



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, **14 June 2017 at 7.00 pm.**

Lesley Seary
Chief Executive

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Despatched : 2 June 2017

Membership

Councillor Kat Fletcher (Chair)
Councillor Nick Wayne (Vice-Chair)
Councillor Satnam Gill OBE
Councillor Rakhia Ismail
Alan Begg (Co-Optee)
Nick Whitaker (Co-Optee)

Substitute Members

Councillor Mouna Hamitouche MBE
Councillor Robert Khan
Councillor Marian Spall
Councillor Flora Williamson

Quorum: is 3 Councillors



A. Formal Matters

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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 - To Follow

B. Items for Decision - Audit Committee

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1. Annual Governance Statement 2016/17

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C.	Items for Decision - Audit (Advisory) Committee	Page
1.	Principal Risks Report 2017/18	31 - 42
2.	The Council's Use of Surveillance under the Regulation of Investigatory Powers Act 2000	43 - 48

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
1.	Regulation of Investigatory Act 2000 (exempt appendices)	49 - 58

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 19 September 2017

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

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	14 th June 2017		

Delete as appropriate		Non-exempt	
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SUBJECT: Annual Governance Statement 2016/17

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 AGS for 2016/17 as Appendix A.

2. Recommendations

- 2.1.The Audit Committee is asked to note the contents of the Annual Governance Statement.
- 2.2.CIPFA have updated the “Delivering Good Governance” framework for 2016/17 and to this end, we have updated the template to reflect the new key requirements.
- 2.3.We have had contributions from Finance, Legal/Democratic Services/Governance, Communications, Transformation and Information Governance. We have also received the Service Assurance Statements from Resources, Children’s Services, E&R, HASS and Chief Executive’s Office which are reflected.
- 2.4.External Audit, KPMG, reviewed the AGS during April 2017. They confirmed that they were happy that the AGS covers everything as required, and only suggested some minor changes which will be reflected in the final version. However, should any significant issue(s) arise

during their external audit, they may wish to revisit the AGS to ensure it accurately reflects the situation.

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 2016.
- 3.2 The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 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

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.

Legal Implications:

Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 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.

Environmental Implications:

There are no environmental implications.

Resident Impact Assessments

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

5. Conclusion and reasons for recommendations

5.1. The 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 2016/17

Final Report Clearance

Signed by



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Corporate Director of Finance

Date

Received by

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Head of Democratic Services

.....
Date

Report author: Michael Bradley, Head of Internal Audit
Tel: 07979834012
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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 seven principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the code is on our website, 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 6 (Part 2) of the Accounts and Audit Regulations 2015 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, policies, processes, culture and values by which Islington Council 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 prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised

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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 2017 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. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

- 3.1.1. 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. The Standards Committee is responsible for considering complaints regarding breach of the Members Code of Conduct. The Audit Committee received an annual report on Member conduct matters on 20 September 2016. In accordance with the Localism Act 2012, the Council has appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.
- 3.1.2. 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.
- 3.1.3. Part 7 of the Constitution contains the Members' Allowance 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.
- 3.1.4. An Officer Code of Conduct is reviewed, revised and publicised to staff.
- 3.1.5. 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.
- 3.1.6. The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet

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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.

3.1.7. Islington Council has a formal two stage process for managing complaints. Our aim is to ensure that when things go wrong, we respond quickly to put things right. The process is set out on the Council website and copies are available from the Central Complaints Team.

3.1.8. The Council has a Corporate Complaints Team responsible for the overall management of complaints. Its aim is to ensure the Council learns and improves its performance as a result of customer feedback. Departmental Complaints Officers record and report on all complaints, and the service response is monitored.

3.1.9. Customers 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.

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

3.2.1. 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 specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to all Chief Officers, staff 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.

3.2.2. 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.

3.3. Documenting a commitment to openness and acting in the public interest.

3.3.1. The Council's Constitution, through the Local Code of Corporate Governance sets out the Council's commitment to:

- Focus on the purpose of the authority and on outcomes for the community;
- Work effectively with officers to achieve a common purpose, whilst understanding the clearly defined different functions and roles;
- Promote the values of the authority and demonstrate the values of good governance by upholding high standards of conduct and behaviour;
- Take informed and transparent decisions which are subject to effective scrutiny;
- Develop their own capacity and capability;
- Engage with local people and other stakeholders.

3.3.2. The council also sets out its commitment to Freedom of Information, Environmental Information Regulations and Subject Access Requests in its Access to Information Policy.

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

3.4.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council-mapped websites, social media channels, public meetings and the quarterly magazine delivered to residents. In 2014, and again in 2015, a survey of 1,000 residents was undertaken to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications.

3.4.2. An annual Voluntary and Community Sector Conference, hosted each year, provides an opportunity for engagement with a wide number of local organisations who work closely with some of the most vulnerable residents.

3.4.3. Through its VCS Partnership Grants Programme the Council has made commitments of £2.7 million per annum until March 2020 to 49 voluntary and community sector organisations. This includes £1.414 million to for advice services ((including Islington Law Centre, Citizens Advice Bureau, Islington People's Rights and Help on Your Doorstep advocacy service), £220,000 to borough-wide infrastructure partners

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and networks, £395,000 to delivery partners, £597,000 to community hubs and £35,000 for a borough-wide volunteering offer.

- 3.4.4. 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.
- 3.4.5. Ward partnerships provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. . Meetings are open to the public.

3.5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning and translating the vision into courses of action for the authority, its partnerships and collaborations.

- 3.5.1. 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. This was followed in 2013 by a second commission – the Employment Commission – looking at how to tackle unemployment, a key driver in the poverty and inequality in Islington. In 2016/17 the Council set up a 'Fairer Futures Commission looking at young people's experience of growing up in Islington.
- 3.5.2. The Council's priorities to achieve 'A Fairer Islington' are set out in the 'Islington Commitment', our Corporate Plan for 2015-19. The five key priorities are:
- Providing more council housing and support private renters
 - Helping residents who are out of work to find the right job
 - Helping residents cope with the rising cost of living
 - Providing residents with good services on a tight budget
 - Making Islington a place where our residents have a good quality of life
- 3.5.3. These priorities and the intended outcomes have been communicated to staff, residents 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 accessible.
- 3.5.4. The Council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. elements are:
- Corporate Performance Indicator Suite – performance measures covering key services, priorities and equalities objectives;
 - Monthly Performance Panel – an internal mechanism for senior scrutiny of corporate priorities and of council services;

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- 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.

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

3.5.6. Housing and Adult Social Services uses feedback from Surveys/complaints in our commissioning strategies and actively engage with Service Users and Carers to co-produce plans for service development and service change.

3.6. Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

3.6.1. 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.

3.6.2. 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;
- Joint Committees;
- Officers, and
- Other persons properly authorised under specific legislation.

3.6.3. 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 functions and 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.

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- 3.6.4. 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.
- 3.6.5. 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.
- 3.6.6. 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.
- 3.6.7. 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. 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 address the equalities and environmental issues, together with financial and legal implications and risks.

3.7. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

3.7.1. 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.

3.8. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

3.8.1. 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.

3.8.2. The Constitution also sets out the roles and responsibilities of the Executive, Regulatory, 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.

3.8.3. The Constitution is updated at least annually to reflect any internal or legislative changes. Key amendments coming into effect in 2016/17 included the introduction of 'light touch' procurement processes for procurements under certain financial thresholds to increase efficiency and the inclusion of the terms of reference for the new Joint Health and Wellbeing Board to facilitate across borough boundary working with Haringey.

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3.9. *Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)*

3.9.1. The Corporate Director of 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 2016-17. 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

3.9.2. 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 Committee.

3.9.3. The 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 Resources, (the Section 151 Officer) the Director of Law and Governance (the Council's Monitoring Officer) and the Head of Internal Audit. Representatives from each department are also included in the membership of this group.

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

3.10.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Director of Law and Governance is responsible, in their 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

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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 they consider 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.

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

3.11.1. 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

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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

3.12. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

3.12.1. 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.

3.12.2. 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.

3.12.3. There is an annual performance appraisal scheme for officers, which links targets to service objectives, underpinning the Council's vision. Through these processes, officers are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain.

3.12.4. Newly employed officers attend the Council's corporate induction programme, in addition to which directorate and role specific training is provided where needed. Information on staff training, development programmes and courses available are regularly publicised on the Council's intranet website, IC Bulletin and News Roundup, which includes an induction training course for all new Islington staff and Managers. There is compulsory training for staff on key issues such as equality, data security and health and safety.

3.12.5. 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.

3.13. *Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.*

3.13.1. In 2016/17 the risk management framework was refined to define materiality and provide guidelines for risk escalation. 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 key principal risks facing the Council as identified by CMB and senior management across each Department. The CMB risk map has been refined, and there are now departmental risk maps for every department. Going forward, risk workshops will take place to embed refinements to the framework. Risk reviews will take place for each divisional management team every six months to help integrate and embed effective risk management within the culture of the Council.

3.14. *Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).*

3.14.1. Islington Council's Anti-Fraud Strategy was enhanced during 2016/17 with the development and implementation of an effective Communications Strategy. The strategy has been constructed with key themes to promote the Council's stand against those who commit fraud. A Fraud Risk and Response Plan has been published on the intranet. This identifies both the fraud risks relevant to individual departments and fraud risks that cut across the Council.

3.14.2. The Council's Fraud Forum has been established as part of the Governance arrangements within the Anti-Fraud Strategy. The Forum is chaired by a Corporate Director. Attendance at the forum has been recently reviewed to ensure that each directorate is represented at a senior level and is attended by relevant officers involved in fraud work. The purpose of the forum is: to monitor the Anti-Fraud framework to ensure that it remains relevant; to consider any new or increased exposures to fraud and corruption; to escalate serious concerns as appropriate and; to ensure that the action taken to address fraud and corruption risks in Council activities is adequate and effective. Fraud reporting continues through Audit Committee and Corporate Governance Group.

3.14.3. The Council investigates reported or suspected fraud, and participates in the National Fraud Initiative. It also is one of the pilot Authorities involved in the proof of concept work for the London Counter-Fraud Hub. The Council's whistle blowing policy provides a mechanism for suspected breaches of law, procedure or policy to be confidentially reported.

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3.14.4. Completed anti-fraud work in 2016/17, produced reports in a number of areas. Investigation reports with recommendations to strengthen controls and mitigate fraud risk were issued to service management on completion of these investigations.

3.15. *Ensuring an effective scrutiny function is in place.*

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

3.15.2. 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.

3.15.3. Policy and Performance Scrutiny Committee will act as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources and is initially responsible for all Councillor Calls for Action.

3.15.4. 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.

3.15.5. 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.

3.15.6. The Council's scrutiny committees can undertake more in depth research into particular challenges or concerns, and request evidence from other service providers.

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3.16. *Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2013).*

- 3.16.1. 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.
- 3.16.2. 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.
- 3.16.3. 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.
- 3.16.4. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.
- 3.16.5. The Audit Committee has independent members suitably qualified and trained to support the committee in an advisory capacity.

3.17. *Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.*

- 3.17.1. The External Audit is factored into the work plan of the Finance Department and adequate resources are devoted to this. The authority's support and co-operation with External Audit has been commended in the annual ISA260.
- 3.17.2. Internal Audit closely monitors the implementation of recommendations and reports bi-annually to CMB, Corporate Governance Group and Audit Committee where actions remain outstanding and/or where assurance has not increased from limited or no assurance on follow up.

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3.18. *Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.*

- 3.18.1. The Council works in partnership with a wide range of organisations 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.
- 3.18.2. 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.
- 3.18.3. 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 having overall responsibility.
- 3.18.4. 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.
- 3.18.5. 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.
- 3.18.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in 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.
- 3.18.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB) and its precedents. The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and

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agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.

3.18.8. Where the partnership involves sharing data then either a contract of an Information Sharing Agreement will be in place

3.18.9. 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.

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, our own Service Assurance Statements (completed by all Corporate Directors) and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Service Assurance Statements

A "Service Assurance Statement" process was undertaken for 2016/17 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.

4.2.1. **Chief Executive's** – self-assessment assurance rating Good, with specific risks identified relating to induction process and policies and procedures.

4.2.2. **Finance and Resources** - self-assessment assurance rating Good, with specific risks relating to General Data Protection Regulation, Cyber security and Shared Digital.

4.2.3. **Children's Services** – self assessment assurance rating Good, with specific risks relating to budget management and corporate policies.

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4.2.4. **Environment and Regeneration** - self assessment assurance rating Good, with specific risks identified including: securing sufficient funding; project management; key partners (GLL, NSL), future waste management; financial control and monitoring and; data security.

4.2.5. **HASS** – self assessment assurance rating Good, with actions being taken relating to customer feedback on services to advise and support homeless residents, business continuity and TMO IT management

4.3. External Audit and Inspectorates

4.3.1. The annual external audit of the Statement of Accounts has consistently produced an unqualified opinion with little or no material or immaterial adjustments. The same also applies to the audit of grant claims.

4.3.2. Adult Social Care is subject to a regular Peer Review which functions as an external audit of departmental effectiveness. This is coordinated by London ADASS and the LGA and carried out by peers from other London Authorities.

4.3.3. Children's Services are subject to the statutory inspection regime from Ofsted.

4.4. Internal Audit

4.4.1. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provides an annual audit opinion and report that can be used by the organisation to inform its governance statement.

4.4.2. 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.

4.4.3. The audit plan is delivered by the in-house team across the Cross Council Shared Audit Service (with Camden) and our internal audit contractor, PWC. Key messages arising from Internal Audit's work in the 2016/17 year regarding areas where the Council's controls and governance need to be strengthened are included in section 5 below. The full summary of the work that Internal Audit has

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undertaken during the financial year 2016/17 which provides detail on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority is provided in the Internal Audit Annual Report 2016/17 to the September 2017 Audit Committee.

- 4.4.4. All planned audits from 2016/17 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.

4.4.5. Head of Internal Audit's Annual Opinion

The Head of Internal Audit is satisfied that the work undertaken during 2016/17 has enabled him to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2017, it is the Head of Internal Audit's opinion that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Weaknesses identified in individual assignments (including those rated as critical) are not significant in aggregate to the system of internal control; high/critical risk rated weaknesses identified in individual assignments are isolated to specific systems or processes. Where we have concluded "no assurance" in 2016/17, robust action plans have been agreed with services and we are expecting a high level of implementation of recommendations. Revision to assurance ratings and residual risks will be closely monitored through follow ups in 2017/18.

- 4.4.6. Section 6 (Part 2) of The Accounts and Audit Regulations 2015 require that relevant bodies conduct, at least once in each year, a review of the effectiveness of the system of internal control. 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.
- 4.4.7. In 2016/17, as requested by the Head of Internal Audit, Croydon Council carried out an external quality assessment of the Camden and Islington Council's Shared Internal Audit Service. The principal objectives of the external quality assessment were to assess the internal audit function's conformance to the UK Public Sector Internal Audit Standards and following a specific request, the effectiveness of the partnership delivery model. Based on the work carried out the conclusion of this review is that the Camden and Islington Shared Internal Audit Service **fully conforms** with the Public Sector Internal Audit Standards.

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4.5. Anti-Fraud

- 4.5.1. During 2016/17, the Anti-Fraud Strategy has been strengthened by an internal Communications and Publicity campaign which concentrates on key themes and demonstrates the Councils commitment to identifying and preventing fraud. This underpins a message to staff that fraud has to be taken seriously, as it takes money and services away from people who need it and that where fraud is identified; we have a duty to report it in order to protect the Council's assets, funds and reputation.
- 4.5.2. The Fraud Response and Risk Plan has been published. This sets out the fraud risks for each department and identifies all the fraud risks that cut across the Council and includes Schools and Tenancy Management Organisations. The document gives direction of where and to whom fraud referrals should be made. This document is to be reviewed annually to ensure that new risks are added. The Fraud Forum has continued to enhance Governance arrangements to ensure that Fraud and Risk in different areas of the business is reported and acted upon.

5. Significant Governance Issues during 2016/17 and Areas for Improvement

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. There are a number of areas which the council will monitor closely during 2017/18 to ensure appropriate governance is effected to optimise outcomes. These are: the Outcome Based Budgeting initiative; the General Data Protection Regulation requirements; the evolving developments in partnership work e.g. with Health; and the implications of any new post-election legislation as well the emerging implications of Brexit.

Information Assurance

- 5.3. The council is continuing its work to prepare for the General Data Protection Regulation which becomes enforceable in May 2018. The Information Roadmap is being updated to reflect these new requirements. This regulation will shape the council's approach to Information Assurance over the coming few years.

6. Other areas of Governance and Assurance:

Finance & Resources

- 6.1. 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.
- 6.2. Since 2010 the Council's budget has been subject to major funding cuts. The Council has had to make £170m in savings over the past seven years. Following the Local Government Finance Settlement 2017-2018 the Council is faced with making a further £47m of savings over the coming three years. Detailed planning during 2016 identified £21m of savings to balance the budget for 2017/18 and work is ongoing on the options to find the forecast £26m of savings needed through to 2019/20. Aside from cuts to services, the council budget for 2017-18 included an increase in council tax by the 1.99% maximum permissible without a local referendum and by the governments 3% social care precept.
- 6.3. The Chancellor's budget 2017 announced a much needed additional £2bn of national funding for social care over the next three years however that money will come with stringent conditions. There was no detail in the budget on the further £3.5bn of government departmental spending cuts for 2019/20 previously announced. The impact of Brexit on Islington and London remains uncertain.
- 6.4. 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. This feat is getting progressively harder to achieve each year. Cuts to financial management resources of around 50% since 2010 has add 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.

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6.5. The Council's Housing Revenue Account has benefited over a number of years from a robust and funded 30-year business plan. Since the 2015 General Election, the Government has passed two pieces of legislation which will have a significant impact on the Housing Revenue Account in Islington. The Housing and Planning Act 2016 and the Welfare Reform and Work Act 2016. The key financial impacts have been the requirement on local authorities to dispose of high value vacant council houses and the reduction of social housing rents by 1% a year for four years. The Housing Revenue Account business plan is estimated to be balanced over the medium-term, accommodating the impact of the Housing Act and the Welfare Reform and Work Act. The mitigations principally involve rescheduling current borrowing over the term of the 30-year business plan, ending the subsidy for the New Build Capital Programme through revenue contributions and instead, funding primarily from open market sale receipts, Right-to-Buy receipts and other receipts from disposals and finally a robust programme of savings.

Children's Services

6.6. 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.

6.7. 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.

6.8. 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.

6.9. 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

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evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence based programmes are in use.

- 6.10. The Islington Safeguarding Children Board (ISCB) has an independent chair who meets periodically with the Corporate Director as part of the accountability framework outlined in paragraph 5.4.7. The ISCB annual report is discussed by the Health and Wellbeing Board (HWB), Children and Families Board (CFB) and the Children and Families' Scrutiny Committee. Both the HWB and CFB reflect on the learning and build ISCB recommendations into their respective strategies. There continues to be a strong focus on Child Sexual Exploitation through the ISCB's sub group that leads the partnership on this work, complemented by the Council's elected member working group on CSE. The ISCB also oversees multi-agency audits of practice, training and compliance with safeguarding requirements set out in legislation. The Children and Families' Scrutiny Committee have looked at the impact of early help, new arrangements for children with special educational needs and the annual report on learning and education standards.
- 6.11. The Joint Strategic Needs Assessment 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.
- 6.12. 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

- 6.13. HASS Corporate Director is the statutory DASS for Islington. DASS is responsible for providing professional leadership for all local authority staff involved in delivering the council's social services functions for adults and across local networks and partnerships involved in the provision of adult social care services. DASS is also accountable for ensuring that relevant professional and occupational standards and standards of conduct are maintained across adult social care services provided by, or commissioned by the local authority.
- 6.14. The Corporate Director of Housing and Adults Social Services reports directly to the Chief Executive and the span of control allows Adult Social Care to be given due priority. Assurance checks are integral to the decision making processes of the Council. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director of Housing and Adult Social Services, the Deputy Leader (who is

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- also Lead Member for Health and Social Care) and the independent Chair of the Safeguarding Adults Partnership Board to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.
- 6.15. 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.
- 6.16. 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, outcome focused, 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. In light of the requirements by NHS England to develop and implement a sustainability and Transformation plan(STP) across North Central London with effect from April 2017. Islington NHS Clinical Commissioning group have re-offered their commitment to joint commissioning with the Council.
- 6.17. HASS is responsible for managing council tenancies and council leasehold properties in the borough, either directly or by clienting Partners for Improvement (PFI). A Homes and Estates Safety Board, with an independent chair, oversees the particular fire and property-related risks to people in these dwellings. This is part of the overall corporate health and safety arrangements.
- 6.18. HASS Property Services have effective arrangements in place to monitor equipment and stock. Arrangements are in place to actively manage the risk of fraud through prevention and detection techniques. Stock control within the repairs service has been audited with a moderate assurance rating. Improvements have been implemented and a follow up audit is due in March 2017.
- 6.19. Islington also has two long term PFI contracts to manage street council housing. The contract is managed by a clienting team with governance via senior management meetings with the PFI board and scrutiny via a range of annual audits carried out by the council's Internal Audit. In the last year

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performance has improved and penalties have been applied where properties have not been up to standard.

- 6.20. The relationship with the 23 Tenant Management Organisations in the borough is managed by the TMO compliance team supported by internal audit who run an annual programme auditing TMO financial and governance controls.
- 6.21. Residents are involved in the prioritisation and governance of the housing service via reference groups and representation on housing scrutiny.

Transformation

- 6.22. At a strategic level the Corporate Management Board (CMB) owns the change management process for the Council. The council's change programme is being reviewed to better align with the organisation's key change priorities and the focus on building resilience through prevention and early intervention.
- 6.23. Project and programme governance is established proportionate to the complexity, impact and risk profile of the initiative. CMB will sign off all the key outcomes to be delivered by the refreshed change programme, and assigns ownership to a Project Sponsor at Service Director level or higher; an SRO will also be assigned from the Corporate Management Board. Each has appropriate governance arrangements which report to CMB on progress, issues and risks. Departmental Management Teams review projects falling within their service area to ensure delivery.
- 6.24. The Strategy and Change team, in the Chief Executive's Department, will provide project support to these change initiatives and maintain an overview of key areas of change to ensure that appropriate progress is made and linkages and dependencies between projects are picked up. This draws on a wider support network, including financial, ICT, HR and risk management advice to ensure that barriers to success are identified and addressed.
- 6.25. The project planning process has a strong emphasis on return on investment and service managers are asked to sign off on the level of savings potentially achievable before committing them into spending plans. These are then monitored following project completion to ensure they are delivered.

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Signed by:



7 May 2017

Leader

Date

Signed by:



7 May 2017

Chief Executive

Date

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Finance
7 Newington Barrow Way
London N7 7EP

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

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	14 June 2017		

SUBJECT: Principal Risks Report 2017/18

1. Introduction

- 1.1. This report presents an update on the principal risks facing Islington for 2016/17. It has been prepared for the Audit Committee, and is an update to the Principal Risk Report considered in January 2017
- 1.2. The appendix presents an executive summary of the report and the risk map. Thereafter the principal risk report provides an update for each risk as to recent developments and key mitigating actions underway.
- 1.3. For each risk detailed in the report there are a number of control mitigations in place. This report provides an update on key actions underway, but does not detail all of the controls (mitigations) already in place.

2. Recommendations

- 2.1. The Audit Committee are asked to note and review the principal risks and be satisfied with the proposed action.

3. Implications

3.1 Financial Implications

The programme of work has been met from within the existing Internal Audit revenue budget.

3.2 Legal Implications

None specific to this report.

3.3 Environmental Implications

There are no environmental implications

3.4 Resident Impact Assessments

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

Background papers:

None.

Final Report Clearance



Received by

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Date

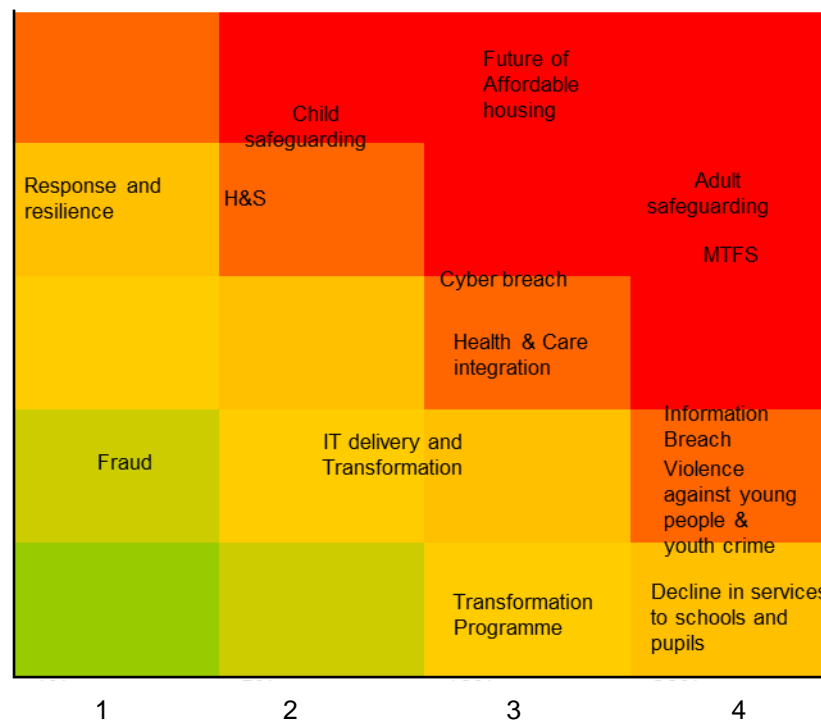
Report Author: Michael Bradley
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Appendix


1. Principal Risk Map 2016-18



	Financial	Service delivery	Health and well being	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple death(s) or serious/ life-changing non-recoverable injury(s) / extreme safeguarding alerts likely. The council fails to fulfil its statutory obligation to protect a child/vulnerable adult from significant harm / a fatality.	Long term damage – eg adverse national or local publicity, highly damaging, severe loss of public confidence. Widespread and high level criticism. Impacts on staff and recruitment.
4	Financial loss above £8m.	Major disruption on an critical service.	Multiple casualties with recoverable injuries. Major safeguarding concerns potentially affecting multiple people. Evidence of known sustained neglect or abuse without intervention.	Medium to long term damage – eg adverse local, regional or national publicity, major loss of confidence, a matter that is frequently referenced in relation to the council.
3	Financial loss above £6m.	Major disruption on an important service. Moderate disruption to a critical service	Noticeable safeguarding risks - known evidence of neglect or abuse without intervention	Medium term damage – eg adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m	Moderate disruption on an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks - evidence of neglect	Short term damage – eg adverse publicity, national follow-up stories on same issue
c	Financial loss above £1m.	Brief disruption on an important service. Repeated disruption on a core service.	Medical treatment required, semi-permanent harm up to 1 year. Safeguarding concerns of neglect	Short term damage – eg adverse publicity, regional follow-up stories on same issue


Impact







2. Principal risk report


Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Financial Strategy</p> <p>The Council fails to balance the Council's budget over the medium term – including making the cash savings.</p>		<p>Current budget expectations are that the Council will have to save £210m by 2020 from 2010. To date £170m. A further £40m is expected to need to be found between 2018 and 2020.</p> <p>The General Fund balance was reduced from 5% to 4% as part of 2016/17 budget</p> <p>Frontline service overspends increased to £7.5m in 2015/16 and some savings delivery delayed. That trend has continued into 2016/17 where frontline services are overspending by £9m. During the summer 2016 replacement savings have had to be found for the 2017/18 budget after the identification of slippage and expected non delivery. A £21m package of savings was agreed to balance the 2017/18 budget. However significant savings will need to be identified for 2018/19 and 2019/20 in the coming years.</p> <p>Adult Social Care (over a third of the General Fund net expenditure) faces very demanding challenges, and delivery of budget is contingent on a number of factors such as demographic changes. Some alleviation was found in the government's budget 2017 announcement of additional funding provided via the Better Care Fund.</p> <p>Children service: overspend is increasing due to an increase in caseload. The council faces an increasing volume of highly complex adolescent cases creating budget pressures. A review of support for homeless young people aged 16-17 has commenced to consider whether some young people would have their needs better met by intensive work with their families rather than being looked after</p> <p>Income targets from commercial activity for 17/18 look unachievable and some have been revised. Care needs to be taken for future years when setting future targets.</p> <p>HRA challenges are presented through the High Value Voids Levy and the impact of: welfare reforms such as the benefit cap and roll out of Universal credit (October 2018) which will impact the poorest residents, and potentially lead to rent arrears. Rent arrears are currently just 1%. However the UC two pilots (Croydon and Hounslow) both experienced an increase in rental arrears.</p> <p>Brexit negotiations: if the predictions of an economic slowdown prove correct, local income targets may be impacted in environment and regeneration, and the central government could choose to increase borrowing, raise taxes, or reduce public spending over that already planned. A concern is the devaluation of sterling which could lead some suppliers to raise prices. As yet this hasn't occurred.</p> <p>There is risk to the local economy from the significant increase in business rates in Islington. The Council bears 30% of any loss in income.</p>	<p>CMB, Members and Finance to enforce a new and tougher monitoring regime to include:</p> <ul style="list-style-type: none"> - CMB, Leadership and Joint Board to discuss the monthly monitoring report and management actions; - The monthly monitoring report and management actions to be discussed at one to ones; - The Directors of Financial Management and Service Finance will hold regular meetings with Corporate Directors and Heads of Finance to discuss the monthly monitoring report and management actions; and - The CDR will cover monitoring and management actions in his quarterly meetings with Corporate Directors.


Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>IT delivery and transformation</p> <p>There is a risk we do not deliver IT projects which will enable/optimize business transformation across the Council</p>		<p>We are embedding Shared Digital, and as a result we are working to address recognised risks associated with the governance and the alignment of culture and objectives during transition. We are moving to appoint the new senior leadership team of SD. A high level Target Operating Model has been published; transition will follow the recruitment of the new SLT and other baseline work.</p> <p>Governance of Shared Digital is through a Joint Committee arrangement with Camden as host borough. The Joint Committee is chaired by Cllr Theo Blackwell for its first year. It comprises 2 cabinet members from each of the other councils; the Corporate directors and CDIO attend as officers. The JC meets 3 times a year (or by exception) is supported by the Management Board (the 3 Corporate Directors, and 2 directors per council). The Management Board is supported by the Delivery Board, chaired by CDIO, and attended by the 3 finance directors and 3 transformation leads from each council.</p> <p>Key work streams have been established and implementation of key infrastructural projects are progressing, e.g. moving to shared data centres, implementing Office 365 and optimising ICT contracts through convergence and contract alignment.</p> <p>There are a number of legacy projects that needs to be consolidated and prioritised. Work is underway to refine the digital portfolio, with CMB actively involved in re-baselining the Islington 'digital portfolio'.</p>	<p>Programme consolidation and prioritisation. R Dunlop. 2016/17 Q2</p> <p>Shared digital: Baseline analysis of at the portfolio of work, service specification, budget due diligence, and resource availability. E Garcez 2017/18 Q1</p> <p>Senior leadership team recruitment, E Garcez 2017/18 Q2</p> <p>Risk identification workshop, E Garcez 2017/18 Q1</p>
<p>Safeguarding adults at risk of abuse</p> <p>The council fails to fulfil its statutory obligation to identify or respond to preventable harm to adults at risk of abuse either directly or via third party establishments</p>		<p>Residential care: There are a small number of local provider services which show an increase in the number of safeguarding concerns. At present there are currently 3 care homes in Provider Concerns in Islington. We have reallocated staff and hired additional staff to respond, however there is an emerging risk as to whether the council has sufficient capacity and ability to redirect social work staff to undertake reviews, particularly in the case of Serious Provider Concerns, in a swift and responsive manner in the longer term.</p> <p>Domiciliary care agencies: we have 3 block providers. One was placed in Special measures by CQC has recently been moved out of special measures. No new packages were placed with the agency in the interim.</p> <p>Regular meetings with Care Quality Commission (including local and regional inspectors) continue to identify any wider concerns about a provider, so that any proposed actions can be appropriately co-ordinated</p> <p>Information from safeguarding alerts/outcomes and contract monitoring findings will be brought together for discussion in the senior management team to enable identification of any patterns or trends in an individual provider. This has happened and is an ongoing feature.</p>	<p>Staff recruitment is underway to address serious provide concerns. J McGregor.</p> <p>We are working with councils across North Central London to improve the market to improve home care, residential care and nursing care (because the market is too small)</p> <p>Where possible we will seek to reclaim costs from providers. J McGregor.</p> <p>A Best Practice Hub for Social Workers is being developed by the Principal Social Workers to support practice and continuing professional development. This work is ongoing. Katharine Willmette</p> <p>The principal SW post is vacant and the new Director of operations (Katharine Willmette) will be to progress and accelerate</p>



Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Safeguarding children</p> <p>Risk of safeguarding procedures not followed which would contribute to ineffective protection of children and parents causing significant harm to a child</p>		<p>As part of the Motivational Social Work project, we have carried out a range of audit, evaluation and review activity over recent months which has given us a robust understanding of our service provision, how well it is achieving our aims and where we need to flex and adapt service delivery, to ensure that we have a model of intervention and support that creates the best outcomes for children. This activity has included the following;</p> <ul style="list-style-type: none"> • External evaluation (for the DfE) by the Department of Social Work at Sussex University. • Service wide consultation exercise with all social workers and family practitioners across Children’s Services, regarding evidence and relationship based practice and the future direction for practice development in Islington. • A practice scrutiny exercise whereby the Senior Management Team immersed themselves in the social work teams for a week. During this period, they observed supervision, case discussions, home visits, planning and strategy meetings, spoke with parents and carried out file audits. • 4 external reviews of practice (Mock inspections), covering a range of social work settings, carried out since June 2016. • Regular auditing programme, with a particular focus in the last three months on CIN work. <p>The lessons learned from the Annual Complaints reports has been completed. A practice week was held in 2016/17 Q4 where the Targeted and Specialist Families Service Management team observe, assess and discuss practice.</p> <p>Risks remain around staffing and high attrition rates, which results in variable skills and abilities within the teams (practitioners, supervisors) as the development of skills and knowledge take time.</p> <p>An internal audit of foster care payments has identified improvements for the management of payments and business continuity. Management action is being undertaken in response. Internal audit are due to undertake a follow-up audit by the end of June.</p> <p>Currently undergoing an OFSTED inspection programme.</p>	<p>Currently set to embark on stage II of the Motivational Social Work project. This will involve embedding and expanding evidence based practice and supervision, and quality assurance system that establishes top down/bottom up monitoring and incorporates robust feedback loops. Project Plan to be in place by July 2017. F Culbert</p> <p>We await the OfSTED report, and will respond to recommendations with a action plan. F Culbert</p>


Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Decline in services to schools and pupils</p> <p>There is a risk of an unmanaged decrease in services due to decline in school, high needs and Early Years funding</p>		<p>There is heightened uncertainty in the funding outlook and underlying pressures are materialising. The financial impact of forced academisation on the Council is increasing and having a material impact on the underlying funding strategy for pupil and school support services.</p> <p>The pressure on the DSG is forecast at £1m per annum, with a further shortfall in funding for pupil and school support services of £900k in 2018/19, and in addition, there is less flexibility on how it is spent</p> <p>The risk is evolving due to changes in national policy. Implications for funding formula are election dependent.</p> <p>Schools budgets continue to face inflationary pressure, and the service business development plan has been developed to support the growth of the business in other markets to mitigate loss of income and ensure service viability.</p>	<p>We have recently begun an overall review of the DSG in Islington with Schools Forum, its sub groups and Enterprise in Schools Grant to address significant funding pressures within the DSG and for pupil and school support services that will feed into the school and early years funding consultation in the autumn. M Taylor</p> <p>We should know the full impact of the Governments National Funding Formula proposals by early Autumn. In terms of our own review and changes, these will be presented and primarily decided upon at the October Schools Forum. However, to fully implement any potential service changes will take longer, especially if they relate to changes in staffing structures as these will be driven by organisational consultations. Funding will change from April 2017. M Taylor</p>
<p>Violence against young people and Youth Crime</p> <p>There is a risk that the Council fails to respond adequately to and prevent rising crime involving young people despite additional funding and well publicised plans</p>		<p>The Youth Crime Plan has been refreshed. The Working together for a safer Islington 2017-20, will be published in June. It is a partnership plan to tackle youth crime in our borough. This follows in-depth consultation with YOS, Police, health, the community voluntary sector, residents, parents and so on.</p> <p>The new Islington Violence Against Women and Girls strategy was launched in February 2017 and is aligned with the Youth Crime Plan regarding prevention and early intervention.</p> <p>We are still seeing an increase in knife crime in Islington. Serious youth violence has increased in 2016/17 by 30%. There has been a 9% rise in knife crime for victims in under 25 year old (compared to 23% across London).</p>	<p>Launch of Working together for a safer Islington 2017-20. June 2017. C Briody</p> <p>Implementation of the Working Together for a Safer Islington plan including development of extended youth offer over the summer with outreach on Friday evenings and weekends, and extending the remit of the IGT to work with more young people on the periphery of gangs / at risk of youth violence. C Briody 2017/18 Q2 & Q3</p>

Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Future of affordable housing</p> <p>There is a significant risk that the reduction in social housing supply will reduce the council's ability to meet its longer term objectives for the provision of decent homes, social care and a fairer Islington</p>		<p>The Housing and Planning Bill has become an Act. Pay to stay (Tenant Tax) will no longer be mandatory. Uncertainty remains as to the timescale the implementation of high value void levy. In order to finance the payment of the levy the Council will have to sell assets including some housing stock. The Council has set up a programme (and programme board) to implement and mitigate reforms. Options for cost-effective sale of high value voids and a procurement strategy have been developed.</p> <p>Expected changes will (a) place further pressure on moving households out of temporary accommodation as we will see voids drop, and (b) restrict further the amount of rent we can collect – almost all households in TA will be affected by the new benefit cap. A new procurement framework to attract new supply of temporary accommodation is now in place.</p> <p>Turnover in our existing stock remains very low – most likely as a result of high house prices – making it difficult to meet new demand</p> <p>Welfare reforms present an additional challenge for the council and its residents. Changes such as the benefit cap (£23,000 pa/£15,000 pa for a single person) and roll out of Universal credit (October 2018) will impact the poorest residents, and potentially lead to rent arrears. Analysis has been carried out to identify affected residents, and work with them to get back to work.</p>	<p>Negotiate with CLG on formula for sales once details of the HVVL are announced – M Holdsworth/ L Hajimichael</p> <p>HRA investment strategy has been reviewed. Business Plan strategy will be written after clarity on HVVL– M Holdsworth/S Kwong</p>
<p>Health and social care integration</p> <p>There is a risk that new models of health and social care are financially unsustainable or do not provide adequate quality of care from the Council's point of view.</p>		<p>Social care demand is very sensitive to activity in the NHS.</p> <p>There are two partnerships: North Central London (Barnet, Enfield, Islington, Camden, Haringey) (STP), and Haringey and Islington (Wellbeing partnership).</p> <p>The Well Being partnership agreement, an agreement has been endorsed by NHS and local authority partners in Haringey and Islington. It aims to improve integration of health and social care which will be reviewed.</p> <p>The NCL boroughs' CCGs are aligning governing bodies, but merging the executive function (management). There is a risk this dilutes the attention to integration and joint commissioning in Islington. Furthermore the local relationships that underpin integration need to be re-established. The mitigation will come through the Wellbeing Partnership which is now moving to a formal partnership to ensure that the priorities and key commissioning requirements of the separate partners are given clarity and sufficient attention.</p> <p>Some key partners, such as the acute sector, continue to face increasingly severe financial challenges which may become risks to the whole system, including the council. Increased patient numbers and pressures in Emergency departments indicate system capacity pressures.</p> <p>The NCL Sustainability and Transformation Plan has not been finalised and is not yet in a form that is acceptable to NHS England, so there is still uncertainty as to the implications.</p>	<p>Haringey and Islington Councils are bringing their Health and Wellbeing Boards together so they have closer oversight of the development of the Wellbeing Partnership. S McLaughlin.</p> <p>The Chief Exec and the Adult, Children and Public Health Corporate Directors are taking part at every opportunity in consultation events around STP and collaborating with colleagues in four other boroughs to represent Local Authority interests. Reports regularly to Health and Wellbeing board.</p>

Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Serious Information Breach</p> <p>The Council does not keep sensitive and/or personally identifiable information secure resulting in a major breach of Data Protection legislation</p>		<p>General Data Protection Regulation (GDPR) became law in May 2016 and becomes enforceable in May 2018. This regulation will stay in UK Law despite Brexit unless it is overturned or replaced with further legislation.</p> <p>An action plan has been developed for GDPR with 10 workstreams. Leads have been nominated from each directorate and are meeting monthly from May. PWC undertook a readiness assessment and audit, and the action plan takes recommendations into account. However, the Information Commission Office (ICO) has not yet issued guidance on some aspects of the new regulation, so the full impact of some aspects is not completely clear. Therefore in many areas we are waiting clarity before we are able to progress our actions for GDPR; areas outstanding include; contracts, consent</p> <p>Information Asset Owner training took place in Feb with more planned for June</p> <p>New records library has gone live with publishers trained and Information Asset Owners receiving an email summary each time a document is published in their service area</p> <p>Internal Audit into Data held by third parties had a recommendation for GDPR compliance to be incorporated into contracts. The GDPR working Group will take this up once ICO have provided clarity on contract clauses.</p> <p>We are currently waiting for the findings of these audits but they will help to inform our actions, particularly in relation to the relationship between Information Governance and Shared digital, which remains an area of risk</p> <p>Staffing: We are recruiting to 2 additional fixed term posts to support the work for the GDPR however, there is still a concern around staffing capacity as the demand on business as usual services is increasing, new technology services requiring IG input and preparing the organisation for the GDPR.</p> <p>Ensuring compliance with GDPR from a technical perspective could have far-reaching system implications. The Information Governance team are working together with Shared Digital to assess, understand and mitigate these.</p> <p>Cyber-security continues to face challenges to meet privacy by design GDPR requirements. The tension between preventing a cyber breach and providing ready access to information continues.</p>	<p>The work ahead is all focused on GDPR, with specific deadlines to May 2018 (and beyond).</p> <p>Working group meets monthly from May with directorate leads</p> <p>10 work packages are being developed, based on the ICOs 12 steps to GDPR compliance. S Nicolson 2017/18Q4</p> <p>A risk prioritisation workshop is taking place in May to risk assess the action plan to prioritise critical areas for GDPR S Nicolson 2017/18 Q1</p> <p>The EU article 29 working party have issued their guidance on the role of Data Protection Officer under GDPR. The SIRO audit also looked at this role. Hope to have clarity and be beginning recruitment in the next quarter.</p> <p>Once the SIRO audit findings are available, clarity will be required with regard to how GDPR is implemented such that Information Governance and Data Protection within Shared Digital addresses every borough's risk appetite and GDPR requirements – E Garcez, 2017/18 Q3</p> <p>Working with O365 programme board to ensure that Islington's IG and Data Protection requirements are met,</p> <p>Further Information Asset Owner Training for new IAOs June 2017. S Nicolson</p>

Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Serious fraudulent activity</p> <p>There is a risk that the Council is not aware of the range of fraud risks facing it and thereby fails to design and implement effective preventive and detective controls. This could result in financial loss, disruption to service delivery and reputational damage</p>		<p>The Anti – Fraud Strategy, and Fraud Response and Risk plan are now on the Council's website and on IZZI</p> <p>The response and risk plan has been completed and is now available on IZZI. This includes all the “cross cutting fraud risks” as well as fraud risks by directorate.</p> <p>Participation of the London Counter Fraud Hub Pilot is progressing. Islington, Camden, Ealing, Croydon and Southwark are the 5 London Boroughs who will be part of the pilot in the proof of concept stage. Authorisation, data security and data processing documents have been completed as well as a PIA. First data transfers will begin in early June. Uncertainty remains regarding</p> <ul style="list-style-type: none"> - how payment by results works where there is no financial return on an investigation, such as Right to Buy and Tenancy Fraud. - whether the provision of the LCFH case management system will be an additional cost after initial promise of the system being free to pilot authorities. <p>Communications campaign has commenced under the heading: FRAUD – Stop It, Spot It, Report It: Full details are available on Izzi.</p>	<p>Progression of the LCFH:</p> <ul style="list-style-type: none"> • Contracts to be signed, Data Security agreement and Privacy Impact Assessment need to be completed. • Supply of Housing Tenancy, Council Tax and Business Rates Data to the Hub to enable the analytics process to start. • Move from the Proof of Concept stage to the Initial Operating Capability stage. Q3 2017. C Lobb. <p>Communications programme for Housing Tenancy Fraud and Blue Badge misuse/fraud to be signed off by the Fraud Forum. Q3 2017. C Lobb.</p> <p>An audit of ‘Conflicts of interest/ gifts and hospitality will be undertaken in 2017/18, E Brooks.</p> <p>Targeted training programme for all departments to include</p> <ul style="list-style-type: none"> • Review the content of existing training and any supplementary materials to reinforce/expand upon key messages where appropriate e.g. Safeguarding, Managing Discipline, Procurement, e-invoicing training. • Specialist investigation officers – qualification training to be commissioned by specialist and/or service leads dependant on funding. C Lobb. Q3 2017

Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Cyber breach</p> <p>Process Control Networks and/or Critical Information Assets may be compromised by computer-based unauthorized access or malicious modification of code</p>		<p>Ransomware will continue to be the biggest threat in 2017.</p> <p>Mobile cyber security has been strengthened considerably: we have recently consolidated all mobile phones to Intune. There are residual users of our previous mobile solutions – XenMobile and Good for Enterprise – which we are still working to move onto Intune.</p> <p>New firewall management system and the log retention and enhanced network monitoring have been implemented. However, the loss of agency workers due to IR35 changes has resulted in reduced capacity and capability and we are unable to make full use of these excellent tools at this time. The Network Security Manager is working across the three councils to explore where we can free up capacity and create capability through specialisation.</p> <p>Concerns over home grown development of applications are being addressed: we now have a database of all applications currently in use to help us manage vulnerability testing and updating. Elements of the service have recently been centralised and are being aligned to corporate policies. As part of this we are identifying vulnerabilities and risks, and actively managing and responding to them.</p> <p>With planned separation of technical cyber security and information governance into separate reporting lines we need to establish protocols for continued joint-working. New CDIO is in discussion with all three SIRO's to agree risk approaches, but awaiting findings of internal audit. Further risks will arise and need to be addressed as we move towards full implementation / use of cloud and look into introducing Fusion.</p>	<p>PwC to complete an internal audit assessing how the role of SIRO aligns to Shared Digital</p> <p>Working to fully embed Intune.</p> <p>In addition to the current controls, which include multiple layers of technical defence against viruses and malware and regular (at least annual) PEN testing of core infrastructure, actions include</p> <ul style="list-style-type: none"> Increasing frequency of backup, and retention of more 'backup points' to enable restoration to 'pre-infection' point Regular patching of the environment, with frequency being reviewed – needs to be balanced against disruption that it causes Shared learning across Islington, Camden and Haringey is underway, including testing of new solutions to better secure and protect our environments; will be considering the introduction of new/ additional defences once review complete Increasing focus on user training and awareness, this being the main weak point in our worlds E Garcez 2017/18
<p>Significant H&S incident</p> <p>There is a risk of a significant H&S incident (life changing/fatality) compromising the safety and wellbeing of service users, public or the workforce</p>		<p>Schools: Auditing of schools has been completed for the two year cycle and we are now embarking on the next two year auditing programme. The three minor non conformities have all been closed out with regard to the internal audit on schools. The additional adviser for schools has been appointed and is now in place.</p> <p>A recent council prosecution (February) by the HSE for breaches under section 3 of the H& S act within a school. Going forward, we will be undertaking design and technology audits of all secondary schools in addition to the two year rolling audit programme.</p> <p>Asbestos: Created a council wide asbestos database, which is currently being tested by key stakeholders and we expect to start rolling this out in June or July 2017</p> <p>Legionella: Following the audit, all 14 low risks non compliance issues have been closed out and we are monitoring legionella via an external contractor on a monthly basis.</p> <p>Drugs and alcohol: random testing programme went live in January 2017, following a pilot. Since the pilot began three people have tested positive for cocaine and one person for excessive alcohol in the blood. They are subject to disciplinary procedures in line with HR policy.</p>	<p>Fire policy has been reviewed and implemented in 20116/17 Q4. However the Fire Audit (due in Q4) has been delayed and is set to begin in May 2017. D Lewis.</p> <p>Embarking on a new 2 year cycle of school audits, concentrating on any outstanding actions from the previous audits. D Lewis</p> <p>Design and technology audits of all secondary schools this quarter 2017/18 Q1 D Lewis</p> <p>A Gas & electrical safety audit is due in 2017/18 Q3 D Lewis</p> <p>A council wide asbestos database, to be rolled out 2017/18 Q2 D Lewis</p>

Risk	Trend since Dec 16	Recent developments, progress & concerns	Actions
<p>Responsiveness and resilience</p> <p>There is a risk we are not able to recover critical internal processes or respond effectively to an emergency following a disruptive event within a suitable timeframe</p>		<p>Live testing arising from incident response carried out as a result of incidents and exercises, e.g. Upper St Flood, Exercise Unified Response, Westminster Bridge, 222 & Town Hall lockdown, Social Worker threats and school security threats.</p> <p>Progressing the installation of the emergency generator at 222 Upper St.</p> <p>Longer term challenges include:</p> <ul style="list-style-type: none"> • Responding to demand for building and event security advice from Emergency Planning Team • Impact of change and staffing issues in Shared Digital Services 	<p>Complete implementation of review which integrates Emergency Planning and Business Continuity functions and recruit to new structure - Q1 2017/18 (JH)</p> <p>Adopt update Crisis response Plan – Q1 2017/18 (CMB)</p> <p>Implement outstanding actions arising from the audit of business continuity including the need for critical services to have appropriate out of hours arrangements to respond to incidents – Q2 2017/18 (Corporate Directors)</p> <p>Complete programme of updating business impact assessments and business continuity plans – Q2 2017/18 (Corporate Directors and EPU)</p>



Report of: Corporate Director of Finance & Resources

Meeting of:	Date	Ward(s)
Audit Committee	14 June 2017	All
Delete as appropriate		Non-exempt

SUBJECT: THE COUNCIL'S USE OF SURVEILLANCE UNDER THE REGULATION OF INVESTIGATORY POWERS ACT 2000

1. Synopsis

- 1.1 The report provides feedback on the inspection from the Office of Surveillance Commissioners (OSC) on 1 December 2016.
- 1.2 The report also updates the committee on the council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA).

2. Recommendations

- 2.1 To note the inspection report of the OSC and the actions drawn up to address the recommendations.
- 2.2 To note the level and nature of covert surveillance undertaken by the council.

3. Background

- 3.1 RIPA provides a statutory framework regulating the use of directed surveillance and the conduct of covert human intelligence sources (informants or undercover officers) by public authorities. The Act requires public authorities, including local authorities, to use covert investigation techniques in a way that is necessary, proportionate and compatible with human rights. RIPA also provides for the appointment of a Chief Surveillance Commissioner to oversee the way in which public authorities carry out covert surveillance.

- 3.2 Directed surveillance is covert surveillance that is conducted for the purposes of a specific investigation or operation and it is likely to result in the obtaining of private information about a person. Private information includes any aspect of a person's private or personal relationship with others, including family and professional or business relationships. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information.
- 3.3 The use of covert surveillance techniques by local authorities was previously the subject of some controversy. The Government introduced significant changes under the Protection of Freedoms Act 2012 which came into effect on 1 November 2012. The changes mean that a local authority can now only grant authorisations under RIPA for the use of directed surveillance where it is for the purpose of investigating criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco. A magistrate's approval is also required before the RIPA authorisation can take effect.

All RIPA authorisations must be signed by an authorising officer. Authorising officers must be trained before issuing any authorisations and they should also attend regular refresher training. The council currently has 3 authorising officers:

- Corporate Director Housing & Adult Social Services
- Service Director Public Protection
- Audit Manager (Investigations)

- 3.4 In December 2014 the Home Office issued revised codes of practice - Covert Surveillance and Property Interference Code of Practice ("the Code of Practice") and Covert Human Intelligence Sources Code of Practice – replacing the previous codes of practice issued in 2010. Public authorities may be required to justify, with regard to the codes of practice, the use or granting of authorisations or the failure to use or grant authorisations where appropriate.
- 3.5 The Code of Practice sets out that elected members of a local authority should review the authority's use of RIPA and set the policy at least once a year. The Code of Practice also provides that members should consider internal reports on use of RIPA on a regular basis to ensure that it is being used consistently with the council's policy and that the policy remains fit for purpose.
- 3.6 The Code of Practice also sets out that it is good practice for public authorities to appoint a Senior Responsible Officer (SRO) to be responsible for the authority's compliance with RIPA. The SRO will engage with the OSC inspectors when they conduct their inspections and where necessary oversee the implementation of post-inspection action plans. Within local authorities, the SRO should be a member of the corporate leadership team and the Corporate Director of Finance & Resources has been nominated to this role for the council.

4. OSC inspection

- 4.1 The OSC carries out an inspection of the council's management of covert activities every 2 to 3 years. The most recent inspection was on 1 December 2016 and was carried out by Assistant Surveillance Commissioner, His Honour Brian Barker CBE, QC ("the Assistant Surveillance Commissioner").
- 4.2 The report prepared by the Assistant Surveillance Commissioner identifies areas of good practice and concludes that "careful attention had been given to the recommendations arising

from the last inspection, and appropriate steps in the form of a completed action plan, had been taken.”

- 4.3 The council holds a central register of authorisations which, in accordance with the recommendation of the OSC Inspector in 2013, is maintained by Legal Services. Legal Services also issues the unique reference numbers (URNs) for investigations and provides officers with RIPA training. Following the recent inspection the Assistant Surveillance Commissioner found that “the overall picture is positive, and there is now central control such that systems are in place to ensure both understanding and compliance with the Act, and efficient gathering and presentation of evidence when directed surveillance is deployed”.
- 4.4 The Assistant Surveillance Commissioner made 2 recommendations in his report:
- (i) To make minor amendments to the RIPA policy document
 - (ii) To consider ways of creating more awareness by the elected members of the scope and availability of RIPA procedures
- 4.5 The minor amendments proposed by the Assistant Surveillance Commissioner to the RIPA policy document have been implemented.
- 4.6 The Assistant Surveillance Commissioner acknowledged that there is a line of communication between members and the SRO and the intranet has a dedicated RIPA page with nutshell guidance and pointers to Legal Services that is available to officers and members. However, the following actions will promote and strengthen members’ awareness of the scope and availability of RIPA procedures:
- (i) Officers will prepare a briefing on RIPA for new members elected in 2018 as part of the information provided about combatting fraud/detecting criminal activity
 - (ii) An annual report will continue to be brought to Audit Committee regarding the council’s use of surveillance under RIPA
 - (iii) An annual report will be brought to Executive, six months after the Audit Committee report, regarding the council’s use of surveillance under RIPA

5. Use of RIPA

- 5.1 During this financial year since 1 April 2017 the council has not authorised any directed surveillance.
- 5.2 For the previous financial year (1 April 2016 to 31 March 2017) the council authorised directed surveillance on 2 occasions for:
- 1 case of unlawful subletting investigated by Housing Investigations
 - 1 case of fraudulent trading investigated by Trading Standards
- Both authorisations were given judicial approval by a magistrate.
- 5.3 The council has not authorised the use of a covert human intelligence source since October 2010.
- 5.4 The trend in the number of RIPA authorisations has been downwards. By comparison the council has granted the following number of directed surveillance authorisations in previous years:
- 2010/11 – 23
 - 2011/12 – 15
 - 2012/13 – 17
 - 2013/14 - 6
 - 2014/15 – 4
 - 2015/16 - 1

6. Implications

6.1 Financial implications:

There are no financial implications arising directly from this report. Robust anti-fraud activity is an integral part of the council's strategy for safeguarding its assets and maximising its use of resources. The use of investigatory surveillance is one of the tools the council uses to achieve these aims.

6.2 Legal Implications:

RIPA was introduced to ensure that covert surveillance undertaken by public authorities is undertaken in accordance with the European Convention on Human Rights and the Human Rights Act 1998.

The council can only undertake covert surveillance if the proposed operation is authorised by one of the council's authorising officers and subsequently approved by a magistrate. A local authority can only use directed surveillance if it is necessary to prevent or detect criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco. The authorising officer must also be satisfied that the proposed directed surveillance is proportionate to what is sought to be achieved.

There has been a reduction in the number of directed surveillance authorisations granted by the council since 1 November 2012 when the Protection of Freedoms Act 2012 introduced significant changes to local authorities' use of RIPA. However, the council could still face a legal challenge to the way in which covert surveillance is conducted. This could lead to the evidence obtained being ruled as inadmissible and/or a complaint to the Investigatory Powers Tribunal.

6.3 Environmental Implications:

Nil

6.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding."

A resident impact assessment has not been completed because this report only provides monitoring information and a legal update for the Committee.

7. Conclusion and reasons for recommendations

7.1 The OSC only made 2 recommendations in the report completed by the Assistant Surveillance Commissioner after the inspection on 1 December 2016. These recommendations are described by the OSC as "readily achieved" and actions have already been drawn up to address both recommendations.

7.2 The Protection of Freedoms Act 2012 has introduced additional safeguards to the use of RIPA and the impact of covert surveillance on the privacy of those under investigation. This has seen a reduction in the use of directed surveillance by the council.

Appendices:

Appendix A (exempt) – OSC Inspection Report dated 23.12.16

Appendix B (exempt) – Completed action plan following OSC inspection report dated 15.11.13

Background papers: (available on request)

Home Office Code of Practice: Covert Surveillance and Property Interference

Home Office Code of Practice: Covert Human Intelligence Sources

Islington Council's Policy Document and Procedural Notes for RIPA 2000 (exempt)

Final report clearance:

Signed by:



Corporate Director for Finance and Resources

Date

Received by:

Head of Democratic Services

Date

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