec. 2022      | <p>This audit reviewed the systems for governing, managing and monitoring Regeneration projects to provide assurance that the Council's procedures were followed and the projects achieved the objectives and priorities set within the approved Delivery Plan.</p> <p>To support Regeneration across the borough, a Delivery plan and an initial 5-year programme was drawn up with the assistance of business management consultants. The Delivery plan, dated May 2019, included eight 'regeneration outcomes'.</p> <p>The focus of this audit review was on the regeneration projects managed and delivered by the Regeneration Team. We selected a sample of 5 projects (out of 16 currently listed as being planned/delivered) to test the soundness and adequacy of controls. The following good practices were reported:-</p> <ul style="list-style-type: none"> <li>There is a governance structure for the oversight of regeneration projects, namely the Regeneration Board, chaired by the Mayor and supported by 4 local area boards. The role, purpose and membership for the Regeneration Board, as well</li> </ul> | Extensive        | <b>Reasonable</b> |



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|       |                | <p>as for the four area boards is set out in a Terms of Reference which was dated July 2020. There is also a Terms of Reference dated May 2020 for the Local Infrastructure Fund (LIF) Working Group whose role it is to approve the allocation of LIF funds for community projects.</p> <ul style="list-style-type: none"> <li>• A governance structure for the delivery of the Council's capital programme was set up in 2019, which allows for the scrutiny and approval of bids and project proposals at the following levels: Capital Finance Assessment Working Group, Asset Management and Capital Working Group, Asset Management and Capital Delivery Board and Capital Strategy Board.</li> <li>• There was evidence that 2 projects in the audit sample of 5 had been included in the Council's capital programme and relevant growth bids and Project Initiation Documents (PIDs) had been reviewed and approved at the required Board levels. 3 other projects were funded via the LIF for which there is a different route for inclusion in the capital programme as they arise from consultation with the community. All 3 projects had been included in the Local Infrastructure Fund Programme reported to Cabinet.</li> <li>• Audit testing of 5 projects showed that PIDs, quarterly monitoring reports and other associated documents are in accordance with the Council's corporate project guidance and process, which aligns with the Prince2 methodology.</li> <li>• Project codes had been set up for each project in the audit sample of 5 to facilitate effective budget monitoring.</li> </ul> |                  |                 |

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|       |                | <p>The following issues and risks were highlighted for Management to address:-</p> <ul style="list-style-type: none"> <li>• The Regeneration delivery plan and 5-year programme created in 2019 and based on 8 regeneration outcomes was to be overseen by the Regeneration Board. The stated purpose was to coordinate regeneration delivery within the Council, ensuring that there is a joined up / 'no silo' approach; and to steer a strategic approach to the securing of funds for regeneration. However, the delivery plan and programme have not been formally adopted by the Council through incorporating it into the Strategic Plan, nor have they been reviewed and updated since May 2019.</li> <li>• Regeneration projects are delivered by various services within the Council, such as Housing Regeneration, and Public Health as well as the Regeneration Team. However, the Regeneration Board appears to focus on projects delivered by the Regeneration Team only. While services such as Housing Regeneration were consulted when the 5-year programme was drafted, there has been little engagement with the Regeneration Board from Council Services that also manage and deliver other regeneration projects.</li> <li>• The role and responsibilities of the Regeneration Team needed to be clearly documented and agreed. The delivery plan document states that the Regeneration Team will be a small tactical team, will have an enabling role, developing programme and projects from inception to planning and then hand these over to others to deliver. In practice, however, the Regeneration Team manage and deliver projects themselves,</li> </ul> |                  |                 |

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|       |                | <p>but this change in role has not been reflected in the plan as it has not been reviewed since its issue in 2019.</p> <ul style="list-style-type: none"> <li>• We noted that at the September 2022 meeting of the Regeneration Board, which was the first meeting under the new administration, the Board did not request/receive the terms of reference of the Board for review and approval; neither did the Board request the Delivery Plan for 2019 to 2023/24 and work plan for Regeneration Team for 2022/23 for review and approval.</li> <li>• Outside of the Board meeting, we understand that the Mayor has requested changes to the 2022/23 programme which were recorded in the Regeneration Team plan. Decisions outside of the Board meeting can lead to poor audit trail and lack of transparency. We were advised that the new administration is reviewing the current capital programme with a view to only progressing schemes that are aligned to the new strategic plan/manifesto. The revised programme will be finalised in December and will be submitted to Cabinet in January 2023 for full approval. Therefore, there are risks associated with this approach whereby long agreed projects which may have already commenced, funded, monies spent and are now being abandoned, may have financial and reputation risks.</li> <li>• Although there is evidence of monitoring within the Regeneration Team and that regular progress updates are provided to the Local Area Boards as well as Partnership Boards, we found that there is no formal corporate monitoring of capital schemes and projects, other than for those that are funded through the LIF, for which there is a separate monitoring process. Until a year ago, dashboards were</li> </ul> |                  |                 |

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|       |                | <p>compiled by the Programme Office within the Capital Delivery Service for the Asset Management and Capital Delivery Board, but this has lapsed. We were advised that a refreshed dashboard is in development.</p> <ul style="list-style-type: none"> <li>• The Regeneration Board has not monitored the progress of the delivery plan through annual progress reports, although this is a purpose stated in its terms of reference</li> <li>• The Cabinet report of 2020 decided that the Regeneration Team would work with the Council’s Strategy, Policy and Performance directorate to monitor whether the delivery of the regeneration programme is achieving an improvement against the eight Regeneration Outcomes. We were informed that a range of existing and, where required, new indices will be brought together to measure the cumulative impact of additional regeneration activity. However, we found that the high-level reporting within the Annual Strategic Performance report (last report 2021-22 to Cabinet in August 2022) did not appear to relate to the 5-year regeneration programme as performance is based on “Measuring provisions towards regeneration outcomes achieved through planning consents including strategic sites and allocations in the Local Plan.”</li> <li>• There did not appear to be a clear record of completed/closed regeneration projects across the Borough. Audit was provided with 1 closing report for a small revenue funded project, Millwall Arches, which was signed off by the Head of Regeneration in November 2021. The Head of Regeneration advised that not many projects have been completed since the Regeneration Team was created in 2019. A recommendation was made to ensure that a system is put in place which allows</li> </ul> |                  |                 |

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|  |                | <p>to identify easily all live/closed projects so that completed or closed projects can be evaluated promptly and assessed as to whether the intended outcomes were achieved and reported upwards.</p> <p>All findings, issues and recommendations were discussed and agreed with the head of Regeneration and Final Report was issued to the Corporate Director of Place and the Chief Executive.</p>  |                  |                   |
| Procurement and Contract Monitoring of Electrical MTC Contract | Nov. 2022      | <p>This audit sought to provide assurance around the procurement and contract administration of the Electrical MTC works undertaken by the Council. The contract for electrical works includes major plant and services renewals, maintenance, servicing, testing, repairs, and other related works to Council buildings which include Admin Buildings, Depots, Children's Centre's, Youth Centre's, Community Buildings, Park Buildings, Idea Stores/One Stop Shops and Libraries.</p> <p>The contract was awarded on 29<sup>th</sup> June 2022 for a period of three years with the option to extend for a further two years. The total estimated value of the contract was £3.75m and the spend to date is £1.4m (covering the period October 2021 – October 2022).</p> <p>During the audit we identified following areas of good practice:</p> <ul style="list-style-type: none"> <li>• The procurement process included a PIF (Project Initiation Form) and was subject to a full Tender Award Report. The tender evaluation was undertaken by Acting Head of Technical Services Team, Senior Electrical Engineer and Lead Building Project Surveyor. Officers undertaking the tender evaluation had completed a Procurement Declaration of Interest form with no interests declared.</li> </ul> | Moderate         | <b>Reasonable</b> |

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|-------|----------------|--|------------------|-----------------|
|       |                | <ul style="list-style-type: none"> <li>• The contractor delivery is monitored daily by the two LBTH Electrical Engineers and the Help Desk Supervisor, and any issues are escalated to the LBTH Senior Electrical Engineer and raised at the contract review meetings. These meetings are minuted and actions recorded. The contractor is currently required to report their performance on 7 KPIs which include the number of instructions completed in the month, the number of jobs completed/not completed within target, the number of outstanding jobs, etc. Testing showed that the contractor is meeting the KPI targets and no issues concerning contractors performance have been reported.</li> <li>• The contract monitoring meetings are also attended by a representative from the Corporate Procurement team who also receives the minutes from these meetings, so is aware of the contract performance and any issues.</li> <li>• There is a detailed specification for electrical works in place. The service specification covers fire alarms, emergency &amp; fire equipment, periodic electrical inspections and testing and minor remedial works and materials &amp; fittings schedule.</li> <li>• Testing and inspection requirements are clearly specified in ITT &amp; Tender documents which form part of the contract and our testing showed that these programmes of testing/servicing as detailed in the procedures are being complied with.</li> <li>• There are documented technical procedures and process maps in place covering activities such as planned inspections, reactive</li> </ul> |                  |                 |

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|       |                | <p>inspections, pre-inspections, ordering process, post-inspection process etc. These are updated/reviewed annually, and version controlled.</p> <ul style="list-style-type: none"> <li>Works instructions are issued and managed in Tech Forge Asset management database and are linked to the Agresso purchase order together with the contractors Application for Payment and corresponding invoice. Agresso blanket purchase orders are raised by the Technical Services team who periodically review any open orders from the previous financial year (2021/22) to ensure that the once outstanding works are completed and invoiced these are then closed. The management of commitments for the current financial year's open orders is achieved using reports within TF cloud which are reviewed monthly prior to the submission of monthly budget returns by the Head of Facilities Management.</li> </ul> <p>Our key findings from this audit include the following:</p> <ul style="list-style-type: none"> <li>There are clear operational procedures are in place covering the electrical testing and inspections requirements, however, the Contract administrator acknowledged that the Council's guidance on Contract Management Toolkit and Contract Handbook has not been followed.</li> <li>Post inspections are required on 10% of an engineer's instructed remedial works and 100% of jobs valued over £1,000 and our testing showed that this requirement is being complied with. However, the operational procedures only cover the 10% post inspection requirement.</li> </ul> |                  |                 |

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|       |                | <ul style="list-style-type: none"> <li>• Our testing showed that in two cases, the required additional works were agreed by the engineer as the works progressed, however, they were not subject of a formal contract instruction.</li> <li>• At the time of audit, a copy of the contract was not available as it was still with Legal for signing and this was being chased up by Technical Services. Audit was advised that Technical officers were relying on the terms and conditions that are set out in the approved tender documentation pack which form part of the contract.</li> <li>• In one instance, repairs were undertaken to non-LBTH estate and in order to track the works instruction in Tech Forge, the address was classified as an Admin Building. Although the works had been authorised by management, this represents override of existing controls. Testing also showed that in 7/17 invoices tested (41%), the invoice downloaded from Agresso did not quote the contractors VAT Registration number.</li> </ul> <p>All findings and actions were agreed with the Head of Facilities Management and final report was issued to the Corporate Director, Place.</p> |                  |                 |