

Internal Audit and Anti-Fraud Progress Report 2023-24

1. Background

Introduction

- 1.1 This report provides a progress update of the work that Internal Audit has carried out in accordance with its annual plan for 2023-24 which was approved by the Audit Committee at its May 2023 meeting.
- 1.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which encompass the mandatory elements of the Global Institute of Internal Auditors' (IIA Global) International Professional Practices Framework (IPPF). They also include additional requirements and interpretations for the UK public sector.

2. Progress Update

2023-24 Deliverables

- 2.1 Appendix A contains the Council's main audit plan with details of progress, namely that in the seven-month period to the end of October:
 - 1 Substantial Assurance opinion has been issued
 - 7 Reasonable Assurance opinions have been issued
 - 9 Limited Assurance opinions have been issued
 - 6 Advisory audits have been undertaken
 - 1 Monthly Grant Certification audit
- 2.2 Appendix B – Schools audit plan (carried out by the co-source partner, BDO)
 - 1 Substantial Assurance opinion has been issued.
 - 7 Reasonable Assurance opinions have been issued
 - 1 Limited Assurance has been issued
 - A further five schools audits are scheduled to take place during 2023-24.
- 2.3 A summary of findings in relation to the six Limited Assurance audits finalised during this period is included at Appendix C.
- 2.4 Overall progress in undertaking and completing the audit plan for 2023-24 has been slower than expected. This is largely due to ongoing and persistent resourcing issues. During August, we were successful in recruiting to two Auditor posts that has been vacant for some months – one was filled through an internal promotion from within the audit team and the other appointee is awaiting clearance to start. Additionally, a Senior Auditor exited the Council during September. Currently, therefore there are 2 vacancies and recruitment activity is ongoing.
- 2.5 When the Audit Plan was developed, in recognition of resourcing pressures, individual assignments were split into Priority 1 and Priority 2 audits as agreed with Directors and their DLTs. Those audits which are classified as High Importance audits were assigned Priority 1 and these will now take precedence during the last 5 months of 2023-24. If any audits have not progressed beyond the planning phase by 31 March 2024, they will be deferred and re-assessed for inclusion in the 2024-25 Audit Plan.

2.6 Internal Audit also provides a service to Tower Hamlets Homes (THH). As THH has been brought back in-house (as of 1st November 2023), further consideration is being given to how best to absorb the 2023-24 THH Audit Plan into the main audit plan for the same period, including revisiting the underlying risk assessment in conjunction with management.

Unplanned Work

2.7 Additional audit work, undertaken outside of the Audit Plan at the request of management included an advisory review into the Licensing and Management of HMOs (Houses in multiple occupation). The report, which is currently in draft status, raises 31 recommendations across nine operational areas.

3. Anti-Fraud and Investigations Investigations

3.1 The Fraud Investigations Team is comprised of the following sub-teams:

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge Parking Permits

3.2 During the year to date, 24 corporate/internal referrals (38: 2022-23) in respect of alleged fraud have been received. These included referrals received via the Council's whistleblowing procedure. 170 referrals (275: 2022-23) have been received in respect of suspected social housing fraud matters.

3.3 In addition, 42 insurance claims (71: 2022-23) have been investigated, 15 of which have been repudiated with a reserve value of £159,244.47 and 27 claims are still being investigated with a reserve value of £270,548.20.

Proactive Anti-Fraud Work

3.4 This element of work focuses on identifying potential fraud risks and implementing fraud risk strategies to mitigate possible payment fraud activity in Council operations

3.5 During this period, fraud awareness training has been delivered to the following areas:

- Right to Buy
- Blue Badge Team
- Housing Options
- Lettings team
- Planning and Development

3.6 Additional fraud awareness sessions are being scheduled for the Capital Delivery team, Information Governance team and Schools.

3.7 Other work in this area has included:

- Social Housing fraud awareness article featured prominently in the Council's newspaper 'OurEastEnd'
- Ongoing Fraud support to the No Recourse to Public Funds panel
- Making preparations for publicity for International Fraud Awareness week (week commencing 12th November)
- Work underway to conduct a fraud awareness survey which will provide a barometer of the Council's 'fraud health'.

Appendix A: Details audit results

Audit Title		Directorate	Priority	Opinion	Status
1	Equality Assessment	Corporate	1		In Progress
2	Corporate Governance Improvement Plan – Follow Up	Corporate	1	Advisory	Draft
3	Management of Waivers to Financial Regulations	Corporate	1	Limited	Draft
4	Management and Control of Staff Gifts and Hospitality	Corporate	2	Reasonable	Draft
5	Performance Management	Corporate	1		In Progress
6	Scheme of publication (Transparency Code)	Corporate	1	Limited	Draft
7	Risk Management	Corporate	1		
8	Management and Control of Market Supplements	Corporate	2		
9	Attendance Management	Corporate	1		In Progress
10	Data Quality	Corporate	2		
11	Management & Monitoring of Disclosure & Barring Service Checks	Corporate	1	Limited	Final
12	Signing and Sealing of Documents (including Retention)	Chief Executive's	1	Limited	Final
13	Grants to Voluntary and Community Organisations	Chief Executive's	1	Reasonable	Final
14	Management of Transformation Programme and Projects	Chief Executive's	2		
15	Procurement of Legal Advice	Chief Executive's	2		
16	Financial Systems - Council Tax	Resources	1	Reasonable	Final
17	Financial Systems - Creditors	Resources	1		In Progress
18	Financial Systems - Debtors	Resources	1		
19	Financial Systems - General Ledger	Resources	1		
20	Financial Systems - School Accounts End of Year Reconciliations	Resources	1		In Progress
21	Homeless – Arrears Management	Resources	1		In Progress
22	Pre-payment Cards	Resources	2		In Progress
23	Housing Benefit quality assurance systems	Resources	1	Advisory	Draft Report
24	Registrars Service	Resources	1	Substantial	Final
25	Procurement – Requisition for Quotation (RFQ) system	Resources	1	Limited	Draft
26	Business Support SLAs delivery and performance	Resources	2		
27	Free Schools Meals Eligibility	Resources	1		Deferred to 2024/25
28	Management of Members' Enquiries	Resources	2		
29	IR35 – Off Payroll Engagement	Resources	1		

Appendix A: Detailed audit results

30	Idea Stores – Regularity Audit	Resources	2		
31	Cloud strategy and virtual infrastructure (IT Audit)	Resources	1		In Progress
32	Cyber Security Controls over Supply Chain and Trusted Partners	Resources	1		
33	Software Licenses - Management and Control	Resources	1		
34	Management of Video Surveillance systems	Health, Adults & Community	1		Deferred to 2024/25
35	Recruitment and Vetting of Enforcement Officers	Health, Adults & Community	1	Advisory	Draft
36	Quality Assurance Board and Framework	Health, Adults & Community	1		In Progress
37	Management and Monitoring of Fixed Penalty Notices	Health, Adults & Community	2		
38	Domiciliary Care - Procurement Advisory work	Health, Adults & Community	1	Advisory	On-going
39	Telecare Service	Health, Adults & Community	1		
40	Direct Payments	Health, Adults & Community	1		In Progress
41	Contract Monitoring	Health, Adults & Community	1		
42	Holiday Playschemes	Children's and Culture	1		
43	Supporting Stronger Families Grant Certification	Children's and Culture	1	Grant Audit	On-going
44	SEND Improvement Plan	Children's and Culture	1		In Progress
45	King George Field's Trust – governance	Children's and Culture	2		
46	Education Maintenance Allowances and Bursary Payments	Children's and Culture	1	Reasonable	Draft
47	Youth Service Insourcing – Advisory	Children's and Culture	1		
48	Commissioning of Sports Activities – Advisory	Children's and Culture	1	Advisory	Draft
49	Land Searches	Place	1	Reasonable	Final
50	Passenger Transport Services	Place	1		
51	Management and Monitoring of S106 Planning Obligations	Place	1	Reasonable	Final
52	Property Disposals	Place	1	Limited	Final
53	Planning and Building Control Fees and Charges	Place	2		
54	Licensing	Place	1		
55	Procurement and Management of Consultants for Capital Works	Place	1		
56	THH Insourcing	Place	1		
57	Post Contract Review – New Town Hall	Place	2		
58	Management of Lettings of Community and Commercial Properties	Place	1		
59	Management of Markets	Place	1		

Appendix A: Detailed audit results

60	Management of Grants	Place	2		
61	Penalty Charge Notices – Appeals Procedure	Place	1	Reasonable	Final
62	Waste Management – Operational Control	Place	2		
63	Homelessness Assessment	Place	1		In Progress
64	Management of Houses in Multiple Occupation (HMO)	Place	1	Advisory	Draft
65	Management and Control of Cost-of-Living Payments	Place	1	Limited	Final
66	Management and Control of Children’s Services Petty Cash Accounts	Children’s Services	1	Limited	Final
67	Eva Armsby Family Centre – Regularity Audit	Children’s Services	1	Limited	Final

Appendix B: Schools audits results

Schools Audits		Opinion	Status
1	Columbia Primary School	Reasonable	Final
2	St Anne's and Guardian Angels	Reasonable	Final
3	Woolmore Primary School	Reasonable	Final
4	Cayley Primary School	Reasonable	Final
5	Wellington Primary School	Substantial	Final
6	Halley Primary School	Reasonable	Draft
7	Langdon Park School	Reasonable	Draft
8	Malmesbury Primary School	Limited	Draft
9	Thomas Buxton Primary School	Reasonable	Draft
10	Bonner - Bethnal Green both sites	-	Timing agreed
11	Phoenix Primary and Secondary Schools	-	Timing agreed
12	Stephen Hawking School	-	Timing agreed
13	Ben Jonson Primary School	-	Timing agreed
14	Olga Primary School	-	Timing agreed

Appendix C: Limited assurance audits

Title	Date of Report	Comments / Findings	Scale of Service
Management and Control of Cost-of-Living Payments to FSM Pupils in Schools	July 2023	<p>This audit was undertaken at the request of the previous s151 Officer. The audit sought to provide assurance that systems for managing and controlling cost of living cash payments to Free School Meals children in LBTH schools, were sound and secure to manage risks that can be present when cash payments to individuals are made by the Council.</p> <p>On 11th July 2022, Cabinet received a report on “Supporting residents through the cost-of-living crisis”, as part of the Mayor’s priority. An overall cost of £2.691m was identified within the Cabinet report to provide additional support to households.</p> <p>The scheme involved a one-off payment of £100 (cash voucher) made to all households on FSM with total cost of £1.550m to be distributed via schools by the Tackling Poverty team, funded from reserves. In addition, due to an increase in the numbers of additional children notified by the schools, extra funding of £250k was approved by the Mayor. There were ninety-four schools which took part in the scheme with total of 19,771 vouchers issued to schools for distribution (total value of £1,977,100).</p> <p>As part of audit process, a sample of seven schools (two secondary and five primary) were visited by Audit to carry out the necessary audit testing. During our visits to schools, we were mindful that schools were informed about the procedures they needed to follow for distributing the vouchers on 14/12/2022. This was due to the Mayor’s decision that the vouchers must be distributed before Christmas break. Therefore, schools had a very limited time for planning the system and controls for distribution. In addition, there was a postal strike just before Christmas which posed a further challenge for both Council officers and schools to meet the deadline set by the Mayor. The issues and findings raised in this report should be considered in the light of these challenges.</p> <p>During the audit we identified areas of good practice which included the following:</p> <ul style="list-style-type: none"> • Schools were sent guidance on the 14/12/2022 outlining the Free School Meals (FSM) Support process and procedure. The guidance highlighted the school's responsibility for distributing the FSM vouchers and for keeping them safe between receiving them and handing them out. It was recommended that the vouchers should be stored in a safe. The schools were also required to keep an internal list of which parents had/had not received the letter (voucher), and to note the barcode on the letter which would assist the council in identifying and tracking which vouchers had been redeemed or not. • A contract with the Post Office was in place, which required the PO to maintain an account of all amounts paid into the nominated account and of all payments made by it based on Payment Instruction received (Pay-out voucher with barcode). Any unused balance was required to be made 	Extensive

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		<p>by the Post Office to the Council by way of payment. Upon receipt of their voucher, customers can redeem the £100 cash payment at any Post Office.</p> <ul style="list-style-type: none"> A detailed Post Office Management Information (MI) report was provided each working day which could be downloaded and saved locally by the Tackling Poverty team. The MI report was updated with status changes since the last run report. This reporting requirement formed part of the Post Office Pay-out Contract. <p>The audit highlighted the following key Issues/Findings and Risks</p> <ul style="list-style-type: none"> The Cabinet (11/07/2022) was presented with 4 methods by Officers for distributing the support funding to FSM households. At paragraph 3.12. of the report, Members were recommended that the Council should use a hybrid option, with the Post Office being the default but supermarket vouchers being used where residents were best served with this route. Audit was advised that the use of supermarket vouchers (a previously used scheme) was rejected as an alternative option at MAB, and it was decided to use the Post Office method, although concerns were raised by officers about the PO method. We noted that as the Post Office method was already determined, a full options appraisal and risk assessment was not undertaken in order to objectively select the best possible payment method. Although the Post Office contract provided the facility for identification checks to be undertaken when the Pay-out voucher (Letter) was presented for payment, IDs were not required. This was due to data held by the council only related to the child and not the parent and the information held would not be up to date. Therefore, schools were asked how many vouchers they required, and these were sent direct to the schools to distribute and there would be no checks to ensure that these were getting through to the right households. Concerns regarding individuals being able to exchange it for cash without any requirement to identify themselves or the letter not identifying them were expressed by the Acting Head of Tackling Poverty. In addition, these issues were also highlighted as a clear risk and unsatisfactory control by the s151 Officer and Deputy s151 Officer. Officers were informed by s151 Officer that if they were to progress the funding scheme on this basis, they were doing so at risk and against the advice of Corporate Finance. We also noted that these risks were not identified and captured on a Risk Register. Members required Officers to distribute the vouchers via schools before the Christmas break. However, due to Royal Mail strikes taking place the week before Christmas, and the added internal delays resulting from the review of the FSM scheme distribution process and procedures, there was insufficient time available for the Post Office to guarantee delivery of the vouchers to schools to distribute them out to parents before schools broke up for Christmas. Therefore, officers were 	

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		<p>required to print-off the vouchers emailed by the Post Office in the Office, batch them-up and deliver the vouchers directly to the schools by Council staff prior to the Christmas break. Our testing confirmed that there were no supporting batch records provided to the schools which confirmed the total number of vouchers delivered, including the internal reference number/ barcode number.</p> <ul style="list-style-type: none"> • In addition, Audit also confirmed that several schools did not count the vouchers upon delivery as it was assumed that the exact number of requested vouchers were delivered. Schools also stated that the vouchers were placed in an open box with no batch controls and in some cases, the box was left at the reception unattended and without receipt being acknowledged at handover, although this could not be substantiated by Audit. We have recommended that in future, blank cash vouchers should not be used and a more robust process which provides for built-in safeguards should be considered. • It was recognised by officers that written guidance was issued late in the process and some schools highlighted short turnaround period between being issued with the guidance, the school receiving the vouchers (on the last day of term) and issuing them to parents. As a consequence, schools were given insufficient time to enable them to adjust and properly plan for the introduction of the new FSM distribution process. This was evidenced in our testing which showed that not all schools were maintaining records in line with the procedures issued to them by the Council. This resulted in poor audit trail. • None of the schools we tested counted the vouchers at the point when they were delivered by the Council to ensure that the number and the bar code sequence reconciled with the number of vouchers they had requested. This resulted in 2 of 7 schools we tested claiming that they had not received the full number of vouchers they requested. The missing vouchers could not be accounted for in any way. • One school had ordered more vouchers than it required. Audit was informed that this school needed 230 FSM vouchers and 20/30 vouchers for vulnerable pupils. However, the school had requested 400 vouchers from the Council. At the same school we noted that duplicate ticks were made against some pupil names to show that the vouchers had been issued/sent out to pupils/parents, so we were not clear whether these parents received two or more vouchers. • Audit carried out an independent reconciliation of vouchers received by schools, vouchers issued to parents and vouchers still left in school safe. This reconciliation showed that in 5 of 7 schools we tested, we could not fully reconcile. There was a shortage of 54 vouchers (total value of £5,400) in 	

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		<p>3 schools, which could not be accounted for, of which, 13 vouchers were stolen by a member of the school staff.</p> <ul style="list-style-type: none"> • The delivery of vouchers to the 94 schools took place between Thursday 15th December and Tuesday 20th December 2022, just prior to the schools breaking up for the Christmas period. Schools advised this left limited time to properly organise the distribution of vouchers before the Christmas holidays. At one school, it was decided to post the vouchers to parents on the Friday 6th January 2023 (thus incurring postal charges). Therefore, vouchers to the value of £67,500 were held in the school safe during the Christmas period. • Audit confirmed that the current standard insurance cover for cash is only £250 when kept in a safe unless the school had requested a temporary or permanent increase. However, schools were storing far more than £250 in their safes during this period, increasing the risk of uninsured losses. • As part of the audit testing, enquiries were made to ensure that the school had an adequate reconciliation process in place which required regular checks on the number of FSM vouchers received by the school to those issued and unclaimed and held at the school. However, it is apparent from the audit testing undertaken, several schools have not carried out a reconciliation. This would have helped schools to highlight any missing or misappropriated FSM vouchers at an earlier stage. <p>All findings and recommendations were agreed with the Acting Director Growth and Economic Development and Corporate Director of Children’s Services. The final report was issued to the [then] s151 Officer and the Chief Executive. The reports finding have also been discussed with the recently appointed Corporate Director Resources (s151 Officer) to ensure that appropriate mitigations are in place for similar payments that are planned to take place in the near future.</p>	
Property Disposals	June 2023	<p>This audit sought to provide assurance that the Council has sound governance, risk management and control arrangements in place for disposal of property which is surplus to requirements.</p> <p>At the time of the final report, a Mayoral decision had been made to cease the sale of Council properties. Therefore, the recommendations within this report are made to improve past practices if and when property sales are resumed in the future.</p> <p>The following issues were reported:</p> <ul style="list-style-type: none"> • The latest Constitution at the time of the audit dated 2021/22 required the Director to issue best practice guidelines for the disposal of land-based assets. Our review identified that there were asset management and disposals best practice guidelines and procedures, which were approved 	Extensive

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		<p>by Cabinet on 31 July 2019. However, we found no evidence of review / consideration of the best practice guidelines and procedures. Therefore, it is not clear from evidence reviewed that officers were sufficiently aware of the best practice guidelines and procedures in place for property disposals.</p> <ul style="list-style-type: none"> • We selected a sample of 10 of the 14 properties and land which at the time were expected to provide £4.816m of cost savings over the next 25 years, along with £47m worth of potential capital receipts. We sought to verify that the method of disposal had been approved and that the required processes for that method of disposal had been correctly followed. Our review of these complex and often necessarily lengthy disposal transactions due to the processes and number of parties involved, considered Cabinet reports, advisory emails, emails regarding title, valuation reports, electronic bids opened, and first, second and subsequent rounds of bid evaluations. However, the processes adopted were not always sufficiently clear and documented to fully demonstrate that the Council's approach adopted in these disposals followed the property disposals guidelines and procedures. No evidence was available or could be provided of a first or final round of bids received, and of the bid opening procedures adopted, or the first and final rounds of bid evaluations all in accordance with the latest Property Procedures for Disposals and Lettings dated 2019. • Whilst it was acknowledged that due to the complexities of the sales process, it was not always possible to determine indicative timescales for key activities for the disposals, the progress of the disposals at key junctures was not reported to appropriate management groups, and evidence provided did not sufficiently clearly explain long slippage and delays. • The Council's Anti-money Laundering, Bribery, and Corruption procedures state that Legal Services issue completion statements to internal stakeholders. However, our review identified that the statements do not provide an assurance opinion or sign off that sufficient verification checks have been undertaken by external agents and the Council before a sale is processed regarding the source and legitimacy of funds to mitigate the risk of money laundering, and bribery and corruption through the disposals and sales process. We also noted that there is no annual mandatory learning or ethical standards declaration required of the Asset Management Team linked to the anti-money laundering, bribery, and corruption procedures in place. <p>All findings and recommendations were discussed and agreed with the then Acting Director of Property and Major Programmes and final report was issued to then Corporate Director of Place.</p>	
Signing and Sealing of Documents	Sept.2023	This audit reviewed the systems and procedures for preparing, signing, and sealing of contractual and other legal documents by the Council, and the retention of these documents.	Extensive

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		<p>During the audit we identified following areas of good practice:</p> <ul style="list-style-type: none"> • We confirmed that policies and procedures were up to date and available to staff, enabling them to carry out their duties. The Council's Constitution sets out delegated authority for the signing of contracts, as well as the authority of staff within Legal to sign documents and attest the Council's seal. The Legal Office Manual sets out information on the Authority to Act and Sealing of Documents. This specifies that the source of authority for the signing and sealing of documents must be confirmed and documented by Legal. The document also specifies that Legal Services may utilise DocuSign for the delivery of and digital Sealing of Documents. This Manual was last updated in November 2022. • Our review concluded that roles and responsibilities regarding the signing and sealing of documents were appropriately documented. The job titles of those who are authorised to sign legal documents, sign claim forms, attest seal and sign documents on behalf of the Council are all documented in the Council's Constitution. • In a walkthrough of use of the council seal, updating the seal register and use of DocuSign, staff demonstrated they had received appropriate training. Through discussion with the Director of Legal and Practice Manager it was determined that there is no formalised training programme. However, training is carried out when a new member joins the team as they are walked through their duties. The signing of legal documents is a responsibility only given to Senior members of staff. During a walkthrough of the contract signing process, it was clear staff were aware of the process to be followed. • Physical sealed legal documents reviewed as part of the audit were all correctly signed, with the appropriate approval recorded. We reviewed a sample of five documents to confirm appropriate authority to sign the contracts had been received prior to their signing. For two of these documents the request for sealing form was signed by the employee completing the form, as well as the correct line manager from the service with authority to give permission. In the remaining three cases the Request for Sealing form was not available but the authority under which the document was signed was clearly recorded in the Sign and Seal Register. No issues were identified with any of our sample being signed after the commencement of the contracts. A walkthrough of the process of signing the document was observed and successfully demonstrated that staff could carry out their responsibilities regarding signing and sealing documents and adding them correctly to the Seal Register. The Seal itself is kept locked away to control against fraudulent use. 	

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		<p>The following issues were reported:</p> <ul style="list-style-type: none"> • The signing and sealing of commercial contracts should take place in a timely manner prior to the commencement of the contract. However, in nine out of ten cases, the commercial contracts reviewed as part of the audit had been signed after the contract start date. These ranged in time from two days to over three years after the contract commencement date. It is not clear what the cause of this issue is as the Legal Team are reliant on other services and external signatories to get these contracts signed. A record of delays to support monitoring of contractual signatures was not available. • The retention and disposal of documents is managed centrally using Restore Records Management. While an example of a destruction certificate was provided, no evidence was produced indicating that Legal Services can reconcile records to confirm that destroyed documents were no longer required prior to disposal. The Legal Team does not currently have an up-to-date list of documents held by Restore on their behalf, preventing effective contract monitoring of the records management service. <p>All findings and recommendations were discussed and agreed with Director of Legal in August 2023, and the final report was issued in September 2023.</p>	
Control and Monitoring of DBS Checks	Sept. 2023	<p>This audit sought to provide assurance over the systems for managing and controlling Disclosure and Barring Service checks for LBTH staff. The DBS was established in 2012, merging the previous functions of the Criminal Record Bureau (CRB) and those of the Independent Safeguarding Authority (ISA). It conducts criminal record checks for specific positions, professions, employment, offices, works, and licences included in the Rehabilitation Offenders Act 1974 (Exceptions) Order 1975 and those prescribed in the Police Act 1997 (Criminal Records) Regulations.</p> <p>In accordance with the Council's procedure, all current employees, including Agency and Interim workers whose posts require them to have a DBS check, must have the relevant DBS clearance before they commence employment, and these checks will need to be renewed every 3 years.</p> <p>At the time of audit, there were 6,387 posts on the LBTH Establish List of which 3,051 posts were listed as requiring some form of DBS checks.</p> <p>Of 3,051 posts listed as requiring DBS checks, 87 were filled by Agency staff. During the previous 12 months, there were 363 staff with DBS Disclosure Certificates (issued between 05/04/2022 and 21/03/2023).</p>	Extensive

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		<p>During the audit we identified the following areas of good practice:</p> <ul style="list-style-type: none"> • There are DBS Procedures in place which require employees, casual and sessional workers, whose posts require a DBS check, to apply for a new DBS check at least once every three years. In addition, the procedures covers the requirement for Agency workers and states that for posts requiring DBS checks covered by Agency workers, Interim Managers and Consultants, the relevant Hiring Managers must obtain and verify that appropriate DBS checks for the workers occupying these posts are in place at the point of hiring and subsequently DBS checks renewed every 3 years via the supplying agency or company. • The Council's DBS policy, procedures, standard DBS risk assessment forms and DBS waivers are available on the staff intranet. • A standard template form is used to document the risk assessment process on DBS disclosure information. The standard DBS Risk assessment form provides an adequate risk assessment methodology, thus ensuring the relevant disclosure information is captured, recorded, and used to assess any safeguarding issues resulting from the disclosure. • Through E-Bulk system (DBS applications online), real time information and reports are available to HR Advisors for checking every employee requiring DBS and the status of the DBS check. <p>The key Issues, Findings and Risks from this audit include the following:</p> <ul style="list-style-type: none"> • Although there was clear DBS policy and guidance available for Managers on the staff intranet, we noted that most of the procedures and forms have not been updated since 2018. Accordingly, we have recommended that the current DBS guidance and associated forms should be reviewed to ensure that it is in line with the current DBS Code of Practice and current DBS internal procedures. • A database of all posts requiring DBS Checks and the level and type of checks required for each post is held within HR Resource Link system. This should detail DBS information for every employee whose post has been designated requiring a DBS check. However, our testing showed that this database is out of date and could not be fully relied upon. We noted a number of inconsistencies within this database. • Our testing also highlighted inconsistencies concerning the type of DBS check required; for example, of the 23 Tower Hamlets Enforcement Officers posts recorded on the database, 10 required standard DBS, 10 required Enhanced and 3 E&BCAW. If the Resource Link database does not correctly capture all the posts which require DBS checks, then there is a mismatch 	

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		<p>between the requirements in the JDs and what is recorded on Resource link. This may raise significant implications for the Council.</p> <ul style="list-style-type: none"> • We tested 20 posts from the Resource Link database which were occupied by Agency workers/interim staff, and which were shown as subject to DBS checks. These Agency/interim staff are managed via the Matrix system. Our testing showed in 10 of 20 cases, there was no evidence of DBS check in place. Therefore, the adequacy and robustness of DBS checking and monitoring system for Agency/Interim workers was not as sound as it should be. • The risk assessment process for dealing with DBS Disclosures for existing staff specifies that if there is a disclosure, HR will inform the manager that they need to view the employees DBS certificate as soon as possible. However, there is no requirement or target set for HR to notify the manager specified in the DBS procedure. Therefore, managers are not always informed on a consistent basis. • We were informed that a management report on DBS Waivers could not be run from Resource Link system. Hence, Audit was unable to confirm if the required DBS Waivers were in place for those staff whose DBS checks are still pending. • Our review confirmed that of the 18 DBS certificates with disclosure information which needed to be reviewed, 14 were risk assessed by Line Managers in accordance with procedures. The remaining 4 disclosures were not risk assessed. • Our testing showed that of 46 staff with expired DBS between April 2022 and March 2023 which required necessary remedial action by the manager, in 42 cases there appeared to be no approved DBS waiver in place. The waiver is required for these staff to continue working in their roles until the DBS clearance is obtained. We have recommended that there should be monitoring process put in place to ensure that in cases where DBS has expired and staff have continued to work in their roles without a valid DBS check, this should be escalated to Head of Service and then the Director. (See issue 5) • Of the 5 active DBS Counter signatories in place, only one had an Enhanced DBS check in place. There were 3 Counter signatories for whom DBS checks had still to be completed. • DBS Procedure requires that a monitoring report be made available to the Directors monthly by the Business Support Relationship Manager and Senior Business Support Officer. Audit was advised that although managers can view their teams DBS status within HRSS (HR Self Service system), management reports are not produced for Directors detailing those DBS checks in date, DBS 	

Appendix C: Limited assurance audits



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		<p>applications undertaken, DBS checks approaching expiry and those that had expired requiring action.</p> <ul style="list-style-type: none"> The Council is registered as an Umbrella Body which means it can undertake disclosure checks for other employers, for example, voluntary groups and third sector organisations that receive grants or contracts from the Council. The Council has a responsibility to take reasonable steps to ensure that organisations, for which it requests Disclosures, comply with the DBS Code of Practice. However, it was unclear whether the council takes appropriate steps to ensure these outside organisations comply with the Code of Practice. <p>All findings and recommendations were agreed with the Head of HR and Director of HR and WD. Final report was issued to all Corporate Directors and the Chief Executive. <i>Owing to the nature of findings and their potential implications it was also agreed that an Urgent Task Force be deployed to provide immediate remediation and assurance that all risk exposures have been fully addressed.</i></p>	
<p>Management of Petty Cash Accounts at:</p> <ol style="list-style-type: none"> 1.Cheviot House 2.Kitcat Terrace 3.Family Support and Protection 4.Children Looked After 	<p>August 2023</p>	<p>This audit reviewed the management and administration of Petty Cash accounts operated by Children’s Services. The objective was to provide assurance that systems and controls were sound and procedures were being followed. In addition, we reviewed the justification for having petty cash accounts in view of Council’s policy to reduce reliance on cash and make increased use of cash less systems.</p> <p>The following issues, findings and risks were highlighted in the audit report:</p> <ul style="list-style-type: none"> There was no approved business case for any of the 4 petty cash accounts we looked at. In 3 out of 4 petty cash accounts, the annual turnover of cash had reduced over the last three years. We have therefore recommended that alternative cashless methods of payment should be considered before the option of petty cash is approved and that where there is a good business case, the petty cash accounts should be merged. A number poor and non-compliant practices were identified such as loaning of cash from one account to another without proper authority and records, providing IOUs to officers, cash books not being kept up to date, regular monthly reconciliations not taking place, regular petty cash claims not being made, End of Year Certificates not reconciling with closing balances in petty cash books, receipts not being kept to support cash paid out, petty cash vouchers not being approved, cash collected by social workers on behalf of clients not being signed by clients at handover, cash discrepancies not being investigated and documents not being uploaded on Mosaic which affected full audit trail. 	<p>Moderate</p>

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		<ul style="list-style-type: none"> • We also noted that there was no system of quality checks and spot checks by Business Support managers to ensure that Business Support staff were complying with procedures. <p>As most of the audit findings related to the operation of Business Support function, audit findings and recommendations were agreed with Acting Head of Business Support, Business Support Managers, Childrens; Services Service Managers and Director of Supporting Families. Final reports for each Centre were sent to the Corporate Director of Childrens Services, Director of HR and WD and Corporate Director Resources.</p>	
Eva Armsby Family Centre – Regularity Audit	Aug. 2023	<p>This audit was a regularity visit to the Eva Armsby Family Centre, in order to provide assurance that the Council's procedures for managing petty cash, raising purchase orders, procuring goods and services, payments of invoices, purchase cards administration, inventory control, budgetary control and performance management are complied with. The administration support to the Centre is provided by the Business Support Team which is within the Resources Directorate. Please note that this audit did not cover the social work practice of the Centre as this was not within the scope. The Eva Armsby Family Service opened in 1994. The centre provides a range of child-focused services to children and their families across Tower Hamlets. The service is part of the Children's Social Care, MASH and Assessment & Intervention Service. The 2022/23 revenue budget for the Centre was £1,660,570.</p> <p>The following key issues, findings and risks were reported:</p> <ul style="list-style-type: none"> • The Centre has a number of procedures in place for example on petty cash, purchase card and processing of requisitions. Most of the procedures in place had not been reviewed either by the Corporate Centre or by the Centre locally and were not subject to date and version control. • A review of the petty cash payments confirmed that the Centre did not use the petty cash system regularly and goods and services were generally purchased via raising a purchase order or using a purchase card. During the period April to December 2022, only 15 petty cash payments were made totalling £203.41, and two petty cash re-impbursement claims were processed. The main items of petty cash expenses were Taxi fares, Oyster cards and provisions, all of which can be supported by cashless methods. Therefore, there was no real need and justification for having a petty cash imprest of £700.39 at the Centre. We have, therefore, recommended that this petty cash account should be closed. • Audit testing of petty cash transactions showed some poor practices such as receipts not available to support petty cash payments, regular imprest claims not being made, and cash borrowed from another petty cash account. 	Moderate

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		<ul style="list-style-type: none"> • In 5 out of 8 invoice payments tested, we noted that requisitions were not completed and hence purchase orders were not raised. These invoices were paid without the supporting purchase orders. As there were no official purchase orders and payments were made after invoices were received, Council procedures were not complied with. Initially, audit testing appeared to show that the invoices were from sole traders and consultants, and it was not clear how these providers were sourced and procured. However, further conversation with the Centre Manager showed that these invoices were created by staff or ex-members of staff and submitted to the Centre for expenses incurred or for additional work done by them. Creating invoices by staff or ex-members of staff and paying them through the Creditors system was not in accordance with Council procedures and this may have income tax implications. • On a monthly basis a designated senior officer from Business Support is required to review all purchase card transactions processed on the Nat West Portal system and a different senior officer is required to approve these transactions. Audit testing showed that for the period April 2022 to January 2023, 43 purchase card transactions were not reviewed, and 39 transactions were not approved by a designated senior officer. We were informed that the approver is from Business Support and Administration team and not managed by the Social Work structure. • Our review confirmed that the budget holder received monthly budget statements. However, we were informed by the Finance Service that due to IT technical issues the budget-holder could not up-load the budget forecast information on to the Agresso system. Therefore, the budget forecast information was up-loaded on to the system by the Centre's Accountant. We were informed that due to delay in getting the budget holder to approve the budget on Agresso, it was agreed that the Accountant would upload the budget. • The Centre is required to meet key performance requirements and KPIs . We were not clear during the audit whether these KPIs have targets attached to them. We were informed by Management that there were targets for each KPI and the targets were achieved. However, as the performance management framework does not appear to be in writing, we have recommended that there should be a clear performance framework for the service to measure, monitor and report the KPIs and targets to higher level management. <p>All findings and recommendations were agreed with Business Support and Head of Service and final report was issued to the Director of Supporting Families, Corporate Director of Childrens Services, Director of HR and WD and Corporate Director Resources.</p>	

Opinion		Definition
Substantial	Positive 	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable		There is a generally sound system of governance, risk management and control in place. Some issues, noncompliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	 Adverse	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the areas audited.
No		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the areas audited.

Disclaimer
 This report has been prepared for the use of the Audit Committee and Senior Management of the Council. Details may be made available to specified external agencies, including the external auditor, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.