



AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **4 June 2015 at 7.30 pm.**

John Lynch
Head of Democratic Services

Enquiries to : Jackie Tunstall
Tel : 020 7527 3068
E-mail : democracy@islington.gov.uk
Despatched : 27 May 2015

Membership

Councillor Satnam Gill (Chair)
Councillor Olly Parker (Vice-Chair)
Councillor Raphael Andrews
Councillor Richard Greening
David Bennett

Substitute Members

Councillor Alex Diner
Councillor Clare Jeapes
Councillor Robert Khan
Councillor Alice Perry

Quorum: is 3 Councillors



A. Formal Matters

Page

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. Items for Decision - Audit (Advisory) Committee

Page

1. KPMG Reports 3 - 10

2. Draft Annual Governance Statement 11 - 36

C. Items for Decision - Audit Committee Page

1. Membership, Terms of Reference and Dates of Meetings of Audit and the Audit (Advisory) Committee 37 - 42

2. Audit Committee Appointments 43 - 50

3. Termination Payments - To Follow

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 22 September 2015

This page is intentionally left blank

London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 24 March 2015

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 24 March 2015 at 7.30 pm.

Present: **Councillors:** Richard Greening (Chair), Olly Parker (Vice-Chair) and Raphael Andrews
Also Present: **Independent member:** David Bennett

Councillor Richard Greening in the Chair

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

Apologies were received from Councillor David Poyser.

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

None.

38 **DECLARATIONS OF INTEREST (Item A3)**

None.

39 **MINUTES OF PREVIOUS MEETING (Item A4)**
RESOLVED

That the minutes of the meeting of the Audit Committee and the Audit Committee (Advisory) held on the 29 January 2015 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

The Committee noted that the statistics regarding the number of residents who had been prevented from registering were not yet available from the software. The Head of Registration and Electoral Services had asked if this could be made available but this was unlikely to be obtained prior to the election. This information could be reported to a future meeting when available.

Members asked to be informed regarding the designation of the polling place for St Peter's ward.

40 **KPMG REPORTS (Item B1)**

a) External Audit Plan

The Committee noted that it was expected that the audit fee may reduce in the future but any reduction in fees would not affect the way that the audit was carried out and issued. The value of the external audit was over 1000 staff hours but was not quantified in the plan. At the expiry of the contract with KPMG, it was expected external auditors would be appointed by an independent panel.

Audit Committee and Audit Committee (Advisory) - 24 March 2015

b) Certification of Claims and Returns – Annual Report 2013/14

The Committee noted that the certification of claims and returns did not result in any areas of concern that would have resulted in a change in subsidy.

RESOLVED that the reports be noted.

41 **AUDIT PLAN 2015/16 (Item C1)**

The Committee noted that a member of staff would be dedicating 180 days to fraud support, in addition to the 55 days detailed in the Audit Plan. The monitoring of spending on agency staff had been added to the Internal Audit workplan for 2015/16, Quarter 2.

The risk assessment framework was a useful tool when considering the scope of the work undertaken by Internal Audit team. The workplans of the Scrutiny Committees would need to be checked in order to ensure that there was no overlap of work.

RESOLVED

That the report be noted and the Annual Internal Audit Plan for 2015/16 be approved.

42 **ESTABLISHING AN ISLINGTON PENSION BOARD (Item C2)**

Councillor Olly Parker took the Chair for this item as Councillor Richard Greening was the Chair of the Pension Sub-Committee.

RESOLVED that

- a) the nomination process undertaken be noted;
- b) the employer representatives on the Pension Board shall include an Islington Councillor or officer to be appointed at Annual Council.
- c) The following members be appointed for a term of three or four years or until a successor is appointed:-
Vaughan West, GMB as a member representative,
Mike Calvert, Unison, as a member representative,
David Bennett, as an independent member,
Bob Anderson as an employer representative,
Maggie Elliot, as an employer representative.
- d) Vaughan West be appointed as Chair of the Pension Board, subject to his agreement.

The meeting ended at 8.10 pm

CHAIR

Report of: Corporate Director of Finance

| Meeting of | Date | Agenda Item | Ward(s) |
|-----------------|-------------|-------------|---------|
| Audit Committee | 4 June 2015 | | All |

SUBJECT: External Auditor Reports

1. Synopsis

- 1.1 KPMG has produced a letter setting out the audit work and fee that they propose for the 2015/16 financial year for the June 2015 meeting of the Audit Committee.

2. Recommendations

- 2.1 To note the attached annual audit fee letter for 2015/16 from KPMG.

3. Background

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

A. Annual audit fee 2015/16

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.

4.5 Resident Impact Assessment

There are no direct resident impact implications arising from this item.

5. Conclusion and reasons for recommendations:

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

Appendices:

- Annual audit fee 2015/16

Background papers: (available online or on request)

- None

Final Report Clearance:

Signed by:



Corporate Director of Finance and Resources

28 April 2015

Date

Received by:

Head of Democratic Services

Date

Report Author: Alan Layton, Director of Financial Management
Tel: 020 7527 2835
E-mail: alan.layton@islington.gov.uk



KPMG LLP
Audit
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 2091
Fax +44 (0) 20 7311 3311
DX 157460 Canary Wharf 5
Philip.johnstone@kpmg.co.uk

Mike Curtis
Director of Finance
London Borough of Islington
2nd Floor, Newington Barrow Way
Islington
London
N7 7EP

Our ref **LBI/201516/fee letter**

21 April 2015

Dear Mike

Annual audit fee 2015/16

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at the London Borough of Islington.

Closure of the Audit Commission

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

Planned audit fee

The planned audit and certification fees for 2015/16 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

| Audit area | Planned fee 2015/16 | Planned fee 2014/15 |
|---|----------------------------|----------------------------|
| Code of Audit Practice audit fee | £202,830 | £270,440 |
| Audit of Pension Fund | £21,000 | £21,000 |
| Certification of grant claims & returns | £24,912 | £33,648 |

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012. The planned fee is in line with the scale fee. For pensions administering bodies only: The reduction of 25 per cent for 2015/16 does not apply to pension fund audits, where fee pressures have been rising due to the increasing complexity of the funds audited.

As we have not yet completed our audit for 2014/15 the audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Factors affecting audit work for 2015/16

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has confirmed that a change in accounting policy will be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities. Fees for any additional audit work required in 2015/16, the preparatory year, in relation to disclosures in the financial statements, will be subject to approval under the normal fee variations process. The Audit Commission decided that it was not appropriate to increase scale fees because the amount of work required at individual authorities will vary based on local circumstances, and may not be required for more than one year.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO's Code maintains the scope of work required by auditors under the Audit Commission's previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

Certification work

As well as our work under the Code, we will certify the 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:



KPMG LLP
Annual audit fee 2015/16
21 April 2015

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3H

Yours sincerely

A handwritten signature in cursive script, appearing to read 'P. Johnstone'.

Philip Johnstone
Director

cc: Alan Layton (Director of Financial Management)

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2015/16 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

| Planned output | Indicative date |
|---|------------------------|
| External audit plan | March 2016 |
| Report to those charged with governance (ISA260 report) | September 2016 |
| Pension Fund Audit Highlights memorandum | September 2016 |
| Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate | September 2016 |
| Opinion on Whole of Government Accounts return | September 2016 |
| Annual audit letter | December 2016 |
| Certification of grant claims and returns | December 2016 |



Report of: **Executive Member for Finance and Resources**

| Meeting of | Date | Agenda Item | Ward(s) |
|-----------------|---------------------------|-------------|---------|
| Audit Committee | 4 th June 2015 | | |

| | | | |
|-----------------------|--|------------|--|
| Delete as appropriate | | Non-exempt | |
|-----------------------|--|------------|--|

SUBJECT: Draft Annual Governance Statement 2014/15

1. Synopsis

- 1.1. An annual report on the Council's governance arrangements is published with the Statement of Accounts as the Annual Governance Statement (AGS).
- 1.2. This report sets out the Draft AGS for 2014/15 as Appendix A.

2. Recommendations

- 2.1. Audit Committee is asked to note the contents of the draft Annual Governance Statement ahead of final presentation with the annual accounts in September 2015.

3. Background

- 3.1. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

3.2. The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of Part 2 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is “an open and honest self-assessment” of the Council’s performance across all of its activities and

- Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
- Describes processes applied in reviewing their effectiveness; and
- Lists actions proposed to deal with significant governance issues identified

4. Implications

4.1. Financial implications

A sound system of internal controls forms a significant part of the framework and is essential to underpin the effective use of resources

4.2. Legal Implications

Regulation 4(3) of Part 2 of the Accounts and Audit Regulations 2011 requires the Council to conduct an annual review of its system of internal control and following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

4.3. Environmental Implications

There are no environmental implications

4.4. Equality Impact Assessment

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

5. Conclusion and reasons for recommendations

5.1. The Draft Annual Governance Statement, attached as Appendix A, reports on the Council’s governance arrangements and control environment and once approved will form part of the Statement of Accounts.

Appendices

Appendix A: Draft Annual Governance Statement 2014/15

Final Report Clearance

Signed by
Corporate Director of Finance Date

Received by
Head of Democratic Services Date

Report author: Michael Bradley, Head of Internal Audit
Tel: 07979834012
E-mail: michael.bradley@islington.gov.uk

This page is intentionally left blank

Annual Governance Statement 2014-15

1. Scope of responsibility

- 1.1. Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the code is on our website and included in the Council's Constitution.
- 1.3. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of Part 2 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:
 - Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
 - Describes processes applied in reviewing their effectiveness, and
 - Lists actions proposed to deal with significant governance issues identified.

2. The purpose of the governance framework

- 2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and

Annual Governance Statement 2014-15

prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

3. The governance framework

This section describes the key elements of Islington Council's governance arrangements.

3.1. Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

3.1.1. The central aim of the Council's Administration is to make Islington a fairer place. In 2010 the Council set up a Fairness Commission which explored inequalities for residents and set out recommendations for a fairer Islington. These fell under six broad priorities:

- Decent, suitable and affordable homes;
- Lower crime and anti-social behaviour;
- Cycle of poverty broken;
- Best start in life for children;
- Healthy, active and independent lives, and
- Delivering basic services efficiently and well.

3.1.2. These priorities and the intended outcomes have been communicated to citizens and service users in newsletters, on the Council's website (www.islington.gov.uk) and through a variety of other media. The Council also uses large print and translated documents to make the information as accessible as possible to all of its citizens and service users.

3.2. Reviewing the Authority's vision and its implications for the Authority's governance arrangements and translating the vision into objectives for the authority and its partnerships

3.2.1. In 2014, the vision was reviewed to ensure it remained relevant, and to reflect the findings of the recent Islington Employment Commission. Fairness continues to be the core theme but the priorities have been more sharply focused on those things which directly help reduce poverty and improve quality of life – employment, housing, cost of living – whilst continuing to deliver good quality services.

Annual Governance Statement 2014-15

3.2.2. The previous Corporate Plan has been replaced with the Islington Commitment 'Towards a Fairer Islington', a short, concise document setting out the revised priorities. It covers the period 2014-18 and commits the Council to:

- Providing more council housing and supporting private renters;
- Helping residents to find the right job;
- Helping residents to cope with the rising cost of living;
- Providing good services on a tight budget, and
- Making Islington a place where residents have a good quality of life.

3.2.3. Underpinning the Islington Commitment is the corporate performance framework, which sets out arrangements for ensuring robust monitoring of performance against priorities and key services. Key elements are:

- Corporate Performance Indicator Suite - around 50 measures covering key services, priorities and equalities objectives;
- Monthly Performance Panel – an internal mechanism for senior scrutiny of corporate priorities and of council services;
- Performance reporting to scrutiny committees, including more in depth scrutiny of specific topics, and
- Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.

3.2.4. The Islington Commitment, Corporate Performance Indicator Suite, and Performance Management Framework are set out on the Performance page of the Council's website.

3.3. Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and that they represent best use of resources and value for money

3.3.1. The Council's robust management processes enable it to measure the quality of services provided to Islington's residents and service users:

- Service, financial and corporate planning processes ensure that the Council's objectives are based on service commitments and strategic priorities;
- Directorates report monthly on their key financial, risk and service delivery indicators. Performance slippages are highlighted and remedial action taken;
- The Monthly Performance Panel, and the external reporting through scrutiny, both include a focus on the quality of services and on user feedback. .

3.4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of authority and partnership arrangements

- 3.4.1. Islington Council's Constitution sets out how the Council operates, how decisions are made, how decisions remain efficient and transparent, and how the Council demonstrates its accountability to residents and local businesses.
- 3.4.2. The Constitution also sets out the roles and responsibilities of the Executive, Non- Executive, Scrutiny and officer functions. A Publicity Protocol governing Members' and Committees' communication is laid out in part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.
- 3.4.3. The Constitution is updated at least annually. Key amendments coming into effect in 2014/15 included changes to enable the electronic service of meeting summons and related documents, changes to delegations in respect of personal budgets to prepare for the implementation of the Care Act 2014, changes to the scrutiny committee structure to more closely match departmental responsibilities, changes to implement the Openness of Local Authority Bodies Regulations 2014 and changes to increase public participation in council meetings.

3.5. Developing, communicating and embedding codes of conduct; defining the standards of behaviour for Members and staff

- 3.5.1. The Council expects the highest conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Audit Committee, supported by the Standards Committee which is responsible for considering complaints of breach of the Members Code of Conduct. In accordance with the Localism Act 2012, during 2012/13 the Council appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.
- 3.5.2. Part 6 of the Constitution contains the revised Members Code of Conduct which sets out the rules for registering and declaring interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.
- 3.5.3. Part 7 of the Constitution contains the Members' Allowances Scheme which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.

Annual Governance Statement 2014-15

3.5.4. An Officer Code of Conduct is reviewed, revised and publicised to staff from time to time. An exercise to review the classification of posts as requiring a DBS has been undertaken following changes in the relevant legislation.

3.6. Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

3.6.1. Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The limited powers delegated to individual portfolio holders are set out in the Constitution as is the process should the Leader decide to exercise any executive powers personally. In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the overview and scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution.

3.6.2. The Constitution includes formal delegation of responsibility and accountability, procurement rules and the Council's Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.

3.6.3. Forthcoming Executive decisions are published on the Forward Plan which sets out all key decisions at least 28 days in advance of when it is anticipated they will be made, subject to urgency procedures. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Policy and Performance Scrutiny Committee and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the Council and its partners. This includes consideration of the corporate plan and the medium term financial strategy. The Policy and Performance Scrutiny Committee and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.

3.6.4. All formal meetings are clerked by well trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure.

Annual Governance Statement 2014-15

Members are required to make sound decisions based on written reports which are prepared in accordance with the Council's report writing guidelines and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must pay due regard to equalities and environmental issues, together with financial and legal implications and risks. Joint Board (an officer and Executive member group) meets about a month before each Executive and has included on its agenda all items planned for the next Executive meeting. Not all items are proactively briefed on but they are available for members to ask questions about.

3.7. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

3.7.1. In 2014/15, a refreshed council-wide approach to risk management was designed and implemented to proactively identify threats that need to be minimised and opportunities that should be maximised in a consistent and proportionate manner. This has resulted in a new framework capturing key strategic, operational and programme/ project risks resulting in a more enterprise-wide and dynamic approach. Key aspects of the new approach have included the development of a top-down (CMB-owned risks) and bottom-up approach (service-owned risks) to risk management including the identification of 11 key principals risks facing the Council as identified by CMB and senior management across each Department. Further advancements have included aligning transformational programmes with industry standard programme risk management to help optimise the success of any change initiatives as well as ongoing support to various parts of the Council in terms of risk awareness training. Going forward, tools for training for all officers will be made available and risk reviews will take place each divisional management team every six months prior to CMB and Audit Committee to help integrate and embed effective risk management within the culture of the Council.

3.8. Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

3.8.1. Islington Council's Anti-Fraud Policy reflects current fraud legislation. The Council investigates reported or suspected fraud, and participates in the National Fraud Initiative. The Council's whistle blowing policy provides a mechanism for suspected breaches of law, procedure or policy to be confidentially reported.

3.8.2. Completed anti-fraud investigation work in 2014/2015, included working together with the Schools Admissions service to ensure that only genuine applications for school places were accepted. Work was also undertaken with Human Resources, where agency staff had applied successfully for Council positions, but had produced false identification

documents to the Council. This was identified as a result of strong anti-fraud controls within the HR service. Other work was undertaken which, while not identifying any significant fraud, highlighted control weaknesses elsewhere. Investigation reports with recommendations to mitigate fraud risk were issued to service management on completion of these investigations.

3.9. Ensuring effective management of change and transformation

3.9.1. At a strategic (tier one level) the Council ensures effective management of change and transformation through the auspices of CMB (Corporate Management Board) who also operationalise this responsibility through the Corporate Transformation Programme Board (tier 2) whose role it is to provide assurance through positively challenging, supporting and critiquing not only the seven themed Corporate Transformation Programme but also other large pieces of organisational change including for example large scale insourcing. Directorate Management Teams (DMT's) are the (third tier) of the governance structure and provide localised assurance driven by Corporate Directors under the umbrella of a strong and coherent performance management culture.

3.9.2. Complimentary to this is the creation of a centralised Programme Management Office (PMO).. The responsibility for this sits with the Corporate Transformation and Efficiency Team. The PMO will become operational from 1st September, 2014. This has been created to improve portfolio control and governance over the large body of transformation and change management activity in which LBI is currently engaged, and which is likely to increase over the coming years. The proximate aim is to raise success likelihood of current transformation/change programmes – success being as an example, outcomes delivered on schedule, money cashed, and positive change implemented.

3.9.3. This will be accomplished by:

- Benefits realisation – ensure benefit realisation activities are carried out following project closure. This includes assuring cashable savings are concluded.
- Risk and issue tracking – supporting programmes in ensuring risks and issues are escalated appropriately and mitigation and contingency plans are agreed and bought into. Monitoring progress of risks and issues and assessing their impact on the deliverability of the portfolio as a whole, including resource implications.
- Assurance/Quality control - establishing good/consistent practice and standards for governance including project-programme planning, reporting, analysing risks and issues and maintaining and updating the risk log for the programme.
- Analysing dependencies across the portfolio of programmes, bringing together programme managers to highlight cross-

Annual Governance Statement 2014-15

programme dependencies and opportunities and ensure related actions are concluded.

- Information management – holding master copies of project-programme information, generating quality management documentation, controlling and updating programme documentation.
- Ensuring post project reviews are carried out and actions arising from lessons learned are embedded into future practice.

3.10. *Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and CIPFA Statement on the Role of the Head of Internal Audit (2010)*

3.10.1. The Corporate Director of Finance and Resources (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972) was the Council's most senior executive role charged with leading and directing financial strategy and operations for 2014-15. In his role as Chief Finance Officer, he is responsible for:

- Ensuring lawfulness and financial prudence of decision-making;
- Reporting to full Council (or to the Executive if the matter to which the report relates is an executive responsibility) and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure; or is unlawful and is likely to cause a loss or deficiency; or if the Council is about to enter an item of account unlawfully, and
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to Councillors

3.10.2. The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control, and reports quarterly to the Audit and Governance Committee.

3.10.3. A Corporate Governance Group also meets every two months to discuss and monitor compliance with corporate systems of internal control, data security and governance issues. The group includes the Corporate Director of Finance and Resources, (the Section 151 Officer) the Assistant Chief Executive (Governance and HR) (the Council's Monitoring Officer), and the Head of Internal Audit.

Annual Governance Statement 2014-15

3.11. ***Ensuring effective arrangements are in place for the discharge of the monitoring officer function***

3.11.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Assistant Chief Executive (Governance and HR) is responsible, in her role as monitoring officer, for:

- Maintaining and keeping under review an up-to-date version of the Constitution (setting out in particular the bodies and post holders able to exercise, the Council's functions, and codes of behaviour for members and officers) and making this widely available to Councillors, officers and the public.
- Holding an up-to-date list of authorisations issued by the Directors to other officers under Part 3, paragraph 8.7 and Appendix 3 of the Constitution, permitting other officers to exercise powers delegated to them under the Constitution.
- Reporting to full Council (or to the Executive if the matter to which the report relates is an executive responsibility) if she considers that any proposal, decision or omission has given, may or would give rise to unlawfulness or has given rise to any maladministration which has been investigated by the Ombudsman.
- Contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council
- Receiving and acting on complaints that a member has breached the Islington Members' Code of Conduct
- Advising whether decisions of the Executive are in accordance with the Policy Framework and the Budget.
- Advising Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

Annual Governance Statement 2014-15

3.12. *Ensuring effective arrangements are in place for the discharge of the head of paid service function*

3.12.1. As head of the paid service, the Chief Executive works closely with elected members to deliver the following:

- Leadership: working with elected members to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams
- Strategic direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected members
- Policy advice: acting as the principal policy adviser to the elected members of the Council to lead the development of workable strategies which will deliver the political objectives set by the Councillors
- Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people
- Operational management: overseeing financial and performance management, risk management, people management and change management within the Council

3.13. *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities*

3.13.1. The Audit Committee and its associated Sub-Committees exist to deal with a range of matters including Council accounts and audit functions and personnel and electoral registration functions.

3.13.2. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.13.3. The Audit Committee has independent members suitably qualified to support the committee in an advisory capacity.

3.14. *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*

3.14.1. Chief Officers are responsible for ensuring that their staff operate lawfully and that human resources policies and the Code of Employee Conduct promote high standards of behaviour and are reinforced by appropriate training. As well as providing support on request on

Annual Governance Statement 2014-15

specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to all Chief Officers and Members on new legislation and case law developments and changes to existing legislation and regulations. Legal Services explain the legal implications in all reports to the Council, its Committees and the Executive. The service also provides legal implication comments for reports to Chief Officers and to meetings of the Corporate Management Board. A representative of the Service attends all Council, Executive, Policy and Performance Scrutiny Committee, Planning and Licensing meetings and other meetings when appropriate.

3.14.2. The Internal Audit function produces an annual plan which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and external audit reports are available to the Audit Committee.

3.15. *Whistleblowing and for receiving and investigating complaints from the public*

3.15.1. The Council has established a whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. This forms part of the Council's Anti-Fraud Policy. The Audit Committee is responsible for reviewing and updating the whistle blowing policy and receives a report concerning it annually. The policy was updated in March 2014.

3.15.2. The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet and internet sites. The policy encourages officers to report inappropriate action by fellow employees or Members, also by external contractors, without fear of victimisation or retribution. Whistle blowing referrals are promptly investigated by Internal Audit, where appropriate, after initial referral to the Head of Internal Audit. There were 11 reported whistle blowing events recorded in 2014/2015.

3.15.3. Islington Council has a formal process for managing complaints which has recently been reviewed and streamlined, with a view to "getting it right first time". The process is set out on the Council website and is available from Council offices and libraries.

3.15.4. The Council has a corporate complaints officer responsible for ensuring that the Council learns from complaints and improves its performance as a result. Departmental complaints officers record and report on all complaints, and the service response is monitored.

Annual Governance Statement 2014-15

3.15.5. Complainants who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

3.16. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

3.16.1. Islington Council is committed to the on-going professional development of Members and officers. Upon election, all Members are given a corporate induction and offered access to an on-going training and mentoring programme. All training provided to Members is reported to Committee annually.

3.16.2. Since the local elections in June 2014, training and development has been provided to councillors both on a group and individual basis. This has included personal development skills based work as well as specific knowledge. Councillors have also attended various conferences and away days as well as specific events put on by the LGA and London Councils.

3.16.3. There is an annual performance appraisal scheme for officers, which links targets to service objectives, underpinning the Council's vision. In addition, an Audit Commission review concluded that Islington staff received regular feedback on their performance. Through these processes, officers are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain.

3.16.4. Newly employed officers attend the Council's corporate induction programme, after which directorate and role specific training is provided where needed. Information on staff training and development programmes and courses available are regularly publicised on the Council's intranet website which includes an induction training course for all new Islington staff and Managers. An extensive induction programme was developed to support staff transferring to the Council from Homes for Islington as part of the reintegration of housing management services. Similar support has been provided to staff transferring in in respect of other functions and services. There is compulsory training for staff on key issues such as equality, data security and health and safety.

3.16.5. The Executive and the Corporate Management Board have a number of 'away days' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

Annual Governance Statement 2014-15

3.17. *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

- 3.17.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. It uses various communication channels such as Islington Life (the Council magazine), public meetings and the Council's website. There are also forums such as the Islington Business Board and Empower Islington Group which engage with specific communities of interest, and a series of VCS dialogue sessions to enable local voluntary and community sector organisations to identify issues and help shape policy around key challenges and priorities. An annual VCS Conference, hosted each November, provides an opportunity for engagement with a wider number of local organisations.
- 3.17.2. In June / July 2014 the Council commissioned a telephone Residents Survey to seek views on issues and priorities for Islington residents. This replaced the previous Citizens' Panel.
- 3.17.3. Council meetings are open to the public; however exceptions are made for matters that require confidentiality. The time, date and location of public meetings are displayed on the Islington website.
- 3.17.4. Ward partnerships, introduced in 2011-12, provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. Meetings are open to the public and dates are published in advance on the Council's forward plan of meetings.

3.18. *Enhancing the accountability for service delivery and effectiveness of other public service providers*

- 3.18.1. Each Executive Member is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The Executive Member is accompanied by the relevant Corporate Director. Details are set out in the performance management framework.
- 3.18.2. Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board.
- 3.18.3. The Council's scrutiny committees can undertake more in depth research into particular challenges or concerns, and request evidence from other service providers.

Annual Governance Statement 2014-15

3.18.4. The Health and Wellbeing Board, which includes membership from the Council, Islington Clinical Commissioning Group and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination and integration of commissioning plans to secure best use of resources and population health outcomes.

3.19. *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*

3.19.1. The Council works in partnership with a wide range of partners from the statutory sector, third sector and business to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.

3.19.2. The governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements.

3.19.3. Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director or Assistant Chief Executive having overall responsibility.

3.19.4. Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability.

3.19.5. Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.

3.19.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership, there will be an expectation set out in

Annual Governance Statement 2014-15

legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the Islington Partnership Board, partners may agree 'mandatory' membership from key organisations.

- 3.19.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB) and its precedents to allocate funding to deliver priorities and targets agreed with government. The IPB agrees the overall priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.

4. Review of Effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Annual Governance Statement has adopted the six core principles of good governance as recommended by CIPFA/SOLACE. The Council has a number of mechanisms in place to ensure that its partnership governance arrangements are appropriate, fit for purpose and effective.
- 4.3. The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework are set out below.

4.3.1. The Authority

Part three of the Council's Constitution sets out which bodies or officers are responsible for which functions, whether Executive or Non-Executive. The terms of reference of bodies referred to in this Constitution are set out in part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

The Authority's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive;
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers);
- Committees and Sub-Committees of the Council or the Executive;

Annual Governance Statement 2014-15

- Joint Committees;
- Officers, and
- Other persons properly authorised under specific legislation.

4.3.2. The Executive

The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the Council's most significant decisions, which are made in line with Council policy and budget. Its terms of reference are clearly defined in Parts 3 and 5 of the Constitution.

The Executive also has an important role in the risk management process, reviewing the corporate risk register on a quarterly basis. Executive agendas, minutes and summaries of decisions are available on the Council website.

4.3.3. Audit Committee

The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities and promoting high standards of member conduct.

The Committee meets on a quarterly basis. Since its inception in November 2008, it continues to review and report on the Council's auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes independent members.

4.3.4. Scrutiny Committees

The Policy and Performance Scrutiny Committee and the theme based scrutiny committees enable Councillors to scrutinise the performance of the Council and decisions made by the Executive.

Scrutiny Committees have responsibility for overseeing performance of the service area within their remit. There are four Scrutiny Committees, closely aligned with Council departments as follows:

- Children's Services Scrutiny Committee;
- Health and Care Scrutiny Committee (to cover Public Health and Adult Social Care);
- Environment and regeneration Scrutiny Committee, and
- Housing Scrutiny Committee.

Annual Governance Statement 2014-15

Policy and Performance Scrutiny Committee will act as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources.

The Policy and Performance Scrutiny Committee is initially responsible for all Councillor Calls for Action. The Communities Review Committee is the Council's Crime and Disorder Committee. This includes anti-social behaviour or other behaviour adversely affecting the local environment and complaints about substance.

4.3.5. The Standards Committee

The Standards Committee is responsible for considering complaints of breach of the Members Code of Conduct referred by the Monitoring Officer.

The Committee has the support of Independent Persons appointed under the Localism Act 2012 in respect of its consideration of complaints.

4.3.6. Internal Audit

The Council's internal audit service is delivered via a shared service with LB Camden.

The Internal Audit plan is developed using a risk-based approach. Internal Audit provide reports on the control of key potential risks identified from risk registers and reports and also comments on operational risks found in services which could impact on the achievement of business objectives. Audit's assurance opinion is further informed through a "Service Assurance Statement" process which involves an on-going self-assessment within the year by Corporate Directors of the extent to which their services comply with expected controls and processes operating across their Service Directorates. The outputs from the completed self-assessments are mapped against Internal Audit's independent assessment of the internal control environment as well as the departmental risk registers. This assurance process provides the Council with greater assurance to support and embed a robust governance framework. Audit's assessment, derived from this work for the 2014/15 year, is that governance and internal control arrangements are generally sound.

Section 6.3 (Part 2) of The Accounts and Audit Regulations 2011 require that relevant bodies conduct, at least once in each year, a review of the effectiveness of its internal audit function. The findings of the review must be considered, as part of the consideration of the system of internal control referred to in the regulations by the body or relevant committee of the body.

Annual Governance Statement 2014-15

We concluded that the internal audit service continues to be effective, complies with the Public Sector Internal Audit Standards (PSIAS), and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders.

Key Improvements and overall performance of the service in 2014/15 include:

- Continued working with LB Camden to further develop the shared audit service providing more timely reporting and assurance to management;
- Key Performance Indicators showed that internal audit meets set targets for delivering the audit plan, maintaining staff productivity targets, and following up on implementation of agreed audit recommendations;
- Audit Quality Surveys received following each completed audit project revealed that surveys showed good or very good satisfaction with the audit service provided;
- External audit continue to place reliance on the work of internal audit through their review of audit work on key financial systems and other key risk areas, and
- The shared service now works with four other London boroughs as part of an internal audit framework agreement. This provides opportunities both to enhance the value from the provider but also to work more closely with these boroughs to develop the shared service benefits even further.

All planned audits from 2014/15 and going forward will be scheduled for follow up reviews to ensure that management action plans for implementation of agreed audit recommendations have been fully implemented within agreed timescales. This will provide DMTs, Corporate Governance Group, CMB and the Audit Committee with a direction of travel in the internal control environment across the Council and areas where further improvement is required.

Key messages arising from Internal Audit's work in the 2014/15 year regarding areas where the Council's controls and governance need to be strengthened are included in section 5 below. More details of these issues will be reported separately in Internal Audit's Annual Report 2014/15 end of year report to the September 2015 Audit Committee.

The Council have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas

Annual Governance Statement 2014-15

already addressed and those to be specifically addressed with new actions planned are outlined below.

5. Significant Governance Issues during 2014/15

5.1. A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by the CIPFA which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

5.2. Our work within Departments over the year has not identified any significant issues with the Council's overall governance framework. However, Internal Audit will work with Children's Services to further develop the control framework around financial management and governance in schools.

5.3. The following areas of assurance are also noted:

Finance & Resources

5.3.1. The Council has a sound process to setting its budget that ensures that estimates are robust and in particular savings proposals are fully scrutinised to ensure political, managerial and financial deliverability. The Council's budget monitoring process during the year routinely monitors service financial performance and key risks against budget and looks to put management action in place to deliver the council's financial outturn within the overall budget. Since 2010 the Council's budget has been subject to major funding cuts. Between 2010 and 2014 the Council has had to make £112m in savings. A further £37m of savings have been identified for 2015/16 following extensive work throughout 2014. With national government pronouncements that cuts to funding will continue further, significant savings are predicted in the coming three years and detailed planning has already started on options for the council. In the context of such unprecedented cuts it is a testament to the robustness of the budget setting and monitoring processes and control framework that in each financial year since 2010, the council has delivered its overall spending within budget. Further recent cuts to financial staff numbers will add

Annual Governance Statement 2014-15

more risk to the process, however processes and the organisation of those resources have been reviewed to mitigate the risk as much as is possible and focus the reduced resource where they are needed.

Children's Services

- 5.3.2. The current structures and organisational arrangements provide a strong accountability scrutiny, leadership and management grip on Islington's statutory duties for children in need of help and protection, children in care and care leavers, including early help and benefitting from high educational standards locally.
- 5.3.3. The Corporate Director of Children's Services reports directly to the Chief Executive and the span of control allows the work to be given due priority. Assurance checks are integral to the decision making processes of the Council. The quality of work for children in need of help and protection, children looked after and care leavers is scrutinised through Islington's Quality Assurance Framework. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director of Children's Services, the Lead Member for Children and Families and the Director of Specialist and Targeted Services to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.
- 5.3.4. As part of this quality assurance, external and highly qualified professionals in the field carry out service reviews to benchmark against inspection expectations. There are research links with universities that inform practice, and this has led to an Innovation Grant from the DfE on Motivational Social Work, Doing What Counts, Measuring What Matters.
- 5.3.5. An annual self-assessment is carried out. Social worker caseloads, timeliness of interventions and outcomes for children are monitored at all levels and management oversight is good. The quality, value for money and sufficiency of placements for children is kept under review. An evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence based programmes are in use.
- 5.3.6. The Safeguarding Children Board has an independent chair and the annual report is discussed by the Health and Wellbeing Board and by the Children and Families' Scrutiny. There continues to be a strong focus on CSE through the board's sub group that leads the partnership on this work. The Children and Families' Scrutiny have looked at Early Help, The Child's Journey, New Arrangements for Children with Special Educational Needs and have a working group on CSE.

Annual Governance Statement 2014-15

- 5.3.7. The JSNA includes sections on vulnerable children and those in need of help and protection, and is used to determine priorities for both the safeguarding board and for services for children and families. Educational outcomes for Children Looked After and care leavers are scrutinised at the Corporate Parenting Board.
- 5.3.8. The Corporate Parenting Board is chaired by the Lead Member for Children and Families. It has strong representation from the Children's Active Involvement Service, and the voice of the child is well evidenced in individual casework. Budget and change management proposals are scrutinised for impact on the quality of work with children in need of help and protection, children looked after and care leavers and this is included in Equality Impact Assessments.

Housing and Adult Social Care

- 5.3.9. Islington has a Safeguarding Adults Partnership Board that meets the current and new requirements for its scope and inclusiveness, chaired by an independent expert in the field. The Chair and the Director of Housing and Adult Social Services report quarterly to the Leader, Executive Member for Health and Social Care and Chief Executive on safeguarding matters.
- 5.3.10. The Council has partnership agreements ("section75") with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group, for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, joined up services for vulnerable people. There are regular meetings between the Chairs and Chief Executives of these organisations and the Council Leader and Chief Executive, and an annual report to the respective Boards and the Council's Executive to ensure that the day to day arrangements for collaborative working are meeting the aims of the partnerships and the objectives of the Council. These arrangements have been strengthened in the light of the Better Care Fund and greater inter-dependency of health and social care funding. The partnership agreements have been reviewed, and the council and the CCG have reviewed their respective commissioning structures to ensure better integration and accountability on both sides. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.
- 5.3.11. The council's contract with Kier as the sole provider of housing repairs services came to an end in 2014 and service delivery has been reintegrated. Accordingly, since the commencement of the reintegration lead-out period in July 2013, project work was undertaken to ensure a seamless transition of agreed staff, assets, processes and services back to the council. The task for the coming period is to embed the

Annual Governance Statement 2014-15

service in the council and improve customer service and value for money.

Information Assurance

5.3.12. The council received an on-site audit from the Information Commissioner’s Office in February 2015. The audit focussed on three areas: Training, Security and Subject Access Requests, and the council was given an overall rating of ‘Reasonable Assurance.’ The audit did not review other aspects of Information Management where the council has conducted considerable work in the last year, which includes the preparation of an Information Asset register and the appointment and training of Information Asset Owners.

Anti-Fraud

5.3.13. In 2014-15, the Corporate Management Board directed that the various strands of fraud investigation work across the council should take the opportunity to refresh the corporate anti-fraud strategy (including the anti-fraud strategy, fraud response policy and prosecution policy) as well as work more closely together. This work will conclude in 2015-16 with the desired outcome being to maximise the benefit the council obtains from anti-fraud resources; including how we work together to manage ‘spikes’ in fraud activity in different areas of our business.

Signed by:

| | |
|--------|------|
| | |
| Leader | Date |

Signed by:

| | |
|-----------------|------|
| | |
| Chief Executive | Date |

| |
|--|
| Report of: Assistant Chief Executive – Governance and Human Resources |
|--|

| Meeting of | Date | Agenda Item | Ward(s) |
|-----------------|-------------|-------------|---------|
| Audit Committee | 4 June 2015 | | All |

| | | |
|-----------------------|--|-------------------|
| Delete as appropriate | | Non-exempt |
|-----------------------|--|-------------------|

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 14 May 2015, terms of reference and dates of meetings of the Audit and Audit (Advisory) Committee for the municipal year 2015/16, 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

There are no environmental impacts arising from this report.

4.5 Resident Impact Assessment

There are no direct equality or other resident impact implications arising from the terms of reference of the Audit Committee.

5. Conclusion and reasons for recommendations

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

Background papers:

None.

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Received by

Head of Democratic Services

Date

| | |
|---------------|----------------------------------|
| Report author | Jackie Tunstall |
| Tel | 020 7527 3068 |
| Fax | 020 7527 3008 |
| E-mail | jackie.tunstall@islington.gov.uk |

AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY) – 4 June 2015

1. COMMITTEE MEMBERSHIP – (Agreed at Annual Council 14 May 2015).

| Councillors | Substitute Members |
|---|---------------------------|
| Satnam Gill (Chair) | Alice Perry |
| Olly Parker (Vice-Chair) | Alex Diner |
| Raphael Andrews | Robert Khan |
| Richard Greening | Clare Jeapes |
| <u>Independent Members - Audit Committee (Advisory)</u> | |
| David C Bennett Vacancy | |

2. FUTURE MEETING DATES

| | | | | |
|-------------------|-------------------------|-----------------------|---------------------|-------------------|
| 4 June 2015 | 22 September 2015 | 28 January 2016 | 17 March 2016 | 26 May 2016 |
|-------------------|-------------------------|-----------------------|---------------------|-------------------|

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.

This page is intentionally left blank

| |
|---|
| Report of : Assistant Chief Executive – Governance and Human Resources |
|---|

| Meeting of | Date | Agenda Item | Ward(s) |
|-----------------|-------------|-------------|---------|
| Audit Committee | 4 June 2015 | | All |

| | | |
|-----------------------|--|-------------------|
| Delete as appropriate | | Non-exempt |
|-----------------------|--|-------------------|

Subject: AUDIT COMMITTEE APPOINTMENTS 2015/16

1. Synopsis

To appoint the Pensions and Personnel Sub-Committees and the Pensions Board.

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 2015/16 or until successors are appointed.
- (c) To appoint the Chair and Vice-Chair for the municipal year 2015/16 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 2015/16 or until successors are appointed.
- (d) To appoint the Vice-Chair for the municipal year 2015/16 or until a successor is appointed.

2.3 Pension Board

- a) To agree that the terms of reference of the Board be amended to permit the appointment of a substitute in respect of a member of the Board who is appointed to represent Pensioner members of the LGPS.
- b) To appoint Marion Oliver as pensioner member representative and Thelma Harvey as a substitute pensioner member representative for a 3 year term.
- c) To confirm the following existing appointed members are appointed for a 4 year term:
 - (i) Vaughan West, GMB as a member representative
 - (ii) Mike Calvert, Unison as a member representative
 - (iii) David Bennett- as Independent member
 - (iv) Bob Anderson - HR Director Elliot Foundation as employer representative
- d) To note the appointment of Councillor David Poysner as a member of the Board by the Council and to appoint him as Vice-Chair of the Board.

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 The council is made up of 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.
- 3.4 The Pension Board membership consists of:
 - 3 Islington Council Pension Fund employer representatives
 - 3 Islington Council Pension Fund member representatives
 - 1 independent member (non-voting)

The committee recently made a number of appointments to the committee and is asked to confirm the term of appointment in respect of those appointees. The committee is also asked to note the appointment of Councillor Poysner as an employer representative and to appoint him Vice-Chair of the Board.

- 3.5 One further employee representative must be appointed. It is recommended that the committee appoint a representative of pensioner members. Two pensioner representatives have been chosen by existing pensioners who wish to undertake this role on a shared basis. The Pension Board terms of reference do allow for the appointment of substitutes at the moment. It is therefore proposed that the committee agree that the terms of reference be amended to allow the appointment of a substitute in the case of the pensioner representative and that it then make the necessary appointments.

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

There are no environmental impacts arising from the report.

4.5 Resident Impact Assessment

There are no direct equality or other resident impact implications arising from the appointment of the Sub-Committees.

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:

None.

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Received by

Head of Democratic Services

Date

| | |
|---------------|----------------------------------|
| Report author | Jackie Tunstall |
| Tel | 020 7527 3068 |
| Fax | 020 7527 3008 |
| E-mail | Jackie.tunstall@islington.gov.uk |

This page is intentionally left blank

1. **PENSIONS SUB-COMMITTEE**

1.1. Committee Membership

| Councillors | Substitute Members |
|--------------------------|---------------------------|
| Richard Greening (Chair) | Alice Perry |
| Andy Hull | Jean-Roger Kaseki |
| Mick O'Sullivan | Alex Diner |
| Rupert Perry | Paul Smith |

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 2015/16;

Thursday 11 June 2015
Monday 14 September 2015
Monday 9 November 2015
Monday 11 April 2016

The Pensions A.G.M. is scheduled for 1pm on Monday 19 October 2015 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.

| Councillors | Substitute Members |
|---------------------|-----------------------------|
| Satnam Gill (Chair) | All other Executive members |
| 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 2015/16 will be arranged as required.

This page is intentionally left blank