



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, **20 March 2017 at 7.00 pm.**

Stephen Gerrard
Director – Law and Governance

Enquiries to : Jackie Tunstall
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Despatched : 10 March 2017

Membership

Councillor Satnam Gill OBE (Chair)
Councillor Olly Parker (Vice-Chair)
Councillor Richard Greening
Councillor Flora Williamson
Alan Begg - Independent Member
Nick Whitaker – Independent Member

Substitute Members

Councillor Clare Jeapes
Councillor Alice Perry
Councillor Angela Picknell
Councillor Dave Poyser

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 - 6

B. Items for Decision - Audit (Advisory) Committee

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2. Internal Audit Plan 29 - 38

C. Items for Decision - Audit Committee **Page**

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 8 June 2017

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 24 January 2017

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 January 2017 at 7.00 pm.

Present: **Councillors:** Councillor Satnam Gill OBE (Chair), Councillor Olly Parker (Vice-Chair), Councillor Richard Greening, Councillor Flora Williamson, Alan Begg (Co-Optee) and Nick Whitaker (Co-Optee)

Also Present: **Independent members:** Alan Begg and Nick Whitaker.

Councillor Satnam Gill OBE in the Chair

120 APOLOGIES FOR ABSENCE (Item A1)

There were no apologies for absence.

121 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

There were no declarations of substitute members.

122 DECLARATIONS OF INTEREST (Item A3)

Councillor Olly Parker declared a non-pecuniary interest in Item B5 – Internal Audit Report as a member of The Factory Children’s Centre.

123 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 20 September 2016 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

124 COUNCIL TAX BASE AND NATIONAL NON-DOMESTIC RATES (Item B1)

During consideration of the report the following points were made:-

- It was noted that there was a surplus in the NNDR account due to growth in the business rate base compared to the estimate.
- The collection rate in business rates had been maintained due to the increase in rate. There was a concern that the collection rate for small business may be a risk but the collection statistics would be monitored.
- It was noted that the local authority retained a 30% proportion of their business rates and the rest was redistributed through the GLA and the government.
- Where there was an increase in the number of businesses, the authority would be able to retain the business rate.
- Where there were empty businesses the authority would be responsible for 30% of the rate.

Audit Committee and Audit Committee (Advisory) - 24 January 2017

- There needed to be better monitoring and prediction on business rate growth.

RESOLVED

- 1) That the Council Tax base for the whole area for 2017-18 (or until rescinded) shall be 77,209.5 Band D equivalent properties after adjusting for non-collection be agreed.
- 2) That the Council Tax base for meeting the special expenses issued by the Lloyd Square Garden Committee for 2017-18 (or until rescinded) shall be 44.8 Band D equivalent properties after adjusting for non-collection be agreed.
- 3) That the Council Tax forecast for 2016-17 be noted.
- 4) That the business rates estimate for 2017-18 and delegate authority to the Corporate Director of Finance and Resources for finalising the NNDR1 Form (detailed business rates estimate) in line with this estimate be agreed.
- 5) That the NNDR forecast for 2016-17 be noted.

125

ANNUAL TREASURY AND INVESTMENT STRATEGY (Item B2)

The following points were made during the discussion:-

- It was noted that there was daily monitoring of the interest rates and officers would move rapidly if there was an increase in rates.
- The council was not currently fixing into long term fixed rate loans.
- Officers considered that they had not yet reached the stage where they needed to change to long term fixed rates but the situation was being constantly monitored.
- Temporary borrowing rate was forecast at about 1%.
- New borrowing was set to decrease in 2019/20 as the capital programme would be financed from various other internal sources.

RESOLVED

That the report be noted.

126

EXTERNAL AUDITOR REPORTS (Item C1)

The Council's external auditor presented the annual Audit letter and report on grant claims and returns.

The following points were made during the discussion:-

- This was the first year that there had been no amendments on the certification work on the Housing Subsidy claim;
- There was an unqualified assurance on the Teachers' Pension return.
- There was an elector query relating to 2013/14. The elector was not willing to close this query.

RESOLVED

- 1) That the annual Audit Letter 2015/16 and the Annual report on grant claims and returns 2015/16 from KPMG be noted.

127 PUBLIC SECTOR AUDIT APPOINTMENTS (Item C2)

The following points were made during the discussion:-

- It was considered that it would be better to opt into the national collective scheme at this stage although it would be prudent to review the process over the four years from April 2018.
- It was expected that the new scheme would be more customer focussed.
- That the Annual fee be considered at the Audit Committee.

RESOLVED that the preferred option of the Council's acceptance of Public Sector Audit Appointments (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for financial years commencing 1 April 2018.

128 OMBUDSMAN'S ANNUAL LETTER (Item C3)

RESOLVED that the report be noted.

129 USE OF AGENCY STAFF: UPDATE (Item C4)

The following points were made during the discussion:-

- It was noted that it was difficult to fill some posts on a permanent basis due to market forces and it was not always easy to fund the skills required.
- The number of agency staff had reduced which was welcomed and it was considered that the number could be reduced further although it would be difficult.
- Market supplements may be a better way forward where skills were required but a full analysis would need to be carried out. The analysis should also consider the number of agency staff that covered long term sickness and a comparison with other boroughs.

RESOLVED that the report be noted.

130 INTERNAL AUDIT INTERIM REPORT 2016-2017 (Item C5)

The following points were made during the discussion:-

Regarding the Planning/Building Control limited assurance:-

- It was noted that the problems associated with the limited assurance rating given for the planning/building control systems were related to the M3 system.
- The planning and building control section were moving towards innovative technology for back-office software, using procurement procedures through the GCloud and other Central Government frameworks. These allowed for procurement and configuration in months, rather than years.
- It was reported that the performance was now generally good, new software had been procured and the enforcement system was now functioning.
- The planning process would be reviewed over the next few months.
- The planning appeal statistics had improved
- The building control payments were taken at the beginning of the process rather than the end.
- Camden Council used the same system which was stable and discussions were being held with Camden although the system at Islington was differently configured.
- Members were concerned that a new system would not be a better one and that other alternatives e.g system sharing should be considered.

Regarding the Vehicle Maintenance and Fleet Management - management letter:-

- It was noted that a management letter had been issued which raised a number of health and safety issues.
- The priority was to ensure that the legal obligations were met.
- The service was currently recruiting a new transport manager and a new Head of Service had already been recruited.
- Independent audits were being carried out monthly and a review was due next month where improvements were expected as the key elements were in place.
- Shared services with Camden had been considered but it was decided that this would not be appropriate due to the space required.
- The current depot in Islington contained 400 bespoke vehicles and there was enough work to keep staff employed.

Other service summaries

- It was noted that the review of voluntary organisations and resident impact statements had been postponed and the review of responsive repairs had been cancelled due to staff shortages. These would be carried out in April 2017.
- DBS procedures had been tightened in relation to service procedures.

RESOLVED that the report be noted.

131 PRINCIPAL RISK UPDATE (Item C6)

The following points were made during the discussion:-

- The greatest risk was regarding cyber security and there were increasing risks for adult safeguarding due to increasing financial pressures.
- There were concerns that the report did not indicate the severity of each risk for the Committee and that the controls in place and action taken to mitigate the risk were not detailed.
- The report author undertook to consider how best to present the information to Committee.
- The business rate risk was not included in the report as it was not a major risk.

RESOLVED that the action taken on the principal risks be noted.

132 ANTI-FRAUD STRATEGY (Item C7)

RESOLVED that the report be noted.

133 FRAUD REPORT: APRIL 2016- DECEMBER 2016 (Item C8)

RESOLVED that the report be noted.

134 WHISTLEBLOWING REPORT: APRIL 2016 TO NOVEMBER 2016. (Item C9)

RESOLVED that the report be noted.

135 FRAUD REPORT: APPENDIX (Item F1)

The committee noted that processes for procurement detailed in paragraph 1.4 were now more robust.

RESOLVED that the exempt appendix be noted.

136 **WHISTLEBLOWING REPORT: APPENDIX (Item F2)**

The Committee considered that Table 2.1 in the report should be more informative.

RESOLVED that the exempt appendix be noted.

The meeting ended at 9.00 pm

CHAIR

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Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	20 March 2017		All

SUBJECT: External Auditor Reports

1. Synopsis

1.1 KPMG is presenting its external audit plan for 2016/17 to the Audit Committee.

2. Recommendations

2.1 To note the external audit plan 2016/17.

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. External Audit Plan 2016/17

3.2 There are no issues of concern contained within this report..

4. Implications

4.1 Financial Implications:

None.

4.2 Legal Implications:

None.

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 the attached reports.

Appendices:

- KPMG External Audit Plan 2016/17

Background papers: (available online or on request)

- None

Final Report Clearance:

Signed by:



Corporate Director of Finance and Resources

Date 7 March
2017

Received by:

Head of Democratic Services

Date

Report Author: Alan Layton, Director of Financial Management
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External Audit Plan 2016/2017

London Borough of Islington and London Borough of Islington Pension Fund
March 2017

Contents

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3. Auditor independence	
4. KPMG's Audit quality framework	

This report is addressed to London Borough of Islington and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The National Audit Office has issued a document entitled Code of Audit Practice. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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 Neil Hewitson, the engagement lead for the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to andrew.sayers@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 Public Sector Audit Appointments Limited, Third Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Financial Statement Audit



There has been one significant change to the Code of Practice on Local Authority Accounting in 2016/17 in relation to CIES disclosures. and that this has been included as an area of audit for in this plan

Materiality

Materiality for planning purposes has been set at **£10.5 million** for the Council and **£10.0 million** for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£525K** for the Council and **£500K** for the Pension Fund.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation (Council and Pension Fund);
- Valuation of land and buildings (Council only); and
- Management override of controls (Council and Pension Fund).

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MIRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016 (Council only).
- Investments in the pension fund are in excess of £1bn in 2015/16. £37m of this balance is held in unquoted investments which management valued at the year end using unaudited accounts (Pension Fund only).

See pages 3 to 7 for more details

Value for Money Arrangements work



We have completed our initial VfM risk assessment and have not identified any significant risks for the VfM conclusion. We have identified financial resilience as an area for audit focus, given the financial pressures the Council is currently facing.

See pages 9 to 13 for more details

Logistics



Our team is:

- Neil Hewitson – Director
- Paul Cuttle – Senior Manager
- Karenjeet Basra – Assistant manager

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 15**.

Our fee for the audit is £202,830 (£202,830 2015/2016) for the Council and £21,000 (£21,000 2015/16) for the Pension Fund see **page 14**. We are likely to submit an additional fee request for work relating to the restatement of the comprehensive income statement required by the change in accounting requirements.

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy claim is £24,975, (set by PSAA). Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and totalled £6,000.

In 2015/16 we audited the Council's subsidiary, Islington Limited. The fee for any work relating to the subsidiary will be agreed directly with the Council.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17.





Financial Statements Audit Planning

Our planning work takes place during January to February 2017. This involves the following key aspects:

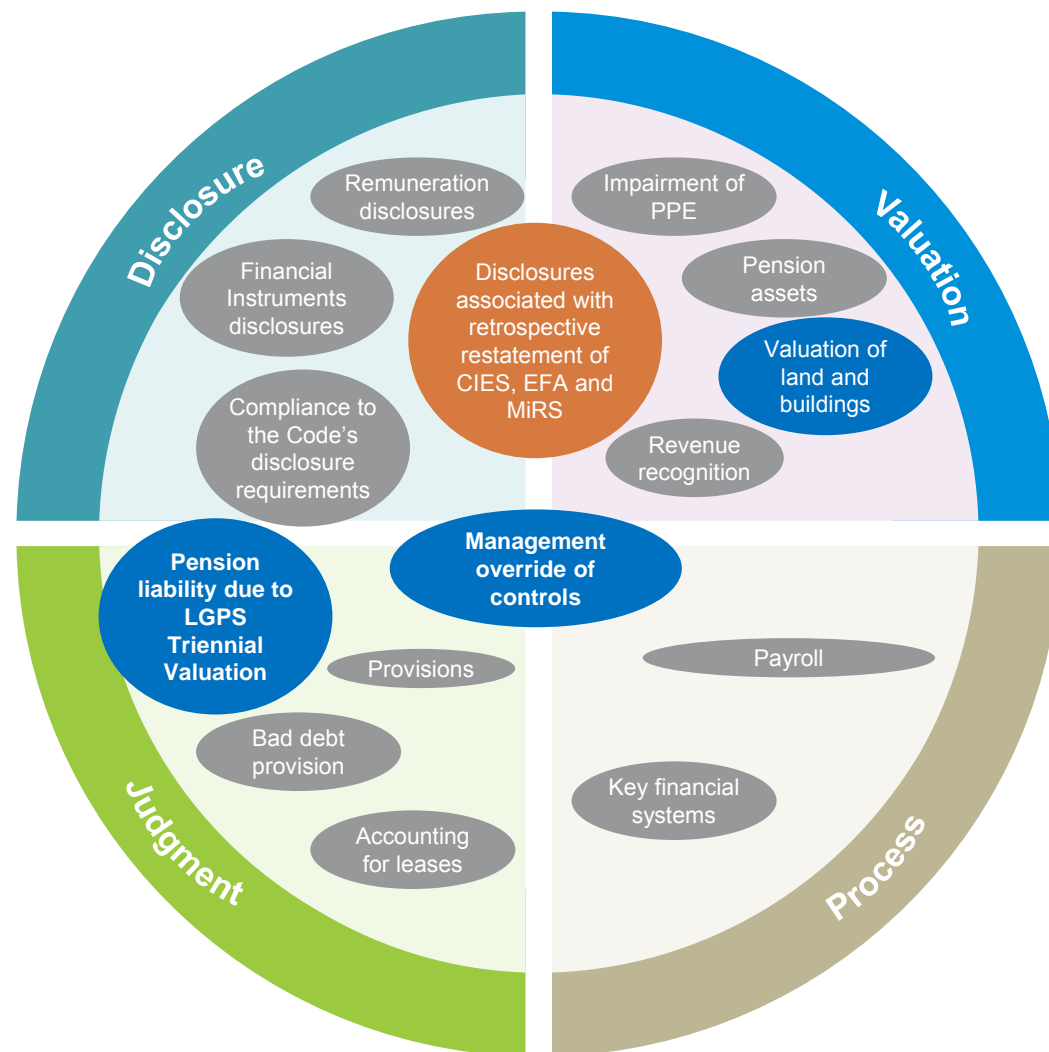
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk, as there are limited incentives and opportunities to manipulate the way income is recognised. We will obtain an understanding of revenue controls. We will evaluate and test accounting policies for income recognition to ensure they are consistent with the requirements of the Code of Practice on Local Authority Accounting. We will perform detailed testing of revenue transactions, focusing on the areas we consider to be of greatest risk, for example, fees and charges and grant income where there are conditions attached to the grant income.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Pension Fund Financial Statements Audit Planning

Our planning work takes place during January to February 2017. This involves the following key aspects:

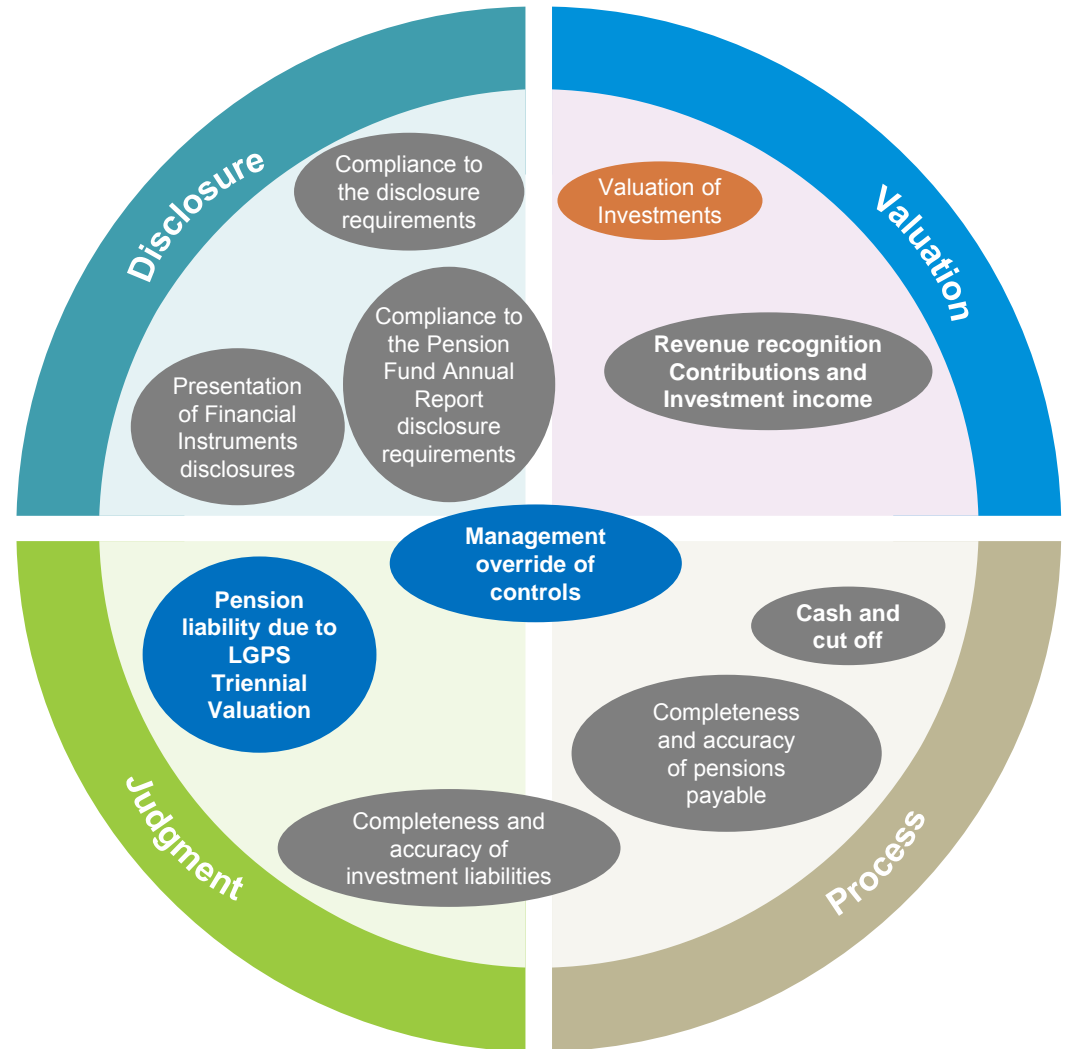
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 250 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authority Pension Funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Significant changes in the pension liability due to LGPS Triennial Valuation (Council and Pension Fund)

During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward for the Council to 31 March 2017. For 2017/18 and 2018/19 the actuary will continue to roll forward the valuation for accounting purposes (IAS 19) based on more limited data.

There is a risk that the data provided to the actuary for the triennial valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

For both the triennial valuation and the roll forwards of the valuation to 31 March 2017, the actuary will use assumptions for items such as life expectancy of members, inflation, pay rises and discount rates. Small differences in these assumptions can lead to material changes in the liability.

The Pension Fund includes limited disclosures around actuarial pensions liabilities but these are key to understanding the financial position of the Pension Fund.

Approach: As part of our audit of the Council and Pension Fund, we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This work will be focused on the data relating to the Council but also corroborating the data used to that which is generated to request pension payments.

We will review the data provided by the Council to the actuary that was used in roll forward exercise in estimating the pension liability at 31 March 2017.

We will use our experts to review the assumptions used by the actuary in the calculation of the pension liability.



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Valuation of Land and Buildings (Council only)

In 2015/16 the Council reported Property, Plant and Equipment of £3,761m. Of this balance, £247m related to assets held at historical cost. The remaining balance relates to Council dwellings and other land and buildings which are valued at fair value. Last year the Council revalued £3.1bn of the £3.7bn assets that are valued at fair value. The Council therefore exercises judgement in determining the fair value of the assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be a significant risk.

Local authorities are required to ensure that as a minimum a rolling programme is in place to ensure all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. From 2015/16 the Council implemented a triennial valuations of assets, as it took the view that revaluation every five years is insufficient to ensure that the carrying balance is not materially misstated. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be an area of audit focus.

Approach :

We will understand the approach to valuation, the qualifications, reports by the Council's valuers and judgements made by the Council. in respect to the value for 2016/17;

Where valuations are made other than at year end, we will review the Council's judgement in assessing movements from the valuation date;

We will review the disclosures made to ensure they are complete as per the valuations on the financial statements for all assets valued;

Where adjustments are required, we will review them to ensure they have been made in line with the Code;

We will test a sample of properties to confirm they exist;

We will review the rights and obligations to confirm the Council owns the asset; and

We will use our specialists to review the approach taken, the valuations and the assess the reasonableness of the outcomes.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk: New format of the core financial statements (Council only)

CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The objective is to make Local Government accounts more understandable and transparent to the reader in terms of how Councils are funded and how they use the funding to serve the local population. The project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.

As a result of these changes retrospective restatement of CIES (cost of services), EFA and MIRS is required from 1 April 2016 in the Statement of Accounts. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. Though less likely to give rise to a material error in the financial statements, it is an important material disclosure change in this year's accounts.

Approach: We will assess how the Council has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code and check the restated numbers and associated disclosures for accuracy, presentation and compliance with the Code guidance.

Area of focus: Pension fund investments (Pension Fund only)

The Pension Fund held £1,083m of investments at 31 March 2016. £37m of this balance was in unquoted investments which management valued at the year end using unaudited accounts.

Approach :

- We will obtain confirmations from the Fund managers and Custodians, and reconciliations between the two, as well as reviewing ISAE3402 compliance reports on each Fund Manager.
- For unquoted investments we will check the basis of the valuations and also to audited accounts as they become available.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Council, materiality for planning purposes has been set at £10.5 million for the Council's standalone accounts, which equates to one percent of gross expenditure. The level of materiality remains unchanged from 2015/16.

For the Pension Fund, materiality for planning purposes has been set at £10.0 million which equates to 1.0 percent of net assets. The level of materiality remains unchanged from 2015/16.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

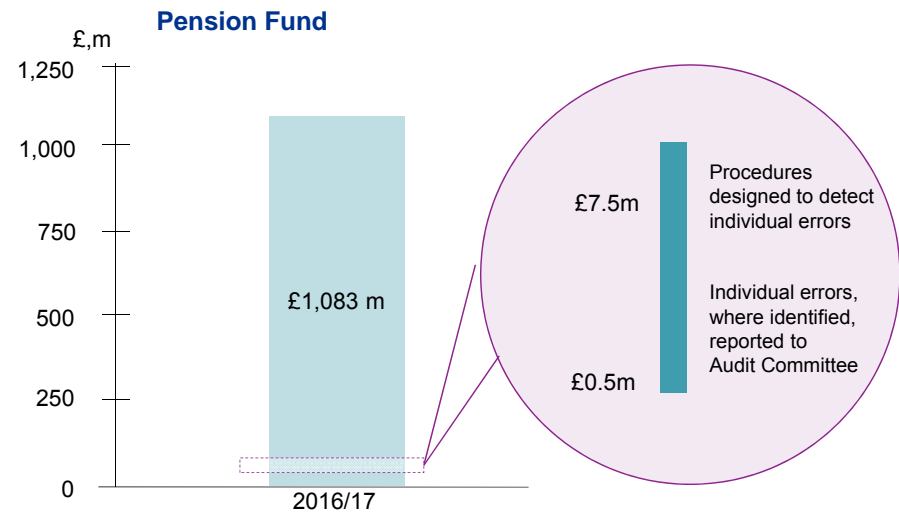
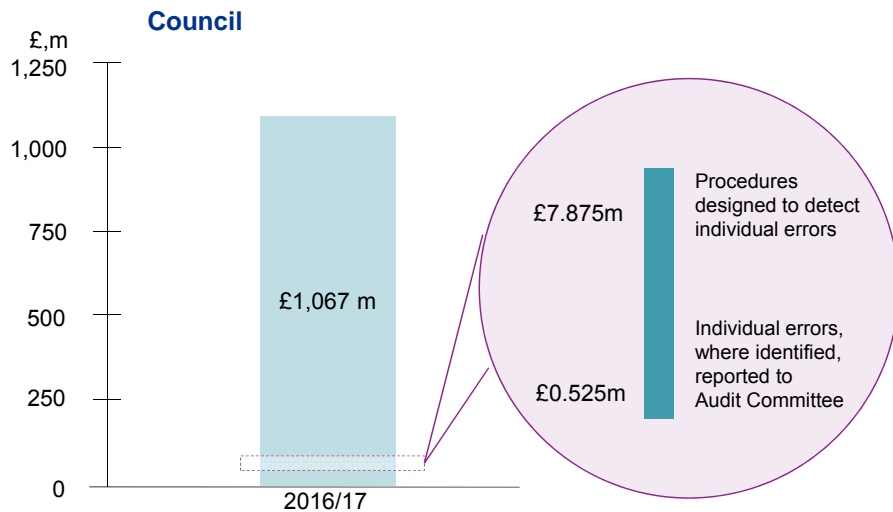
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £525,000.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £500,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



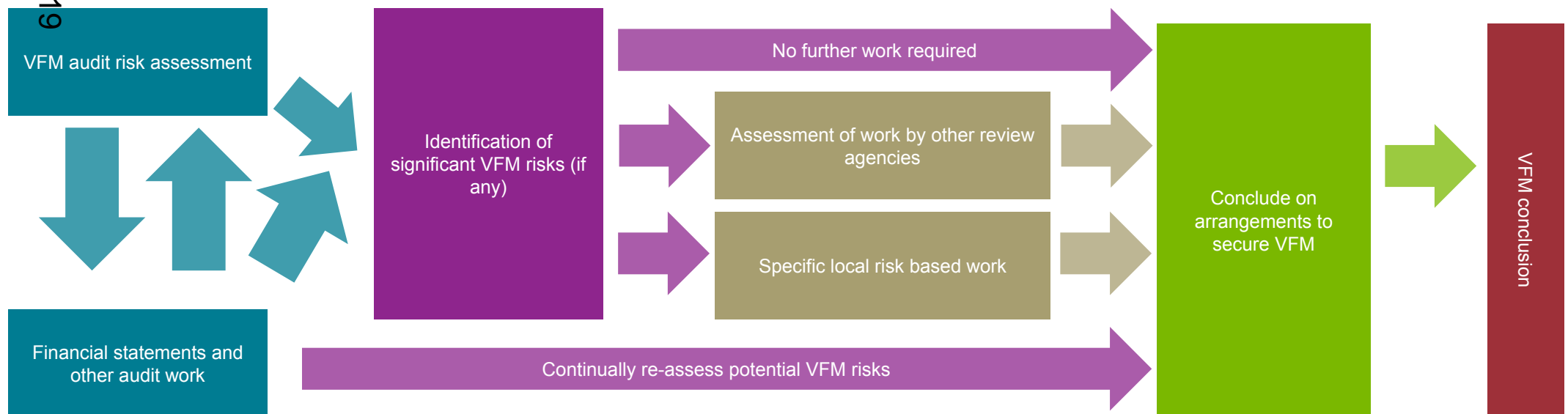


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'. This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work. We conclude on whether, in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have completed our initial Vfm risk assessment and have not identified any significant risks for the Vfm conclusion. On financial sustainability the Council has a good track record of responding to producing a balanced budget which is subsequently delivered. Nevertheless we have identified financial resilience as an area for audit focus. The Council has had to make £150m of savings between 2011 and 2016 to balance its budget and the 2015- 16 budget included savings of £24m (£13m to cover cuts in government funding and £11m to cover unavoidable cost increases due to inflation and demographic factors). The Council is expecting to have to make total savings of £73m in the four years to 2020. We will perform work to assess the Authority's financial sustainability. This will include the identification of any significant one-off items included within the reported headline result. We will ensure these are clearly detailed in our ISA 260 report and will provide details on the nature of these items and the underlying deficit position of the Authority. We will also assess the future financial forecasts for the Authority, i.e. the Medium Term Financial Strategy (MTFS) 2016-17- 2019/20. This will include an analysis of your forecast run rate position as well as considering the core assumptions of the MTFS.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
<p>Linkages with financial statements and other audit work</p> <p>Page 21</p>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant <i>'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</i></p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p> <p>Page 22</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Electoral challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Neil Hewitson (Director) providing a fresh perspective and Paul Cuttle (Senior Manager) providing continuity. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Liassing with internal audit

ISA (UK & Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will liaise with internal audit and review the findings from their programme of work for 2016-17. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

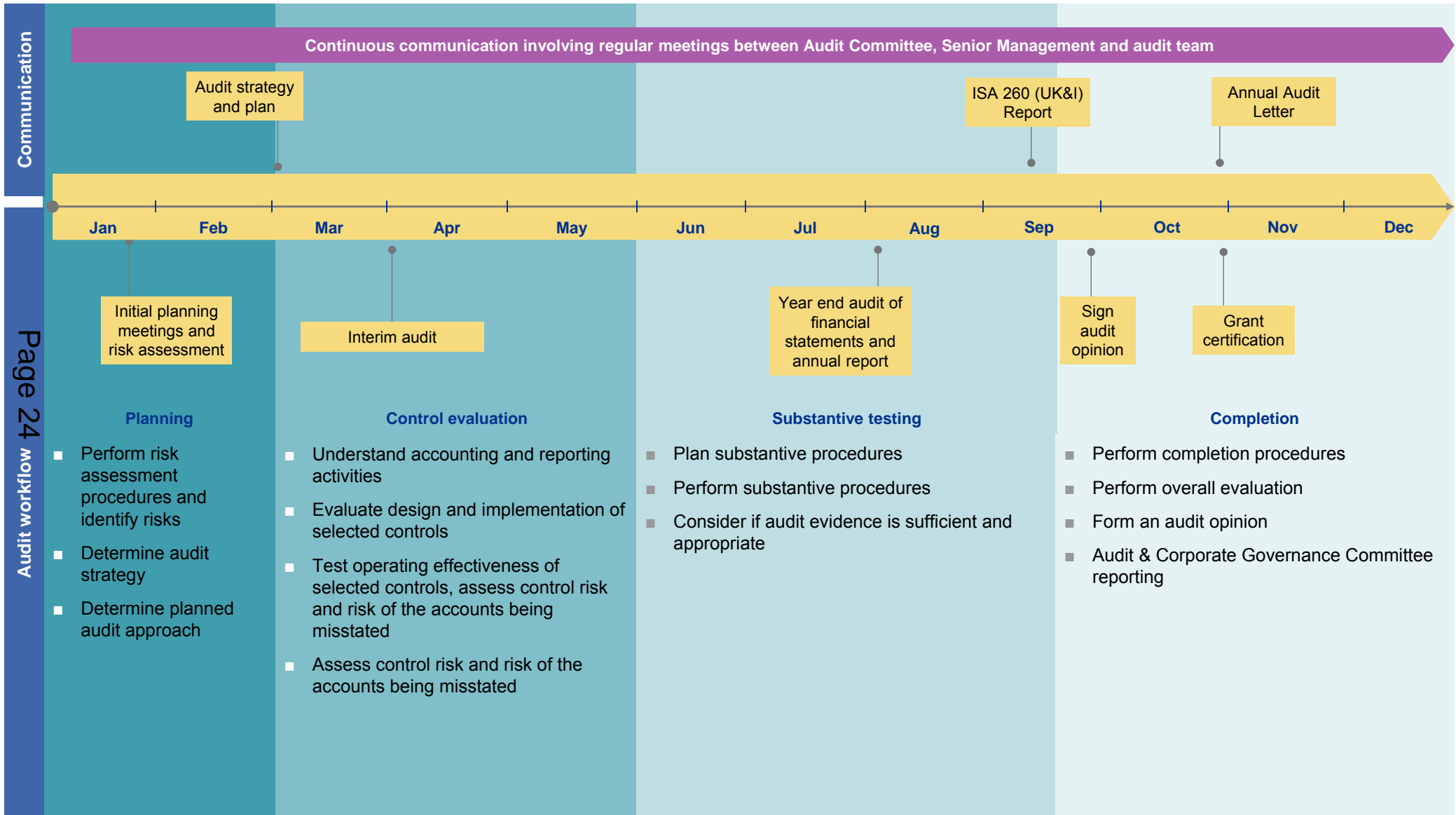
Our audit fee may be varied, subject to agreement with PSAA, for changes in the Code, specifically this year for the changes in relation to the disclosure associated with retrospective restatement of the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement and the new Expenditure and Funding Analysis.

The planned audit fee for 2016/17 is £202,830 for the Authority which is the same as 2015/16. The planned audit fee for 2016/17 is £21,000 for the Pension Fund which is the same as 2015/16.

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy claim is £24,975, (set by the PSAA). Our fees for the other 'assurance' engagements will be agreed directly with the Council (£6,000 in 2015/16).

In 2015/16 we audited the Council's subsidiary, Islington Limited. The fee for any work relating to the subsidiary will be agreed directly with the Council (£4,000 in 2015/16).

Appendix 1: Key elements of our financial statements audit approach



Appendix 2: Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<ul style="list-style-type: none"> — Adopt sound accounting policies. — With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud. — Establish proper tone/culture/ethics. — Require periodic confirmation by employees of their responsibilities. — Take appropriate action in response to actual, suspected or alleged fraud. — Disclose to Audit Committee and auditors: <ul style="list-style-type: none"> - Any significant deficiencies in internal controls. - Any fraud involving those with a significant role in internal controls. 	<ul style="list-style-type: none"> — Review of accounting policies. — Results of analytical procedures. — Procedures to identify fraud risk factors. — Discussion amongst engagement personnel. — Enquiries of management, Audit Committee, and others. — Evaluate broad programmes and controls that prevent, deter, and detect fraud. 	<ul style="list-style-type: none"> — Accounting policy assessment. — Evaluate design of mitigating controls. — Test effectiveness of controls. — Address management override of controls. — Perform substantive audit procedures. — Evaluate all audit evidence. — Communicate to Audit Committee and management. 	<ul style="list-style-type: none"> — Whilst we consider the risk of fraud to be low around the Authority, we will monitor the following areas throughout the year and adapt our audit approach accordingly: <ul style="list-style-type: none"> - Revenue recognition. - Purchasing. - Management control override. - Manipulation of results to achieve targets and expectations of stakeholders.

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Your engagement lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting

these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the NAO's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel:

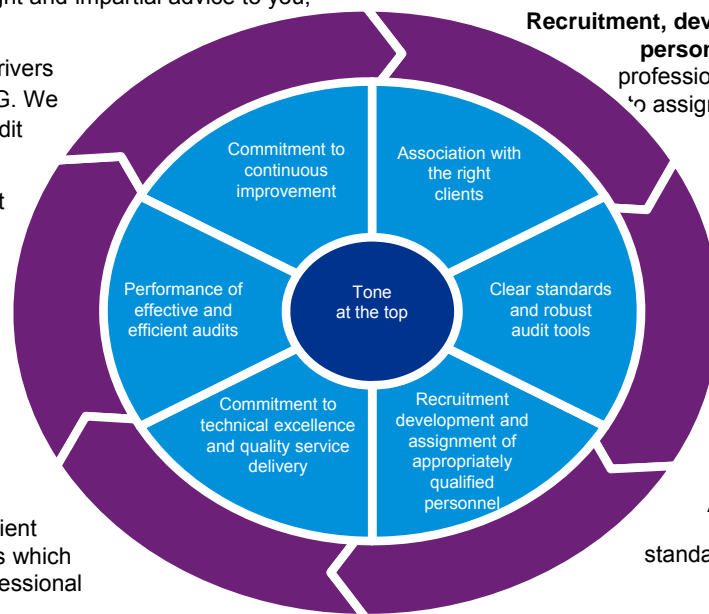
One of the key drivers of audit quality is assigning professionals appropriate to the Trust's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a strong position to deal with any emerging issues. This includes: A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications.

A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.





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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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 Neil Hewitson the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@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 Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Report of: **Corporate Director of Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	20 th March 2017		

Delete as appropriate		Non-exempt	
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SUBJECT: Internal Audit Annual Plan for 2017/18

1. Synopsis

The report seeks approval for the Annual Internal Audit Plan for 2017/18.

2. Recommendations

To note the content of this report and approve the Annual Internal Audit Plan for 2017/18.

3. Background

The Council has a statutory duty to maintain an adequate and effective internal audit function.

The Internal Audit's primary objective is to offer the Council (via the Audit Committee), Chief Executive, S151 Officer, External Audit and senior managers an independent and objective appraisal of whether objectives are being met efficiently, effectively and economically. Internal Audit also provides advice and guidance to management on risk and control issues within individual systems. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the authority.

The attached plan details the work to be undertaken by the Internal Audit Service in 2017/18 to deliver this objective.

4. Preparation and consultation

The plan has been prepared taking the following steps:

- A list of all auditable systems was identified;
- Auditable areas was evaluated against risk criteria, departmental risk registers, and CMB principle risks and then ranked, and
- Departmental Management teams, Corporate Governance Group and the Corporate Management Board have noted and commented on plans at meetings attended by the Head of Audit.

5. Internal Audit Resources

The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account available resources. We will be working jointly with our audit partners, PWC, to deliver the annual plan. Changes to the annual plan may be necessary during the year to reflect changing priorities and risk environment.

A contingency has been set aside to cover requests from management for ad hoc, consultancy type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

6. Follow-up audits

All planned audit work undertaken will be subject to a formal follow up to ensure that all agreed actions have been implemented. The timing of each follow up review is agreed with the client for the original audit. We report to the Audit Committee summary findings of all internal audit work as well as levels of implementation of agreed actions and the impact that this has on our risk assessment of that area.

7. Assurance Levels

The majority of internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. The Audit Committee will receive details of high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements.

8. Continuous Auditing

The audit plan includes resource allocated to continuous auditing work. This includes automated monitoring of key controls within finance and IT systems to assess whether they are operating effectively and to flag areas and report transactions that appear to circumvent control parameters.

9. Financial implications

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

10. Legal Implications

The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS).

11. Resident Impact Assessments

There are no direct Resident Impact Assessment implications arising from the recommendations in this report.

12. Environmental Implications

There are no environmental implications

13. Conclusion and reasons for recommendations

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

Final Report Clearance:

Signed by



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Corporate Director of Finance

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Date

Received by

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Head of Democratic Services

.....
Date

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

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ISLINGTON

Islington Council

Internal Audit

Annual Audit Plan – 2017/18 - Draft

1.1. Corporate / Cross Cutting Audits

Ref	Audit title	Indicative scope	Link to Islington's Principle Risks (where applicable)	Planned Quarter	Planned Days
CC17_1	Resident Impact Assessments	Deferred from 2016-17. To review the processing, recording, administering and monitoring of resident impact assessments in line with the Equalities Act		1	15
CC17_2	Health & Safety	Deferred from 2016-17. To undertake a deep dive into one health and safety area across the Council	Health and Safety	1	10
CC17_3	IR35	Review of the impact of the new IR35 regulation. To include tax and service delivery risks to the council.		1	10
CC17_4	Income Generation	CCAS cross council review of Income Generation strategies.	Financial strategy	2	10
CC17_5	Contract Management	To assess organisational oversight of third parties, to determine controls in place around business disruptions, data security, and regulatory noncompliance.		2	15
CC17_6	Outcome-based budgeting	To assess the council's preparedness for outcome-based budgeting	Financial strategy	3	10
CC17_7	General Data Protection Regulation	Ongoing monitoring of council's preparation for the implementation of GDPR	Information governance	3	10
CC17_8	Programme Management/Transformation	Programme review of a specific transformation programme or to assess the overall governance of programme management - TBC	Transformation programme	3	15
CC17_9	Performance and Management Information	To review the arrangements for managing data quality of performance and management information and the monitoring of results and use in decision making. To be considered in line with Council review of Performance/Delivery.		3	15
				Total Days	110

1.2. Resources

Ref	Audit title	Indicative scope	Link to Islington's Principle Risks (where applicable)	Planned Quarter	Planned Days
R17_1	Recruitment	Review of risks and controls in the Council's recruitment process for permanent staff.		1	15
R17_2	Purchase cards	To review the controls in place over Purchase cards and the arrangements for monitoring transactions		2	15
R17_3	Continuous Auditing/Key Financial Systems	As per annual CAM/KFS scope. Reduction to 5 systems.		3 to 4	50
R17_4	Shared Digital	Reviews within Shared Digital. TBC following planning meeting with Chief Digital and Information Officer.	IT delivery and transformation	TBC	30
R17_5	ERP	To provide risk and control advice on the development and implementation of major new HR and Finance cloud based system		TBC	50
Total Days					160

1.3. Children's Services

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
CS17_1	Commissioning- CLA and CIN	To review the Council's commissioning processes for Children Looked After and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint Commissioning Policy. To also include a review of the effectiveness of assessment/placement processes, budget monitoring and/or contract management.	1	15
CS17_2	SEN Transport	Combined with E&R. To review the impact of increasing costs and demographic issues on service delivery as well as arrangements for ensuring ongoing viability. (CS Contract Management/ E&R Service Delivery)	1	15
CS17_3	Disabled Children's team	Joint audit with Adult Social Care. To review the Transitions Team (a multi-agency team that works with disabled young people with severe and complex needs and their families to support the move-on to adult life).	2	15
CS17_4	Foster Care	Extended follow up of 2016/17 audit; to include adoption and guardianship payments	3	10
CS17_5	Arts/Culture/Libraries	At request of management. Audit and Scope TBC with Corporate Director	3	15

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
CS17_5	Schools Audits x 4	Internal audits of schools on a cyclical basis - see separate plan	1 to 4	20
CS17_6	Stronger Families	Sign off of grant claim return 3x per year	1 to 4	20
Total Days				110
CS17_7	<i>Safeguarding Children</i>	<i>TBC Post Ofsted - to review the Council's arrangements for safeguarding children including governance, risk management and the arrangements for ensuring statutory requirements are met.</i>		

1.4. Environment and Regeneration

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
ER17_1	Cottage Road Depot	To review procurement and contract management processes to ensure practices are in line with Council policies. To include an assessment of the oversight of practices.	1	15
ER17_2	Blue Badges	To undertake a pro-active fraud review surrounding the administration and enforcement of blue badges	2	15
ER17_3	Pest Control	To review arrangements for pest control including income generated through ICO.	3	15
CS17_2	SEN Transport	<i>Combined with CS. To review the impact of increasing costs and demographic issues on service delivery as well as arrangements for ensuring ongoing viability. (CS Contract Management/ E&R Service Delivery)</i>	1	See CS Plan
Total Days				45

1.5. Housing and Adults Social Services (HASS)

Ref	Audit title	Indicative scope	<i>Link to Islington's Principle Risks (where applicable)</i>	Planned Quarter	Planned Days
HASS17_1	Housing Revenue Account	To review the arrangements in place for monitoring the Council's HRA financial viability. To include a review of the HRA Business Plan; savings plans, budget setting process and/or a review of recharges and/or options for cost-effective sales.		1	15

Ref	Audit title	Indicative scope	Link to Islington's Principle Risks (where applicable)	Planned Quarter	Planned Days
HASS17_2	General Service Charges	To review the methodology for calculation to assess whether reasonable, fair and complete. To assess the adequacy of supporting documentation for charges. To determine whether income is maximised.		2	15
HASS17_3	Safeguarding Adults	To review the Council's arrangements for safeguarding adults including governance, risk management and the arrangements for ensuring statutory requirements are met.	Safeguarding Adults	3	15
HASS17_4	Commissioning	At request of management. Consultancy and advice surrounding the design of controls and processes surrounding the new commissioning approach for in-house services and review of the processes for managing care home referrals/placements arising from hospital discharges.		3	15
HASS17_5	Housing and Planning Act 2016 Implementation	Programme review of the Council's approach to the implementation of the Housing and Planning Act 2016. Potential focus on high value voids.	Transformation programme & Future of Affordable Housing	4	15
HASS17_6	Third Sector Organisations x 1	Review of activities undertaken by Third Sector Organisations in the borough		1	5
HASS17_7	TMOs and Tenancy Management x4	Review of activities undertaken by TMOs in the borough		1 to 4	20
Total Days					100

1.6. Public Health

Ref	Audit title	Indicative scope	Planned Quarter	Planned Days
PH17_1	Public Health Evidence Hub	Review of Evidence Hub as requested by Public Health.	1	10
Total Days				10

1.7. Follow up reviews

Follow up work to ensure that agreed actions contained in our 2016/17 reports have been implemented will be undertaken during 2017/18. Status of implementation of 2016/17 audit recommendations will be updated and reported in our progress reports to senior management and the Audit Committee throughout 2017/18.

Corporate/Cross Cutting
Information Governance
Cyber Security
Finance & Resources incl. DST
PSN Audit
Digital Strategy and Technology Roadmap
GDPR
Payroll
Gifts and Hospitality/Declarations of Interest
Abacus/Controcc
Third Party Access
O365
Role of SIRO
Children's Services
Hornsey Road Children's Centre
Education Health Care Plans
Foster Care & Adoption Payments (extended follow up – see above)
Personal Budgets
School: Hanover
School: St Jude's & St Paul's
School: The Bridge
School: Laycock
School: Central Foundation
School: St John's Highbury Vale
School: St Mark's
East West Nursery
Film Service
Environment & Regeneration
Street Trading
Leisure Centre Contract Arrangements
Commercial Waste
Street Environment Service Savings
HASS
TMO: Arch Elm
TMO: Dixon Clarke
TMO: Hornsey Lane
TMO: Bemerton
Care Homes
Islington Law Centre
TMO IT Arrangements