

London Borough of Islington

Internal Audit 2017-18 Interim Report

January 2018



1. Purpose of this report

This report summarises the work that Internal Audit has undertaken from 1st April to 31st October 2017 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Council.

2. Overview of Year to Date

From 1st April to 31st October 2017 we have issued the following (details of individual reports can be found in Service Summaries below):

- Two **No** Assurance reports
- Two **Limited** Assurance reports
- One **Moderate** Assurance report
- Two management letters

We are on track to complete the audit plan as agreed by end March 2018. Deferrals may need to be made to accommodate high priority/urgent pieces of work as necessary; these will, however, be discussed and agreed with management.

3. Update on progress on implementation of 2016/17 recommendations (as at 31st October 2017)

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 st October 2017
Cross-Cutting	Use of Agency Staff	n/a - management letter	n/a management letter	↔	In March 2016 we completed an Internal Audit review of the 'Use of Agency and Consultancy Staff'. Three high priority recommendations and two medium priority recommendations were raised and agreed with Management. Our follow-up assessment has identified that three recommendations have been implemented; however two high priority recommendations remain as partially implemented. The two partially implemented recommendations are in relation to the vetting and verification of agency workers DBS Disclosures and identity. Following the completion of the original review, both Strategic Procurement and HR have implemented the recommendations that were specific to their respective roles, including the updating of policy/guidance and the reinstatement of the Agency Vetting Checklist to aid Managers in the vetting of their agency workers. However, our review has revealed that Departments are not consistently undertaking appropriate vetting checks of agency workers, or completing the Agency Vetting Checklist to evidence these checks. As a result, and by also considering the cases identified within our review

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					where Ordering Managers confirmed that they did not undertake any vetting of their agency worker's DBS Disclosures or identity, it is the opinion of Internal Audit that the Council remains exposed to the risks identified within the March 2016 report. Furthermore, in light of both Strategic Procurement and HR implementing the recommendations specific to their respective roles, it is also in the opinion of Internal Audit that the responsibility for implementing the outstanding recommendations should now sit with each Department.
E&R	SES Agency	Limited	Limited	↔	In the previous report five recommendations (two high, one medium and two low priority) were made and accepted by management. Our follow up audit revealed that two recommendations have been implemented (one high and one medium) and three recommendations (one high and two low priority) have been partially implemented. The one high priority recommendation that remains outstanding relates to the vetting of agency staff. It should be noted that following the completion of the original Public Realm Agency Staff review in September 2015, Internal Audit subsequently completed a cross-cutting review of the 'Use of Agency Staff' in March 2016, which raised recommendations regarding the vetting of agency staff. These recommendations supersede those raised within the original Public Realm Agency Staff review, and have been followed-up as part of a separate exercise. As part of this exercise we reviewed a sample of agency assignments, including three assignments within Public Realm. For all three Public Realm assignments it was noted that whilst vetting checks had been undertaken, the HR Agency Vetting Checklists had not been returned to HR, as in-line with Council policy.
HASS	Islington Law Centre	Limited	Limited	↔	In the previous report, nine recommendations (three high, five medium and one low priority) were made. Based on the evidence presented, our follow up audit revealed that: five recommendations (four medium and one low priority) have been fully implemented; and four recommendations (three high and one medium priority) have been partially implemented. The partially implemented actions relate to Financial Accounts, Separation of Duties, Financial Management and Articles of Association. The Centre's efforts in implementing the recommendations and the positive direction being shown by management is noted. However, given the inherent risks associated with the outstanding high priority recommendations, we have requested an update by the revised implementation dates.

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HASS	TMO IT Arrangements	n/a management letter	n/a management letter	↔	<p>In 2016/17, Internal Audit undertook a review of IT and data security arrangements across TMO's at the request of management. Due to the scope and nature of the review, we did not provide an overall assurance rating. However, the level of risk identified was indicative of a no assurance rating due to one critical and four high risk findings relating to IT Support and Data Storage, Information Asset Register/Data Retention, policies and procedures, access controls and legal and regulatory compliance. It was agreed with the TMO Management Team that a formal follow up would be undertaken in February 2018 to assess the level of implementation of recommendations, and thus the Council's residual risk exposure, ahead of the General Data Protection Regulation (GDPR) becoming enforceable from May 2018. However, discussion with management in Summer 2017 raised several issues and despite numerous and continued efforts by the TMO Management Team, actions to improve the control environment have been impeded by a general lack of wider support to assist the team in improving data security controls across TMO's, and as a result, it is unlikely that full implementation by February 2018 will be achieved. A management letter has been issued to senior management to provide awareness that without finding the requisite support to improve these controls, this ultimately leaves the Council exposed to potentially significant reputational risk and financial risks through GDPR fines. As per the original agreement, Internal Audit will complete a full follow up in February 2018, ahead of the GDPR becoming enforceable from May 2018.</p>
E&R/Resources	Trading Company/Ico	n/a management letter	n/a management letter	↔	<p>The management letter was issued in February 2016 and raised seven findings. Due to the nascent nature of the ICo at that time, we didn't seek to prioritise our findings, however we noted that if/when the levels of activity increased significantly, all of the issues would be considered medium or high priority in line with our normal assessment protocols. Based on the evidence presented, our recent follow up audit revealed that: one recommendation has been implemented; two recommendations have been partially implemented; and four recommendations have not been implemented. It is noted that further work is required to implement the majority of the recommendations raised. This is in part due to the fact that the company remains in a fledgling state and does not yet have key governance arrangements in place, such as a firm strategic direction to govern its aims. Without this in place, the company may struggle to ensure that the other recommendations made can be met, such as the implementation of risk management processes, criteria for the selection of activities and clearly defined processes and ways of working. In addition it should be noted</p>

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					that in several areas, Internal Audit were unable to independently verify some of the progress that has been made by management, as documentation was not made available for our review. We will revisit these recommendations in Q4 2017/18 to assess the rate of implementation at that time.
E&R/HASS	Sunnyside	No	Moderate	↑	<p>In July 2017, E&R requested Internal Audit to carry out a further review of Sunnyside following some significant organisational changes at the Gardens. In the original report (issued December 2015), ten recommendations (three critical, four high and three medium priority) were raised. Following the interim follow-up work undertaken in May and July 2016, and March 2017 it was found there had been minimal progress towards full implementation and there remained one critical recommendation which had not been implemented and three recommendations (one critical and three high) which had been partially implemented. However, based on the evidence presented during the July 2017 follow-up review, we can confirm that there has been effective progress towards full implementation. Of the outstanding recommendations noted in March 2017: seven recommendations (one critical, three high and three medium priority) have been implemented; three recommendations (two critical and one high priority) have been partially implemented and one new medium recommendation was also raised. The partially implemented actions relate to Financial Management, Governance Arrangements, Expenditure and the new action relates to IR35.</p> <p>This audit originally attracted a 'no assurance' rating, which was increased to limited assurance in July 2016 and was maintained at limited assurance in March 2017 due to the lack of progress. However, as a result of the rate of implementation of recommendations as at July and the positive direction being shown by management, we suggest the level is now indicative of 'moderate' assurance, which suggests that the control environment, in relation to only the specific areas covered by this audit, has improved on follow up. However, given the inherent risks associated with the outstanding recommendations, we have requested an update to the above for us to sustain this opinion.</p>
Children's	Laycock School	No	Moderate	↑	In the previous report 15 recommendations (six high, six medium and three low priority) were made. Our follow up audit has revealed that: 13 recommendations have been fully implemented; and two recommendations (both high priority) have been partially implemented. One partially implemented recommendation relates to IR35, the second partially implemented recommendation relates to cheque reimbursements. The high level rate of implementation of recommendations, and

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					positive and robust action taken by management in response to the original report suggests that the control environment (in relation to only the specific areas covered by this audit), has improved on follow up.
Children's	Hanover	Limited	Moderate	↑	In the previous report 13 recommendations (two high, ten medium and one low priority) were made. Our follow up audit revealed that all thirteen recommendations have been fully implemented. This audit originally attracted a 'limited' assurance rating in February 2017. While a full audit would need to be undertaken to conclusively revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is indicative of 'moderate' assurance.
Children's	The Virtual School	n/a - management letter	n/a - management letter	↑	In the previous report nine recommendations (three critical, three high and three medium priority) were made, eight of which were accepted by management. One medium priority recommendation, relating to parking permits, was not accepted as management considered that existing arrangements were working adequately. Our follow up audit revealed that six recommendations (including three critical, two high and one medium priority) have been implemented and two recommendations (one high and medium priority recommendation) have been partially implemented. The partially implemented high priority recommendation relates to VAT and the remaining partially implemented medium recommendation relates to procurement. The high level rate of implementation of recommendations, and positive and robust action taken by management in response to the original report suggests that the control environment (in relation to only the specific areas covered by this follow up), has improved on follow up and the notable work undertaken in this area to improve the controls in this area is recognised.
Children's	Hornsey Road Children's Centre	Moderate	Moderate	n/a	In the previous report five medium priority recommendations were made. Based on the evidence presented, our follow up audit revealed that four recommendations have been fully implemented and one recommendation relating to purchase orders has been partially implemented.
Children's	Film Service	Moderate	Moderate	n/a	In the previous report, six recommendations (two medium and four low priority) were made. Our follow up audit revealed that five recommendations have been implemented. The original action for one recommendation was not agreed and

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 st October 2017
					separate action has been taken.
Resources	Digital Strategy	Limited	n/a -superseded	n/a - superseded	An internal audit review of the Islington's Digital Strategy was undertaken in June 2016. In the previous report eight recommendations (four high and four medium priority) were made. The high rated findings related to: ownership of the strategy, planning the delivery of the digital strategy, financial planning for the digital strategy and prioritisation of projects and review against architectural principles. Subsequently, Camden, Haringey and Islington became part of the Shared Digital service in October 2016 and as a result, the recommendations in the report have been largely superseded. Since the inception of Shared Digital, work has been underway in a range of areas, to understand in detail how the three authorities plan and deliver their ICT services. In June 2017, a report was present to the Shared ICT and Digital Services Joint Board to discuss the opportunities to maximise the possibilities for collaboration and better delivery. It was agreed by Joint Board that, as the aim was for greater collaboration, there ought to be a shared strategy. The Chief Digital and Information Officer provided a draft strategy for Shared Digital for Joint Board at its meeting in October 2017 based around the principles in the business case, including a delivery plan and a final draft will be agreed by the Committee in February 2018. In the meantime, Islington remains in a transitional state and Islington's Future IT Priorities are currently being discussed and agreed with Senior Officers. These are still aligned to the original themes of the original Digital Strategy (which is dated to 2017). While it is not pertinent for Internal Audit to carry out any specific follow up work on the previous report, management should bear in mind the original risks outlined which may be useful for the Council and/or Shared Digital to consider ahead of the development of a Shared Digital Strategy.
E&R/Resources	Box	n/a – management letter	n/a -superseded	n/a - superseded	An internal audit review of the Security of the Box application was undertaken in September 2016. In the previous report 11 recommendations (8 high and 3 medium priority) were made. It was concluded that a combination of governance and deployment weaknesses meant that Box presented data risks. Subsequently, with the appointment of an Interim Chief Information Officer in 2016, it was agreed with E&R that Office365 would be the platform for collaboration, and a project was initiated to deliver this, rather than seeking to complete the remediation actions on Box. It is understood that the existing Box contract was due to finish on 27 July 2017 but was extended to July 2018, and work is underway to migrate all the content from Box to

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					SharePoint Online as part of the Shared Digital Office365 project. Due to Box being superseded by Office 365 it is not pertinent for Internal Audit to carry out any specific follow up work on the previous report. However, management should be aware of the inherent data risks that the Council may be exposed to in the period up to the cessation of Box/implementation of Office 365. Any concerns or knowledge of any breaches should be reported immediately to the appropriate channels.

**While a full audit would need to be undertaken to conclusively revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that, where indicated, the control environment (in relation to the specific areas covered by the follow up), has improved and is indicative of improved assurance.*

4. Service Summaries: 1st April – 31st October 2017

4.1. Cross-Cutting/Corporate Reviews

a) Work in Progress as at 31st October 2017

Audit ref	Audit title	Status
CC16_2	Cyber Security	Final Report due December 2017
CC17_3	IR35	Final Report due December 2017. Limited Assurance with three high priority findings.
CC17_5	Contract Management	Fieldwork in Progress. Draft Report due December 2017
CC17_4	Income Generation	Fieldwork in Progress. Draft Report due December 2017

b) Work scheduled 1st November to 31st March

Audit ref	Audit title
CC17_2	Health & Safety (focus on Legionella and School Fire Risk Assessments – see note below)
CC17_7	General Data Protection Regulation – readiness assessment pre May 2018
CC17_6	Outcome-based budgeting – rolling programme review

Performance and Management Information and Resident Impact Assessments deferred to 2018/19 to allow for review of Outcomes Based Budgeting to be completed. OBB chosen for Programme Management/Transformation review.

c) Council's Response to Fire Safety

Following the tragic events at Grenfell, Islington's cross-council response to Fire Safety has been noted. The Tall Building Safety Group has been meeting regularly since the disaster and is taking a methodical approach to addressing fire safety issues and concerns across the borough. Internal Audit and Risk Management have been attending the Tall Building Safety Group meetings to monitor any emerging risk/control issues.

Given the close scrutiny on fire safety and awaited outcomes from wider safety reports following Grenfell, it was agreed with CMB that Internal Audit will continue to closely monitor emerging risks from the Tall Building Safety Group during 2017-18 and include a more in depth review of cross-council arrangements in 2018-19. A review of school's fire risk assessments will, however, be undertaken this year.

In terms of an internal audit deep dive for 2017-18, from Internal Audit discussion with the Corporate Health and Safety Manager, it was agreed with CMB that our area of focus in 2017-18 will be Legionella. This is one of the higher risks in the council, as per the Health and Safety risk register and may be pertinent for Internal Audit to provide assurance as to whether the Council's management of risks relating to Legionella is effective.

4.2. Environment and Regeneration

a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Cottage Road Depot	Limited	The high priority findings related to: MOTs; Inspections and servicing and stock management and maintenance. As part of the audit, we also reviewed whether recommendations made in previous reports relating to Fleet Management (limited assurance) and Vehicle Maintenance (no assurance) had been implemented. In the previous reports, a total of 18 recommendations (11 high and seven medium priority) were made and accepted by management. Our follow up audit revealed that: seven recommendations (four high and three medium priority) have been fully implemented, ten recommendations (seven high and three medium priority) have been partially implemented; and one medium recommendation has not been implemented.
Commercial Waste	Moderate	Internal Audit identified one high priority and four medium priority findings. The high priority finding relates to: Business Planning and Marketing – it was noted that there is no strategy and/or service plan in place outlining the future development and sustainability of the Commercial Waste Service

b) Work in Progress as at 31st October 2017

Audit ref	Audit title	Status
ER16_2	SES Savings	Draft Report due December 2017.
ER17_3	Pest Control	Draft Report due December 2017.
CS17_2	SEN Transport	Combined review with Children's Services. Fieldwork starting November 2017.

Review of Blue Badges to be deferred to 2018-19

c) Follow Ups scheduled 1st November to 31st March

2016/17 Audit title	Original Assurance Rating
Street Trading	Moderate

2016/17 Audit title	Original Assurance Rating
Leisure Centre Contract Arrangements	Substantial

Plus the final follow up for ICo will be completed in Q4 as outlined above.

4.3. Housing and Adult Social Services

a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Adult Social Care – Contingency Planning for Provider Failure (review previously named: Care Homes)	No	<p>The original scope of this review was due to cover the following three areas in regards to Care Homes: Placements, Information and Advice; Out of Borough Spot Placements; and Contingency Planning for Provider Failure. During the early stages of the review we prioritised the area of 'Contingency Planning for Provider Failure', due to the level and nature of the inherent risks to the Council in this area. Placements, Information and Advice and Out of Borough Spot Placements, will instead be covered as an extended follow-up of this review.</p> <p>We have raised a total of four high priority recommendations relating to the following areas: detailed and specific business continuity plans; plans for minimising the risk of provider failure; the monitoring of the financial status of care home providers; the monitoring and management of care home provider risks. One medium priority recommendation has also been raised in relation to the testing of business continuity plans. The scope of this review, and therefore the recommendations raised within this report, was originally limited to Care Homes only; however, following discussions with Management it was agreed that the findings and recommendations could be equally applied to all Adult Social Care commissioned services.</p>

b) Work in Progress as at 31st October 2017

Audit ref	Audit title	Status
HASS16_3_1	Bemerton TMO	Audit work completed in June 2017 but the review has subsequently been with Legal due to current litigation between the Council and TMO. Awaiting further advice from Legal.
HASS17_3_2	Hornsey Lane TMO	Final Report due November 2017.
HASS17_3_3	Charteris TMO	Final Report due November 2017.

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
HASS17_2	Annual Service Charges
HASS17_1	Housing Revenue Account
HASS17_3_4	Half Moon TMO
HASS17_3_5	Stafford Cripps TMO
HASS 17_8	Housing Association Nominations (addition to plan at request of Housing Needs Manager)

Review of Commissioning is to be combined with Children's Placement Commissioning and a joint review will be undertaken Q1 2018-19 at management's request. Safeguarding Adults: review of VCS approach to safeguarding to be deferred to April 2018 at management's request following implementation of new VCS safeguarding policy. Review of Housing and Planning Act 2016 Implementation to be deferred to 2018-19.

d) Follow Ups scheduled 1st November to 31st March

2016/17 Audit title	Original Assurance Rating
Arch Elm TMO	No
Dixon Clarke TMO	No
Safeguarding Adults	Moderate

4.4. Children's Services

a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Islington Arts and Media School	No	Seven high priority findings have been identified within the following areas: reimbursements to staff; compliance with IR35 requirements; validity of payroll costs and expenses; budget setting and budget monitoring; Financial Regulations policy, management of lettings and collection of income, purchase orders, payments to suppliers and filing of quotations. No indication of impropriety, fraud or intentional wrongdoing was identified; however, a number of the high and medium priority findings relate to control

Audit Title	Assurance Rating	Key issues arising
		design/operational weaknesses that may have exposed the school to inherent fraud risks.
St Jude's and St Paul's School	Limited	Two high priority findings have been identified within the following areas: Income and Banking and Purchasing & Expenditure.

b) Work in Progress as at 31st October 2017

Audit ref	Audit title	Status
CS17_5_2	Hargrave School	Final report due December 2017.
CS17_6	Stronger Families	Internal Audit is satisfied that the proposed claim for October 2017 is accurate based on the sample testing performed and the provisional number of claims identified. Further grant submissions to be audited in January and March 2018.
CS17_2	SEN Transport	Combined review with E&R. Fieldwork starting November 2017.

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
CS17_5_4	Drayton Park School
CS17_5	Arts/Culture/Libraries
CS17_8	Children's Services Record Management (addition to plan – management request)
CS17_9	Placement Tracker (addition to plan – management request)

Review of Placement Commissioning (16-17 year olds) will be a joint review between Children's and HASS – deferred to Q1 2018-19 at management's request. Review of

Disabled Children's team and Safeguarding Children cancelled at Corporate Director's request; resource utilised on additional areas in the plan.

d) Follow Ups scheduled 1st November to 31st March

2016/17 Audit title	Original Assurance Rating
Laycock	No
Foster Care Payments	No
St John's Highbury Vale	No
Central Foundation	Limited
St Mark's	Limited
ST ALOYSIUS	Moderate
Education Health Care Plans (previously SEN)	Moderate
Local Education Partnership (LEP)	Follow up started 2015/16 but deferred to 2017/18

4.5. Resources

a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Role of SIRO	n/a - management letter	Internal Audit undertook a review across the Camden, Haringey and Islington to assess the role of their Senior Information Risk Officers within each authority with respect to the implementation of General Data Protection Regulation and the amalgamation of the Council's IT services into a single, Shared Digital service. Findings related to: position and role of SIRO, information risk policies and procedures within Shared Digital and the role of the SIRO and the DPO.

b) Work in Progress as at 31st October 2017

Audit ref	Audit title	Status
FR16_2	O365	Final report due December 2017.
CE16_3	Gifts and Hospitality/Declarations of Interest	Draft Report due November 2017.
R17_2	Purchase cards	Draft Report due December 2017.

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
R17_1	Payroll
R17_3	Continuous Auditing/Key Financial Systems
R17_9	Shared Digital - Financial Due Diligence
R17_4	Shared Digital - Applications Audit
R17_7	Shared Digital - Extended Follow Up PCI
R17_8	Shared Digital - Extended Follow Up PSN

Review of Recruitment to be deferred to 2018-19

d) Follow Ups scheduled 1st November to 31st March

2016/17 Audit title	Original Assurance Rating
Abacus/Controcc - Phase 2	Substantial
Ticket Viewer	n/a management letter