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## AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

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A meeting of the Audit Committee and Audit Committee (Advisory) will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **19 June 2014 at 7.30 pm.**

**John Lynch**  
**Head of Democratic Services**

Enquiries to : Jackie Tunstall  
Tel : 020 7527 3068  
E-mail : [democracy@islington.gov.uk](mailto:democracy@islington.gov.uk)  
Despatched : 11 June 2014

### Membership

### Substitute Members

Committee membership is to be confirmed at the Annual Council meeting on the 12 June 2014.

Independent Member: David Bennett.

**Quorum: is 3 Councillors**



<b>A.</b>	<b>Formal Matters</b>	<b>Page</b>
1.	Apologies for Absence	
2.	Declaration of substitute members	
3.	Declarations of interest	

If you have a **Disclosable Pecuniary Interest\*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

**\*(a)Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.

**(b) Sponsorship** - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

**(c) Contracts** - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

**(d) Land** - Any beneficial interest in land which is within the council's area.

**(e) Licences-** Any licence to occupy land in the council's area for a month or longer.

**(f) Corporate tenancies** - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

**(g) Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to **all** members present at the meeting.

4.	Minutes of previous meeting	1 - 2
<b>B.</b>	<b>Items for Decision - Audit Committee</b>	<b>Page</b>
5.	Terms of Reference of Audit and Audit (Advisory) Committee	3 - 8
6.	Appointment of Pensions and Personnel Sub-Committees 2014/15	9 - 16

<b>C. Items for Decision - Audit (Advisory) Committee</b>	<b>Page</b>
7. External Audit Progress Report	17 - 34
8. Annual Internal Audit Report for 2013/14	35 - 54
9. Draft Annual Audit Plan 2014/15	55 - 68

**D. Urgent Non Exempt Items**

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

**E. Exclusion of press and public**

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

**F. Confidential/exempt items** **Page**

**G. Urgent Exempt Items (if any)**

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit Committee and Audit Committee (Advisory) will be on 29 September 2014

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## London Borough of Islington

### Audit Committee – 3 April 2014

Minutes of the Audit Committee held at the Town Hall, Upper Street, London N1 on 3 April 2014 at 7.00pm.

**Present:**                    **Councillors:** Raphael Andrews, John Gilbert and Phil Kelly.

**Also Present**            **Independent**        David Bennett.  
                                 **Member**

**Also Present**            **Councillor**         Andy Hull

#### **Councillor Phil Kelly in the Chair**

**170**        **APOLOGIES FOR ABSENCE (Item A1)**

None received.

**171**        **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**

Councillor Raphael Andrews substituted for Councillor Mouna Hamitouche.

**172**        **DECLARATION OF INTERESTS (Item A3)**

None

**173**        **CONFIRMATION OF MINUTES OF THE MEETING HELD ON 30 JANUARY 2014 (Item A4)**

**RESOLVED**

That the minutes of the meeting of the Audit Committee held on 30 January 2014 be confirmed as an accurate record of the proceedings and the Chair be authorised to sign them.

**174**        **KPMG EXTERNAL AUDIT PLAN (Item B1)**

**RESOLVED**

That the report be noted.

**175**        **INTERNAL AUDIT ANNUAL PLAN 2014/15 (Item B2)**

The Committee welcomed the proposed audit on leaseholder service and major works charges and requested that this scope be brought forward to quarter one.

The Committee requested that, where possible, audits be extended to Partners for Improvement.

The Committee considered that it would be useful for a discussion to be held on the key issues regarding risk assessments and these to be reflected in the Audit plan.

**RESOLVED**

- a) That the Annual Internal Audit Plan be approved subject to the audit on leaseholder service and major works charges being brought forward to quarter one.
- b) That the Head of Internal Audit investigate the extension of the scope of audits to include Partners for Improvement and report back to the Audit Committee on the outcome.
- c) That a session on risk assessment be arranged for the new members of the Audit Committee following the election.

**176 MEMBERS' ALLOWANCES (ITEM B3)**

The Committee noted that the constant pinning of the chain of office to clothes caused damage to the fabric and meant that those clothes could not be worn for anything outside of their civic duties.

The Committee considered that the standard rate of tax would be a sufficient calculation for any tax refund as a clothing allowance.

**RESOLVED**

That the members' allowances scheme be amended to include

- a) the addition to the Special Responsibility Allowances of the Mayor and Deputy Mayor, a sum equivalent to tax at the standard rate on £500 to assist them in the costs of clothing purchased for their civic duties and;
- b) provision for the continuance of special responsibility allowances during sickness, maternity and paternity absence for councillors on the same terms as Council employees as recommended by the Independent Remuneration Panel.

The meeting ended at 7.35 pm

**CHAIR**

<b>Report of: Assistant Chief Executive – Governance and Human Resources</b>
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Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 June 2014		All

Delete as appropriate		<b>Non-exempt</b>
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## **Subject: MEMBERSHIP, TERMS OF REFERENCE AND DATES OF MEETINGS OF AUDIT AND AUDIT (ADVISORY) COMMITTEE**

### **1. Synopsis**

To inform members of the remit of the Audit and Audit (Advisory) Committee.

### **2. Recommendations**

- 2.1 To note the membership appointed by Council on 12 June 2014, terms of reference and dates of meetings of the Audit Committee for the municipal year 2014/15, as set out at Appendix A.

### **3. Background**

- 3.1 The terms of reference of the Audit Committee (as contained in Part 5 of the Council's Constitution) are set out at Appendix A.
- 3.2 The membership and dates of meetings agreed are also set out at Appendix A for information.

### **4. Implications**

#### **4.1 Financial Implications**

None.

## 4.2 Legal Implications

None.

## 4.3 Equalities Impact Assessment

An equalities assessment is not relevant in this instance.

## 4.4 Environmental Implications

The environmental impacts have been considered and it was identified that the proposals in this report would have no adverse impacts on the following:

- Energy use and carbon emissions
- Use of natural resources
- Travel and transportation
- Waste and recycling
- Climate change adaptation
- Biodiversity
- Pollution

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## 5. Conclusion and reasons for recommendations

The report is submitted to ensure members are fully informed of the remit of the Committee.

### Background papers:

Islington Council's Constitution  
Programme of Meetings

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Received by

Head of Democratic Services

Date

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AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY) – 19 JUNE 2014

**1. COMMITTEE MEMBERSHIP – (To be agreed at Annual Council 12 June 2014).**

<b>Councillors</b>	<b>Substitute Members</b>
Councillor Greening (Chair)	Councillor Jeapes
Councillor Parker (Vice-Chair)	To be advised.
Councillor Andrews	
Councillor Poyser	
<u>Independent Members - Audit Committee (Advisory)</u>  David C Bennett Vacancy	

**2. FUTURE MEETING DATES**

19 June 2014	29 September 2014	29 January 2015	24 March 2015	11 May 2015
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**3. TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Audit Committee (Advisory) Functions**

To consider the following matters and to make recommendations concerning them to the relevant Council bodies or to officers:

- 1 The Head of Internal Audit's annual report and opinion and the level of assurance internal audit activity can give over the council's corporate governance arrangements.
- 2 The external auditor's annual letter, relevant reports, and the report to those charged with governance on issues arising from the audit of the accounts.
- 3 Reports dealing with the management, performance and value for money of the providers of internal and external audit services.
- 4 A report from internal audit on agreed recommendations not implemented within a reasonable timescale.

- 5 The appointment of the Council's external auditor.
- 6 Work to be commissioned from internal and external audit.
- 7 Specific internal and external audit reports as requested.
- 8 The contract procedure rules and financial regulations in the council's constitution and the council's compliance with its own and other published standards and controls.
- 9 Any issue referred to it by the Council, Executive, Overview Committee or the Chief Executive.
- 10 The Council's arrangements for corporate governance and risk management and recommend necessary actions to ensure compliance with best practice.
- 11 The production and content of the authority's Annual Governance Statement.
- 12 The annual report from the Monitoring Officer concerning standards of member conduct, which shall include a summary of complaints received under the Code of Conduct Complaints Procedure and their outcome.
- 13 Any report on any matter relevant to the advisory functions of the Committee which the Committee may request from the Corporate Director of Finance or other proper officer.

### **Audit Committee Decision-Making Functions**

#### **Audit related matters**

- 14 To review and agree the annual statement of accounts, including considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or the audit that need to be brought to the attention of the council.
- 15 To adopt the authority's Annual Governance Statement.
- 16 To agree annually the amount calculated by the council as its tax base for the whole area of the borough, any tax base applying as special levies, and other matters associated with the tax base.

#### **General Matters**

- 17 To appoint a Personnel Sub-Committee, including approval of its terms of reference and membership. The Audit Committee may decide to appoint different members to the Personnel Sub -Committee in order to deal with appointments of different Corporate Director posts.

- 18 To appoint a Pensions Sub-Committee.
- 19 To appoint such other sub-committees or other bodies, including their membership and terms of reference, as the Committee deems from time to time appropriate.
- 20 To grant exemptions under section 3 of the Local Government and Housing Act 1989 from political restriction to holders of posts under the Council and to give directions as to inclusion of specified posts in the list maintained by the Council under section 2(2) of that Act.
- 21 To make appointments between council meetings to those outside bodies and panels appointed to by the Council under Part 3 paragraph 7.2.
- 22 To determine matters relating to the organisation and conduct of elections, including the following:
  - (i) provision of assistance at European Parliamentary elections;
  - (ii) division of the constituency into polling districts;
  - (iii) division of the borough into polling districts.
- 23 To regulate matters affecting members, including remuneration, expenditure and training and to promote high standards of conduct amongst members.
- 24 To recommend to Council the introduction, amendment or revocation of byelaws.
- 25 To take decisions on any matter within the terms of reference of any of its sub-committees where the proper officer considers that it is necessary and reasonable to do so.
- 26 All other non-Executive matters specified under the relevant legislation save for those which are reserved to the Council under paragraph 1 of Part 3 of this Constitution or to the Licensing Committee or Licensing Regulatory Committee and Planning Committees.

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<b>Report of : Assistant Chief Executive – Governance and Human Resources</b>
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Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 June 2014		All

Delete as appropriate		<b>Non-exempt</b>
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**Subject: APPOINTMENT OF PENSIONS AND PERSONNEL  
SUB-COMMITTEES 2014/15**

**1. Synopsis**

To appoint the Pensions and Personnel Sub-Committees.

**2. Recommendations**

**2.1 Pensions Sub-Committee**

- (a) To confirm the size of the sub-committee and its terms of reference in Appendix A
- (b) To appoint the members named in Appendix A for the municipal year 2014/15 or until successors are appointed.
- (c) To appoint the Chair and Vice-Chair for the municipal year 2014/15 or until successors are appointed.

**2.2 Personnel Sub-Committee**

- (a) To confirm the size of the sub-committee and its terms of reference in Appendix A
- (c) To appoint the members named in Appendix A for the municipal year 2014/15 or until successors are appointed.
- (d) To appoint the Vice-Chair for the municipal year 2014/15 or until a successor is appointed.

- (e) To note that in relation to the Personnel Sub-Committee and the appointment of Corporate Directors and Service Directors, the membership shall be as set out except that the Deputy leader of the Council shall be replaced by the Executive member holding the portfolio which most closely relates to the function for which the person to be appointed will be responsible. If the Leader of the Council or the Chair of the Audit Committee is unavailable, the Deputy Leader may substitute for them.

### **3. Background**

- 3.1 The Audit Committee has two sub-committees. The terms of reference of its Pensions and the Personnel Sub-Committees are set out in Appendix A.
- 3.2 Following the recent elections, the make up of the council is 47 labour group members and 1 green member.
- 3.3 The proposed membership for each of the Sub-Committees of the Audit Committee and the meeting dates agreed for the year are also set out at Appendix A.
- 3.6 In relation to the Personnel Sub-Committee and the appointment of Corporate Directors and Service Directors, the membership shall be as set out except that the Deputy leader of the Council shall be replaced by the Executive member holding the portfolio which most closely relates to the function for which the person to be appointed will be responsible. If the Leader of the Council or the Chair of the Audit Committee is unavailable, the Deputy Leader may substitute for him/her.

### **4. Implications**

#### **4.1 Financial Implications**

None

#### **4.2 Legal Implications**

These are set out in the report.

#### **4.3 Equalities impact assessment**

There are no direct equality implications arising from the appointment of the Sub-Committees.

#### **4.4 Environmental Implications**

The environmental impacts have been considered and it was identified that the proposals in this report would have no adverse impacts on the following:

- Energy use and carbon emissions
- Use of natural resources
- Travel and transportation
- Waste and recycling
- Climate change adaptation
- Biodiversity
- Pollution

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### **5. Conclusion and reasons for recommendations**

The Committee needs to approve the report in order for the Sub-Committees to be properly constituted.

**Background papers:**

Islington Council's Constitution  
Programme of Meetings

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Received by

Head of Democratic Services

Date

Report author      Jackie Tunstall  
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## 1. **PENSIONS SUB-COMMITTEE**

### 1.1. Committee Membership

<b>Councillors</b>	<b>Substitute Members</b>
Richard Greening (Chair)	David Poyser
Richard Watts	Paul Convery
Andy Hull	Mouna Hamitouche
Troy Gallagher	Satnam Gill

### 1.2 Terms of Reference

- To consider policy matters in relation to the pension scheme, including the policy in relation to early retirements
- To administer all matters concerning the Council's pension investments in accordance with the law and Council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers. (Note: The allocation of resources to the Pension Fund is a function of the Executive).
- To consider the overall solvency of the Pension Fund, including assets and liabilities and to make appropriate recommendations to the Executive regarding the allocation of resources to the Pension Fund.

### 1.3 Future Meeting Dates

The quorum for the Pensions Sub-Committee is 2 elected members. Listed below are the dates of the meetings for 2014/15;

Monday 30 June 2014  
 Tuesday 16 September 2014  
 Tuesday 25 November 2014  
 Monday 9 March 2015

The Pensions A.G.M. is scheduled for 1pm on Monday 20 October 2014 at the Assembly Hall, Town Hall, Upper Street. N1 2UD.

## 2. **PERSONNEL SUB-COMMITTEE**

### 2.1 Committee Membership

2.2 In accordance with the protocol for the recruitment of the Chief Executive and Corporate Directors, membership of the Sub-Committee will include the Chair of the Audit Committee (who shall chair the Sub-Committee); the Leader of the council; the appropriate Executive member and a back bench member.

<b>Councillors</b>	<b>Substitute Members</b>
Richard Greening (Chair)	To be advised.
Richard Watts	
Andy Hull	
Troy Gallagher	

### 2.3 Terms of Reference

- The making of the Council's personnel policies and procedures and the setting of terms and conditions of employment.
- Responsibility for, and monitoring of, the Council's Health and Safety policies as employer, including reports on health and safety within Council departments.
- To approve the early retirement of the Chief Executive and to agree the award of any discretionary payments in connection with such retirement or redundancy.
- To approve any payment to an officer on termination of employment in respect of redundancy entitlement, any payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations and notice pay in respect of termination in the interests of the efficient exercise of the Authority's functions, which exceeds £100,000 in total.
- To be responsible for the recruitment and appointment of Corporate Directors and Service Directors in accordance with Part 4 Rule 102.
- To agree the starting salary for any post where the overall remuneration package on new appointment (excluding pension contributions in accordance with the Local Government Pension Scheme regulations) is to exceed £100k.
- To hear representations in respect of the termination of a Corporate Director's employment in accordance with the JNC terms and conditions of employment.
- To appoint an independent person (within the meaning of the Local Authorities (Standing Orders) (England) Regulations 2001) to carry out the functions in Regulation 3 of those regulations.
- To take decisions on disciplinary matters relating to the Chief Executive including termination of the Chief Executive's contract of employment following consideration of a report prepared by a designated person.

- To receive submissions from trades unions representatives on agenda items concerning staff terms and conditions.
- To make recommendations to Council on the appointment of the Chief Executive.
- To make recommendations to Council on the appointment of independent persons to serve on the Standards Committee and Audit Committee.

#### 2.4 Meeting arrangements

The quorum for the Personnel Sub-Committee is 2 elected members. Meetings for the municipal year 2014/15 will be arranged as required.

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Report of: **Corporate Director of Finance**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 June 2014		All

## 1. Synopsis

- 1.1 KPMG has produced a progress report for the June 2014 meeting of the Audit Committee.

## 2. Recommendations

- 2.1 To note the attached report from KPMG.

## 3. Background

- 3.1 KPMG provides various reports to the Audit Committee throughout the year including a regular progress report. The following report is included on the agenda for this meeting:

A. Progress Report – June 2014

## 4. Implications

### 4.1 Financial Implications:

These are contained within the body of the report.

**4.2 Legal Implications:**

There are no legal implications.

**4.3 Environmental Implications:**

There are no direct environmental implications.

**4.4 Equalities Impact Assessment:**

An equality impact assessment is not relevant as this is a report from an external body.

**5. Conclusion and reasons for recommendations:**

5.1 The Committee is asked to note the contents of this report.

**Appendices:**

- Progress Report – June 2014

**Background papers:** (available online or on request)

- None

Final Report Clearance:

**Signed by:**



Corporate Director of Finance and Resources

9 June 2014

Date

**Received by:**

Head of Democratic Services

Date

Report Author: Alan Layton, Director of Financial Management  
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# External audit progress report and technical update

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London Borough of Islington

June 2014



This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Council and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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Progress report				
Progress report		3		
Technical Update				
Final local government finance settlement 2014/15	●	5	Are other local authorities making more money? (CIPFA article)	●
Draft order published reflecting changes to council tax calculations	●	5	Value for money data briefing on waste collection	●
Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities	●	6	Financial ratios tool	●
Housing Revenue Account Borrowing Programme	●	6	Value for money data briefing on benefits administration	●
LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters and	●	7	Judicial review over lost waste credits	●
CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment	●	8	Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	●
Whole of government accounts (WGA) timetable	●	8	High central costs in some councils need greater scrutiny (Audit Commission article)	●
Audit Commission 14/15 Scale Fees confirmed	●	9	Children’s social care: the case for early intervention (CIPFA article)	●
Local Audit and Accountability Act 2014	●	9		
Appendices				
Appendix 1 – 2013/14 Audit deliverables		13		





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# Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report

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Area of responsibility	Commentary	
Summary of work performed	<p><b>Since the April 2014 Audit Committee meeting we have:</b></p> <ul style="list-style-type: none"> <li>Completed our interim audit visit looking at the 2013/14 financial statements audit and begun early discussions with officers to agree a way forward on a number of disclosures within the financial statements. There are no significant issues we wish to draw to your attention; and</li> <li>Continued correspondence with and investigation of matters raised by local government electors. We present a brief summary of this work below.</li> </ul>	
Summary of upcoming work	<p><b>Our work over the coming quarter will include:</b></p> <ul style="list-style-type: none"> <li>Completion of the financial statements audit in July and August;</li> <li>Completion of our VFM conclusion audit in July and August;</li> <li>Commencement of the audit of grant claims; and</li> <li>Continuing to correspond with local electors.</li> </ul>	
Correspondence with electors	<p>Under section 15 of the Audit Commission Act 1998 local electors have a right to contact the auditor and ask him or her to consider exercise of the statutory powers set out in the act. These powers include:</p> <ul style="list-style-type: none"> <li>Applying to court to have an item in the accounts ruled illegal;</li> <li>Issuing a report in the public interest; and</li> <li>Making a statutory recommendation to which the Council must respond.</li> </ul> <p>Since the last audit committee we have written to one objector to confirm that we would not be taking the matter they raised further. A second objector has withdrawn his objection upon receipt of information from the Council. There are two objections where work is ongoing:</p> <ul style="list-style-type: none"> <li>One elector who has corresponded concerning retention of parking fines in Drayton Park; and</li> <li>One elector who has raised matters concerning the Council's housing repairs PFI.</li> </ul> <p>We will be unable to certify the affected audit years closed until we have reached a conclusion. We will continue to update the Committee of progress through these reports.</p>	
Contacts	<p>Philip Johnstone Director 020 7311 2091 <a href="mailto:philip.johnstone@kpmg.co.uk">philip.johnstone@kpmg.co.uk</a></p>	<p>Paul Cuttle Manager 020 7311 2302 <a href="mailto:paul.cuttle@kpmg.co.uk">paul.cuttle@kpmg.co.uk</a></p>



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# Technical update

Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	● High	<p>On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum.</p> <p>For more information, visit <a href="https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015">https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015</a></p>	<i>The committee may wish to consider the progress the Council has made on addressing the funding cuts and the impact this has on services</i>
Draft order published reflecting changes to council tax calculations	● High	<p>The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year.</p> <p>The draft Order makes amendments to:</p> <ul style="list-style-type: none"> <li>• section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund;</li> <li>• section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and</li> <li>• schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so.</li> </ul> <p>The draft Order will have effect in relation to financial years beginning 1 April 2014.</p>	<i>The committee may wish to consider whether the Council has considered the impacts of the proposed changes when assessing their council tax requirement for 2014/15 and beyond</i>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities</b></p>	<p>● High</p>	<p>On 4 April, the Department of Health (DH) issued the National Health Service Commissioning Board (Payments to Local Authorities) Directions 2014. The 2014 directions, which apply in respect of NHS England's (NHSE's) payment of £1.1 billion to local authorities in respect of their social care functions for the financial year 2014/15, came into force on 1 April.</p> <p>Each local authority and NHS England should enter into an agreement in relation to the payments to be made and the conditions that apply. The 2014 Directions, and the updated National Health Service (Conditions relating to Payments by NHS Bodies to Local Authorities) Directions 2013, impose certain conditions that must be met in relation to each payment. These include conditions that:</p> <ul style="list-style-type: none"> <li>▪ the funding must be used to support adult social care services which also have a health benefit;</li> <li>▪ the local authority and its local clinical commissioning groups (CCGs) agree how the funding is best used within social care and the outcomes that are expected from the investment;</li> <li>▪ local authorities and CCGs have regard to the Joint Strategic Needs Assessment for their local population and existing commissioning plans for both health and social care in deciding how the funding is to be used; and</li> <li>▪ local authorities must be able to demonstrate how the funding transfer will improve social care services and outcomes for their users.</li> </ul> <p>NHSE must not place any other conditions on the funding transfers without the written agreement of the DH and must ensure that it has access to timely information on how the funding is being used locally.</p>	<p><i>The committee may wish to seek assurances that the Council has complied with the DH Directions</i></p>
<p><b>Housing Revenue Account Borrowing Programme</b></p>	<p>● High</p>	<p>On 7 April the government launched the Housing Revenue Account Borrowing Programme which makes £300 million of borrowing available to provide 10,000 new affordable homes in 2015/16 and 2016/17. This funding will form part of the Local Growth Fund, available to local authorities who have a proposal agreed by their Local Enterprise Partnership.</p> <p>The government also published a revised set of General Consents under Section 25 of the Local Government Act 1988 which allows councils to dispose of vacant housing land to private registered providers and non-registered providers at less than market value.</p> <p>For more information visit <a href="https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes">https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes</a></p> <p>&amp;</p> <p><a href="https://www.gov.uk/government/publications/general-consents-for-privately-let-housing">https://www.gov.uk/government/publications/general-consents-for-privately-let-housing</a></p>	<p><i>The committee may wish to seek further information as to how this affects the Council</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters</b></p>	<p>● Medium</p>	<p>CIPFA has issued LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters which clarifies a number of issues regarding the preparation of 2013/14 financial statements in response to FAQs in relation to:</p> <ul style="list-style-type: none"> <li>▪ public health reform;</li> <li>▪ Non-Domestic Rates – provision for appeals against the rateable value of business properties;</li> <li>▪ component accounting;</li> <li>▪ accounting for pension interest costs in relation to current service cost and pension administration costs; and</li> <li>▪ disclosure requirements for dedicated schools grant.</li> </ul> <p>The bulletin also highlights a number of other issues affecting the closure of the 2013/14 accounts:</p> <ul style="list-style-type: none"> <li>▪ accounting standards that have been issued but have not yet been adopted;</li> <li>▪ use of example financial statements for preparation of the 2013/14 accounts;</li> <li>▪ minor amendment to Code 2013/14 guidance notes on the use of indices;</li> <li>▪ technical alerts; and</li> <li>▪ notification of the discontinuance of Icelandic and capital interest rates bulletins.</li> </ul> <p>With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.</p>	<p><i>The committee may wish to enquire when reviewing the financial statements that all relevant guidance has been considered.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<b>CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment</b>	● Low	<p>CIPFA has issued a Technical Accounting Alert on the Frequency of Valuations for Property, Plant and Equipment. The Alert provides guidance to local authorities in interpreting the requirements for the revaluation of property, plant and equipment, but confirms that there are no changes to the requirements of the <i>CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14</i> which is still based on the underlying requirement to comply with IAS 16: Property, Plant and Equipment.</p> <p>For more information visit: <a href="http://www.cipfa.org/-/media/Files/Policy%20and%20Guidance/Panels/Local%20Authority%20Accounting%20Panel/Technical%20Alert%20Frequency%20of%20Valuations%20Final%20for%20publication.pdf">http://www.cipfa.org/-/media/Files/Policy%20and%20Guidance/Panels/Local%20Authority%20Accounting%20Panel/Technical%20Alert%20Frequency%20of%20Valuations%20Final%20for%20publication.pdf</a></p>	<i>The Council should ensure that revaluation programmes are compliant with the Code.</i>
<b>Whole of government accounts (WGA) timetable</b>	● Low	<p>HM Treasury has now published a corrected timetable for the submission of draft and audited Whole Government Accounts returns following the release of the WGA Newsletter – March 2014, which contained incorrect information.</p> <p>The revised timetable is on their website alongside various templates that audited bodies will be required to complete during the WGA process.</p> <p>For more information visit <a href="https://www.gov.uk/government/publications/whole-of-government-accounts-2013-to-2014-guidance-for-preparers">https://www.gov.uk/government/publications/whole-of-government-accounts-2013-to-2014-guidance-for-preparers</a></p>	<i>The Council should ensure it is working to the correct WGA submission deadlines</i>

Area	Level of Impact	Comments
<b>Audit Commission 14/15 Scale Fees confirmed</b>	● <b>For information</b>	The 2014/15 work programme and scales of fees are now available, alongside the lists of fees for individual bodies. A summary of the responses to the Audit Commission consultation on the work programme and fees is also available. For more information visit <a href="http://www.audit-commission.gov.uk/audit-regime/1415WPSF">http://www.audit-commission.gov.uk/audit-regime/1415WPSF</a>
<b>Local Audit and Accountability Act 2014</b>	● <b>For information</b>	The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government's expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body, which is being set up by the Local Government Association, will oversee the contracts in the intervening period.  In the statement the Commission's Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed.  The Audit Commission's press release is available to view on its website: <a href="http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/">http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/</a>
<b>Are other local authorities making more money? (CIPFA article)</b>	● <b>For information</b>	"In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services." Read the full article at: <a href="http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money">http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money</a>



Area	Level of Impact	Comments
Value for money data briefing on waste collection	● For information	<p>The Audit Commission has published Local authority waste management, the latest in a series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing examines spending and performance on household waste management.</p> <p>In 2012/13 the average spending on household waste management varied between local authorities with similar responsibilities. For example most authorities that both collect and dispose of waste (58 per cent) spent between £125 and £175 per household in 2012/13 but thirteen per cent spent more than £200 per household.</p> <p>In 2012/13, the amount of waste recycled varied from 12 per cent up to 67 per cent, with 40 authorities recycling less than 30 per cent of their household waste. And while landfill has reduced everywhere some regions are still more reliant than others.</p> <p>The variation in performance and spending suggests there may be opportunities to reduce expenditure. If councils were able to reduce their spending to the average for their authority type and waste responsibilities potentially up to £464 million could be saved overall. Any savings could be used to support more sustainable forms of waste management or be reinvested in other services.</p> <p>Previous briefings on councils' expenditure on benefits administration, council tax collection, social care for older people, income from charging and business rates are also available on the Commission's website.</p> <p>For more information visit <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>
Financial ratios tool	● For information	<p>On 4 April, the Audit Commission published its updated financial ratios analysis tool.</p> <p>The ratios tool has been updated to include:</p> <ul style="list-style-type: none"> <li>▪ data for the 2012/13 financial year; and</li> <li>▪ the restatement of the 2011/12 data where relevant.</li> </ul> <p>The ratio tool continues to include data from 2007/08 for district, unitary and county councils, data from 2008/09 for Greater London Authority bodies and data from 2009/10 for standalone fire authorities.</p> <p>Information is included for police and crime commissioners for 2011/12 and 2012/13 reflecting the data available for these new bodies.</p>

Area	Level of Impact	Comments
<b>Value for money data briefing on benefits administration</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Commission has published Councils' expenditure on benefits administration, the latest in its series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing compares the cost of benefits administration to councils with the Department of Work and Pensions (DWP) funding received. The briefing reports that costs exceeded funding by £361 million in 2012/13, but identifies significant variations in the amount each council spends when compared with other councils of similar size and caseload.</p> <p>To read the report, visit: <a href="http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/">http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</a></p> <p>Visit the VFM profiles tool website at: <a href="http://www.audit-commission.gov.uk/information-and-analysis/">http://www.audit-commission.gov.uk/information-and-analysis/</a></p> <p>The briefing also reports that in 2012/13 councils paid £468 million more in benefits than they received in subsidy from DWP. Councils are encouraged to use the national and local data to get a better understanding of their performance and costs and consider the scope to reduce their costs by improving their efficiency and reducing errors, overpayments and fraud.</p> <p>Previous briefings on council tax collection, social care for older people, income from charging and business rates are also available on the at <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>
<b>Judicial review over lost waste credits</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>Two local authorities have withdrawn their application for a judicial review against Defra's decision to remove £65 million in waste infrastructure credits. North Yorkshire County Council and City of York Council said continuing with the judicial review, which was due to be heard at the end of the month, "would not be in the public interest".</p> <p>Their grounds of challenge included that the Secretary of State did not make the decision to withdraw the credits after the councils had approved the plans for the £1.4 billion Allerton Waste Recovery Park in a proper manner and Defra failed to follow its own published criteria. In a statement, North Yorkshire and City of York said: "If the councils proceeded with the judicial review, and were successful, Defra would be required to repeat the decision making process but it is now clear that the likely outcome would be that Defra would reach the same conclusions and the funding support for the project would not be reinstated."</p> <p>North Yorkshire County Council and York City Council have spent more than £7million over eight years on expert advice over plans for the site near Harrogate. If the scheme does not go ahead the councils could be liable for a termination payment to contractors AmeyCespa of up to £5m.</p> <p>Bradford and Calderdale councils, who also had a judicial review claim against Defra over the withdrawal of waste infrastructure credits, have settled their claim.</p>

Area	Level of Impact	Comments
<b>Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)</b>	● <b>For information</b>	<p>Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year.</p> <p>Read the full article <a href="http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/">http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</a></p>
<b>High central costs in some councils need greater scrutiny (Audit Commission article)</b>	● <b>For information</b>	<p>The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending.</p> <p>Read the full article <a href="http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/">http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/</a></p>
<b>Children's social care: the case for early intervention (CIPFA article)</b>	● <b>For information</b>	<p>"Children's social care is a politically sensitive and emotive area. Yet under the austerity measures, it has seen increased demand, to be met by a smaller pool of funding. Department for Education (DfE) Statistics show over the past three years, referrals to children's social care have risen steadily, a growth of 12.43 per cent from 2008/09 to 2010/11. The reasons why demand is increasing needs to be examined – and, if possible, the causes addressed – in order to stem the rising tide."</p> <p>Read the full article <a href="http://www.cipfa.org/policy-and-guidance/articles/childrens-social-care-the-case-for-early-intervention">http://www.cipfa.org/policy-and-guidance/articles/childrens-social-care-the-case-for-early-intervention</a></p>



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# Appendix

## Appendix 1 – 2013/14 Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2013	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	April 2014	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2014	TBC



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Report of: **Head of Internal Audit**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 <sup>th</sup> June 2014		

Delete as appropriate		Non-exempt	
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## **SUBJECT: Internal Audit Annual Report 2013/14**

### **1. Synopsis**

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that supports the delivery of the Council's Strategy.
- 1.2. This report summarises the work that Internal Audit has undertaken during the financial year 2013/14, identifies the key themes that we have identified across the authority, and also highlights how responsive management have been in implementing recommendations.

### **2. Recommendations**

- 2.1. To note the content of this report and the information provided in Appendix A.

### **3. Background**

- 3.1. The provision of a continuous internal audit service assists the Council in ensuring it has an effective control environment and so supports the delivery of the Council's services.

3.2. The Internal Audit Programme (Annual Plan) was approved by this Committee in May 2013. The findings from the execution of that work programme are attached as Appendix A.

## 4. Implications

### 4.1. Financial implications

The programme of audit work was met from within the existing Internal Audit revenue budget

### 4.2. Legal Implications

The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit Regulations 2003, amended 2006 and 2011). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS). Any officer or member must supply necessary documents and other records and provide any necessary information and explanation required in the course of an internal audit.

### 4.3. Equalities Impact Assessment

There are no direct equality implications arising from the recommendation in this report.

## 5. Conclusion and reasons for recommendations

This report indicates the level of work being undertaken by Internal Audit in order to provide assurance over Islington's control environment.

Final Report Clearance

Signed by



9 June 2014

.....  
Corporate Director of Finance Date

Received by .....  
Head of Democratic Services Date

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# London Borough of Islington

## Internal Audit Annual Report

2013/14

# Contents

Introduction

Overall summary

Key themes identified

Service Summaries - Reports Issued 1<sup>st</sup> April 2013 – 30<sup>th</sup> March 2014

Appendix B: Key to Assurance Levels

# Introduction

## Purpose of this report

This report summarises the work that Internal Audit has undertaken during the financial year 2013/14 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority.

## Overview of the Internal Audit Approach

The role of Internal Audit is to provide an annual assurance statement on the adequacy and effectiveness of the Council's governance processes, risk management and control environment. Collectively, we refer to all of these activities in this report as "the system of internal control".

The London Borough of Islington is a large organisation providing a diverse range of services to the public with a number of processes, systems and complexities that underpin service delivery.

We generally undertake individual projects with one of two objectives in mind:

- **Assurance Reviews:** The majority of projects are geared towards providing assurance to management on the operation of the Authority's system of internal control.
- **Specific Advice reports:** Other projects are geared more towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible.

We also undertake:

- **Compliance Audits:** We assist in the review of financial related regulations that the Council needs to comply with. This includes establishment audits (e.g. Schools, Tenant Management Organisations) and grant audits.
- **Proactive Anti-fraud and Forensic Reviews:** The internal audit work covers investigations into "internal" instances of suspected fraud, proactive anti-fraud work, and other activities, such as CAATs analysis, National Fraud Initiative (NFI) support, and training and awareness. The work delivered supplements investigative work undertaken by dedicated housing benefit and blue badge fraud teams in the council.

All audit reports include recommendations and actions agreed with management that will, if implemented, further enhance the control environment and the operation of the controls in practice. We formally follow up all of our work within 12 months of issuing a final report to monitor the levels of implementation of agreed actions.

Each year, we seek to adapt and enhance our approach in order to take account the Council's risk profile and changes in the system of internal control to ensure that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance, for example, external audit and Ofsted in operation.

## Overview of work done in the year

The original Audit Plan for 2013/14 approved by the Audit committee in May 2013 included a total of 62 audit reviews. We have continued to communicate closely with senior management to ensure that the audit reviews undertaken represent a focus on high risk areas, in the light of new and ongoing developments in the authority to ensure the most appropriate use of our resources. The final number of projects agreed to be delivered was 57 after taking into account projects which were cancelled or deferred, requests for new (unplanned) projects by service management and work undertaken on behalf of Camden.

At the time of writing, we have completed 48 (84%) of the revised total of audit projects for 2013-14.

The results of the key performance indicators measuring the performance of the internal audit section for 2013/14 can be found on page 7.

## Report Assurance Ratings by Service Area

Service Area	Substantial Assurance	Moderate Assurance	Limited Assurance	No Assurance	Not Rated (Mgmt Letters)	TBC (awaiting finalisation) & Camden	Total
Cross-Cutting/Corporate Review	-	1	1	-	2	4	8
Chief Executive's Office	1	2	1	-	-	1	5
Environment and Regeneration	1	1	3	-	-	1	6
Housing and Adult Social Services (HASS)	1	5	1	-	2	1	10
Children's Services	-	4	1	-	2	2	9
Finance and Resources (including DST and Anti-fraud)	-	8	4	-	4	-	16
<i>Camden</i>	-	-	-	-	-	3	3
<b>Total</b>	<b>3</b>	<b>21</b>	<b>11</b>	<b>0</b>	<b>10</b>	<b>12</b>	<b>57</b>

The above table shows that 24 (69%) of the 35 audits undertaken in the year with an assurance rating opinion, provided positive messages with 'substantial' or 'moderate' levels of assurance as to the adequacy and effectiveness of the internal control environment, while the number of reports providing a 'limited' or 'no' assurance was 11 (31%).

Our 2012/13 annual report gave positive assurance in 70% of reports with controls opinions, and negative assurance in 30% with 'limited' or 'no' assurance ratings.

Action plans agreed by management to implement audit recommendations are expected to result in control improvements and progress against these plans will be tested in scheduled follow up reviews which will be reported to future Audit Committees in the 2014/15 year.

Our findings on the key themes in 2013/14 are set out below.

# Key themes identified over the year

## Governance

Our work within Departments over the year has not identified any significant issues with the Council's overall governance framework.

## Risk Management

A review of the corporate risk management framework was included in the 2013-14 audit plan.

The review took the form of a risk and control advice exercise, focusing on the design of the control framework.

Internal Audit's post-review opinion was that, whilst the design of strategy, policy and procedure in this area appeared largely appropriate, there are key structural and process-related deficiencies with regard to the operation of underpinning implementation, support and control arrangements, and that these weaknesses are undermining the risk management framework's ultimate effectiveness. Identified issues included:

- A lack of recent review, update, approval, communication and provision of training relating to documented strategy, policy and procedure;
- Ineffective operation of key governance forums underpinning the corporate risk management framework;
- A diminishing pool of dedicated resource leading to adverse impact on capacity and capability within the organisations central risk management function (Strategic Financial Management);
- Concerns over the operational effectiveness of risk champion resource;
- Limitations in risk management process scope and coverage, and
- A lack of risk management process integration with other key corporate processes.

These issues and the impediments to effective risk management they present, may ultimately adversely impact on the successful delivery of departmental and/or organisational strategic objectives. The political, economic and delivery environment that the organisation is currently operating within is one of significant pressure on the corporate cost-base in conjunction with the related requirement for a high volume of complex strategic objective-enabling structural and process re-engineering activity. The additional, material risks that this background context will generate and demand the effective management of, further exacerbate Audit concerns in this area.

Following this review, a Risk Manager for Islington and Camden was appointed and charged with taking the recommendations made in this report forward.

## Fundamental and Key Financial Systems

Each year Internal Audit carries out reviews of the Council's fundamental financial systems. This process allows External Audit (KPMG) to place reliance on the work performed by Internal Audit. It also allows Islington to limit External Audit fees spent on reviewing the authority's activities.

In the 2013/14 year we have expanded our understanding of the processes currently scheduled for testing by refreshing our knowledge of the authority's key financial systems to ensure that we are addressing the risks faced at the current time. We did this by holding workshops for all of the key financial areas listed below, remapping and reconfirming key controls with management.

The key financial systems reviewed during this audit were:

- Cash Management
- Payroll
- Accounts Payable
- Accounts Receivables – Sundry Income
- Housing Benefits
- Council Tax & NNDR
- Parking

- Abacus (Home Care Payments)
- Estates Parking
- Treasury Management

The systems above represent the Council's fundamental financial systems. Council Tax, NNDR, Parking and Sundry Income represent a large component of the Authority's revenue; whilst Payroll, Accounts Payable and Housing Benefit represent the most significant proportion of the Authority's revenue expenditure.

The 2013/14 overall opinion rating for the fundamental systems was 'limited' assurance, which is a deterioration from the assurance opinion of "reasonable" in 2012/13. Whilst generally, the key controls in the Council's key financial systems continue to operate effectively based on the sample testing performed and the direction of travel across the systems has largely remained the same (for seven systems), it has deteriorated for two systems: accounts payable (where the deterioration is due to control design issues noted) and; accounts receivable (where the deterioration is due to the increased number of test exceptions noted). Internal Audit also tested three new areas for the first time in this review: Treasury Management (substantial assurance), Housing Rents (substantial assurance) and Estates Parking (moderate assurance).

Three high rated findings correspond to controls in the accounts payable process relating to purchase orders, new supplier checks and supplier bank details.

Management opinion is that, as no examples of financial loss or fictitious suppliers were identified, the system is not considered by Finance Management to be high risk. It is considered that current controls are proportionate to the audit findings.

Further detail can be found in the Finance and Resources Service Summary below.

## Management's response to implementing audit recommendations

Progress in implementation of recommendations made in 2012/13 reports has been monitored by completion of follow up audits on all high risk recommendations made. This exercise has confirmed that of the 24 high priority recommendations made in 2012/13, 19 have been either fully or partially addressed and controls improved where appropriate. The five remaining high priority recommendations that have not been implemented have been highlighted to management and a revised timeframe for implementation agreed. Further detail can be found below:

Directorate	2013/14 Follow Up	No. of Outstanding High Priority Recommendations	Original Implementation Date	Revised Implementation Date
Children's Services	Hornsey Road Children's Centre	2	January 2013	30 <sup>th</sup> June 2014
Environment & Regeneration	Parking E-Permits	2	December 2013	Internal Audit will revisit the area in Q3 2014/15 to assess implementation of recommendations following the move to the new database.
DST	Softbox	1	February 2013	August 2014

The 2014/15 audit plan approved by the Audit Committee in April 2014 includes a detailed follow up plan which will track and report on progress made in implementation of all 2013/14 audits completed.

## Performance of Internal Audit and Efficiency of the Service

During the year, internal audit has made further progress to improve delivery of the service to customers. Key Performance Indicators used to demonstrate the effectiveness of the internal audit function in 2013/14 highlighted the following:

KPI Target	Results
<p>% of the annual audit plan completed compared to what was planned.</p> <p>Target 90% by 31st March 2014; 100% by 30th April 2014</p>	<p>The audit plan was 90% complete (90% target) on 31 March 2014 and 75% complete (100% target) on 30 April 2014.</p> <p>At 31st May 2014; 83% of 2013/14 audit reports have been issued. Six audit reports are awaiting management comments, with exit meetings scheduled for early June 2014. The remaining two planned audits are in progress (Home Energy Efficiency Capital Programme and Development of Council Land). These two outstanding reviews are due to be completed by 30 June 2014; completion of these reviews has rolled into 2014-15 to accommodate resource arrangements.</p> <p>In addition, 10 unplanned special reviews, including three on behalf of Camden, have been undertaken at management's request.</p>
<p>% of Audit reports followed up within 12 months of issue of final report</p> <p>Target 100%</p>	<p>70% achieved. 36 audit reviews relating to 2012-13 required follow up in 2013-14. At 31 May 2014, 25 follow up reviews have been completed, the remaining eleven follow ups are scheduled to be completed by 30<sup>th</sup> June 2014.</p>
<p>Audit areas where the level of assurance has risen at the follow-up stage: 90%.</p>	<p>60% achieved. For the ten 'limited' assurance follow ups completed, the assurance level for six reviews improved from 'limited' to 'moderate'. Five out of the seven high priority recommendations across the remaining four limited reviews were still outstanding at the time of the follow up. These are detailed on page 6 and have been reported to management with revised timeframes for implementation set.</p>
<p>Customer Satisfaction results</p>	<p>100% very good or good response from clients.</p>

## Service Summaries

### Reports Issued 1<sup>st</sup> April 2013– 31<sup>st</sup> March 2014

#### Cross-Cutting/Corporate Reviews

This area covers Council activities which are common to all service areas or departments and are cross cutting in nature.

A total of 8 reports were issued in 2013/14 from the 8 planned projects detailed in the original plan.

Report Title	Assurance Rating	Key issues arising
Cash Management	Limited	No high priority findings noted. Ten medium priority findings were identified covering staff awareness, policies and procedures, training, security, authorisation and future cash strategy.
Programme Management	Management Letter	Two high priority findings were identified. There is currently no corporate portfolio management infrastructure, delivering relevant, enterprise-wide capability within LBI. This is a key control in ensuring the organisation undertakes appropriate and robust. Audit evidence indicated that the quality of project management is variable across the organisation, and can be poor. Underpinning this issue is the fact that there is no central Programme Management Office (PMO) function providing corporate programme and project support and control.
Risk Management Strategy	Management Letter	Internal Audit identified that whilst the design of strategy, policy and procedure in this area does appear largely appropriate, there are currently key structural and process-related deficiencies with regard to the operation of underpinning implementation, support and control arrangements, and that these weaknesses are undermining the risk management framework's ultimate effectiveness.
Public Health	Moderate	One high priority finding was noted relating to the design of the Public Health Shared Service's risk register and how this could be better utilised by the function.

The following reviews are due to be finalised by 30<sup>th</sup> June 2014:

- Purchase Cards
- Council Fleet Management
- Data Protection/ICO Audit

Development of Council Land is currently underway and is due to be finalised by 30<sup>th</sup> June 2014.



## Chief Executive's Office

A total of 5 reports were issued in 2013/14 from the 7 planned projects detailed in the original plan.

Report Title	Assurance Rating	Key issues arising
Electoral Registration Service	Substantial	No high priority findings noted. Internal Audit noted that the implementation of Individual Electoral Registration (IER) was still very much in its infancy, and identified that while steps have already been undertaken by Electoral Services to prepare for this change, there is limited project governance in place to manage the implementation of IER.
Season Ticket and Staff Loans	Moderate	No high priority findings noted. Four medium risk issues identified covering address verification, evidence of ticket purchase, verification of eligibility and separation of duties.
Third Sector Organisations - Islington Law Centre	Moderate	One high risk issue was highlighted which related to incorrect charging of activity in 2013/14 to Islington as a funder. Six medium risk issues were identified covering activity recording, separation of duties, management committee quorum, inventory records, bank mandate and third sector partnership management team monitoring.
Third Sector Organisations - Islington Boat Club	Limited	This audit review identified a total of eight findings; three of which are high risk, four of which are medium risk and the other is classified as low risk. The high-rated risks were in the following areas: <ul style="list-style-type: none"> <li>• Safeguarding policy.</li> <li>• Security of personal data of children and young adult attendees.</li> <li>• Outcomes reporting and financial information (budgets and actual results)</li> </ul>

At the request of management, the planned audit of HR Service – Starters and Leavers has been deferred to the audit plan for 2014/15 and the planned audit of the Litigation and Debt Recovery Service has been cancelled.

The following review is due to be finalised by 30<sup>th</sup> June 2014:

- No Recourse to Public Funds

## Environment and Regeneration

A total of 6 reports were issued in 2013/14 from the 7 planned projects detailed in the original plan.

Report Title	Assurance Rating	Key issues arising
Street Environment Service - Accessible Transport	Limited	<p>Three high priority findings were noted relating to:</p> <ul style="list-style-type: none"> <li>Risk assessments not being completed for all individuals accessing the service and as a result the care needs of individuals may not be fully understood.</li> <li>The framework contract for taxi services jointly procured with London Borough of Camden has not been subject to performance monitoring and as such it is unclear if services are being provided in accordance with the service specification or if the contractors' employees have been vetted to the standards outlined in the contract.</li> <li>Examination of HR records held by HR and the Passenger Transport Service identified a number of gaps in relation to checks undertaken with the Disclosure and Barring Service. As a result, it is not possible to determine if accurate records are currently held.</li> </ul>
Legal Proceedings	Limited	<p>No high priority findings noted.</p> <p>Eight medium rated findings were identified relating to: the listing of active prosecution cases; the process for authorising and passing cases to Legal Services; the process for retaining details of communication between Public Protection and Legal Services; budgeting process in place for Public Protection cases that go to prosecution; charging information and approval to pay; supporting documentation for reclaiming costs; the process in place for the recovery of civil costs; and the policy in place for authorising the use of external Counsel.</p>
Street Environment Service - Trade Refuse	Limited	<p>Three high risk areas were identified:</p> <ul style="list-style-type: none"> <li>The Commercial Waste team highlighted examples of on-going issues including duty of care charges not being included where due; invoices being raised twice for the same period; and invoices valued in excess £400k each being raised in error by the Commercial Waste Team.</li> <li>Four instances were highlighted where there were major delays or non-raising of delivery notes even though payment had been received, impacting on service delivery to clients.</li> <li>Inconsistent practices are adopted in the process of arrears recovery.</li> </ul>
Cemeteries	Moderate	<p>An interim audit of Cemetery Services was undertaken in August 2013, which highlighted two high risk and five medium risk issues. The high risk issues raised at this time related to procurement process issues, including the absence of a software agreement and the absence of an escrow agreement.</p> <p>The follow up audit undertaken in Q4 2013-14 revealed that six out of the seven recommendations made in August 2013 have been fully implemented, with one (high risk priority) being partially implemented. Internal Audit identified two further medium risk issues relating to debt recovery procedures and the updating of inventory records</p>
Highways and Energy Service - Highways Maintenance	Substantial	<p>No high priority findings noted.</p> <p>One medium risk finding was identified relating to there being no quality check controls in place to ensure that reactive works performed are carried out to an adequate standard.</p>

At the request of management, the planned audit of Fee Setting and Charging was cancelled.

The review of Home Energy Efficiency Capital Programme is currently underway and is due to be finalised by 30<sup>th</sup> June 2014.

## Housing and Adult Social Services

A total of 5 reports were issued in 2013/14 from the original 9 planned projects detailed in the original plan.

Report Title	Assurance Rating	Key issues arising
Area Housing Offices- Tenancy and Estate Management Services	Moderate	No high priority findings noted. Internal Audit have identified three medium control operating effectiveness issues relating to stock counts at an individual Area Housing Offices' central store, an individual Area Housing Offices' stock count at satellite caretaker stores and the recording of necessary auditable information, on both stock counts and order forms, across all of the Area Housing Offices.
Client Affairs Team	Moderate	No high priority findings noted. All recommendations except one from the 2011/12 audit have now been fully implemented by the service area, with one further medium priority recommendation arising in relation to policies and procedures for issuing client statements. The recommendation which has not yet been fully implemented corresponds to periodic checks of standing order and direct debit payments; evidence is not retained to confirm this control has been operating. This recommendation was initially rated as high.
Data Protection (HASS)	Moderate	One high priority finding was identified. The directorate does not hold a complete information asset register detailing the nature and location of sensitive data in its possession. An incomplete picture of the data held by the directorate prevents management from obtaining a full understanding of the risk of a data breach occurring. Four medium priority risks relating to data incident reporting, data protection training, access to physical records and subject access requests were also identified.
Tenant Management Organisations	Braithwaite TMO Limited	No high priority findings noted. Eight medium risks identified covering: limits of delegated authority; financial information in monthly meetings; Register of Interest form, Code of Conduct and Non-disclosure Undertaking forms; Access controls; Bank reconciliations; Petty cash; Contractor documentation and; Data security and contingency.
	Holbrook TMO Moderate	No high priority findings noted. One medium finding relating to financial management, control and accounts.
	Newbery TMO Moderate	No high priority findings noted. The medium priority finding related to the inspection of repairs work; whilst reactive repairs are checked by the TMO Admin Assistant, evidence of these checks are not retained resulting in an incomplete audit trail.
Supporting People	Substantial	No high priority findings noted. The medium priority recommendation relates to the updating of the Supporting People Governance Framework.

Report Title	Assurance Rating	Key issues arising
HASS Material Ordering Process & Van Stock (Addition to original plan)	Management Letter	The review was undertaken at management's request to assess the controls identified as currently in operation at Kier to mitigate the key risks outlined in the terms of reference and recommendations to management to inform the new in house stock management process.
Housing Repairs (Addition to original plan)	Management Letter	Risk and control advice exercise focusing on programme management and governance control framework design. Internal Audit found that whilst a number of opportunities for addition to, or enhancement of, the current portfolio of programme governance controls are evident, control framework design was still ongoing and a significant proportion of identified deficiencies and/or omissions are due to review timing (i.e. early in the programme lifecycle). Significantly, in many cases, remedial action was already under management consideration and/or development

Planned audits of Intermediate Care Service Occupational Health and Supported Discharge Rehabilitation Scheme have been deferred to 2014/15. Reviews of the Legal Repairs Surveying Team and Housing Operations Special Projects Team were removed from the plan in consultation with management and the audit resource applied to other priority areas (see additions to original plan).

The following reviews are due to be finalised by 30<sup>th</sup> June 2014:

- Seaview TMC

## Children's Services

A total of 5 reports were issued in 2013/14 from the original 8 planned projects detailed in the original plan

Report Title	Assurance Rating	High Priority and Key Issues Arising
St Andrew's Primary School	Limited	No high priority recommendations noted. Ten medium priority findings identified related to petty cash, procurement of contracts, HR, expenditure, payroll, security of assets, register of interests, school fund and data protection.
Early Years' Service - Children's Centre Monitoring (Addition to original plan)	Moderate	One high priority finding was identified relating to the review of the service level agreement and the need to ensure it is updated to remain fit for purpose. In particular, greater clarification is required over the calculation of the apportionment of Centre costs and the basis of the sums involved (e.g. gross or net of income). Scope exists to increase the consistency of information supplied by Centres in respect of Centre performance which will enable more meaningful analysis and comparison to be undertaken.
Targeted Youth Support Service and Youth Offending Service	Moderate	No high priority findings noted. Three medium priority findings identified related to reporting data security breaches, recruitment of permanent and temporary staff, and quotes for expenditure.
School's Traded Services	Moderate	No high priority findings noted. Two medium priority findings identified related to the pricing policy and monitoring of financial information.
Montem Primary School	Moderate	No high priority findings noted. Eight medium priority findings identified related to income recording, school uniform, contract letting and management, record of debit card usage, invoice payments, self-employed consultant status, security of assets and data protection.
Copenhagen Primary School (Additional to original plan)	Management Letter	Three high priority findings have been made following the audit investigation in relation to contractor payments, works undertaken by the contractor and safeguarding. Three medium priority recommendations were made covering leasing of the school premises, documentation retention and the lease agreement held with the contractor based on the school premises. The recommendations will be followed-up in October 2014 at which time a full audit of the school will also be undertaken.
Stronger Families PBR claim	Management Letter	Moderate Assurance. Next claim round to be reviewed in May 2014.

Planned audits of IAG service, Community Budget/ Family Support Service, and Play schemes/ Youth clubs were removed from the plan in consultation with management and the audit resource applied to other priority areas (see additions to original plan).

The following reviews are due to be finalised by 30<sup>th</sup> June 2014:

- School's Pupil Roll Management
- Ambler Primary School

## Finance and Resources

A total of 13 reports were issued in 2013/14 from the original 18 planned projects detailed in the original plan.

Report Title	Assurance Rating	Key issues arising
<b><u>Finance and Resources</u></b>		
Continuous Auditing Key Financial Systems Controls	Limited	<p>Three high rated findings correspond to controls in the accounts payable process and are summarised below.</p> <ul style="list-style-type: none"> <li>- Purchase orders and goods receipts are not used by the Council, there is therefore no three way match in place between the goods received note, invoice and purchase order to confirm the accuracy and validity of invoices. Invoices are approved by budget holders prior to payment and it is assumed that accuracy and validity is verified as part of this approval process.</li> <li>- No independent check is performed on new suppliers as they are added to the system to ensure that they are legitimate. It is assumed that any such checks are undertaken by the service prior to new supplier set up requests being raised with Central Finance.</li> <li>- Currently there is no requirement for the Council to get independent confirmation using an existing contact, to ensure that the changes of supplier bank details are correct before these are changed in the system.</li> </ul> <p>Management opinion is that, as no examples of financial loss or fictitious suppliers were identified, the system is not considered by Finance Management to be high risk. Islington has decided not to adopt a 'Purchase Order System' as the revenue costs are very high and there is no evidence that the system currently used in Islington has introduced either fraud or error. It is considered that current controls are proportionate to the audit findings and extra checks have been introduced by the finance team.</p>
Insurance Scheme	Moderate	<p>No high priority findings noted.</p> <p>Four medium priority findings related to: Contractor's imprest account; dissemination of insurance guidance; management information; allocation of insurance costs; and recording and monitoring of fraudulent claims.</p>
Resident Support Scheme	Moderate	<p>One high priority finding was highlighted relating to access rights. The current access rights on the Revenue and Benefits Performance (RBP) system allow the Administration Officer for the Benefits Security and Safeguarding team full access including setting up of user-ids, creation of passwords and changes to passwords</p>
Call Centre Management	Moderate	<p>No high priority findings were noted.</p> <p>One medium finding was highlighted relating to call assessments.</p>
Community Capacity Capital Grant (Addition to original plan)	Management Letter	<p>No high priority findings were noted.</p> <p>Internal Audit were requested to carry out a review of the Council's compliance with the Community Capacity Grant conditions. Internal Audit's examination of this expenditure revealed that all invoices were validated against each capital scheme detailed above, and specific cost centres had been set up to account for spends related to capital schemes detailed above. No further issues were identified requiring action.</p>

Report Title	Assurance Rating	Key issues arising
<p>Bailiffs (Addition to original plan)</p>	<p>Management Letter</p>	<p>No high priority findings were noted.</p> <p>Review of fees and charges applied by bailiffs for the collection of unpaid penalty charge notices (PCN). Internal Audit examination of these cases identified that additional charges had been applied during the collection but were found to be supported by evidence confirming that these were reasonable and at cost. However, it was noted that the original service contract (which covered this sampled period) did not outline the charges to be applied and as such the 'reasonableness' of charges applied were subject to interpretation. Bailiffs are subject to further audit review in 2014-15.</p>
<p>Cashiers move (Addition to original plan)</p>	<p>Management Letter</p>	<p>Internal Audit was asked to provide input into the temporary relocation of the cashier's office within 222 Upper Street by the Assistant Director of Financial Operations and Customer Services. One high priority risk was noted relating to safe access controls.</p>
<p><b><u>Anti-Fraud</u></b></p>		
<p>Bribery Act</p>	<p>Limited</p>	<p>Two high priority findings and five medium priority findings. The high priority findings relate to the Council being potentially considered as a commercial organisation under the Bribery Act in light of some its activities; however it has not undertaken a formal risk assessment to evaluate its level of exposure under the Act. This is essential for ensuring that it operates policies and procedures that are proportionate to the level of risk.</p> <p>The Council is in the process of updating the criteria for officers required to provide annual declaration of interest returns. We found that the current list appears to exclude a number of staff in key positions. We also note that the proposed new criteria could potentially exclude staff with contract management responsibility, which could expose the Council to risk in relation to staff managing contractors with whom they have an interest.</p>
<p>Amendments to Supplier Bank Details</p>	<p>Management Letter</p>	<p>Using analytics software we performed analysis on matching active suppliers per Cedar to current employees per Payroll by bank account number; and identifying instances where an employee has approved or authorised payment to themselves through the Contempus system.</p> <p>The analysis carried out showed 132 current employees were found to have a unique supplier record on Cedar, which is around 3% of the workforce. This does create an inherent risk around erroneous and fraudulent payments. We understand from previous data analytics exercises that the reasons behind employees having unique supplier records on Cedar are typically:</p> <ul style="list-style-type: none"> <li>• Employees being reimbursed expenses through Cedar;</li> <li>• Employees previously being employed as a consultant and paid through Cedar, and</li> <li>• Employees receiving a payment from Social Services as a carer</li> </ul> <p>The analysis performed did not identify any evidence of any employee approving or authorising a payment to themselves through Contempus.</p>



Report Title	Assurance Rating	Key issues arising
<b><u>DST</u></b>		
ICT Third Party Management	Limited	<p>Our review identified four high priority findings:</p> <ul style="list-style-type: none"> <li>• Terms and Conditions of Third Party access – Council policy is that third parties sign a network access form prior to access being granted to the network. In six out of ten instances tested, however, no signed agreement was present between the Council and the third party to which access had been granted.</li> <li>• Governance – There was an inability to provide evidence of a complete, accurate and up to date third party IT access register that provided a record of third parties holding access at any one time. Alongside this, there existed no defined roles, responsibilities and incidence escalation procedures in place, where third parties were identified as being involved in security incidents on the IT network.</li> <li>• Access Management – In all ten instances tested, third party access to the Council’s network was marked as ‘never expires’ and there were also two instances of generic user accounts in existence.</li> <li>• Monitoring of Third Party activity – Management were unable to provide evidence of any monitoring of third party activity on the Council’s IT network. It was disclosed that currently the Council solely places reliance on third parties themselves to communicate any security incidents or non-compliance with agreed access protocol.</li> </ul>
Network Security	Limited	<p>Three high priority findings were identified:</p> <ul style="list-style-type: none"> <li>• Firewall management – the absence of controls to formally review the firewall rules has resulted in weaknesses in the network perimeter controls. Internal Audit identified a number of poorly configured firewall rules for past projects that are no longer valid and rules for test systems.</li> <li>• Physical and Logical controls – administrative access to the Council’s internal network devices are controlled by generic user accounts, with passwords that have not been changed for some considerable time. In addition, the physical security controls over the networking equipment in the Town Hall and Upper Street locations were weak.</li> </ul>
APACS Application (PARIS Upgrade) System	Moderate	<p>Our review identified one high priority finding relating to User Access. Access to the PARIS server is not restricted to users directly involved with the support and maintenance of the application and its server. Generic domain and third party admin accounts have been identified. The risk of inappropriate activity occurring on the server is increased by the fact that there is a lack of audit tools to monitor user activity on the PARIS server and an absence of systematic review of domain admin accounts by management.</p>
ICT Change Management	Moderate	<p>One high priority finding has been identified whereby the change management policy documented by the Digital Services Group (DSG) is not being followed Council wide. We found that outside of the DSG, directorates are processing and applying changes to applications independently of this process. This may extend to up to 50% of the Council’s IT budget as only 50% is under the control of DSG.</p>
Portable Storage (merged with ICT Procurement and Asset Management)	Moderate	<p>No high priority findings were noted</p> <p>Our review found three medium rated findings relating to; the monitoring and reporting of the risk of laptops not being returned, prioritisation and classification of the Councils critical IT systems and physical access to server rooms</p>







Report Title	Assurance Rating	Key issues arising
Server Management	Moderate	<p>No high priority findings were noted</p> <p>Four medium rated findings were identified relating to: physical access to the data centre; initial server configuration; evidence of approvals obtained to grant administrator access; and security patches and upgrades to the Council's Windows servers are administered manually.</p>
Service Desk And Delivery	Moderate	<p>No high priority findings were noted</p> <p>Five medium rated findings related to: new prioritisation guidelines have not yet been incorporated into the SLA and the agreement has not yet been issued to users in final version; monthly management scorecards do not include information on agreed service standards targets; a central log of training and qualifications is not currently maintained and reviewed; information on the agreed time frames, prioritised target time frames, and recent achieved time frames is not currently available to users where they log an incident; the feedback response rate is very low (below 5%) and follow up of negative feedback is not formally documented and reviewed.</p>





The planned audit of Grant Claim Preparation has been deferred to 2014/15. Reviews of Debt Management, Parking Permits –Visitor and Residents, Insurance Claims (anti-fraud) and Direct Debit Fraud Prevention were removed from the plan in consultation with management and the audit resource applied to other priority areas (see additions to original plan).

# Appendix B: Key to Assurance Levels

## Key to Assurance Levels

Level of Assurance	
<b>Substantial</b> 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
<b>Moderate</b> 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
<b>Limited</b> 	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
<b>No Assurance</b> 	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

## Recommendations

Risk rating	
<b>Critical</b> 	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale &amp; service performance. Mass strike actions etc</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members &amp; SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
<b>High</b> 	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff.</p> <p>Significant impact on the reputation or brand of the organisation ; Scrutiny required by external agencies, external audit etc. Unfavourable external media coverage. Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties</p> <p>High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
<b>Medium</b> 	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation ; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences</p>
<b>Low</b> 	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation</p> <p>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.</p> <p>Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences</p>

**Report of: Corporate Director of Finance and Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 June 2014		All

## 1. Synopsis

- 1.1 The Audit Committee approved the attached Internal Audit Plan at the last meeting of the Audit Committee. The report attached is for information for the new members of the Audit Committee.

## 2. Recommendations

- 2.1 To note the attached Annual Internal Audit Plan for 2014/15.

## 3. Background

- 3.1 The Council has a statutory duty to maintain an adequate and effective internal audit function.
- 3.2 The attached plan details the work to be undertaken by the Internal Audit Service in 2014/15 to deliver this objective.

## 4. Implications

### 4.1 Financial Implications:

The programme of audit work will be met from within the existing Internal Audit revenue budget.

### 4.2 Legal Implications:

The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit

Regulations 2003 amended 2006 and 2011). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS). Any officer or member must supply necessary documents and other records and provide any necessary information and explanation required in the course of an internal audit.

**4.3 Environmental Implications:**

There are no direct environmental implications.

**4.4 Equalities Impact Assessment:**

There are no direct equality implications arising from the recommendation in this report.

**5. Conclusion and reasons for recommendations:**

5.1 The Committee is asked to note the contents of this report.

**Appendices:**

- Internal Audit Plan – June 2014

**Background papers:** (available online or on request)

- None

Final Report Clearance:

**Signed by:**



Corporate Director of Finance and Resources

9 June 2014

Date

**Received by:**

Head of Democratic Services

Date

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ISLINGTON

# Islington Council

**Internal Audit and Investigations**

Annual Audit Plan – 2014/15 - Draft

# Summary of Allocation of Planned days

Service Area	Total Planned Days
Corporate /Cross Cutting Reviews	105
Finance and Resources – Key Financial Systems, Finance and DST	225
Children's Services	145
Environment and Regeneration	90
Housing and Adult Social Services	120
Chief Executive's Department	60
Anti-Fraud	180
Follow-ups to 2013/14 projects	140
Contingency	100
<b>Total</b>	<b>1,165</b>

# Internal Audit Plan

## Corporate / Cross Cutting Audits

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
CC14_1	Programme Management	Project management review of the processes and outcomes of the 8 transformation programmes to ensure they are in line with objectives; robust risk management is in operation and; appropriate governance arrangements are in place.	2	20
CC14_2	Business Planning	Audit of Corporate and Directorate arrangements for business planning and associated governance arrangements; objective setting and performance monitoring.	2	15
CC14_3	Corporate Data Protection	Review to be undertaken prior to the visit from the ICO to assess compliance with data protection legislation and assess new and emerging risks.	1	20
CC14_4	Customer Transformation Programme	Programme management review to ensure project is in line with objectives; robust risk management is in operation and; appropriate governance arrangements are in place.	2	15
CC14_5	Leaseholder service & Major Works charges (HASS & Finance)	Risk based review to ensure Leaseholder and major works charges are accurate, complete and timely with consideration given to compliance with Council procurement procedures. Assessment of costing, financial controls and adjustments. Calculation of charges, notification and consultation of proposed works, charges to leaseholders and the prompt collection of charges will also be assessed.	3	20
CC14_6	Public Health	Joint review with Camden - tbc with Director of Public Health	3	15
		<b>Total Days</b>		<b>105</b>

## Finance and Resources

225 days have been allocated to this department which covers: Financial Management, Financial Operations, Corporate Property Services and Digital Services & Transformation (DST).

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
<b>Finance</b>				
FR14_1	Continuous Auditing/KFS Audits	Follow Up and control testing on key financial systems.	1-4	100
FR14_2	Bailiffs*	Further work following special in 13/14; legislation on bailiff enforcement action will take effect from April; significant negative press around use of bailiffs	1	10
FR14_3	Finance Function - New Model of Operation following Review	Review of implementation including management and communication of findings; residual risks; service quality assurance.	2	15
FR14_4	VAT	At department's request following HMRC request. This review will assess the Council's procedures and controls that are in place to correctly identify, assess and report levels of input and output VAT. Particular focus will be paid to providing assurances over the accuracy of the Council's VAT returns, its partial exemption calculations and whether the appropriate and most beneficial VAT treatment has been applied in relation to income and expenditure (review to focus on Car Parking and Opted Properties and follow up any issues from 13/14 Purchase Card review).	2	15
FR14_5	Grant Claim Preparation	Deferred from 2013/14. Review of grant claim completion with a view to ensuring that claims are monitored and reviewed before sign off.	3	10
<b>DST</b>				
FR14_6	PSN Audit	Specialist review of PSN requirements and their application. Following through to a strategic review over mobile working processes including current security arrangements associated with the use of employee's own devices, home working etc to ensure opportunities are maximised and risk appetite is appropriate.	1	20
FR14_7	Departmental IT Applications Key Control Testing	An assessment of IT key controls in place for 3-4 high risk departmental applications/databases including an assessment of controls over: access; change management; security; interfaces and; back up procedures.	2	20
FR14_8	IT Strategy & Governance	Review of IT alignment with Council objectives and the harnessing of new technology. Assess whether IT are enabling and maximising opportunities.	2	10
FR14_9	Data Centre*	Review of the transition of Camden's Data Centre to Islington. The review will provide assurance over data quality; data loss including accountability; data segregation	2/3	10



Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
FR14_10	Master Data Management	Review of controls over the Council's master data including the accuracy and completeness of data, duplication, and standardisation of processes and data restrictions.	3	15
		<b>Total Days</b>		<b>225</b>

*\* Possible Joint Reviews with Camden*

## Children's Services

145 days of the audit programme are allocated to this area of work covering Early Years, Schools, and Strategy.

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
CS14_1	Children's Centres Monitoring	Approach to be reviewed following outcome of 2013/14 monitoring audit. Approach to include Community Nurseries	1 to 4	15
CS14_2	Schools x 12	Risk based reviews of schools' governance, risk management and financial management arrangements	1 to 4	85
CS14_3	Stronger Families PbR Claim	Audit sign off of LBI claim submission	1 to 4	15
CS14_4	Assurance Mapping	Review of sources of assurance for children's services; identification of any gaps; discussion with AD's.	2	10
CS14_5	Local Education Partnership (LEP)	LBI have established a Local Education Partnership (LEP), Transform Islington, in conjunction with Transform Schools and Building Schools for the Future Investments (BSFI), the company established nationally to invest in LEPs. Review of risks relating to ICT provision/ managing and reporting faults/ benchmarking/ invoicing.	3	20
		<b>Total Days</b>		<b>145</b>

## Environment and Regeneration

90 days have been allocated for audit reviews in this service which cover Public Protection, Public Realm and Planning and Development.

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
ER14_1	Planning Notification Procedures and Consultation	Risk based review of processes and procedures in place surrounding planning notification and consultation. To ensure compliance with Council Protocol and Legislation.	1	15
ER14_2	CCTV	Review of corporate arrangements for the installation, management and monitoring of CCTV to ensure that these meet the council's corporate policies and objectives and relevant legislation.	1	15
ER14_3	Transport Planning & Strategy including Street Scene Programme	Risk based review of delivery of the transport strategy, financial monitoring and links with other relevant strategies (e.g. street scene programme, planning etc).	2	15
ER14_4	Open Spaces/Parks Management*	Review of income maximisation (sports facilities & events), grounds maintenance contract arrangements and monitoring and use of voluntary groups.	2	15
ER14_5	Planning/S106/Building Control	Extended follow up of 12/13 review with a focus on the arrangements since the implementation of the new IT System	2	10
ER14_6	Waste Management	Risk based review of controls surrounding key service objectives.	3	10
ER14_7	Libraries	Risk based review of Libraries Service including income collection, purchasing best value, SLA with schools and prison services and links with other front line services.	3	10
		<b>Total Days</b>		<b>90</b>

\* Possible Joint Reviews with Camden

## Housing and Adults Social Services (HASS)

120 days of the audit programme are allocated to this area of work, covering areas within the Housing and Adults Social Services Directorate. A further HASS review has been included under Corporate and Cross Cutting reviews.

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
HASS14_1	Intermediate Care Service- Supported discharge Rehabilitation Scheme	Deferred from 13/14. To examine the administrative and financial controls of clients discharged from hospital to the community under council care as an intermediate care service, determination of care packages eventually allowing clients to return home.	1	15
HASS14_2	Intermediate Care Service- Occupational Health Service	Deferred from 13/14. Review assessments and charging for services provided: prevent people from being admitted to hospital/ long-term residential care; support people to return home after a recent hospital admission; enable people to live at home rather than in a care home, if they choose; To establish more information and could be combined with above.		
HASS14_3	Property Services - Legal Repairs Surveying Team	Deferred from 13/14. Review of management of risk over disrepair claims, complaints, and management and monitoring of the High Value Repairs Panel Budget.	2	15
HASS14_4	ASC Client Reviews*	Risk based review of processes to assess that client's ongoing needs are being reviewed regularly, met promptly and effectively. Include review arrangements for LBI clients placed in other local authorities. Include fraud risk of payments to fictitious clients.	2	15
HASS14_5	Self-Directed Care Services, Individual Budgets and Direct Payments*	Audit input into risk assessment and how any relaxation of this may impact. To consider cost modelling, scenarios, reduction of controls, proactive fraud reviews etc)	2	10
HASS14_6	Safeguarding Adults*	Review of the notification of clients requiring safeguarding ensuring they meet criteria, working with agencies including foundation trust, other local authorities, police appropriate, clients services monitored and reviewed with approval processes for services, funding / payment applied.	3	10
HASS14_7	Housing Allocations including transfers	Risk based review of controls in place surrounding the assessment of application for housing support and making housing allocations. Include anti-fraud measures to prevent and deter tenancy fraud in this process.	2	15
HASS14_8	TMOs x4 (Brunswick deferred from 13/14 plus 3 others)	TMO comply with legal and regulatory framework, provide effective financial management and administrative control, value for money from procurement of contract and services ensuring the effective management and maintenance of repairs of the buildings/estate it is responsible for improving housing conditions and the environment for the benefit of residents.	1 to 4	20
HASS14_9	Repairs	Assistance with redesign of controls. Post - implementation audit for 15/16.	1	5
HASS14_10	Finsbury Park Community Hub	Risk based review of community hub including due diligence, review of income streams and value for money.	1	15
		<b>Total Days</b>		<b>120</b>

\* Possible Joint Reviews with Camden

## Chief Executive's Department

60 days have allocated to reviews in this department across the two divisions - Governance and HR (Legal, HR and Democratic Services) and Strategy and Community Partnerships (Communications, Community Safety, Partnerships & Employability Strategy, Equality & Performance)

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
CE14_1	HR Service - Review of Starters and Leavers Process	Deferred from 13-14. Assurance on redesigned process following systems thinking review. To include a review Staff Induction Processes i.e. review of controls surrounding corporate and local inductions processes.	1	15
CE14_2	Third Sector Organisations – Solace & Refugee Therapy Centre (deferred from 13-14)	Review of governance and financial management arrangements in specific organisations funded by the council to ensure that they are complying with the minimum standards framework established by the Third Sector Strategic Forum; to assist organisations in maintaining the necessary infrastructure to manage the delivery of council funded services. Site visits will be made to a sample of organisations. Scope will include an evaluation of the robustness of governance and accounting records - transparency of decision making process, budgetary control and monitoring, and quality of management information systems maintained to support agreed service delivery outcomes.	1 to 4	20
CE14_3	Impact of budget cuts on crime, disorder and community tension	Examination of controls and processes developed to meet service targets within reduced budget. To include an assessment of any control gaps that may have an adverse impact on service performance.	2	15
CE14_4	Performance Management Improvement - KPIs and Data Quality Management	Review of controls surrounding the validity, integrity and robustness of the corporate performance management process, and those underpinning linkage with other corporate processes (i.e. Service planning, Risk management).	3	10
		<b>Total Days</b>		<b>60</b>

## Anti-fraud / Forensic

180 days are allocated to this area of the audit plan which comprise anti-fraud work and continuous transaction monitoring outputs from the antifraud data mining tool "Oversight". Anti-fraud covers investigations into "internal" instances of suspected fraud, proactive anti-fraud work, Regulation of Investigatory Powers Act (RIPA), training, publicity and National Fraud Initiative (NFI) support. This area excludes work by the housing benefit, housing rents and blue-badge fraud teams.

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
AF14_1	Fraud referrals	Estimated time to investigate referrals to internal audit	1-4	100
AF14_2	Anti-fraud advice and co-ordination	Ad hoc advice and information, including presenting at management induction training, providing survey returns and coordinating council fraud forums	1-4	10
AF14_3	Fraud awareness/risk workshops	A series of interactive workshops to be targeted at specific areas of the Council to raise awareness of fraud, increase the profile of corporate anti-fraud, and identify potential fraud risks in certain areas.	1-4	20
AF14_4	TMO Reserve Funds	Analysis of reserve funds and proportion of expenditure on repairs	2	10
AF14_5	Financial Abuse	Pro-active checks and review of investigation procedures	2	15
AF14_6	Third sector grants	Review of application for grant funding and monitoring of grant payments	3	15
AF14_7	NNDR	Review of property conversions to ensure legitimate rates are being collected	3	10
		<b>Total Days</b>		<b>180</b>

## Follow up reviews

140 days have been allocated for follow up work to ensure that agreed actions contained in our 2013/14 reports have been implemented.

Status of implementation of 2013/14 audit recommendations will be updated and reported in our progress reports to senior management and the Audit Committee throughout 2014/15.

The schedule below shows the planned follow up and extended follow up reviews for 2014/15:

	Planned Days	Planned Quarter
<b>Corporate/Cross Cutting</b>		
Programme Management	2	2
Risk Management Strategy	2	2
Purchase Cards	2	3
Data Protection/ICO Audit	3	3
Public Health	3	3
Development of Council Land	3	3
Council Fleet Management	3	3
Cash Management	3	2
<b>Finance &amp; Resources incl. DST</b>	<b>Planned Days</b>	<b>Planned Quarter</b>
Resident Support Scheme	2	2
Insurance Scheme	3	4
Call Centre Management	3	2
Service Desk And Delivery	3	3
PARIS Upgrade	3	3
Network Security	3	1
ICT Change Management	3	3
ICT Third Party Management	3	3
Portable Storage /Procurement & Asset Management	3	4
Server Management	3	3
Pensions Administration	3	1
<b>Children's Services</b>	<b>Planned Days</b>	<b>Planned Quarter</b>
Early Years Service - Children's Centre Monitoring	2	3
Schools:		
St Andrews	2	4
Montem	2	4
Ambler	2	4
Schools Traded Services	3	3
Targeted Youth Support Service and Youth Offending Service	3	3
Schools Pupil Roll Management (PLASC Returns)	3	4

<b>Chief Executive's Office</b>	<b>Planned Days</b>	<b>Planned Quarter</b>
Third Sector Organisations - Islington Law Centre	2	2
Third Sector Organisations - Islington Boat Club	3	3
Electoral Registration Service (to include review of revised IER process)	5	2
Season Ticket and Staff Loans	3	3
Strategy and Equality - No Recourse to Public Funds (NRPF) Service	3	3
<b>Environment &amp; Regeneration</b>	<b>Planned Days</b>	<b>Planned Quarter</b>
Cemeteries	2	2
Street Environment Service - Trade Refuse	2	1
Street Environment Service - Accessible Transport	2	3
Legal Proceedings	3	3
Highways and Energy Service - Highways Maintenance	3	4
Highways and Energy Service - Home Energy Efficiency Capital Programme	3	4

<b>HASS</b>	<b>Planned Days</b>	<b>Planned Quarter</b>	
Housing Repairs Reintegration	2	2	
Client Affairs Team	3	3	
Supporting People Service	3	4	
HASS Material Ordering Process & Van Stock	3	3	
Area Housing Offices-Tenancy and Estate Management Services	3	4	
Data Protection (HASS)	3	3	
Tenant Management Organisations:			
	Braithwaite	3	2
	Holbrook	3	3
	Newberry	3	4

<b>Anti-Fraud</b>	<b>Planned Days</b>	<b>Planned Quarter</b>
Bribery Act Risk areas - Gifts and Hospitality Policy; declarations of Interest; third party arrangements	3	3
Partners - Review of Performance	3	3