



**Resources Department  
Town Hall, Upper Street, London, N1 2UD**

---

## **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, **11 March 2019 at 7.00 pm.**

**Lesley Seary  
Chief Executive**

Enquiries to : Zoe Lewis  
Tel : 020 7527 3486  
E-mail : [democracy@islington.gov.uk](mailto:democracy@islington.gov.uk)  
Despatched : 1 March 2019

### Membership

Councillor Nick Wayne (Chair)  
Councillor Sue Lukes (Vice-Chair)  
Councillor Rowena Champion  
Councillor Satnam Gill OBE  
Alan Begg (Co-Optee)  
Nick Whitaker (Co-Optee)

### Substitute Members

Councillor Vivien Cutler  
Councillor Sara Hyde  
Councillor Rakhia Ismail  
Councillor Flora Williamson

**Quorum: is 3 Councillors**



**A. Formal Matters** **Page**

1. Apologies for Absence
2. Declaration of substitute members
3. Declarations of interest

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

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

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

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

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

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

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

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

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

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

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

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

4. Minutes of previous meeting 1 - 6

**B. Items for Decision - Audit Committee/ Audit (Advisory) Committee** **Page**

1. Audit Committee Appointment 2018/2019 7 - 8

2.	Principal Risk Report	9 - 34
3.	2019-20 Internal Audit Plan	35 - 46
4.	E&R Overtime Audit - Update	47 - 70
5.	Identifiable Risks From A No-Deal Brexit	Verbal Report
6.	External Auditor Reports	71 - 98
7.	Gender Pay Gap	To Follow

**C. 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.

**D. 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.

**E. Confidential/exempt items**

**Page**

**F. 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 3 June 2019

This page is intentionally left blank

London Borough of Islington

## **Audit Committee and Audit Committee (Advisory) - 31 January 2019**

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 31 January 2019 at 7.00 pm.

**Present:**           **Councillors:**       Councillor Nick Wayne (Chair), Councillor Sue Lukes (Vice-Chair), Councillor Satnam Gill OBE, Councillor Una O'Halloran  
**Also Present:**       **Independent members:**   Alan Begg and Nick Whitaker

### **Councillor Nick Wayne in the Chair**

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

There were no apologies for absence.

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

There were no declarations of substitute members.

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

In relation to Agenda Item C3, Councillor Gill declared an interest in that he was an ex-officio trustee of Hilldrop Area Community Association.

32       **MINUTES OF PREVIOUS MEETINGS (Item A4)**

**RESOLVED:**

That the minutes of the meetings held on 15 October 2018 and 15 January 2019 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

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

In the discussion the following points were made:

- Recommendation 2.4 of the officer report should be deleted as the National Non Domestic Rates were now collected, pooled and redistributed back to all 33 London boroughs. This meant the council shared in the growth in London.
- The estimated collection rate was 98% after five years. The GLA had invested money into a driving down debt team.

**RESOLVED:**

- 1) That the Council Tax base for the whole area for 2019-20 (or until rescinded) shall be 79,524.3 Band D equivalent properties after adjusting for non-collection be agreed.

- 2) That the Council Tax base for meeting the special expenses issued by the Lloyd Square Garden Committee for 2019-20 (or until rescinded) shall be 45.2 Band D equivalent properties after adjusting for non-collection.
- 3) That the Council Tax forecast for 2018-19 be noted.
- 4) That the authority be delegated to the Acting Section 151 Officer to finalise the 2019-20 NNDR1 estimates for Islington, which would feed into the estimates for the London Business Rates Retention Pilot Pool.

**34 ANNUAL TREASURY AND INVESTMENT STRATEGY (Item B2)**

In the discussion the following points were made:

- Members could be provided with investment strategy training.
- Most of the council's borrowing was done using fixed rates so interest fluctuations only affected day to day cashflows and where new borrowing took place. The council chose when to borrow long term to minimise risk.
- Money from the sale of council houses was used to manage day to day cashflow. The council had money invested within government and other councils. Being paid back was the main priority and since the banking collapse of 2008, the council had not lent to banks.
- If there was a complete change in strategy following the reappraisal of market conditions and expectations for future interest rates, this would be brought back to committee.

**RESOLVED:**

That the key points of the treasury strategy summarised in the report be noted.

**35 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGSCO) ANNUAL REVIEW PERFORMANCE REPORT 2018 (Item C1)**

In the discussion the following points were made:

- The council was in a positive position when compared with neighbouring boroughs.
- Housing complaints were now dealt with by the Housing Ombudsman.
- The PFI client team held regular meetings to deal with issues that arose with partners and contracts.
- Updates on complaints were reported quarterly to the Members Performance Panel.
- The committee expressed concern at the time lag between complaints being received and being adjudicated, in particular there was a backlog with the Housing Ombudsman.
- It was not the role of the Audit Committee to look into individual complaints but other committees e.g. Housing Scrutiny could do this.
- It was noted that three of the five housing complaints related to homelessness and a member suggested that process improvements should be put in place.
- Less than 1% of the Stage 1 complaints received went as far as the Ombudsman.

**RESOLVED:**

- 1) That the Local Government and Social Care Ombudsman Annual Review letter 2018 dated 18 July 2018 be noted.
- 2) That it be noted that of the 16 cases investigated, there were 11 upheld decisions (finding of maladministration) with the remaining five cases not upheld.
- 3) That it be noted that separate to complaints investigated by the LGSCO and Annual Review letter, four upheld decisions (finding of maladministration) were decided by the Housing Ombudsman.
- 4) That the Complaints/Improvement Plan be noted.
- 5) That it be noted that in line with the council's statutory duty, section 5 (2) of the Local Government and Housing Act 1989, the Council's Monitoring Officer would provide a twice-yearly report to the Audit Committee.

**36**      **MONITORING OFFICER OMBUDSMAN REPORT (Item C2)**

This item was considered alongside Agenda Item C1. See the discussion in Minute 35.

**RESOLVED:**

That the report be noted.

**37**      **INTERNAL AUDIT INTERIM REPORT 2018-19 (Item C3)**

In the discussion the following points were made:

- The report included the outcomes of delivery of the 2018-2019 audit plan and the outcomes of follow up audits.
- Fewer audits than expected had been completed due to there having been an auditor and a manager vacancy. There had also been a rollover of 2017-18 audits into 2018-19 given a previous vacancy. However, a number of reviews marked as not completed (as the report had been prepared in late November 2018), had now been completed (when committee convened in January 2019). It was expected that at least 95% of audits on the plan would be completed by the end of April 2019.
- An audit manager was being recruited and the Camden Audit Manager had been acting as the Islington Audit Manager in the interim. Some work arising from the principal auditor vacancy was transferred to PwC, subject to budget.
- The Chair requested that when the 2019/2020 plan was being compiled resourcing was considered.
- The E&R overtime audit was discussed in detail. The audit had shown that there were issues with value for money with the use of agency staff and the relationship between agency staff and council staff, poorly designed time recording systems, excessive overtime hours being worked and claimed and a lack of confidence in the budget setting process.
- A new manager was in place and was receptive to the audit recommendations and was designing controls to make improvements and drawing up consistent terms of employment. Processes, policies and procedures were all being updated.
- Steps were being put in place to try and get HR to question excessive overtime.

- It was suggested that when findings of limited assurance were categorised, that the risks attached and the length of time the audits had been at limited assurance should also be listed.
- If follow up work was done after an audit and there was not a good level of response from managers, directors were approached.
- The Chair raised concern about the seriousness of the findings and that it had taken the audit for E&R to address the problems.
- The Chair raised concern about significant overspends in relation to new build. The audit team could consider this when drawing up the programme for the next year. A new director of new build had been appointed.

**RESOLVED:**

- 1) That the report be noted.
- 2) That an update report on the level of implementation of recommendations for the E&R overtime audit be submitted to the next meeting and the Corporate Director be requested to attend to provide assurance.
- 3) That in the future, when there were high priority recommendations and the audit team had sufficient concern, the chair of the Audit Committee be notified and relevant officers requested to attend a meeting where appropriate.

**38** **EXTERNAL AUDITOR REPORT - AUDIT PROGRESS REPORT AND SECTOR UPDATE (Item C4)**

In the discussion the following points were made:

- Grant Thornton were nearing the end stage of the planning process for the 2018/19 financial statements audit and once the plan was finalised it would be submitted to the committee in March 2019.
- No hidden or undisclosed risks had been identified in the planning process.
- Grant Thornton held workshops and had a forum where councils could share information. The external auditors also shared sector updates on topics such as Brexit, the local government sector and transformation toolkit.

**RESOLVED:**

That the report be noted.

**39** **WHISTLEBLOWING POLICY (Item C5)**

In the discussion the following points were made:

- Comparison of the policy against other councils had taken place.
- The key updates to the policy were the addition of the provision for modern slavery and the new Head of Audit's details.
- The role of the Audit Committee in the monitoring and implementation of this policy was discussed.

**RESOLVED:**

- 1) That the contents of the updated policy, including the reference to modern slavery be agreed in principle subject to Paragraph 3.1 being amended to state "a confidential written" response would be received and Paragraph 5.8 being amended to clearly define the term "qualifying disclosure".



- 2) That officers ensure the next whistleblowing report be robust and user friendly with proper chains of responsibility and accountability specified.
- 3) That the Head of the Audit would explore the role of the Audit Committee in the monitoring and implementation of this policy with the Director of Law and Governance and update the committee at a future meeting.

**40**      **MARKET SUPPLEMENTS (Item C6)**

In the discussion the following points were made:

- In July 2018 six of the 12 vacant posts were filled. In October 2018 two more were filled. One post holder had since been dismissed which left three posts vacant.
- Although using agency staff could cost less, the quality of staff and high turnover could make permanent staff with market supplements better value for money. There would be further advertising for the vacant posts.
- Concern was raised that the council was not getting value for money if it was paying other staff with the same job title market supplements when there were unfilled posts.

**RESOLVED:**

- 1) That the Interim Head of HR be requested to attend the June 2019 meeting to answer the committee's questions about market supplements.
- 2) That members send any questions in relation to market supplements to Councillor Lukes and she would collate them.

**41**      **IDENTIFIABLE RISKS FROM A NO-DEAL BREXIT (Item C7)**

In the discussion the following points were made:

- London Councils had done some work on the risks and this could be shared with the committee.
- The council had set up a Brexit working group run by the Corporate Director, Children's Services. It looked at the council's Brexit preparedness, including considering risks from the point of view of residents. The Strategy and Change Manager had been appointed as the council's Brexit lead. Business continuity plans were being updated.
- A key focus of the working group were the short term risks for the first couple of months if there was a "No Deal" at the end of March.
- Grant Thornton shared insights with councils and ran workshops to discuss and work through issues.
- Councillor Comer Schwarz was the lead member on Brexit.
- To mitigate risks, the council was increasing reserves and contingency. Business rates were pooled across London which meant those risks were shared and the government safety net had been increased. Treasury management was prudent and while there was much overseas investment, 50% of the currency risk was hedged.
- The government had provided the council with £210,000 to use on Brexit related changes.
- The Chair stated the importance of identifying key risks at this stage and making recommendations to services to mitigate them. The officer stated that the discussions were not yet at this level of maturity.

**RESOLVED:**

That the Committee receive an update at the next Audit Committee meeting and the Corporate Director, Children's Services and the Strategy and Change Manager be requested to attend the meeting.

**42 INTERNAL AUDIT SHARED SERVICE DRAFT TERMS OF REFERENCE (Item C8)**

In the discussion the following points were made:

- The fieldwork had been completed and the report would be written in the next fortnight.
- The work was in the design phase.

**RESOLVED:**

- 1) That the Internal Audit Shared Service Draft Terms of Reference be noted.
- 2) That the committee be updated in due course.

The meeting ended at 8.50 pm

**CHAIR**



**Report of: Director of Law and Governance**

<b>Meeting of:</b>	<b>Date:</b>	<b>Ward(s):</b>
Audit Committee	11 March 2019	All

<b>Delete as appropriate</b>	Exempt	Non-exempt
------------------------------	--------	------------

**Subject: AUDIT COMMITTEE APPOINTMENT 2018/19**

**1. Synopsis**

Appointment of Councillor Una O'Halloran, Executive Member for Community Development, as a substitute on Personnel Sub-Committee.

**2. Recommendations**

**2.1 Personnel Sub-Committee**

- (a) To note that Councillor Caluori has stepped down as a substitute on the Personnel Sub-Committee.
- (b) To appoint Councillor O'Halloran as a substitute on the Personnel Sub-Committee for the municipal year 2018/19 or until a successor is appointed.

**3. Background**

- 3.1 The terms of reference determine that all members of the Executive may act as substitutes to the committee. Councillor O'Halloran was appointed as Executive Member for Community Development with effect from 1 March 2019.

## 4. Implications

### 4.1 Financial Implications

None

### 4.2 Legal Implications

These are set out in the report.

### 4.3 Environmental Implications

There are no environmental impacts arising from this report.

### 4.4 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. There are no equalities impacts arising from this appointment.

## 5. Conclusion and reasons for recommendations

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

### Background papers:

None.

Final Report Clearance

Signed by

Received by	..... Director of Law and Governance	..... Date
	..... Head of Democratic Services	..... Date

Report author Zoe Lewis  
Tel 020 7527 3486  
Fax 020 7527 3486  
E-mail zoe.lewis@islington.gov.uk



### Report of: Corporate Director of Resources

Meeting of:	Date:	Ward(s):
Audit Committee	11 <sup>th</sup> March 2019	All

		Non-exempt
--	--	------------

## SUBJECT: Principal Risk Report 2019 Update

### 1. Synopsis

- 1.1 This report presents the current principal risks facing Islington. It is an update to the Principal Risk Report considered by CMB and Audit Committee in January 2018.
- 1.2 The Principal Risk Report is an annual report, written in consultation with risk sponsors, risk leaders, Departmental Management Teams and the Corporate Management Board (CMB).
- 1.3 The background section at section 3 below highlights key events that have occurred since the last report and outlines key changes to the report. The appendix to the report presents the Principal Risk Report including the risk impact matrix, principal risk map, risk universe, executive summary and how our Corporate Plan links to our risks. The final section and main body of the report provides an update for each principal risk.

### 2. Recommendations

- 2.1 Committee is asked to note the report.

### 3. Background

- 3.1 Appendix 1 presents :
  - An executive summary detailing principal risks and trends since the last update to Corporate Management Board (CMB) and Audit Committee in January 2018;

- A risk universe demonstrating the current risks by category;
- The Council's current risk map;
- How our risks link to our objectives, and maps the identified risks against our objectives; and
- The principal risk update, which provides an update for each risk, detailing recent developments and key mitigating actions underway.

3.2 We have reviewed and revised the risk scoring methodology since the last iteration of this report in January 2018. Previously risks were rated by the Risk Manager and their relative position indicated on the risk heatmap, however a definitive score was not assigned to each risk. We have revised this procedure to enhance the accuracy of the risk rating, recording, data collection and to encourage ownership of risk management at all levels. Risk leaders now own the rating of the risks using the risk rating matrix shown in section 1 of Appendix 1. Risk leaders have reviewed and rated their risks, these scores have then been reviewed by DMT's. The revised process allows those closest to the risks and organisational activities to provide the most accurate scoring as well as own the risk assessment process. A number of changes in scoring since the last iteration of the report have occurred, most notably:

- Cyber security – Increase in likelihood score to reflect external environment,
- Information governance breach – Adjusted the impact (increased) score to reflect our improving understanding of the external requirements,
- Response and resilience – Increased likelihood score to reflect the worsening external environment and the resulting increasing need to provide ever more robust responses and plans,
- Youth violence – Adjusted the impact score to reflect potential severity of the risk,
- Fraud – Increased likelihood to reflect the current financial environment in which the Council operates,
- IT delivery and transformation – Increased likelihood score following the withdrawal from the Shared Digital service.

Note: Scores which are adjusted are as a result of improved consistency in the risk assessment process do not necessarily represent a fundamental change in the risk itself.

3.3 A number of updates to the style of reporting have been made within the report, these include:

- Enhanced alignment with our Risk Management Framework: common use of risk management language throughout including defining the structure of risk statements,
- Risk Universe diagram: presents the spread of risk categories for the principal risks,
- Inclusion of control information: summary of current controls and potential future controls,
- Aligning our principal risks with the Corporate Plan (Building a fairer Islington; Our Commitment 2018-22): each risk is now aligned to the objectives detailed within this plan.

3.4 For each risk detailed in the report, there are a number of controls (mitigations) in place. This report provides a summary of these current controls but does not detail all of the controls already in place. Where appropriate potential future controls actions have been included.

### 3.5 **Additions**

- In recognition of the current uncertainty ahead of the United Kingdom's exit from European Union on March 29th 2019, and the potential impact of the exit on the Council and residents, we have included 'Brexit' as a new principal risk herein.
- In recognition of the external environment affecting the finances and operations of many of our contractors and the potential impact on service delivery for council services we have included 'Contract Management' as a new principal risk herein.
- In recognition of a number of external factors such as the declining housing market, contractor stability and supply chain resilience alongside a number of internal challenges around recruitment/retention and communications we have included 'New Homes Programme' as a new principal risk herein.
- In recognition of the number of change and transformation programmes scheduled in the medium term, and the financial and operational impacts of these programmes, we have included 'Delivery of the Change Programme' as a new principal risk herein.

### 3.6 Deletions

- Since our last update to Committee, have removed the principal risk related to the decline in services to schools and pupils. The current pupil numbers and funding position means the risk can be managed at departmental level and will continue to be monitored at departmental level.
- Since our last update to Committee, we have removed the principal risk related to Health and Social Care Integration. Indications are that relationships with NHS partners are stable, and pooled budgets and Section 75 are performing well, therefore this risk can be managed at departmental level and will continue to be monitored at department level.

## 4. Implications

### 4.1 Financial implications:

The programme of work has been met from within the existing Internal Audit revenue budget. The financial implications of individual mitigating actions are met by local budgets.

### 4.2 Legal Implications:

There are no known legal implications arising from the recommendations in this report.

### 4.3 Environmental Implications

There are no environmental implications.

#### 4.4 Resident Impact Assessment:

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

#### 5. Reason for recommendations

5.1 This report indicates the Council's activity to identify, monitor and mitigate principal risks.

#### Appendices

- **Appendix 1 – Principal Risk Report**

Signed by:



Service Director - Financial and Asset  
Management (S151 officer)

Date: 22 February 2019

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

Email:

[nasreen.khan@islington.gov.uk](mailto:nasreen.khan@islington.gov.uk)

Financial Implications  
Author:

Mohammed Sajid

Email:

[Mohammed.Sajid@islington.gov.uk](mailto:Mohammed.Sajid@islington.gov.uk)

Legal Implications Author:

Peter Fehler

Email:

[Peter.Fehler@islington.gov.uk](mailto:Peter.Fehler@islington.gov.uk)





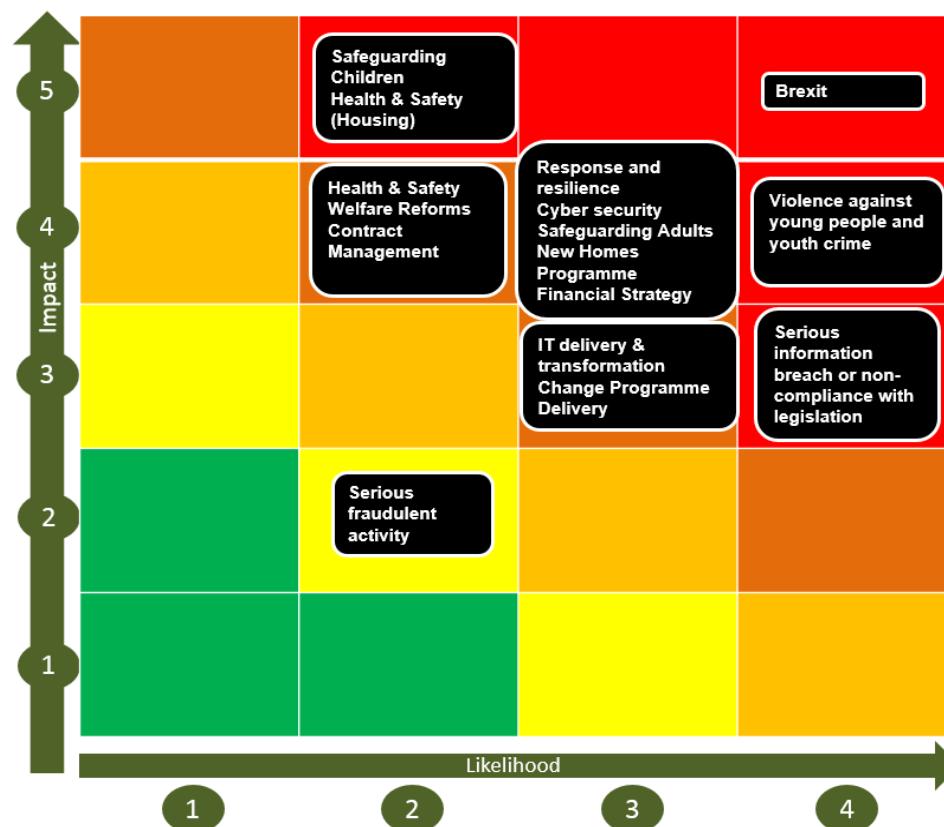
# Appendix 1 – Principal Risk Report

## Executive summary of the principal risks

### 1. Risk impact matrix and heatmap

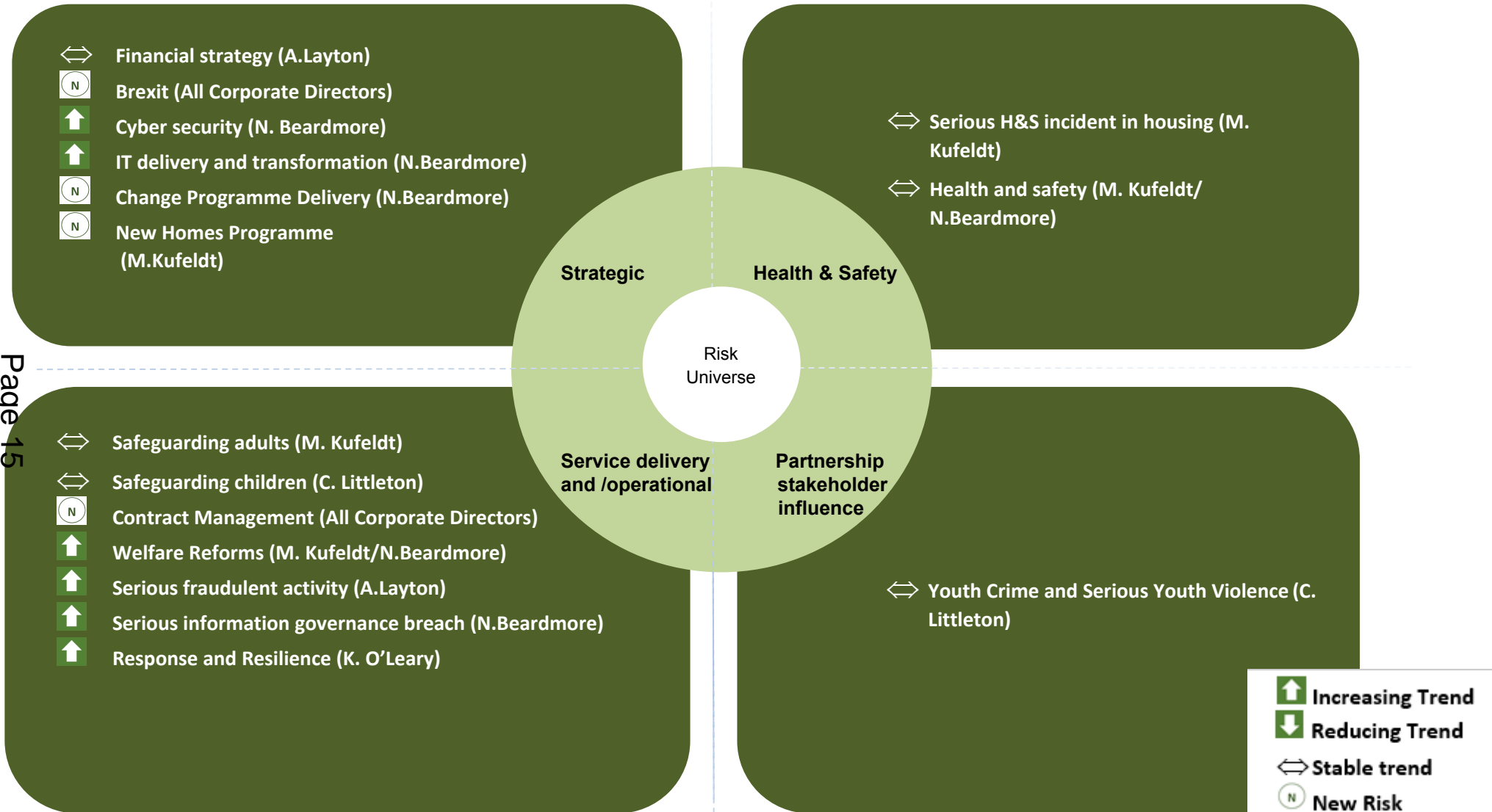
Page 14

Impact Ratings	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple deaths or serious/life-changing non-recoverable injury(s)/extreme safeguarding alerts likely.	Long term damage – e.g. Adverse national or local publicity, highly damaging severe loss of public confidence. Widespread and high level of criticism. Impacts on staffing and recruitment.
4	Financial loss above £8m.	Major disruption of a 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 – e.g. 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 of an important service. Moderate disruption of a critical service.	Noticeable safeguarding risks – evidence of known neglect or abuse without intervention.	Medium term damage – e.g. Adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m.	Moderate disruption of an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks – evidence of neglect.	Short term damage – e.g. Adverse publicity, national follow-up stories on the same issue.
1	Financial loss above £1m.	Brief disruption of an important service. Repeated disruption of a core service.	Medical treatment required, semi-permanent harm, up to 1 year. Safeguarding concerns of neglect.	Short term damage – e.g. Adverse publicity, regional follow-up stories on the same issue.



Note: risks have been scored considering the above criteria in view of the current controls in place. The criteria (Financial, Service Delivery, Health and Wellbeing or Reputation) considered most appropriate to each risk has been chosen. Risks in the same black box share the same scoring, the order they appear in the box is not indicative of severity.

## 2. Risk Universe (Including latest risk trend)



New Risk



Risk Increasing



Risk Outlook Stable



Risk Reducing

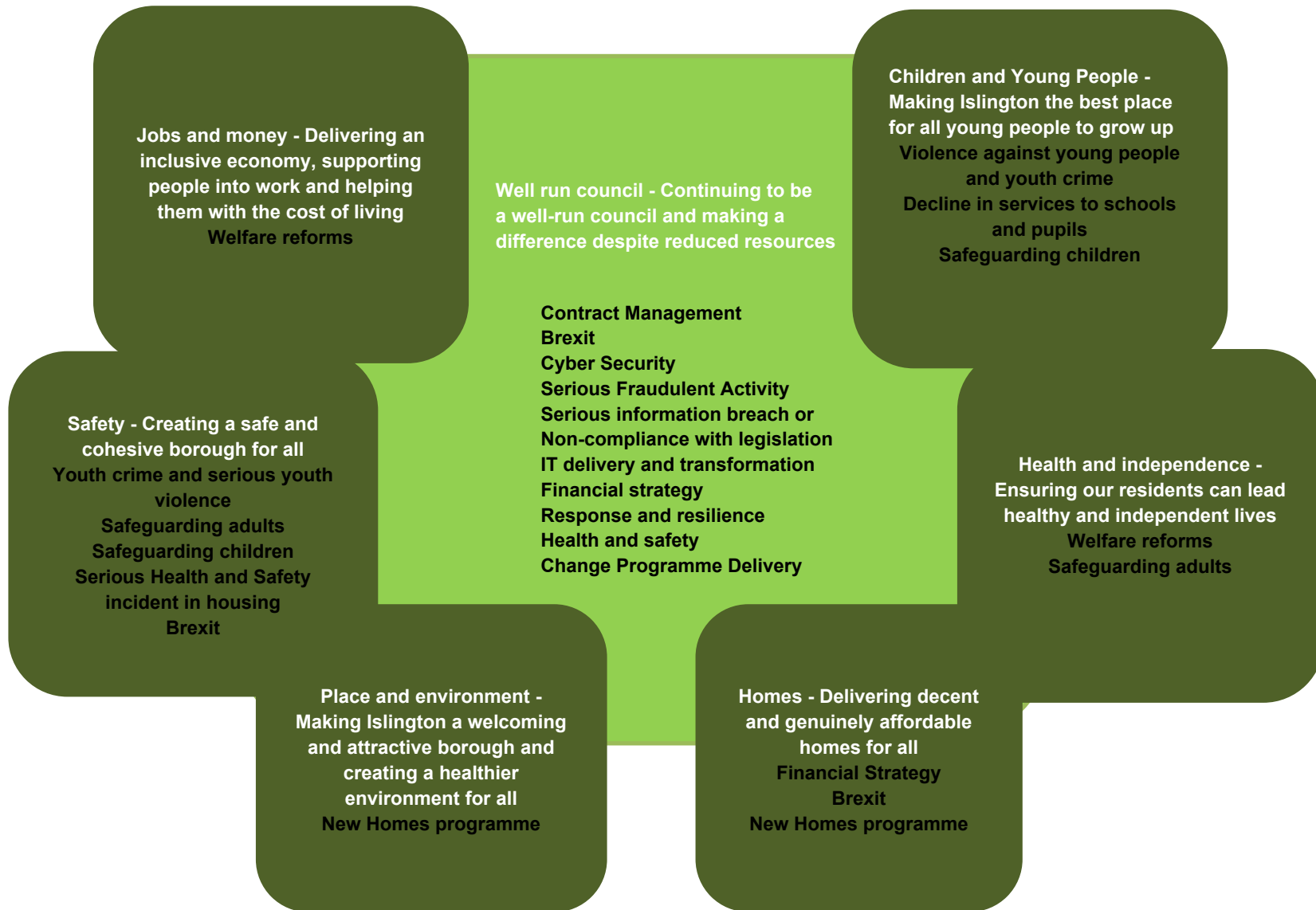
### 3. Executive summary of the principal risks

L=Likelihood Score I=Impact Score

Risk Score	L	I	Risk Title	CMB Risk Sponsor	Forward Trend Jan 18	Forward Trend Mar 19	Comment on change in trend
20	4	5	Brexit	All	-	New	The current uncertainty ahead of the United Kingdom's exit from European Union on March 29 <sup>th</sup> 2019 and the potential impact of the exit on both the Council and residents remains unclear.
16	4	4	Youth crime and serious youth violence	C Littleton	↔	↔	Although crime overall is declining in Islington, violence and knife crime is increasing across London and risk levels can change rapidly.
12	3	4	Cyber security	N. Beardmore	↔	↑	Our protections have increased, however the evolving nature (frequency and varied severity) of threats makes it a challenge to mitigate. Cyber security remains a significant point of risk management focus.
12	4	3	Serious information breach or non-compliance with legislation	N. Beardmore	↑	↑	Residents are more educated regarding GDPR/DPA18 resulting in an increasing demand for advice. The application of GDPR/DPA18 has not yet been tested increasing uncertainty of potential fines.
12	3	4	Response and resilience	K O'Leary	↔	↑	External environmental triggers are worsening, our planning needs to be increasingly robust.
12	3	4	Safeguarding adults	M. Kufeldt	↓	↔	Stable outlook
12	3	4	New Homes Programme	M.Kufeldt	-	New	The housing re-build programme is reliant on both internal and external factors, recent declines in the housing market and contractor stability alongside internal challenges require more stringent project management.
12	3	4	Financial strategy	A. Layton	↑	↔	A 3 year savings plan has been formulated, the Council increased its balances and contingency to improve financial resilience.
10	2	5	Safeguarding children	C Littleton	↔	↔	Stable outlook
10	2	5	Serious H&S incident in housing	M. Kufeldt	New	↔	The recent improvements to housing stock have actively reduced risk to resident safety, however the external environment (compliance and regulation) is facing unknown change.
9	3	3	IT delivery and transformation	N. Beardmore	↔	↑	Trend is increasing in the short term following withdrawal from Shared Digital and the increasing age of systems. Longer term this will stabilise but remain dynamic.
9	3	3	Change Programme Delivery	N. Beardmore	-	NEW	Significant change is required in order to deliver the change programme, the Programme Management Office has been set-up to oversee and improve the management of these programmes.
8	2	4	Welfare reforms	M. Kufeldt/N. Beardmore	NEW	↑	Tenants will continue to naturally migrate meaning an increasing number will be on the new benefit. In addition it is planned around 2023 that all remaining legacy benefit claimants will be moved over in a managed migration.
8	2	4	Health and safety	M. Kufeldt/N. Beardmore	↔	↔	The Council's core activities and functions have not changed significantly and so the risk remains the same.
8	2	4	Contract Management	All	-	NEW	The external environment affecting the finances and operations of many of our contractors and the potential impact on service delivery for council services remains a challenge.


Risk Score	L	I	Risk Title	CMB Risk Sponsor	Forward Trend Jan 18	Forward Trend Mar 19	Comment on change in trend
4	2	2	Serious fraudulent activity	A. Layton	↔	↑	In the current financial climate, there is an increasing risk of fraud.

#### 4. How our risks link to our objectives (Pillars)




## 5. Principal risk report – Risk information to note (Risks listed in descending order i.e. largest risk score to lowest risk score)


Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
20	4	5	<p><b>Risk Title</b> Brexit</p> <p><b>Risk</b> Disruption to local/council services and supply chains.</p> <p><b>Cause</b> Challenges regarding cost and availability of labour, goods and services, decrease in funding from central government following withdrawal from the European Union (No-deal or terms of deal)</p> <p><b>Consequence</b> Increased cost of services, reduced quality of services, contractor or supply chain failure, civil unrest and increased cost of living for residents.</p> <p><b>Risk Trend</b> NEW</p>	<p>We have taken a number of steps to prepare for and understand the implications of Brexit on both the council and residents.</p> <p>The Brexit Resilience Group (BRG) has been formed, headed by a Corporate Director and comprising of key officers to support strategy and planning. The group has circulated information about Brexit to services to increase their awareness of the operational and strategic impact of our withdrawal from the EU. The BRG has submitted a data request (Brexit preparedness template) to each department to understand the potential impacts of Brexit.</p> <p>The BRG and Emergency planning team have started initial civil contingency planning regarding food and medicine supplies and potential impact on services and citizens. Services are currently being asked to update their business continuity plans, with resilience champions being identified in each department to work with Emergency Planning.</p> <p>Strategy and Change are working with Emergency planning to carry out an in depth review of business continuity plans and risks highlighted by departments to produce a comprehensive strategy for the council's response to Brexit and provide assurance to CMB.</p>	<p>The BRG is working towards increasing awareness and preparedness for the outcome of Brexit</p> <p>We attend the London Resilience Group, this enables us increased oversight and discussion with other Boroughs and emergency services, providing guidance on contingency planning.</p> <p>Brexit preparedness template sent to all services.</p>	<p>Review the output of the Brexit preparedness template data to ensure service risk mitigation is captured in 'business continuity plans' in conjunction with council wider strategy towards Brexit.</p> <p><b>TARGET COMPLETION: end February 19 for completion of all BC plans (on track)</b></p> <p>Monitor central government guidance.</p> <p><b>TARGET COMPLETION: Ongoing, with weekly briefings</b></p> <p>Monitor London Resilience Group</p> <p><b>TARGET COMPLETION: Ongoing, with weekly briefings</b></p>


Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	<p><b>Risk Title</b> Youth Crime and Serious Youth Violence</p> <p><b>Cause</b> Early childhood trauma and disrupted attachment may lead to children being unable to self-regulate and therefore they are more likely to offend. Interventions with YP and families are not sufficiently tailored to have sufficient impact. The pull of gang affiliation and offending means that the trauma and the behaviours of young people are not addressed at an early enough stage to improve outcomes</p> <p><b>Risk</b> There is an increase in crime and in the harm Serious Youth Violence causes. There is a perceived failure to respond adequately to/prevent crime involving young people, despite funding and well publicised plans.</p> <p><b>Consequence</b> Increase in stabbings, fatal or otherwise. Media coverage contributes to fear of crime and negative attitudes towards young people compounding the issues they face. More young people within the criminal justice system</p> <p><b>Risk Trend</b> </p>	<p><b>Crime is falling in Islington Dec 2018- down 11% overall (compared to 1.2% increase across London)</b> <b>In the past year we have seen reductions in:</b></p> <ul style="list-style-type: none"> <li>• Knife crime injuries victims under 25 down 6.6%</li> <li>• Serious Youth Violence down 3.9%</li> <li>• Gun offences down 11.8%</li> <li>• Snatch theft offences down 61%</li> <li>• Robbery offences down 9.8%</li> </ul> <p><i>But knife crime overall is up 12.5%</i></p> <ul style="list-style-type: none"> <li>• MOPAC Knife crime plan 2017</li> <li>• MOPAC developing Violence Reduction Unit for London 2019, Corporate Director attends</li> <li>• Pan London County Lines project</li> <li>• Delivery of Working Together for a Safer Islington plan work streams and local knife harm work</li> <li>• Council scrutiny on school exclusions, reporting in Q2 2019 with recommendations to reduce vulnerability</li> <li>• Disproportionality project in the Youth offending service/Targeted youth support</li> <li>• Transitions project to pick up vulnerable pupils between primary and secondary school transition</li> <li>• Keel project a new approach to working with families affected by domestic violence and abuse, focussed on repair as well as immediate safety</li> <li>• Reduction in first time entrants to Youth Justice System</li> </ul>	<p>Delivery of Working Together for a Safer Islington Plan 2017 – 20 Knife Harm plan and work 2018 - 2019 Investment in youth services, Integrated gangs team, youth violence prevention and Missing and Exploited team. Youth violence prevention work in schools Trauma informed approach is being rolled out Work at neighbourhood level to address hotspots, across council, voluntary sector and partner agencies</p>	<p>Youth Crime communications plan is being updated in 2019 <b>TARGET COMPLETION: End of March 2019</b> Review of the Working Together for a Safer Islington Plan taking place this year in preparation for a new plan in 2020. <b>TARGET COMPLETION: The current plan will be completed by Dec 2019 with writing a new one leading to the launch of the new plan in April 2020</b></p>




Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	<p><b>Risk Title</b> Cyber security</p> <p><b>Risk</b> Process Control Networks and/or Critical Information Assets may be compromised</p> <p><b>Cause</b> Computer-based unauthorized access or malicious modification of code</p> <p><b>Consequence</b> Denial of Service, data breach, reputational damage, disruption of service(s)</p> <p><b>Risk Trend</b> </p>	<p>The council has made good progress on cyber protection with technology in place that has successfully repulsed a significant Denial of Service attack. Progress has been made to leverage central government initiatives on the implementation of secure email and Protected Domain Name Server (DNS). Implementation over the next 3 to 6 months.</p> <p>At the completion of this, the boundary will be appropriately protected for an organisation of our size and type. The protected DNS will be very effective against phishing and social engineering attempts. In addition, Cyber-threat training is being introduced for staff in key areas (such as payroll) and there will be a general awareness programme for all staff</p> <p>A Technical Design Authority has been included in the Business Case assessment process which ensures cyber security considerations are included in the early stages of an initiative and closer engagement with IT during purchase.</p> <p>Servers are up to date with patching although there is a need to further automate such activity. We will be looking to upgrade to Windows 10 as soon as practicable as Windows 7 becomes end of life.</p>	<p>Good practice boundary controls are in place and the additional controls will add effective protection against the constantly evolving threats.</p> <p>Continued backup of data provides an effective remediation for ransomware.</p>	<p>Develop Enterprise Resource Planning, this will introduce more automation. This is important around role based access and is effective in ensuring legacy access is removed as staff move/leave.</p> <p><b>TARGET COMPLETION: April 2021 (subject to project planning)</b> Roll-out training.</p> <p><b>TARGET COMPLETION: April 2021 and ongoing (subject to project planning)</b> Introduce (for approval) a set of CIO authorities which sets out the scope of products and services for which the CIO's approval must be obtain. This will be a significant help in ensuring no 'weak link' components provide new threat vectors for attacks.</p> <p><b>TARGET COMPLETION: April 2019</b> Cyber Breach Exercise planned to test cyber resilience.</p> <p><b>TARGET COMPLETION: Dec 2019</b></p>



Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	4	3	<p><b>Risk Title</b> Serious information breach or non-compliance with legislation</p> <p><b>Risk</b> The Council does not keep sensitive and/or personally identifiable information secure</p> <p><b>Cause</b> Non-compliance with policy and procedures</p> <p><b>Consequence</b> Fine, Reputational Damage</p> <p><b>Risk Trend</b> ↑</p>	<p>The General Data Protection Regulation and Data Protection Act 2018 came into force on 25 May 2018. In preparation for the enforcement deadline and as part of our ongoing work a number of activities have been undertaken since the last update including:</p> <ul style="list-style-type: none"> <li>Data Protection Officer has been appointed</li> <li>Creation of the Records of Processing Activities</li> <li>Mapping the retention of information assets</li> <li>Lawful basis of information assets identified and documented</li> <li>Updated Privacy notices have been created and published on the council's website</li> <li>Data Protection Impact Assessment templates and guidance have been reviewed and are in use</li> <li>Public guidance on the new rights have been created and published</li> <li>Policies and procedures updated</li> <li>New contract clauses have been created</li> <li>Existing contracts have been updated to include GDPR addendum.</li> <li>Contract Due Diligence checklist created including a supply chain assessment.</li> <li>New eLearning courses have been created and rolled out to all staff</li> <li>Information Governance and Information Security Action plans in place (reviewed monthly)</li> </ul> <p>Information Governance and Information Security Strategy was agreed by CMB in January 2019, will now be working towards executing</p> <p>An Audit reviewed our preparedness for GDPR, the outcomes were considered in the creation of Action Plans.</p> <p>1 Data breach has been reported to the Information Commissioners Office (ICO) a CD of an audio recording of an interview into food standards offences was lost in post – An internal investigation was completed and we are waiting a response from the ICO.</p>	<p>E-Learning training modules: GDPR released in August 2018 Data Handling released in September 2018 Metacompliance system delivers desktop compliance messages. Corporate Governance Group provides oversight and challenge Monthly meetings with Senior Information Risk Owner (SIRO) to provide oversight and challenge Information Governance and Information Security Action plans in place (reviewed monthly)</p>	<p>Retention and deletion of data on systems is being identified and implemented <b>TARGET COMPLETION: Ongoing; aiming for March 2020</b> New training provider being identified for Information asset Owner's <b>TARGET COMPLETION: End of Feb</b> Information Security and Cyber Security Awareness training being identified <b>TARGET COMPLETION: Sept 2019</b> Proposed mock ICO Audit to take place in 2021 to review effectiveness of strategy. <b>TARGET COMPLETION: 2021</b> Reviewing the roles and responsibilities of the Data Security Working Group and the GDPR Working Group. <b>TARGET COMPLETION: Mid-March 2019</b> Monitoring of ICO guidance and revision to guidance and templates <b>TARGET COMPLETION: As required</b></p>


Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	<p><b>Risk Title</b> Response and resilience <b>Risk</b></p> <p>There is a risk we are not able to recover critical internal processes or respond effectively to a major incident following a disruptive event (internally/externally) within a suitable timeframe</p> <p><b>Cause</b> Inadequate business continuity (BC) planning and disaster recovery</p> <p><b>Consequence</b> Damage to reputation, resident safety, increased cost for response due poor planning, unacceptable response time.</p> <p><b>Risk Trend</b> </p>	<p>Business Continuity Exercises relating to Housing and Cyber-attack postponed and to be rescheduled.</p> <p>Emergency generator at 222 Upper St remains installed, but not yet connected nor tested.</p> <p>Completed the review of Emergency Planning and team now fully staffed, resources need to kept under review as we work to comply with the London Resilience Forum standardised model.</p> <p>A complete refresh of the Business Continuity Plan and Business Impact Analysis (BIA) template has been undertaken. Each service has been requested to complete a new Business Continuity Plan Template including BIA. The revised template was sent in November to each service. All services will complete and review within the next 6 months, with controlled copies then held by the EPU.</p> <p>Undertaken several real-time BC responses including during the IT denial of service attack. The lessons learned after events have been used to inform resilience planning with IT and BC.</p> <p>The Islington Resilience Board has been set-up and held their first meeting, with lead Service Directors for each department.</p> <p>A programme of business continuity training is being developed.</p>	<p>Arrangements for business continuity have been reviewed and are being implemented.</p> <p>The Islington Resilience Board will meet to improve the BC culture and ensure plans are completed.</p> <p>Resources in the EPU have been increased and will be kept under review.</p> <p>Exercises are planned to test areas identify as highest risk.</p> <p>Undertake lessons learned review after any incidents.</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</p> <p><b>TARGET COMPLETION: June 2019</b></p> <p>Connect the emergency generator and ensure it is fully functioning (Shared Digital Services /Public Realm/Facilities)</p> <p><b>TARGET COMPLETION: September 2019</b></p> <p>Complete 4 BCP exercises including testing of a Cyber Attack and serious incident affecting housing stock.</p> <p><b>TARGET COMPLETION: December 2019</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	<p><b>Risk Title</b> Safeguarding adults</p> <p><b>Risk</b> Failure to fulfil our statutory obligation to identify or respond to significant preventable harm to adults at risk of abuse</p> <p><b>Cause</b> Provider Failure, Non-Compliance with procedures, inadequate IT systems.</p> <p><b>Consequence</b> Risk to Individual, Reputational. Financial.</p> <p><b>Risk Trend</b> </p>	<p>An independent review of social work in the Mental Health Trust was conducted, actions included reviewing the Section 75 agreement to ensure the social agenda is correct. We have also set-up a Partnership Board, this has helped us to improve our joint working and strategic decision making.</p> <p>With regards to quality of care, we currently have 1 care home in a 'provider concern' process, this provider does have a sustainable improvement plan in place.</p> <p>CQC announced that one of our significant block providers of domiciliary care came into difficulties in November 2018, this event caused us to enact our contingency plans in conjunction with the Business Continuity team. We were able to source alternative care for our residents in a phased manner which resulted in minimal service disruption. In March 2018 another local authority alerted us to a serious provider concern where Islington had placed the majority of the residents. The concerns were so serious it was clear that residents should be moved out urgently. Our review team and brokerage team undertook rapid reviews of Islington residents, securing alternative appropriate placements. All residents were relocated speedily.</p> <p>There is now a Principal Social Worker in place, working with the Head of Safeguarding Adults and Safeguarding team to make safeguarding personal using a strength based approach and providing support for social worker through the provision of a number of forums. We are also introducing making safeguarding personal to ensure that the strengths based approach in echoed in our safeguarding adults work.</p> <p>We continue to keep a watching brief on amendments to the Deprivation of Liberty Safeguards, it is expected that the review will be finalised during 2019.</p> <p>We are also focusing on Modern Day Slavery and in partnership with colleagues in Community Safety are rolling out a specialised training package for staff supported by bespoke guidance to ensure that staff are able to respond appropriately to concerns relating to trafficking and slavery of vulnerable groups.</p> <p>In response to the rising number of safeguarding concerns and deaths involving rough sleepers and homeless people we are ensuring that wherever possible learning from serious cases is embedded in practice. We are also working closely with colleagues in Housing and Community Safety to ensure specific safeguarding concerns relating to individuals who are homeless receive a personalised offer of support in order to minimise risks of harm in the future.</p>	<p>Mental Health Social worker working at the front door' providing immediate response and improved oversight.</p> <p>Working with providers to help viability, and continuing to spread our services between providers.</p> <p>Continuous cycle of placement reviews – within 6 weeks of a new placement, annual review thereafter.</p> <p>Frequent case audits.</p> <p>Practitioner forums looking at quality of work and experience of officers, to obtain feedback and undertake training.</p> <p>Monthly Meeting with those involved in registered care settings including partners in health, CQC and Healthwatch to undertake pro-active provider monitoring. Early stage intervention and escalation.</p> <p>Quality Assurance Framework for Adult Safeguarding is in place. This includes a monthly case file audit and the establishment of a clear set of quality standards for safeguarding work (the safeguarding QA framework)</p> <p>Robust safeguarding adults and mental capacity act policies and procedures are in place and regularly reviewed to ensure they remain consistent with the pan-London Safeguarding Adults procedure and relevant ADASS guidance.</p> <p>Improving connections meetings, focussed support work for the council and our key partners.</p> <p>Constant contract monitoring in-place, commissioners are very well linked to national network.</p> <p>Modern Day Slavery training continues to roll out across the department and council. Ongoing engagement with the Home Office and the Human Trafficking Foundation will ensure Islington remain abreast of all current developments and concerns.</p> <p>There is a dedicated Safeguarding and housing meeting that takes place regularly to ensure the ongoing work agenda remains a priority. Housing and Community Safety are core members of the Safeguarding Adults Board. Islington Council have participated in a 4 borough Safeguarding Adults Review recently into the death of a homeless person and the learning will be disseminated appropriately across the department to reinforce good practice.</p>	<p>There is Longer term ambition to source an IT solution for Mental Health recording. The Mental Health Trust would like to have one recording system for C&amp;I, Camden and Islington councils. Any shared system will need to be agreed by all organisations involved as there are potential risks to LBI in changing our LAS module for a more generic system that meets the reporting needs of all three organisations. On top of the preliminary investigations to assess the appetite and suitability of a shared system the development of any new system will need time to ensure time for testing and bug fixing.</p> <p><b>TARGET COMPLETION: September 2020</b></p> <p>There will be an Audit Safeguarding Adults and Mental Health undertaken by Internal Audit.</p> <p><b>TARGET COMPLETION: By end 2019</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	<p><b>Risk Title</b> New Homes Programme</p> <p><b>Risk</b> Delay or Inability to deliver the New Build Programme, quality, time and cost.</p> <p><b>Cause</b> Resourcing, contractor failure, delay in planning approval, poor resident engagement.</p> <p><b>Consequence</b> Reputational damage, service delivery. Loss of opportunity for residents</p> <p><b>Risk Trend</b> NEW</p>	<p>The target for the new build programme is to complete 550 genuinely affordable homes in this current four-year programme. The new build team provides an update report on performance against the 550 target to the New Homes Board (NHB); the reporting has been improved to give the NHB greater clarity and more detailed information. The programme is currently forecasting to complete 662 social rented homes by the end of the four-year programme; some contingency is built into the programme. In addition to the 550 units Islington was successful in obtaining grant funding from the GLA, this will allow us to 'flip' an additional 131 units which were originally intended for sale, but will now be built for social rent within the current four year financial plan.</p> <p>We have experienced delays to some schemes due to factors outside of our control.</p> <p>There has been some initial slippage in schedule and spend (circa £40m) at the start of the programme. This slippage is mainly due to the environment of operating in the feasibility/pre-commencement stage of individual projects.</p> <p>We conducted a workshop in 2018 to understand the issues with the scheme and to identify improvement actions to help move the programme forward.</p> <p>The removal of the HRA cap by government has provided additional freedom and flexibility providing scope to borrow.</p> <p>The Housing Strategy Group have reviewed the programme, this review focussed on finances, our communications approach and opportunities for building more homes. This group have produced an action plan. The action plan is reviewed at the programme board.</p>	<p>Employed a communications officer to improve resident engagement.</p> <p>Engaged a team of architects to review opportunities for building, reviewing different building techniques.</p> <p>Programme Board (NHB) Chaired by Cllr Ward, provide challenge and oversight. Reporting improved to provide better oversight (strategic information). Quality, schedule, cost. Meet bi-monthly.</p> <p>Programme structure includes contingency. Project Board, Operational focus review all schemes, meet bi-monthly</p>	<p>Funding resource for planning officers</p> <p><b>TARGET COMPLETION: July 2019</b></p> <p>W submitted a bid to the GLA in January 2019 through the Homebuilding Capacity fund to fund more Planning and Development Managers</p> <p><b>TARGET COMPLETION: Announcements in Spring 2019</b></p> <p>Reviewing how the team operates to identify improvements, one of the potential changes include appointing a Service Director for the New Build programme</p> <p><b>TARGET COMPLETION: April 2019</b></p> <p>Develop communications strategy</p> <p>Implement the remaining action plan recommendations.</p> <p><b>TARGET COMPLETION: May 2018</b></p>


Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	<p><b>Risk Title</b> Financial Strategy</p> <p><b>Risk</b> The Council fails to balance the Council's budget over the medium term – including making cash savings.</p> <p><b>Cause</b> Decision making (robust consideration)</p> <p><b>Consequence</b> Immediate – Serious depletion of limited financial reserves reducing financial resilience Longer term – Reduced financial sustainability impacting service delivery</p> <p><b>Risk Trend</b> </p>	<p>The closing position of 2017/18 budget resulted in a reduced overspend of £3.4m down from £9.7m in September following sustained management action across the Council. The 2018/19 budget fully funded the underlying children's demand and cost pressure from 2017-18. All service areas are reporting underspend or breakeven aside from Environment and Regeneration who currently report a slight overspend of £0.5m, this overspend has been brought down by management action taken during the year.</p> <p>We have this year increased our general balances by £2m, to £10m, increasing our financial resilience.</p> <p>Our new 2019/20 Budget report and Medium Term Financial Strategy (MTFS) was presented to the Executive in January with the Council due to approve the final budget on 28 February 2019. Our MTFS for 2019-22 is based on needing to close a revenue gap of c£50m in the next 3 years. We have undertaken an extensive exercise to re-examine every budget line and ensure we are prioritising spend on the right things. This exercise has enabled revenue savings proposals to be proposed for the next three years, these proposals will be managed through Programme Management Office (PMO). The PMO will monitor performance and provide the project management infrastructure for these proposals.</p> <p>The Government will conduct the Spending Review this summer, this review will determine the amount of available finance for local government. The Government is also undertaking the Fair Funding Review. The outcome will determine how funding will be allocated between each Local Authority. Until the outcome of these two events is known there is huge uncertainty over the Council's funding position from 2020/21.</p> <p>It was welcomed that the government announced in the autumn of 2018 the lifting of the Housing Revenue Account borrowing cap. This gives the Council more flexibility to fund the new build housing programme.</p>	<p>The Programme Delivery Board and Programme Management Office provide a programme management approach to monitoring key savings programmes and other financial programmes. The Corporate Management Board and the Executive closely monitor financial performance delivering robust financial monitoring on a monthly basis</p> <p>Society of London treasurers. London Council's and GLA lobbying regarding the outcomes of the Government reviews with Fair Funding consultation submissions due by 21 February 20.</p>	<p>We will respond to the government funding consultations.</p> <p><b>TARGET COMPLETION: 21 February 2019</b> Embedding the PMO, this includes a training programme defined in the P3M training framework, which includes project and risk management training.</p> <p><b>TARGET COMPLETION: September 2019</b></p>


Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
10	2	5	<p><b>Risk Title</b> Safeguarding children</p> <p><b>Risk</b> Ineffective protection of children and parents</p> <p><b>Cause</b> Non-compliance with procedures</p> <p><b>Consequence</b> Significant harm to a child(ren)</p> <p><b>Risk Trend</b> </p>	<p>Actions from 2018/19 all completed</p> <p>There was an Ofsted ' Focussed visit' in April 2018, which focussed on vulnerable adolescents and which found services to be good and children at risk of Child Sexual Exploitation, gang exploitation, going missing etc. to be well safeguarded.</p> <p>There continue to be robust Quality Assurance processes in place, including a twice yearly Practice Week, which is now well embedded and which gives senior managers a real experience of the quality of work on the ground and for practice to be evaluated and understood from the perspective of both staff and children and families. Areas for development identified during practice week are fed into the Quality Assurance Framework action plan. In addition there are monthly Practice and Outcomes Boards involving all relevant senior managers where performance data and information from audits and practice week are coalesced into action planning where this might be necessary.</p> <p>This approach to quality assurance has been praised by Ofsted in a recent Joint Targeted Area Inspection.</p> <p>The Workforce Strategy, in place since December 2016 and progressed via a monthly Recruitment and Retention group has led to a significant reduction in the use of agency staff and strong levels of permanent staff, which in turn creates greater consistency of practice and greater stability for families.</p>	<p><b>Summary of Controls</b></p> <p>Robust Quality Assurance processes in place.</p> <p>Training and development processes in place which give ongoing assurance regarding quality of work and adherence to legal framework</p>	<p>Develop action plan from recent Joint Targeted Area inspection [ held December 2019] and published in January 2019</p> <p><b>TARGET COMPLETION: end March 2019</b></p> <p>Continue to adhere to Quality Assurance Framework and to report regularly to Safeguarding Accountability Meeting and Scrutiny panel as necessary</p> <p><b>TARGET COMPLETION: Ongoing</b></p>
Page 27 10	2	5	<p><b>Risk Title</b> Serious H&amp;S incident in housing</p> <p><b>Risk</b> Serious Health and Safety incident in the council's housing stock</p> <p><b>Cause</b> Non-compliance with statutory duties /regulations</p> <p><b>Consequence</b> Multiple fatalities</p> <p><b>Risk Trend</b> </p>	<p>The Homes &amp; Estates Safety Board continue to meet quarterly to provide reassurance that our measures and systems are robust.</p> <p>We are continuing to work closely with the London Fire Brigade to identify vulnerable residents, this actively helps us to identify those residents that require additional support or equipment.</p> <p>Compliance with fire safety regulations. We continue to deliver fire safety action plan.</p> <p>Braithwaite cladding removed (should be replaced by early summer).</p> <p>Front door upgrades continue and contract for installation of inter-linked alarms in street properties now mobilised.</p> <p>Expanded Polystyrene (EPS) insulation removed from Fyfield and we are in the process of replacing it.</p> <p>Hungerford Road, we are currently specifying the cladding replacement, then will be procuring contractor to undertake work. Waking watch in place to mitigate risk.</p>	<p>Homes &amp; Estates Safety Board provide challenge</p> <p>Ongoing delivery of Fire Safety Action Plan</p> <p>Ongoing Fire Risk Assessment programme, with annual cycle for tall buildings with 'tolerable' rating (rather than every 3 years as per regulations – commitment given post-Grenfell).</p> <p>Fire Risk Assessments for all 126 tall blocks have been completed and published online for transparency.</p> <p>Gas compliancy continues to be very strong – 99.93% at October 18.</p> <p>Front door upgrade programme underway.</p> <p>Contract for installation of inter-linked detection and warning systems in street properties let and mobilised, work expected to start in spring.</p> <p>Liaison with the Ministry of Housing, Communities and Local Government (MHCLG) and London Councils on emerging resident safety issues.</p> <p>Housing Directors Fire Safety Sub-Group – monthly meeting to review actions, include senior staff from the London Fire Brigade (LFB) and MHCLG.</p> <p>Cyclical testing for electrical, asbestos, legionella and construction risks remains on track.</p>	<p>Liaison with LFB and MHCLG to ensure we are on top of emerging issues.</p> <p><b>TARGET COMPLETION: Ongoing</b></p> <p>Engagement with government consultation on delivery of Hackitt recommendations, expected this spring.</p> <p><b>TARGET COMPLETION: June 19.</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	<p><b>Risk Title</b> IT delivery and transformation</p> <p><b>Risk</b> We do not deliver IT projects which will enable/optimize business transformation across the Council</p> <p><b>Cause</b> Insufficient planning/resourcing/funding to deliver the IT strategy.</p> <p><b>Consequence</b> Operation disruption, additional cost, reputational damage</p> <p><b>Risk Trend</b> </p>	<p>We have withdrawn from Shared Digital with effect from 31<sup>st</sup> December 2018.</p> <p>The process of finalising the Shared Digital separation terms through the Transition Board, has largely been completed. The topics to be finalised in 2019 include the completion of the novation of shared contracts, processes for sharing the contracts that remain shared and the financial settlement. The Transition Board will oversee these outstanding items with members from each Council attending. The financial settlement from the 2017/18 financial year has still not been concluded and will impact the timing of the 2018/19 settlement.</p> <p>A new high level IT Strategy has been approved by CMB and a full business plan is now being constructed for approval in March 2019. This document will outline how we plan to rebuild Islington Digital Services as a high performing delivery unit and rebuild the technology infrastructure.</p> <p>The new strategy highlights the need to phase this activity starting with the IT foundations before moving up the value chain to transform our services to residents.</p>	<p>The current controls include the ongoing use of the Information Technology Infrastructure Library (ITIL) service delivery framework to ensure operational services are effective in maintaining the current platforms on which we need to build. In addition, the interim organisational structure (established following the Shared Digital separation) has grouped IT the project managers into a new practice in which more formalised project disciplines have been introduced. This group is sharing the same processes, tools and methodologies as the central PMO to create greater transparency and control.</p>	<p>Our IT Business Plan will be presented to CMB in March, we will then focus on delivery of that plan to improve IT delivery across the Council.</p> <p>The Business Plan includes a functional review of our in-house capabilities; the proposed sourcing arrangements to engage external expertise; and the identification of critical infrastructure that is at or close to end-of-life.</p> <p>To support this, a set of appropriate architectural principles and guidelines will establish the roadmap for the remediation programme. Key roadmap decisions include the adoption of the Microsoft suite of products (including MS Project Server) to enable integration as well as the initiation of an ERP programme to underpin our core HR, Payroll and Finance functions. The budget is still being unravelled from the Shared Digital arrangement but it is clear that there will be budget pressures which will potential limit the rate of progress.</p> <p><b>TARGET COMPLETION: Business Plan approval by end March 2019; infrastructure remediation will be planned subsequently and as resources and funding allows. Completion of all critical (out of support) remediation by August 2020.</b></p>




Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	<p><b>Risk Title</b> Change Programme Delivery</p> <p><b>Risk</b> Failure to implement change projects</p> <p><b>Cause</b> Capacity, financial challenge, governance, project management.</p> <p><b>Consequence</b> Change activity faces delay, declining quality and cost escalation, financial/other benefits are not met in full.</p> <p><b>Risk Trend</b> NEW</p>	<p>Our MTFS is based on the realisation of a number of savings proposals, these proposals will be managed through our Programme Management Office (PMO). The PMO sits within the Chief Executive's office. The PMO is now been formed with all Corporate Directors taking responsibility for the delivery of change and transformation within their own directorates.</p> <p>A PMO Design and Compliance and Programme Delivery Board meet fortnightly in order to develop and review the governance structure of the PMO.</p> <p>The Programme Delivery Board is also established and meets fortnightly. All new business cases for change go through these boards to provide technical sign off on new initiatives and receive some corporate challenge to ensure the proposals are realistic and the benefits are deliverable.</p> <p>From March, each key programme or project will be monitored at the appropriate level, be it DMT for departmental initiatives or the relevant board for cross cutting initiatives. Highlight reports will be provided to PDB, and then onto CMB for review with appropriate escalation where benefits are considered at risk.</p>	<p>Programme Delivery Board – provides challenge and oversight of the savings proposals. Design and Compliance Authority Board – Provides challenge and ensures good governance for the PMO activities.</p>	<p>Continued embedment of the PMO <b>TARGET COMPLETION: Ongoing</b> The above includes a training programme defined in the P3M training framework, which includes project and risk management training Training Programme now underway, with first masterclasses delivered. Communications to go round on the online training module in the week of 25/2/19. Introducing Office Project Online, to support governance and management process <b>TARGET COMPLETION: Mandate for investment will go to Programme Delivery Board in March, and if agreed will aim for implementation in June</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
8	2	4	<p><b>Risk Title</b> Welfare Reforms</p> <p><b>Risk</b> Cannot efficiently collect rent following introduction of Universal Credit (UC) when housing support is paid directly to the claimant. Evictions and homelessness may also increase.</p> <p><b>Cause</b> Government policy</p> <p><b>Consequence</b> Vulnerable residents to significant new financial hardship.</p> <p><b>Risk Trend</b> </p>	<p>Welfare reforms present a major 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 (June 2018) will impact the poorest residents, and are expected to lead to higher levels of rent arrears alongside the risk of greater financial hardship for vulnerable residents. There will also be a higher demand for advice services provided at our Customer Centre or by the Council funded Advice Alliance.</p> <p>Analysis has been carried out to identify affected residents, provide them with support in claiming UC, and to get back to work. We are instigating alternative payment arrangements so that housing support can continue to be paid directly to the landlord. Evidence shows that those who have moved over already to Universal Credit have significantly higher levels of rent arrears than previously and in comparison to other tenants in arrears.</p> <p>We continue to work closely with early adopter local authorities and pilot landlords/authorities to learn from their experiences and have planned further training for frontline staff next year as part of a rolling programme for staff.</p>	<p>Programme of support for residents, identifying most vulnerable and tailoring our support accordingly.</p> <p>We have reduced caseload/patch sizes for officers and are working more closely with VCS organisations in providing budgeting and access to employment advice and food bank support/advice. Use of analytical data to identify those most at risk from transferring to Universal Credit</p> <p>We have convened a joint member and senior officer group to ensure the council was fully prepared for the introduction of UC Full Service from June 2018</p> <p>Co-ordinated cross-council response in conjunction with key external partners. Continue to disseminate key messages to residents and frontline staff about our approach and support in respect of UC</p> <p>Support the scrutiny review of UC by Policy and Performance Committee</p> <p>Monitor rent arrears, offer of alternative payment arrangements and provide advice service demand</p> <p>Formal and ongoing liaison with Depart of Work and Pensions (DWP) to discuss UC roll out and issues.</p>	<p>We are working to introduce direct debit payment options for our tenants across the month and staff have been trained as Digital Champions, which will include support to those who require it to navigate Universal Credit.</p> <p><b>TARGET COMPLETION: January 2020</b></p> <p>Develop further UC and refresher training rolling programme.</p> <p><b>TARGET COMPLETION; July 2019</b></p> <p>Reviewing our triage model at 222 Upper Street, along with our personal budgeting and digital support (in conjunction with DWP and Citizens Advice).</p> <p><b>TARGET COMPLETION: August 2019</b></p> <p>Scrutiny of Housing Benefit data through Policy in Practice to identify those most at risk from migration to UC, including families with children turning 5.</p> <p><b>TARGET COMPLETION: May 2019</b></p> <p>Liaison with partners organisations ongoing including engagement with pilots and lessons learned' events.</p> <p><b>TARGET COMPLETION: Service development roll out 2019/20.</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
8	2	4	<p><b>Risk Title</b> Health and safety</p> <p><b>Risk</b> Significant Health and Safety Incident</p> <p><b>Cause</b> Non-compliance with policies procedures</p> <p><b>Consequence</b> Life Changing injury, fatality compromising the safety and wellbeing of service users, public or the workforce, potential enforcement action.</p> <p><b>Risk Trend</b> </p>	<p>The Health and Safety Executive (HSE) are currently investigating an alleged occupational illness and the Council's management of vibrating tools. Depending on the outcome of their investigation, this could give rise to enforcement action and potential financial penalties.</p> <p>Employees with complex needs - Processes are being reviewed by Health and Safety in conjunction with HR. Review is actively looking at improving the 'on-boarding process', to ensure that personal emergency evacuation plans, specialist equipment and staff training which may be required to safely evacuate a member of staff are in place at the earliest opportunity. Lessons learned from a recent employment tribunal will also be incorporated into the review.</p> <p>Legionella audit completed, incorporating Housing, Workplaces, Schools and Leisure Centres. Currently awaiting issue of the final report.</p> <p>Fire Safety audit of Council workplace buildings completed in January 2018. Key recommendation in relation to recording of Fire Risk Assessments (FRA) almost closed with introduction of new IT system. Recommendation for fire safety training is ongoing.</p> <p>Occupational Health and Safety Management System document is currently being reviewed/updated in conjunction with the Health and Safety Policy.</p> <p>Children's services audit completed in March 2018 and recommendations are currently being implemented.</p>	<p>Regular auditing of schools continues.</p> <p>Drug and Alcohol testing continues (random testing) for council employees and agency workers in safety critical roles.</p> <p>Annual reviews of Corporate policy, regular review of other Health and Safety policies.</p> <p>Health and Safety training included in corporate induction.</p> <p>Annual report to CMB (estimated May 2019)</p>	<p>Audit arranged with British Safety Council to review the Council's health and safety management arrangements.</p> <p><b>TARGET COMPLETION: April/May 19.</b></p> <p>Working group (HR and H&amp;S) reviewing on-boarding process to ensure staff with complex needs are adequately provided for.</p> <p><b>TARGET COMPLETION: June 19.</b></p> <p>Asbestos module testing to be completed.</p> <p><b>TARGET COMPLETION: August 19.</b></p> <p>Health and Safety policy to be reviewed and presented to CMB</p> <p><b>TARGET COMPLETION: May 19.</b></p> <p>Annual health and safety performance report to CMB.</p> <p><b>TARGET COMPLETION: May 19.</b></p> <p>Audit of D&amp;T audit in secondary schools to be commissioned in the next academic year</p> <p><b>TARGET COMPLETION: expected start in September 2019.</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
8	2	4	<p><b>Risk Title</b> Contract Management</p> <p><b>Risk</b> Significant contractor failure/contractors failing to deliver within the agreed parameters (Quality, cost and schedule)</p> <p><b>Cause</b> Ineffective/Non-compliance with corporate contract management procedure</p> <p><b>Consequence</b> Service disruption, reduced quality of service, additional financial burden</p> <p><b>Risk Trend</b> NEW</p>	<p>Internal Audit have completed a review of the strategic arrangements in place to oversee the Council's contracting with third parties. A deep-dive of operational contract management procedures was undertaken to provide evidence over the design and operation of controls at service-level, with particular regard to managing business disruptions, third-party processing of personal data, compliance with regulatory requirements and safeguarding of service users.</p> <p>We have seen an increasing number of third party provider failures, these failures have been a mixture of both financial and quality concerns. We were unaffected by the largest commercial contractor collapse, however we have experienced a recent example of provider failure within Adult Domiciliary Care, this prompted a cross council response to successfully mitigate and ensure continuity of service for residents.</p> <p>In view of these concerns and the findings of the audit report we have instigated a refresh of the corporate approach to contract management.</p> <p>Contract management is undertaken within each service by in-service contract managers. We are in the process of improving the corporate governance around this function to improve quality, discussion, control and consistency of contract management. The role of contract management will remain within services. Telephone support will be available from trained officers in Strategic Procurement. New and updated best practice guidance and templates are being added to the end of Procurement Toolkit. The Commissioning and Procurement Board have requested that Supply Chain Practitioners Group refresh the corporate governance for contract management.</p> <p>The refresh of this guidance will be thorough and include areas such as guidance on monitoring financial stability, risk management and improving supply chain understanding.</p>	<p>Corporate governance guidance exists for use by contract managers. Commissioning and Procurement Board to provide direction and oversight on all supply chain matters.</p> <p>The Supply Chain Practitioners Group (SCPG) – are responsible for improving and sharing best practice on operational supply chain matters, including contract management</p> <p>Training and advice is available ad hoc on specific contract management issues through procurement.</p>	<p>Implementing audit recommendations, this includes: Reviewing above guidance, Strategic Contract Management provision (toolkit standard guidance and documents).</p> <p><b>TARGET COMPLETION: Finished by end 18/19 financial year</b></p> <p>Allocating a Senior Manager and Manager under the Head of Service to provide Strategic Contract Management advice and contract financial assurance (operational contract management to remain within services).</p> <p><b>TARGET COMPLETION: End of quarter one 2019/20</b></p> <p>Strategic Procurement facilitating and co-ordinating under the SCPG actions to obtain best practice across the organisation and develop this into guidance, forms and templates for use at the end of the Procurement Toolkit.</p> <p><b>TARGET COMPLETION: End of quarter one 2019/20</b></p> <p>Commissioning and Procurement Board – To identify a schedule of contracts from which to receive/challenge information on contract management by Commissioning and Procurement Board.</p> <p><b>TARGET COMPLETION: Compile list by end Q1 and commence review in Q2.</b></p> <p>Commissioning and Procurement Board – To review contracts over £500k p/a where there are points of optional extension for justification of action to be taken.</p> <p><b>TARGET COMPLETION: Done in conjunction with above.</b></p> <p>Providing training to ensure new guidance is understood</p> <p><b>TARGET COMPLETION: Roll-out planned Q2 2019/20 financial year.</b></p>

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
4	2	2	<p><b>Risk Title</b> Serious Fraudulent Activity</p> <p><b>Risk</b> Serious Fraud or corruption</p> <p><b>Cause</b> Lack of adequate governance arrangements including key controls.</p> <p><b>Consequence</b> Financial and Reputational damage.</p> <p><b>Risk Trend</b> </p>	<p>The Internal Audit, Risk and Investigations team is resourced to undertake reactive fraud investigations and continues to work with services to identify and mitigate fraud.</p> <p>The Fraud Forum is being refreshed and Chaired by the Head of Income and Home Ownership following the departure of the previous Director of Housing. The forum is reviewing the implementation plan and terms of reference to ensure they are fit for purpose and deliver operational benefits, the review is needed as the previous approach did not deliver the expected operational benefits.</p> <p>Fraud training has been developed and tested and is awaiting roll-out, we have encountered some operational issues with host system which has delayed the release of the training. .</p> <p>The whistleblowing policy has been updated and is currently in the process of Audit Committee approval.</p> <p>Our participation in the London Counter Fraud Hub (LCFH) pilot has progressed, we have attended a number of workshops and provided feedback to CIPFA throughout the testing phase. Other local authorities are currently being asked to express a commitment to join the hub</p>	<p>Internal Audit and Corporate Investigations work closely ensuring that intelligence is shared, support the identification of fraud risks. Internal Audit and Investigations also work jointly on some investigations to ensure that Internal Audit are able to make recommendations to enhance controls and prevent recurrence of fraud.</p> <p>Corporate Investigations stay abreast of fraud alerts and fraud risks.</p> <p>A robust Anti-Fraud strategy and whistleblowing policy is in place.</p>	<p>Refreshing the terms of reference and reporting route for Fraud Forum in March 2019 to ensure the forum' benefits are clearly defined and delivered.</p> <p><b>TARGET COMPLETION: Summer 2019</b></p> <p>Review the resourcing of the Corporate Investigations with a view to potentially increasing resource to improve our ability to pro-actively manage fraud.</p> <p><b>TARGET COMPLETION: Summer 2019</b></p> <p>HR to roll-out fraud training.</p> <p><b>TARGET COMPLETION: Summer 2019</b></p> <p>LCFH provides alerts of potential fraud for our further investigation.</p> <p><b>TARGET COMPLETION: Ongoing as alerts come in</b></p>

PAPER ENDS  
Page 33

This page is intentionally left blank



**Finance**  
**7 Newington Barrow Way**  
**London N7 7EP**

**Report of: Corporate Director of Resources**

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Ward(s)</b>
Audit Committee	11 <sup>th</sup> March 2019	-	All

## **SUBJECT: 2019-20 Internal Audit Plan**

### **1. Synopsis**

- 1.1. The Council has a statutory duty to maintain an adequate and effective internal audit function. The Internal Audit, Investigations and Risk Management service provides this function.
- 1.2. Our primary objective is to offer the Council (via the Audit Committee), an independent and objective appraisal of whether objectives are being met. We also provide advice and guidance to management on risk and control issues within individual processes. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the authority. In 2019-20, the audit plan will need to be particularly flexible to provide most value to services that are undergoing significant levels of change.
- 1.3. The plan attached at Appendix A details the work to be undertaken by the Internal Audit in 2019-20 to deliver this objective.

### **2. Recommendations**

- 2.1 Committee is asked to approve the 2019-20 Internal Audit Plan.

### **3. Background**

- 3.1 The 2019-20 plan was drafted from a number of sources including the Council's principal risk report (as at January 2019), an Internal Audit risk assessment, audit plans of other local authorities, intelligence

from previous audits/fraud investigations, and CIPFA good governance guidelines. The Internal Audit risk assessment and consultation process to arrive at the plan was derived as follows:

- A list of all auditable systems was identified;
- Auditable areas were evaluated against risk criteria (including previous audit outcomes), and then ranked;
- Plans for each department were considered and approved by DMTs in January and February 2019;
- CMB is being asked to approve the consolidated plan in February 2019, ahead of Audit Committee's approval in March 2019.

3.2 The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the Internal Audit service. Changes to the annual plan may be necessary during the year to reflect changing risks.

3.3 Planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. The timing of each follow up review is agreed with the client for the original audit. We report summary findings of all internal audit work as well as levels of implementation of agreed actions to the Audit Committee. Follow up outcomes will also have an impact on our risk assessment of a particular area.

## **4. Implications**

### **4.1 Financial implications:**

There are no specific financial implications associated with this report. The Audit Plan has been drawn up in light of available resources. The financial implications of individual audit and investigation reports are discussed with managers through the audit reporting protocols.

### **4.2 Legal Implications:**

The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards 2017 provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

### **4.3 Environmental Implications:**

There are no environmental implications.

### **4.4 Resident Impact Assessment:**

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

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

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



## Appendices

### Appendix A – 2019-20 Draft Internal Audit Plan

Final report clearance:

Signed by :



Service Director - Financial and Asset  
Management (S151 officer)

14 February 2019

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

Email:

[nasreen.khan@islington.gov.uk](mailto:nasreen.khan@islington.gov.uk)

Financial Implications Author: Mohammed Sajid

Email:

[Mohammed.Sajid@islington.gov.uk](mailto:Mohammed.Sajid@islington.gov.uk)

Legal Implications Author: Peter Fehler

Email:

[Peter.Fehler@islington.gov.uk](mailto:Peter.Fehler@islington.gov.uk)

**PAPER ENDS**

This page is intentionally left blank

**2019-20 DRAFT INTERNAL AUDIT PLAN**

\* Denotes a principal risk

**1. CORPORATE / CROSS-CUTTING**

Number	Audit title	Indicative scope	Planned Quarter	Days
CC19-1	Landlord Duty of Care *	Carried forward from 2018-19 (this review is in progress and will conclude in Q1). Review of the Council's arrangements for ensuring compliance with Health & Safety requirements across its property portfolio. The review will primarily focus on the controls and processes for the undertaking and tracking/monitoring of actions included Fire Risk Assessments.	Q1	20
CC19-2	Programme Management Office (PMO) *	Ongoing assurance to the Council's newly created PMO and follow up of recommendations made in the 18/19 Programmes and Transformation review commissioned by the Council's Audit Committee. The review will focus on overall governance and project delivery.	Q3	20
CC19-3	Savings Programme *	Risk based review of key programme objectives.	Q3	20
CC19-4	Cyber Security *	Cross-cutting review of the Council's Cyber Security arrangements. Scope to be refined in year and to focus on high risk areas as identified within the Principal Risk Report.	Q2	20
CC19-5	Brexit*	Extended follow up of recommendations made in 18-19 and ongoing IA support	All	20

CC19-6	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks.	All	20
CC19-7	Fraud support	Internal Audit input into the reactive investigations to be undertaken in-year.	All	20
CC19-8	Annual governance statement and audit plan production	Preparation of the Council’s Annual Governance Statement and audit plan.	Q4	10
CC19-9	Follow ups	Follow up of recommendations made in 18-19	All	75
			<b>Total Days</b>	<b>225</b>

## 2. RESOURCES

Number	Audit title	Indicative scope	Planned Quarter	Days
FR19-1	Continuous Audit Monitoring (CAM)	Review of 5 key financial systems in line with the rolling CAM plan.	Q4	50
FR19-2	Right to Work Vetting Arrangements	Risk based review of the Council's processes and controls for undertaking, recording, verification and monitoring 'right to work' checks in accordance with legislative requirements. Review to cover controls surrounding right to work checks for internal staff, agency staff, contractors and voluntary sector organisations.	Q3	20
FR19-3	Electoral Services Review	Risk based review surrounding governance arrangements and key controls.	Q3	20
FR19-4	IT Application Review	Key controls testing, including a deep-dive into one IT application. Focus on key controls and risks related to availability, integrity, confidentiality and accountability.	Q3	20
FR19-5	IT Review – Systems out of support	Review of key controls surrounding isolated systems.	Q3	20
FR19-6	IT Review – Digital Strategy	Risk based review of the Council's digital strategy	Q2	20
			<b>Total Days</b>	<b>150</b>

### 3. PEOPLE

Number	Audit title	Indicative Scope	Planned Quarter	Days
PS19-1	Placement Commissioning 16-17 year olds*	Carried forward from 2018-19 (this review is in progress and will conclude in Q1 19-20). Cross-cutting review with Adult Social Care. To review the Council's commissioning processes for Looked After Children and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint Commissioning Policy. To also include a review of the effectiveness of assessment/placement processes, budget monitoring and/or contract management.	Q1	10
PS19-2	Youth Offending/ Youth Crime *	Programme review of the governance arrangements in place surrounding the Council's strategy to tackling youth offending/youth crime. Scope to provide assurance surrounding controls and mitigating actions included against this principal risk.	Q3	20
PS19-3	Schools' Monitoring*	Carried forward from 2018-19 (this review is in progress and will conclude in Q1 19-20). Risk based review of the financial management and HR services provided to schools. Scope to focus on monitoring arrangements in place to ensure that schools remain compliant with the Council's finance and HR policies and procedures.	Q1	10
PS19-4	High Needs/ SEN Children's Placements	Risk based review of the controls in place surrounding high-needs children's placements. Scope to include monitoring and reporting of high cost care placements / packages.	Q3	15
PS19-5	Direct Payments	Risk-based review of the effectiveness of controls in place to mitigate key risks relating to the assessment, payment, management and monitoring of Direct Payments for Adults and Children.	Q2	20

Number	Audit title	Indicative Scope	Planned Quarter	Days
PS19-6	Domestic Violence *	Risk based review of the effectiveness of the controls in place to mitigate the key risks surrounding intervention and support services, safeguarding, relationships with key partners and intelligence gathering (including trend analysis and early identification and intervention).	Q3	15
PS19-7	School establishment reviews	Risk based review of 6 schools	Q1 to Q4	42
CS19-8	Stronger Families	Islington has been granted Earned Autonomy by MHCLG, which means that it has moved away from the payment by results arrangement, allowing the Council to use more up-front investment to embed better ways of working. The details of the arrangement are agreed through an individual memorandum of understanding between MHCLG and the Council. Scope will be refined in year to focus on high risk areas.	Q4	10
			<b>Total Days</b>	<b>142</b>

### 3. ENVIRONMENT AND REGENERATION

Number	Audit title	Indicative Scope	Planned Quarter	Days
ER19-1	CCTV Monitoring	Risk based review surrounding the Council's operation of CCTV systems, to ensure compliance with relevant legislation and policies and procedures. The review will also consider the communication protocols between various services across the Council.	Q3	20
ER19-2	Parking Services	Carried forward from 2018-19 (this review is in progress and will conclude in Q1 19-20). Risk based review focussed on key controls. To include review of	Q1	20

Number	Audit title	Indicative Scope	Planned Quarter	Days
		effectiveness of the governance arrangements surrounding compliance with legislative requirements.		
ER19-3	Emergency Planning / Response *	Risk based review of the governance framework, internal controls and processes in place for responding effectively to a disruptive event within the community within a suitable timeframe.	Q2	20
ER19-4	S106	Risk based review surrounding the Council's arrangement for managing and monitoring S106 obligations in accordance with Council policy and legislation.	Q3	20
			<b>Total Days</b>	<b>80</b>

#### 4. HOUSING

Number	Audit title	Indicative scope	Quarter	Days
HASS19-1	Home-build Programme*	Risk based review focussing on key programme objectives. The review will focus on programme assurance and the scope will be agreed in year to avoid duplication with areas reviewed by Scrutiny Committee.	Q3	20
HASS19-2	TMOs *	Risk based review of four TMOs. On conclusion of 2019-20 TMO work, a 'common findings/lessons to be learned' paper will be produced for sharing across all TMOs	Q1 to Q4	25
HASS19-5	Voluntary Sector Organisation	Risk-based review of VSO monitoring arrangements. To include a visit to one VSO.	Q3	15
			<b>Total Days</b>	<b>60</b>

#### 5. PUBLIC HEALTH



Ref	Audit title	Indicative scope	Planned Quarter	Days
PH19-1	Public Health	Risk based review based on risk assessment conducted in-year.	Q2	20

APPENDIX ENDS

This page is intentionally left blank



**Report of: Corporate Director of Resources**

<b>Meeting of:</b>	<b>Date:</b>	<b>Ward(s):</b>
Audit Committee	11 <sup>th</sup> March 2019	All

		Non-exempt
--	--	------------

## **SUBJECT: Follow Up Report – Street Environment Services (SES) Overtime**

### **1. Synopsis**

- 1.1 This report presents follow up outcomes of the Internal Audit review of SES overtime.
- 1.2 Findings of the original audit were reported to Audit Committee in January 2019 and Committee requested an update on follow up action at the next meeting in March 2019.

### **2. Recommendations**

- 2.1 Committee is asked to note the report.

### **3. Background**

#### **3.1 Appendix A includes :**

- A follow up memorandum presenting summary outcomes of the follow up including overall level of implementation of recommendations;
- A follow up action plan outlining detailed findings of the follow up review.

## 4. Implications

### 4.1 Financial implications:

The programme of work has been met from within the existing Internal Audit revenue budget. The financial implications of the implementation of individual audit recommendations are met by the local service budget.

### 4.2 Legal Implications:

There are no known legal implications arising from the recommendations in this report.

### 4.3 Environmental Implications

There are no environmental implications.

### 4.4 Resident Impact Assessment:

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

## 5. Reason for recommendations

- 5.1 This report indicates action taken to implement audit recommendations and consequently enhance the control and governance environment. Committee is asked to note the action taken by service management to implement audit recommendations.

## Appendices

- **Appendix A – Follow Up Memorandum – SES Overtime**



Signed by:

Service Director - Financial and Asset  
Management (S151 officer)

Date: 27 February 2019

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

Email:

[nasreen.khan@islington.gov.uk](mailto:nasreen.khan@islington.gov.uk)

Financial Implications  
Author:

Mohammed Sajid

Email:

[Mohammed.Sajid@islington.gov.uk](mailto:Mohammed.Sajid@islington.gov.uk)

Legal Implications Author:

Peter Fehler

Email:

[Peter.Fehler@islington.gov.uk](mailto:Peter.Fehler@islington.gov.uk)

**PAPER ENDS**



## LB Islington Audit Committee – March 2019

### Follow Up of Street Environment Services – Overtime

#### Appendix A

### CAMDEN & ISLINGTON SHARED INTERNAL AUDIT SERVICE FOLLOW UP MEMORANDUM

#### SUBJECT: Follow Up - Street Environment Service – Overtime 2018/19

#### **Background**

This memorandum presents the outcomes of our recent follow up review of Overtime (Street Environment Service). The original review was completed in October 2018 and attracted a 'No Assurance' rating. The original review focussed on the following areas:

- Overtime: Policy and Procedures,
- Contracts of Employment,
- Authorisation of Overtime,
- Management Information, and
- Compliance with the Council's Alcohol and Drugs policy.

A follow up review, to assess the level of implementation of recommendations, was undertaken in February 2019.

#### **Summary Outcomes**

The original report made 9 recommendations (7 high priority and 2 medium priority) which were fully accepted by management. Based on the discussions held with management and evidence reviewed during the follow up audit, we have noted that 5 recommendations (4 high priority and 1 medium priority) have been implemented and 4 recommendations (3 high priority and 1 medium priority) partially implemented. Outstanding actions were as follows:

1. The 'Capita Staff Management System'- The Working Time Directive Module will be operational by the end of February 2019,
2. Refuse & Recycling/Street Cleansing - The Working Time Directive Module will be operational by the end of February 2019,
3. Street Environment Services restructure – Implementation of a new structure by June/July 2019,
4. Overtime - The Working Time Directive Module will be operational by the end of February 2019.

The follow-up action plan detailing outcomes of our follow up review is attached below and has been agreed with Tony Ralph, Head of Street Environment Services, and John Mootealoo, Principal Performance Manager.

The original audit attracted a 'no' assurance rating. While a full audit would need to be undertaken to 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 significantly improved and is indicative of 'limited assurance. We will undertake a further follow up in summer 2019 to assess the level of implementation of outstanding actions.

Yours sincerely,

**Nasreen Khan**  
**Head of Internal Audit, Investigations and Risk Management**



## Overtime (Street Environment Service) – Follow Up Action Plan

Original audit date: October 2018

Follow up date: February 2019

	Matters Arising	Recommendations	Priority	Management Response and agreed actions	Follow Up Outcomes
1.	<p>Street Environment Services (SES) use an MS Access Database called 'Head Count' to record hours worked, including overtime. Our examination of 'Head Count' identified a number of functional deficiencies which work to undermine its effectiveness as a work management system. The deficiencies identified include:</p> <ul style="list-style-type: none"> <li>Inability to record actual start and finish dates and time of attendance.</li> <li>Inability to facilitate pre and post approval of overtime.</li> <li>No functional capacity to identify and flag the input of invalid work patterns, such as those relating to night duty, normal contractual hours, Sunday working, and planned and voluntary overtime.</li> <li>Inflexibility of the Headcount database as a management reporting tool.</li> </ul> <p>Our audit noted that SES management have been aware</p>	<p>It is recommended the responsible officer should ensure that the proposed replacement system for 'Head Count' has the following functionality:</p> <ul style="list-style-type: none"> <li>The ability to record attendance for each operative/officer,</li> <li>Enables actual hours worked to be analysed by type e.g. normal day, night shift, contractual hours, Saturday, Sunday,</li> <li>Promotes workflow management based on agreed shifts and rotas,</li> <li>Records staff leave by type, such as annual leave, rest days, flexi leave,</li> <li>Identifies unallocated shifts which require additional resource, and records the source of the additional resource, i.e. whether allocated to Council staff or agency workers,</li> <li>Pre and post-authorisation of overtime,</li> </ul>	<p>● High</p>	<p><b>Agreed: Yes</b></p> <p><b>Action to be taken:</b> A new cloud base system 'Capita Staff Management System' will be implemented, allowing staff to complete digital timesheets which will record start and finish times, leave, and enable pre and post authorisation of overtime. It will also be capable of producing reports detailing staff work patterns and other management information, including reports for audit purposes. The system is currently being configured with planned launch date 3<sup>rd</sup> December 2018. The system will also identify agency requirements and usage.</p> <p>The Capita system will run in parallel with the existing system for two months to allow any teething issues to be resolved before running fully live from April 2019.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal</p>	<p><b>Partially Implemented</b></p> <p>Internal Audit was shown the new 'Capita Staff Management System' and how it operates. The new cloud based system, 'Capita Staff Management System' is operational, but is running in parallel with the existing system to ensure that the management information produced is robust. The new system will be fully implemented by 1<sup>st</sup> April 2019.</p> <p>All SES operatives have been issued with a mobile phone, which has an App installed. (ICollect). The operation of the App was demonstrated to Internal Audit on a mobile phone. The output was seen on screen and copies of the reports "not clocked in" and "clocked in late, left early" were provided as evidence. The App has the facility for all SES operatives to record their exact start and finish times as well as</p>

	<p>of 'Headcount's' limitations for some time, and at the time of the audit SES were in the process of procuring a dedicated electronic workforce management system. The new system is expected to provide accurate, real-time data via the use of GPRS technology and fingerprint/iris recognition entry systems.</p>	<ul style="list-style-type: none"> <li>• Flexible and effective management information that meets management needs, and enables effective monitoring</li> <li>• Enables the export of data in different formats e.g. excel.</li> </ul>		<p>Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> December 2018.</p>	<p>any breaks during the working day. The record of start and finish times is immediately available on the new system and is monitored by operational managers and the performance team every day.</p> <p><b>Outstanding action:</b> The Working Time Directive Module is yet to become operational.</p> <p><b>Responsible officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Implementation date:</b> End February 2019</p>
2.	<p><b>Budgetary Control</b></p> <p>Internal Audit met with the Principal Accountant who believes that the budget setting for 2017/18 was unreliable as a measure of expected spend in Street Environment Service. The main cause was that salary estimates do not reflect shift patterns and overtime payments, and that the budget was based on a 5 day, 35-hour week, rather than reflecting the 7-day nature of the service; where weekend and late shift work attract different pay rates.</p> <p>Following discussion with the Cleaner Streets Programme</p>	<p>It is recommended the responsible officer liaise with Finance Services, who are responsible for setting budgets, to ensure that:</p> <ul style="list-style-type: none"> <li>• Budgets are accurate and based on sound service data, reasonable assumptions, and are reflective of service needs,</li> <li>• Monthly budget monitoring reports enable effective monitoring, and include projections of overspends, so that SES Management are provided with early warning of potential overspends. This will allow remedial action to be taken</li> </ul>	<p>● High</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b> E&amp;R Finance are in the process of developing a zero-based budget for the service, in conjunction with Matt McGinley, a Principal Accountant from Finance Services, which will be reviewed and approved by the Service Director. The budget will be monitored via monthly budget meetings which will be attended by the Budget Holder, Head of Service and the Service Director.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street</p>	<p><b>Implemented</b></p> <p>Internal Audit were advised by the Head of Street Environment Services that a zero based budget has been implemented. We were supplied with a spreadsheet, 'latest ZBB and hours view' that had been prepared by the Principal Accountant to confirm. Budget monitoring meetings are held with Group Managers on a weekly basis. The Head of Service meets with the Principal Accountant at least once every 2 weeks and the Service Director holds regular monthly meetings to discuss and monitor the budget at a</p>

<p>Manager we noted that 20 operatives actually work 28 hours but are paid 35 hours. This difference is because the operatives cover weekend work.</p> <p>Our review of Refuse/Recycling (NT581), Street Cleansing (NT582) and Workshop (NT585) cost centres identified significant overspends at year-end against the original 2017/18 budget. The extent of these overspends is as follows:</p> <p>NT581 £2,387,977 (124%)  NT582 £1,069,078 (117%)  NT585 £681,711 (149%)</p> <p>Agency workers provided by Cue Personnel undertake duties for both Refuse and Street Cleansing. However, we noted that the hours charged by Cue were not correctly allocated to the relevant service and were being charged to one cost centre only, namely Refuse &amp; Recycling.</p> <p>We noted that Finance has prepared a salary budget for 2018/19, which is more reflective of expected spend. Furthermore, Cue Personnel has agreed in future to identify the service areas on their invoices, which should improve the accurate allocation of costs to service areas.</p>	<p>in a timely manner.</p>		<p>Environment Services.</p> <p><b>Target Date:</b> November 2018</p>	<p>high level. The Head of Street Environment Services produced his 'Outlook Calendar' to evidence the Budget meetings</p> <p>Budget monitoring provided for SES by Matt McGinley, Principal Accountant for 2018/2019 to period 10, shows the following cost reductions in overtime and agency cost based costs up to period 10 in the previous financial year.</p> <ul style="list-style-type: none"> <li>a. Overtime - £164,000</li> <li>b. Agency - £309,000</li> </ul> <p>A dashboard of reports is produced by the Performance Team on a fortnightly basis from a number of different systems. The latest copy of the dashboard was provided to Internal Audit. The reports consist of a Service overview which is RAG rated. Further reporting within the dashboard, drills down into individual functions within the Service to provide a complete picture of Service performance. The reports are taken by the Head of Street Environment Services to the Senior Management Team meeting every fortnight.</p>
<p>3. <b>Refuse &amp; Recycling/Street</b></p>	<p>It is recommended that the responsible officer should</p>	<p>●</p>	<p><b>Agreed:</b> Yes</p>	<p><b>Partially Implemented</b></p>

<p><b>Cleansing</b></p> <p>The attendance records maintained for operational workers in both Refuse &amp; Recycling and Street Cleansing is limited to a basic 'In' or 'Out' status. Start and leave times are not recorded which means that it is not possible to cross check attendance to the shifts that have or are claimed to have been worked.</p> <p>Individual workers are allocated to a rota sheet via Headcount. Supervisors are required to confirm worker's attendance or other changes by ticking off the rota sheet at the start and end of each shift.</p> <p>At the end of shifts the rota sheets are input on to Headcount by the Operation Administration Support team.</p> <p>We found that the paper rota sheets are shredded the month following payroll processing. As a consequence, we were unable to test and validate whether shifts had been worked and whether the hours worked and overtime claimed were reasonable and accurate.</p> <p><b>Workshop</b></p> <p>The workshop maintains</p>	<p>ensure that the proposed digitisation of attendance and workflow management enables effective record keeping of attendance. This should be based on the following requirements:</p> <ol style="list-style-type: none"> <li>Real-time attendance recording</li> <li>Fingerprint / iris recognition entry system to prevent personation</li> <li>Mobile tracking</li> <li>Effective scheduling and workload allocation functionality, ensuring that the right employees are allocated to the right job.</li> <li>Comprehensive, effective and timely management information and reporting, including dashboards for attendance, absences, Working Time Directive compliance and overtime reports.</li> </ol> <p>Pending the introduction of a new attendance and workflow management system, paper rota sheets should be retained to provide an effective audit trail for overtime worked by operatives. HMRC recommends that pay records be retained for three years. SES Management should liaise with the Council's Information Management and Payroll teams to ensure compliance with HMRC</p>	<p>High</p>	<p><b>Action to be taken:</b></p> <p>The new cloud base system 'Capita Staff Management System' will be implemented in December 2018 and will include</p> <ol style="list-style-type: none"> <li>Real time attendance recording, replacing the current Headcount system,</li> <li>Hellotracks; a GPRS monitoring system, will be used for all staff, enabling staff to be tracked and located.</li> <li>Capita system will allocate staff to the correct schedules</li> <li>Working Time Directive compliance and driver hours will be programmed in to Capita system.</li> </ol> <p>Currently, paper records cease to be used with all attendance details stored on the 'Headcount' system negating storage of paper copies and reports output related to attendance as and when required.</p> <p>The feasibility of introducing a 30-minute threshold for overtime claims will be discussed with the Service Director Public Realm.</p>	<p>The Head of Street Environment Services confirmed that the new cloud based system 'Capita Staff Management System' was implemented in December 2018.</p> <p>Internal Audit was shown the new 'Capita Staff Management System' and how it operates.</p> <p>We were advised that the 'Headcount' system is still in use, but is working in conjunction with 'Capita Staff Management System' until the new system goes live in April 2019.</p> <p>Real time attendance of all operatives is captured with the use of the ICollect App on their mobile phones, using a 'click in, click out' system. Once an operative 'clicks in', the system will record the exact time and location of when and where work commenced. Internal Audit was shown how the App works and were given reports that are produced from the system</p> <p>The Performance Team monitor reports produced from the Capita system such as "not clocked in" and "clocked in late, left early" to ensure compliance</p>
---	---	-------------	---	--

<p>attendance sheets that clearly record the times of attendance. Detailed examination of these revealed</p> <ul style="list-style-type: none"> <li>• Mandatory lunch breaks have not been recorded and as a consequence long working days of up to 10 hours have been recorded/claimed, for example on bank holidays and weekends.</li> <li>• Daily hours worked have been rounded upwards e.g. 9.5 hours worked but 10 hours have been claimed. Over a working week this adds up to 2.5 hours being over claimed e.g. employee 4113918 for week ending 14/01/18.</li> <li>• Claims of up to 40 hours' overtime per week on top of a basic 35 hours worked e.g. employee 4113875.</li> </ul> <p>SES management informed Internal Audit that rounding upwards of partial hour worked was based on Council policy, however, at the time of the review no evidence had been provided to confirm that this policy was in place.</p>	<p>requirements and the Council's Record Management Policy.</p> <p>SES management should provide evidence to confirm that rounding up of partial hours worked is in accordance with Council policy.</p>		<p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> December 2018.</p>	<p>and to take corrective action. The reports were provided as evidence</p> <p>Break times can also be monitored during the working day, as there is a function to record. We were advised that the system will automatically record a break of 35 minutes for sweepers and loaders and 45 minutes for drivers if they fail to use the Icollect function for breaks.</p> <p>The Hellotracks system is fully operational using GPS to produce detailed tracking data of all operatives. The system produces maps which shows the routes taken, so monitoring of individual operatives can take place. This is can be viewed in real time. Historical data is also available. Evidence of the mapping and tracking has been seen by Internal Audit.</p> <p>All dust carts are fitted with 5 CCTV cameras; this enables the Performance Team to view in real time, any of the routes that are currently operational and observe the operatives at work. Historical footage is also available. Evidence of the CCTV attached to dust carts has been seen by Internal Audit</p>
--	---	--	--	--

					<p>We were advised that the feasibility of introducing a 30-minute threshold for overtime claims has been discussed with the Service Director Public Realm. It was decided to keep the 60-minute threshold for overtime claims in place, but operatives are given enough work to ensure that an hour is worked.</p> <p><b>Outstanding action:</b> The Working Time Directive Module is yet to become operational.</p> <p><b>Responsible officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Implementation date:</b> End February 2019</p>
4.	<p><b>Overtime – Pre &amp; Post Authorisation</b></p> <p><b>Operatives</b> Overtime recorded on Headcount is extracted and exported to Excel by the Operational Team Support Manager. The Excel overtime report is emailed to the Finance Manager who reformats the data to payroll requirement and forwards to the Head of Street Environment Services for final approval before being passed to</p>	<p>It is recommended that the responsible officer should ensure as part of their procurement of a new digital time recording and scheduling management system that:</p> <p>a) The pre and post authorisation of overtime claims is facilitated so that overtime to be effectively managed and controlled,</p> <p>b) Adequate segregation of duties between claimant,</p>	<p>● High</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b></p> <p>As part of the new Capita system all overtime worked will require pre- authorisation (request), 2<sup>nd</sup> manager's approval (authorisation) and further approval once completed (sign-off). The Capita system allows this to be completed online which will provide a clear audit trail of the approvals. If overtime is not processed on the Capita system,</p>	<p><b>Implemented</b></p> <p>The overtime process on the new Capita system was demonstrated to Internal Audit. As part of the new Capita system all overtime worked requires a pre- authorisation (request), 2<sup>nd</sup> manager's approval (authorisation) and further approval once completed (sign-off). The Capita system allows this to be completed online and provides</p>



<p>Payroll for processing.</p> <p>We reviewed the overtime records for a sample of five employees each (15 in total) in Refuse &amp; Recycling (cost centre NT581), Street Cleansing (cost centre NT581) and Workshop (cost centre NT585) covering the period January, February and March 2018. Our review found the following:</p> <p>a) In general, we found that adequate records are not being maintained to support overtime claims. Specifically, we found:</p> <ul style="list-style-type: none"> <li>Actual start and finish times are not recorded in relation to 'Task and Finish' shifts. Task and finish is a work method where instead of being paid for the hours worked or the product produced, employees are paid for the completion of a specified task. Task and finish is intended to promote team working and increase productivity. Task and finish is used by Refuse &amp; Recycling teams who are allocated a specified number of street that need to be cleared within a notional seven-hour shift. Where teams complete their 'task' they are allowed to 'finish' early. However, many operatives opt to continue working on other tasks which accrue overtime. We found</li> </ul>	<p>reviewer and approver is enabled, so that claimants are prevented from authorising their own overtime claims.</p>		<p>it will not be paid. A payroll report form will be output from the 'Capita Staff Management System' of authorised overtime which will be processed by payroll.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> December 2018.</p>	<p>an audit trail of the approvals. If overtime is not processed on the Capita system, it will not be paid. A payroll report form has been devised and sent direct from the 'Capita Staff Management System' of authorised overtime which is then processed by payroll.</p>
---	--	--	--	---

	<p>that this overtime was not supported by adequate records linking it to 'Task and Finish' shifts and that there was no record of management approval.</p> <ul style="list-style-type: none"> <li>• There are numerous reasons why overtime could be required to be worked, such as covering for sickness absence or a vehicle breaking down meaning that another team has to be deployed to complete a shift. Our review found that the reasons for overtime being worked were not adequately recorded</li> </ul> <p>b) Our testing found evidence that overtime was being over claimed.</p> <ul style="list-style-type: none"> <li>• Rounding upwards of actual hours worked by operatives in the Workshop leading to over claiming of overtime. For example, we noted that where 4.5 hours was worked per day this was rounded up to 5 hours. This led to an accumulated over claim of 2.5 hours when applied to a standard five-day week. In particular, our review of attendance sheets for week ending 04/03/18 identified that an employee had rounded up his hours as described above over a four-day period and had therefore over claimed by two hours.</li> </ul>	<p>It is recommended that the responsible officer should investigate the errors due to the mismatching of payroll numbers to employee names and take remedial action to prevent a repetition.</p> <p>The specific over and under claims identified should be investigated by SES management and, depending on the outcome, action taken to recover the overpayments and pay the additional pay owed.</p> <p>SES Management should review the overtime claims made by the Administration Support Officer prior to April 2018 to confirm that they were submitted and processed in accordance with the Council's Overtime Policy and where this is found not to be the case. Management in conjunction with Human Resources should decide whether further disciplinary action is required based on the findings of this report.</p> <p>SES management should ensure that the Night Workshop Manager supplies the overtime</p>			
--	---	---	--	--	--



<ul style="list-style-type: none"> <li>For 10 employees we cross-checked the recorded overtime between the headcount record and the Excel report submitted to Payroll for February 2018. We identified mismatching of payroll numbers to employee names, a mismatch in three cases between the record of hours worked on Headcount and the spreadsheet recording overtime, which had been extracted from H/count and submitted to payroll. In three cases we identified over claims of 7 hours' overtime for the following:             <ul style="list-style-type: none"> <li>two employees relating to cost centre NT581 - Refuse &amp; Recycling night shift)</li> <li>one employee relating to cost centre NT582 – Cleansing We also found that overtime had been underpaid by 2.5 hours for one employee.</li> </ul> </li> </ul> <p>The Operational Support Officer was unable to explain why overtime had been over claimed and why there was a mismatch with the records held on Headcount.</p> <p><b>Officers</b></p> <p>In addition, we reviewed two</p>	<p>claim sheets requested by Internal Audit. If these are not forthcoming then SES management should consider taking steps to discipline the Night Watch Manager in accordance with the Council's Disciplinary Procedures, and recover any overpayments made.</p>			
---	---	--	--	--

overtime claims made by Officers working within the workshop. Detailed results of our testing can be seen below:

Administration Support Officer

We reviewed the overtime claims submitted for January-March 2018 and found that claims had not been checked and independently authorised by a senior officer as required by the Corporate Overtime Policy.

We noted that for the three months tested an average of 65 hours per month was claimed, however following the appointment of the Corporate Fleet and Transport Manager in March 2018, overtime claims were subject to effective managerial review and challenge, and as a result there have been no further claims from the Administrative Support Officer.

Night Workshop Manager

We requested overtime claim sheets for the period January to March 2018 from the Night Workshop Manager. To date these have yet to be provided.

**Payroll Team Checks**

We met with the Payroll Team Leader in Finance Services to discuss the controls in place for

	<p>challenging SES overtime claims. The Payroll Team Leader confirmed that pay numbers and names are cross checked to ensure that claims relate to the correct person and where discrepancies are identified claims referred back to SES for correction and resubmission</p> <p>The Payroll Team Leader confirmed that five errors had been identified January 2018 and six in February 2018. In each case the overtime returns were referred back to SES for correction and resubmission.</p>				
5.	<p>We analysed a sample of five employees for January, February and March 2018 from three service areas i.e. Refuse/Recycling (NT581), Street Cleansing (NT582) and Workshop (NT585). The aim of the review was to determine the proportion of total pay which was derived from the various allowances and overtime, in comparison to basic pay and identify high earners and the reason for high pay.</p> <p>Our analysis identified annualised salaries up to £63k and £72k in NT581 and NT585, respectively., which were paid to:</p> <p>a) One employee (Refuse) – as a proportion of basic pay 63% related to enhancement pay and</p>	<p>It is recommended that the responsible officer should:</p> <p>a) Review resources and structures ensuring these match service requirements, whilst at the same time controlling and managing overtime.</p> <p>b) Remind all employees of Corporate Health and Safety Policy which under S4.47.2 ‘... discourages staff from working excessive working hours and has implemented HR procedures to ensure compliance with the Working Time Regulations’. and</p> <p>c) Monitor excessive overtime ensuring hours undertaken</p>	<p>● High</p>	<p><b>Agreed: Yes</b> <b>Action to be taken:</b> SES’s staffing structure is currently being reviewed in relation to the delivery of front line services.</p> <p>Staff will have a ‘Tool Box Talk’ (TBT) covering the Council’s drug and alcohol policy, and the requirements of the Working Time Directive.</p> <p>The Capita system will allow management to effectively monitor drivers’ hours and overtime to ensure compliance for with Drivers’ Hours regulations (under the Transport Act 1968) and the Working Time Directive.</p> <p>The system will also be able to</p>	<p><b>Partially Implemented</b></p> <p>We were advised by the Head of Street Environment Services that the SES’s staffing structure has been reviewed on 2 previous occasions. A further restructure has been written, but will not be implemented until June/July 2019 due to a 3-month consultation period.</p> <p>‘Tool Box Talks’ (TBT) have taken place regarding covering the Council’s drug and alcohol policy, and the requirements of the Working Time Directive.</p> <p>From figures provided by the Head of Street Environment Services, 336 (83%) SES staff have attended the TBT on the</p>

<p>47% overtime pay.</p> <p>b) One employee (Workshop) – as a proportion of basic pay 155% related to overtime pay.</p> <p>In the examples above we found that the overtime hours claimed were up to 131 hours per month, which is in addition to normal working hours of 140 hours. The additional overtime worked and additional pay arising is excessive and when compared to the Council's Officer pay scale equates to a grading of between P09 and P011.</p> <p>This exceeds both the Head of Strategy &amp; Change and Head of Communications &amp; Change annual remuneration, as disclosed in Note 9 – Senior Officers Remuneration, to the Unaudited Statement of Accounts for 2017/18. Were the two employees we reviewed designated as Senior Officers then their remuneration would similarly be required to be disclosed in the Annual Statement of Accounts.</p> <p>Our review found that the enhancements identified had been agreed by the Council when operatives had been TUPE transferred from the previous outsourced service provider,</p>	<p>are within the Working Time Directive limits.</p> <p>d) Discuss with Payroll Service the options for ensuring high and excessive pay is identified in timely manner, for instance via a monthly 'excessive pay' report.</p>		<p>produce reports detailing overtime hours worked which will enable the identification and monitoring of employees working long hours.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> January 2019.</p>	<p>Council's drug and alcohol policy and 128 (32%) SES staff attended the TBT on the requirements of the Working Time Directive. The figures include agency staff.</p> <p><b>Outstanding action:</b> The restructure has not taken place.</p> <p><b>Responsible officer:</b> Tony Ralph, Head of Street Environment Services.</p> <p><b>Implementation date:</b> End June/July 2019</p>
--	--	--	---	---

	<p>Enterprise.</p> <p><b>Payroll Services</b> Payroll Service do not monitor excessive pay as this is the responsibility of Budget holders.</p>				
6.	<p>The Cleaner Streets Programme Manager is responsible for monitoring of compliance with the Drugs and Alcohol Policy. He informed Internal Audit that:</p> <ul style="list-style-type: none"> <li>• Three employees have been suspended for more than three months. One of which has been suspended since September 2018. Street management services expectation is that suspensions should be no longer than one month; and</li> <li>• 16 employees (13 drivers &amp; 3 non drivers) were suspended for breach of the Drug and Alcohol Policy during 2017/18 with eight of these having been dismissed. In total 369 working days were lost relating to the 16 suspended employees.</li> </ul> <p>As at the time of reporting, a total of 525 days had been lost since April 2017 for breach of drugs and alcohol policy with a total of ten employees currently on suspension.</p>	<p>It is recommended that the responsible officer should investigate the reasons why three employees have been on long term suspension (on full pay) and should liaise with HR to expedite the investigations and reach a timely conclusion.</p> <p>In addition, management should also consider</p> <ol style="list-style-type: none"> <li>a) Reminding all staff of the Council's Drugs and Alcohol Policy,</li> <li>b) Offer confidential referral to Occupational Health for advice and assistance; and</li> <li>c) Continue to monitor breaches of drugs and alcohol policy ensuring appropriate action is taken.</li> </ol>	<p>● High</p>	<p><b>Agreed: Yes</b></p> <p><b>Action to be taken:</b> Staff will have a 'Tool Box Talk' (TBT) covering the Council's drug and alcohol policy, and the requirements of the Working Time Directive. In addition, a roadshow is planned to take place in March 2019, in conjunction with Council Health and Safety advisors.</p> <p>Confidential referrals to Occupational Health will be offered to all staff that come forward as part of the Drugs and Alcohol Policy.</p> <p>Investigation of breaches of the Drugs and Alcohol Policy will be completed within the Council's timeframe of 20 working days.</p> <p>SES will continue to liaise with HR to ensure that HR representatives are available to attend breach investigation meetings between SES management and staff. The presence of HR representatives at meetings will ensure that investigations are progressed promptly with a minimum of</p>	<p><b>Implemented</b></p> <p>We were advised by Principal Performance Manager, Street Environment Services, that Tool Box Talk' (TBT) covering the Council's drug and alcohol policy, and the requirements of the Working Time Directive have taken place.</p> <p>3 roadshows were organised. Staff attendance was on a voluntary basis, with only 1 member of staff attending over the 3 sessions.</p> <p>We were advised by Principal Performance Manager, Street Environment Services, confidential Occupational Health referrals are offered to all staff who come forward as part of the Drugs and Alcohol Policy. The procedure within the drug and alcohol policy is followed.</p> <p>Investigations of breaches are carried out within the Council's timeframe of 20 working days where possible. Internal Audit were advised that delays can</p>

				<p>delay.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> October 2018</p>	<p>occur when the member of staff reports sickness and cannot attend the investigation meeting.</p> <p>A Human Resources (HR) Business Partner, Amanda Cairns is based at Cottage Road (confirmation of location obtained from the staff directory) and is available to attend breach investigation meetings between SES management and staff.</p>
7.	<p>Cue Personnel provide agency workers to SES and in the financial year 2017/18 SES spent £4,690,640 on Cue agency workers. This represents 23 percent of SES's total expenditure of £20,120,750 in 2017/18.</p> <p>Management do not believe that this level of expenditure on Cue Personnel workers is sustainable and do not believe that it represents value for money. An internal reorganisation in February 2017 has changed the way refuse/recycling and street cleansing service are provided and as a result the number of agency staff has been reduced from 120 to 60.</p> <p>However, issues still remain relating to Cue Personnel and these are noted below:</p> <ul style="list-style-type: none"> <li>• Cue Personnel continue to be the main providers of agency</li> </ul>	<p>It is recommended that the responsible officer should review current arrangements for the procurement of agency staff by: -</p> <p>a) Assessing the continued needs of the SES by improving allocation of shifts to employees of the council; and/or reviewing the number of staff required</p> <p>b) Reviewing whether supervisor/managers should take responsibility for agency worker recruitment from REED</p> <p>c) Arranging for Cue Personnel to vacate the office in Cottage Road and operate from their own offices.</p> <p>d) Ensuring that the continued use of Cue Personnel is properly managed via REED</p>	<p>● High</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b> A new procedure for placing orders for agency workers through REED has been developed and issued to all key managers in SES, and will be introduced in January 2019.</p> <p>Until the Capita system is up and running in December 2018 responsibility for ordering and authorisation of agency workers will be split between Operations, who will place the order, and the Performance Team who will check attendance on Headcount and authorise on the XMS system.</p> <p>The Head of Street Environment Services is in liaison with the Head of Organisational Development, Human Resources, regarding the direct ordering of agency workers from</p>	<p><b>Implemented</b></p> <p>Internal Audit were advised by John Mootealoo, Principal Performance Manager, Street Environment Services, that a new procedure for placing orders for agency workers through REED has been developed and issued to all key managers in SES, and was introduced in January 2019.</p> <p>The new procedure was reviewed by Internal Audit. Direct ordering from REED is fully operational. SES Managers are required to notify REED by noon on a Wednesday of their agency requirements for the following week. REED will confirm the order by end of the day, Thursday.</p> <p>Overtime for agency is</p>

	<p>staff to SES despite the Council's managing agent changing from Comensura to REED in March 2018.</p> <ul style="list-style-type: none"> <li>• There is a Cue Personnel representative permanently based in a separate office located in the administrative support office and the Council has not recharged Cue Personnel for use of this office space.</li> <li>• The Cue Personnel representative has been allowed by the SES to take on an inappropriate managerial role within Operational Support. One example of this is that he requests all SES supervisors to submit the following week's rota by each Friday morning to enable Cue Personnel agency staff to be slotted in to vacant positions. This has undermined and weakened the ability of SES supervisors and managers to effectively scrutinise and challenge Cue Personnel.</li> <li>• Administrative support supply Headcount data to Cue which they use to calculate their invoices to SES. In the absence of a signed data sharing agreement covering the sharing of Head count data with Cue Personnel is likely that this is in breach of the Council's data protection and staff confidentiality rules.</li> </ul>	<p>To ensure that there is no disruption to the service, management should ensure that these recommendations are implemented in a phased manner.</p>		<p>REED. Once direct ordering is introduced the presence onsite of a CUE employee will not be required and they will vacate Cottage Road.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> February 2019 (Subject to HR support)</p>	<p>currently monitored through the Headcount/Capita Systems and authorised on the XMS system. Although Internal Audit did not view the XMS REED system, we were advised that when additional agency staff not ordered through the XMS system and appear on the schedule, raises a flag with the Performance Team and allows them to determine the reason why additional agency have been ordered.</p> <p>The Head of Street Environment Services advised that the employee from the CUE Personnel was asked to vacate the Waste Recycling Centre on the 7<sup>th</sup> January 2019. The office used by CUE Personnel has been utilised and improved for use by Street Environment Services</p>
--	---	--	--	---	---



8.	<p>A corporate overtime policy is in place and is available on the Council's intranet. It was last updated in June 2005 and sets out the guiding principles for the approval and processing of claims, and provides a link to an overtime return template, which should be used for claiming overtime.</p> <p>The corporate policy on overtime in principle applies to all employees of the Council. However, due to the nature of the services provided by SES where short notice cover is often required, the corporate overtime policy is not always practical and there is a need for a local policy.</p> <p>At present there is no local overtime policy and procedure in place and as a result the specific terms and conditions for claiming overtime in SES, such as those covering pre and post approval requirements, how contractual and voluntary overtime should be administered, are absent.</p>	<p>It is recommended that the responsible officer should liaise with HR and arrange for a local policy and procedure for overtime to be developed which compliments and is consistent with the principles set out in the corporate overtime policy.</p> <p>Key areas of coverage may include:</p> <ul style="list-style-type: none"> <li>• What attendance records are required to be kept.</li> <li>• Definitions of the different types of overtime that can be claimed.</li> <li>• Principles of policy including Working Time Directive, contractual overtime, time off in lieu and flexible working</li> <li>• Payment conditions and rates e.g. plain time, time a half, double time, weekday, Saturday, Sunday, night time and contractual overtime.</li> <li>• Pre and post authorisation requirements including conditions e.g. overtime only paid if greater than 30minutes</li> <li>• The Council's policy on the misuse, abuse of overtime and the penalties for making fraudulent claims.</li> </ul>	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b> The Head of Street Environment Services is in liaison with Human Resources regarding overtime payment rates to ensure they conform with Council policies. The new Capita System will allow the monitoring of Driver hours, Working Time Directive, overtime and double shifting and require overtime to be pre authorised.</p> <p>The feasibility of introducing a 30-minute threshold for overtime claims will be discussed with the Service Director Public Realm in consultation with the unions.</p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> February 2019</p>	<p><b>Partially Implemented</b></p> <p>Confirmation of overtime payment rates which conform to Council policies has been obtained and communicated to all SES staff in a memo from the Principle Performance Manager dated 10<sup>th</sup> December 2018.</p> <p>Working Time Directive compliance and driver hours will be programmed in to Capita system by the end of February 2019. The new Capita System, prevents double shifting. As demonstrated to Internal Audit from the Capita system, all overtime claimed has to be pre authorised. 2nd manager's approval (authorisation) and further approval once completed (sign-off). The process is fully auditable,</p> <p>We were advised that the feasibility of introducing a 30-minute threshold for overtime claims have been discussed with the Service Director Public Realm. It was decided to keep the 60-minute threshold for overtime claims. Additional work is issued to the operative to ensure that an hour is actually worked.</p>
----	--	---	--	--	---



					<p>From reviewing analysis of overtime payments provided by accountancy, it is noted that there is a reduction of £164,000 in overtime payments made, up to an including period 10, when compared to the same period in 2017/2018</p> <p><b>Outstanding action:</b> The Working Time Directive Module is yet to become operational.</p> <p><b>Responsible officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Implementation date:</b> End February 2019</p>
9.	<p><b>Contracts of Employment</b></p> <p>We examined the contracts of employment for employees transferred under TUPE regulations from Enterprise to the Council.</p> <p>We noted the following: Pay conditions including enhancements and allowances were reviewed by SES management, at the time of transfer under TUPE regulations of operatives from Enterprise to the Council. The review resulted in transferred staff agreeing to their pay frequency being</p>	<p>It is recommended that the responsible officer should ensure that they liaise with Human Resources to ensure that:</p> <ul style="list-style-type: none"> <li>Contract of employment for all TUPE transferred staff are up to date and consistent with the terms and conditions pertaining to new employees.</li> <li>Guidelines relating to the different types of enhancements available to staff and the bases for awarding enhancements is</li> </ul>	<p>● Medium</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b> All Staff which includes</p> <ol style="list-style-type: none"> <li>Charge hand/HGV (scale 6),</li> <li>Semi-skilled operative (scale 4).</li> <li>Operative (scale 2)</li> </ol> <p>are on Islington Council contracts.</p> <p>However, we have been advised by Human Resources that we cannot make changes to individual contracts of employment as we would be</p>	<p><b>Implemented</b></p> <p>All SES staff are on Islington contracts: Job Descriptions for:</p> <ol style="list-style-type: none"> <li>Charge hand/HGV (scale 6)</li> <li>Semi-skilled operative (scale 4)</li> <li>Operative (scale 2)</li> </ol> <p>have been reviewed and confirmed as correct</p> <p>1 member of SES staff transferred from Enterprise to Islington on a TUPE transfer that remains with the Council. It was agreed that they would be</p>

<p>changed from weekly to monthly, which harmonised their payroll frequency with the rest of the Council.</p> <p>Our review of contracts was unable to confirm that clear terms and conditions relating to enhancements and allowances were in place.</p> <p>We noted that the Head of Street Environment Services is reviewing the Service's structure with a view to streamlining the service, introducing generic posts which will allow employees to work across services e.g. refuse collect and street cleansing, and reduce the level of agency workers used. Furthermore, as part of review, contracts of employment and job descriptions are being reviewed and updated to reflect service requirement.</p>	<p>clear and includes definitions of the various types of overtime available e.g. contractual and planned overtime.</p>		<p>open to legal challenge.</p> <p><b>Guidelines will be developed to clarify the different types of enhancements available and terms and conditions these are payable.</b></p> <p><b>Responsible Officer:</b> John Mootealoo, Principal Performance Manager, Street Environment Services.</p> <p><b>Target Date:</b> October 2018</p>	<p>able to keep 2 hours per week contractual overtime on joining the Council.</p> <p>Human Resources have advised that we cannot make changes to individual contracts of employment as we would be open to legal challenge.</p> <p>Confirmation of overtime payment rates and enhancement which conform to Council policies has been obtained and communicated to all SES staff in a memo from the Principle Performance Manager in SES dated 10th December 2018.</p>
--	---	--	--	---

**APPENDIX ENDS**

**Report of: Director of Financial and Asset Management**

<b>Meeting of</b>	<b>Date</b>	<b>Agenda Item</b>	<b>Ward(s)</b>
Audit Committee	11 March 2019		All

## **1. Synopsis**

- 1.1 Grant Thornton is presenting their audit plan for the external audit of the Council and the Pension Fund for 2018/19 to the Audit Committee for approval. KPMG have produced their final report on grants and returns for 2017/18 for noting.

## **2. Recommendations**

- 2.1 To note the contents and approve the External Audit Plan for the Council and Pension Fund for the year ending 31 March 2019.
- 2.2 To note the Annual Report on Grants and Returns for 2017/18.

## **3. Background**

- 3.1 Each year the Council's external auditor presents to the Audit Committee their audit plan for approval. This is the first audit plan produced by the Council's new external auditors, Grant Thornton. KPMG the council's previous external auditor have produced their annual report on grants and returns for 2017/18 for which there are no material matters to bring to the Audit Committee's attention.

## **4. Implications**

- 4.1 Financial Implications: none
- 4.2 Legal Implications: none
- 4.3 Environmental Implications: none.
- 4.4 Resident Impact Assessment: There are no direct resident impact implications.

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

5.1 The Committee is asked to note the contents and approve the attached audit plan and to note the annual report on grants and returns.

**Appendices:**

External Audit Plan year ending 31 March 2019  
Annual Report on Grant Claims and Returns 2017/18

**Background papers:** (available online or on request): none

Final Report Clearance:

**Signed by:**

Director of Financial and Asset Management

Date 28/2/2019

**Received by:**

Head of Democratic Services

Date

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

# External Audit Plan

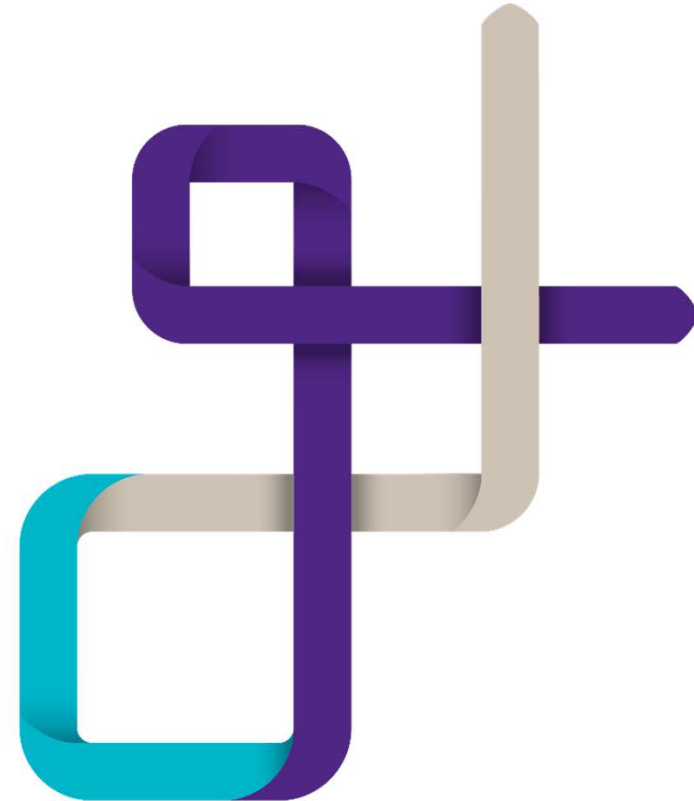
*Year ending 31 March 2019*

---

London Borough of Islington and Islington Pension Fund

28 January 2019

Page 73



# Contents

Section	Page
1. Introduction	3
2. Headlines	4
3. Key matters impacting our audit approach of the Authority	5
4. Key matters impacting our audit approach of the Fund	6
5. Significant risks identified	7
6. Other matters	11
7. Materiality	12
8. Value for Money arrangements	13
9. Audit logistics & fees	14
10. Independence & non-audit services	15

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority and Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Introduction

## Our Team



### Paul Grady - Engagement Lead

Paul will be the main point of contact for the Chair and the Chief Executive and Board Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Senior Board Members and the Audit Committee and Audit Committee Advisory. Paul will ensure our audits are tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work focussing his time on the key risk areas to your audit.



Page 75

### Ade Oyerinde - Senior Manager

Ade is responsible for overall audit management, quality assurance of the audit work and its outputs, and liaison with the Audit Committee and Audit Committee Advisory and Trust Senior Management. Ade will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Ade will attend Audit Committee and Audit Committee Advisory meetings, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Ade will work with Internal Audit to secure efficiencies and avoid duplication, providing assurance for your Annual Governance Statement



### Marc Chang - Audit In-charge

Marc will lead the onsite team and will be the day to day contact for the audit including pension fund. Marc will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Marc will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of the London Borough of Islington ('the Authority' or 'you') and the London Borough of Islington Pension Fund ('the Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority and the Fund. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority and Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee and Audit Committee Advisory); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee and Audit Committee Advisory of your responsibilities.

Our audit approach is based on a thorough understanding of your business including the Fund account and is risk based.

# Headlines

## Significant risks

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

- Valuations of Property, Plant and Equipment being materially misstated (Authority)
- Valuation of the Pension Fund Net Liability being materially misstated (Authority)
- Accuracy and the presentation of the Private Finance Initiative (PFI) liability and associated disclosures being materially misstated (Authority)
- Management override of controls (Authority and Fund)
- Valuation of 'hard to value' Investments being materially misstated (Fund).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality - Authority

We have determined planning materiality to be £22 million for the Authority, which equates to 1.95% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.1 million.

## Materiality – Pension Fund

We have determined materiality at the planning stage of our audit to be £13 million for the Fund, which equates to 0.99% of your net assets for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.65 million.

## Value for Money arrangements (Authority Only)

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium-term financial planning
- Change and Transformation programmes and governance.

## Audit logistics

Our interim visit will take place between January and February and our final visit will take place during June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £156,179 for the Authority and £16,170 for the Fund, subject to you delivering a good set of financial statements and comprehensive and accurate supporting working papers, and responding to audit queries promptly.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..



# Key matters impacting our audit of the Authority

## External Factors

### The wider economy and political uncertainty

You have already made savings of £225 million since 2010 as a result of on-going and significant funding cuts and unavoidable demographic and inflationary cost pressures. Further reductions in funding are expected over the next two years, with particular strain on Children's Services. You forecast another £50 million over the next three years.

You opted to voluntarily participate in the London Business Rates Retention Pilot Pool for 2018-19; this will see Revenue Support Grant and Top-up Grant replaced by a greater retained share of business rates income. Increasing demographic and inflationary pressures will further be met by an annual RPI increase in fees and charges and a 2.99% increase in core council tax.

You recognise the need for Partnership working; you continue to develop joined-up health, care and support services with NHS partners, including the CCG, Whittington Health and Camden and Islington NHS Trust to deliver more joined up health and care services arranged around people's lives

### New accounting standards effective 2018/19

The 2018-19 financial year will be the first year in which IFRS 9: Financial Instruments and IFRS 15: Revenue From Contracts with Customers will come into effect.

Interpretation of the effects of these new standards has been set out in the publicly available Code of Practice on Local Authority Accounting in the United Kingdom for 2018-19.

Accounting policies, transactions, and balances presented in the 2018-19 financial statements will need to appropriately reflect the provisions of IFRS 9 and 15 as interpreted by the Code.

## Internal Factors

### Change and transformation

You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance. You have brought in senior resource to provide experience and leadership in programme development and delivery, business case development and benefits realisation.

### Brexit

With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on the Council. You will need to review your workforce plans, analyse your supply chains and model potential impacts on your finances, including investment and borrowing as well as any potential impact on the valuation of Council and Pension Fund assets.

### Audit tools

We will be making comprehensive use of the 'Inflo' audit management tool throughout the audit. This tool has already been introduced to your financial reporting team and will be rolled out fully for the interim and final accounts visits.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern and will review related disclosures in the financial statements.
- We will also consider your arrangements for delivering transformation and change across the organisation in order to meet the changing demands of Islington going forward in
- We will discuss with you any recommendations arising from our work and will monitor implementation of any action points.
- We will ensure that our resources and testing are best directed to address your risks in an effective way.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will follow up on the work of our IT specialists during our interim audit visit, and continue to work closely with you and the audit teams for your partners to ensure the audit process is delivered efficiently.

# Key matters impacting our audit of the Fund

## External Factors

### SI 493/2018 – LGPS (Amendment) Regulations 2018

Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated Funding Strategy Statements.

### Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- In January 2018 the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.

### The Pensions Regulator (tPR)

tPRs [Corporate Plan](#) for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and tPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.

## Internal Factors

### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Pension Fund into our risk assessment and testing approach.

### Pooling

You continue to invest funds in the London Collective Investment Vehicle (CIV) as part of the Government’s agenda for pooling the investments of local government pension schemes. You will look to transition assets into the London CIV at such a time as you are satisfied that this would ensure maximum benefit in terms of return, management costs and the appropriateness of governance arrangements. As at 31 March 2018, the value of funds invested in CIV was £107 million which represents 8% of investment assets.

## Our response

- We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.
- The terminology we use in our reports that will align closely with the ISAs
- We will be testing your controls over member data
- We will ensure that our resources and testing are best directed to address your risks in an effective way.
- Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions should you take up any of the future mandates utilised by CIV.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Management over-ride of controls</b>	<b>Authority and Fund</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority and Fund face external scrutiny of spending and activity, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement for both the Authority and Fund.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<b>Authority and Fund</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority and the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the London Borough of Islington and the London Borough of Islington Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the London Borough of Islington and the London Borough of Islington Pension Fund.</p>	

# Significant risks identified - continued

Risk	Risk Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuations of Property, Plant and Equipment</b></p>	<p><b>Authority</b></p>	<p>You revalue your HRA assets on a rolling five-yearly basis, operational land and buildings on a rolling three-yearly basis and Investment Properties on a yearly basis. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£4 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value, or the fair value (for surplus assets), at the financial statements date where a rolling programme is used.</p> <p>Valuations are given as at 1 April, and are updated to the 31 March with reference to assumptions within market update reports provided by the respective valuers.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation experts</li> <li>• write to the valuers to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into your asset register</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
<p><b>Accuracy and presentation of the Private Finance Initiative (PFI) liabilities and associated disclosures</b></p>	<p><b>Authority</b></p>	<p>You have six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, a Street Lighting scheme and a Care Homes scheme.</p> <p>As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• review your PFI models and assumptions contained therein.</li> <li>• compare your PFI models to previous year to identify any changes.</li> <li>• review and test the output produced by your PFI models to generate the financial balances within the financial statements.</li> <li>• review the PFI disclosures to assess whether they are consistent with the Manual For Accounts and the International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.</li> </ul>

# Significant risks identified - continued

Risk	Risk Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Authority	<p>Your pension fund net liability, as reflected in your balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£803 million in your balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of your pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the processes and controls put in place by management to ensure your pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

## Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of 'hard to value' Investments	Fund	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature 'hard to value' investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Hard to value investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019.</p> <p>We therefore identified valuation of hard to value investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing hard to value investments</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li> <li>• for sample of investments, test the valuation by obtaining and reviewing the audited accounts of the hard to value Funds, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period, and</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

---

# Other matters

## Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

- We read your Narrative Report, the Annual Governance Statement and the Pension Fund Annual Report to check that they are consistent with the financial statements of the Authority and the Fund on which we give an opinion, and consistent with our knowledge.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about the Authority or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority or Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority or the Fund's 's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.



# Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response
1	<p><b>Calculation and determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– calculate sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• For the Authority, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £22m for the Authority, which equates to 1.95% of your prior year gross expenditure.</li> <li>• For the Fund, we have determined financial statement materiality based on a proportion of the Fund’s net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £13m which equates to 0.99% of your net assets for the year ended 31 March 2018.</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<ul style="list-style-type: none"> <li>• For the Authority and Fund we have not determined specific lower materiality.</li> </ul>
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality.</li> </ul>
4	<p><b>Matters we will report to the Audit Committee and Audit Committee Advisory</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee and Audit Committee Advisory any unadjusted misstatements of lesser amounts, other than those which are ‘clearly trivial’, to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> <li>• In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.1m</li> <li>• In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.65m.</li> <li>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee and Audit Committee Advisory to assist it in fulfilling its governance responsibilities.</li> </ul>



# Value for Money arrangements

## Background to our VFM approach

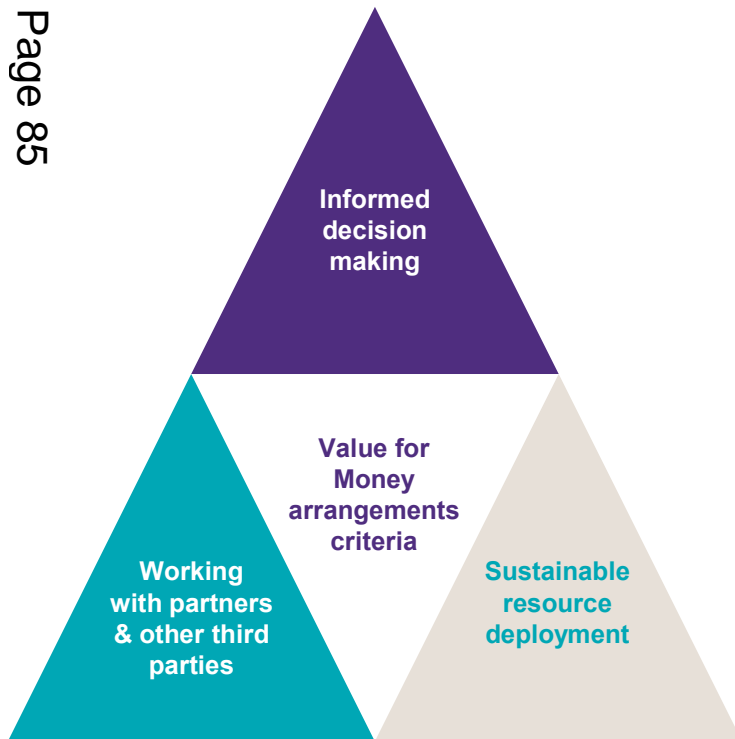
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:

Page 85



## Significant VFM risk

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Medium-term financial planning

In the context of tightening central government funding over recent years and rising demand for your services, you have identified the need to close your revenue budget gap of £50 million over the next three years. You will be required to make significant savings in areas where these have not previously been necessary, in order to close the budget gap in the medium term.

We will review your Medium Term Financial Strategy and examine underlying assumptions and dependencies for robustness. We will examine in detail the savings plans aimed at reducing future funding gaps, including whether these are aligned to realistic outcomes from your strategic change programmes.



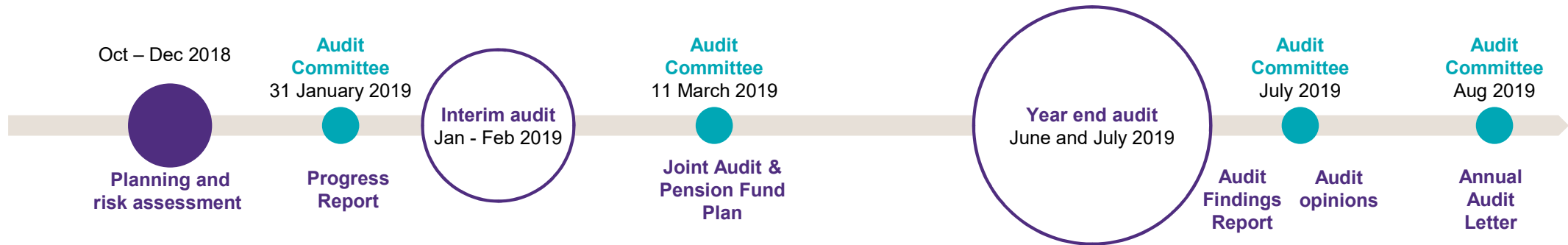
### Change and transformation programmes and governance

You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance. You have brought in senior resource to provide experience and leadership in programme development and delivery, business case development and benefits realisation.

In response to this risk we will:

- Review your overarching programme management and governance arrangements
- Review your arrangements for designing, approving, implementing and monitoring transformation and change programmes and ensuring that these are aligned to your strategic objectives.
- Assess the robustness of arrangements for supporting effective business case development and identification of benefits
- Assess the extent to which planned transformation outcomes are reflected within the MTFS
- Assess how well prepared you are for identifying and measuring the benefits realised once these programmes are embedded, including monitoring how well potential non-financial benefits are converted into measurable organisational improvements.

# Audit logistics, team & fees



## Audit fees

The planned audit fees are £156,179 for the financial statements audit of the Authority, and £16,170 for the financial statements audit of the Fund, completed under the Code, which are inline with the scale fees published by PSAA. In setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, you must ensure that:

- All audit queries in our interim and final work are responded to in a timely manner and all required samples provided to enable completion of the interim audit prior to the March Audit Panel.
- The draft accounts are provided to us by 31 May and are fully accurate with minimal errors. Supporting schedules to all figures in the accounts and other working papers are provided to us by 31 May and in accordance with the agreed upon information request list. This must include all notes, the narrative report and AGS.
- The agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples. All supporting schedules are clearly presented and agree to figures in the accounts.
- Key management and accounting staff identified in our information request list are available throughout the duration of our audit visits to help us locate information and to provide explanations.
- All audit queries are resolved promptly and fully and within agreed timescales.

If any of the above requirements are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority and the Fund. The following other services were identified:

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of grants: Housing capital receipts, Housing Benefit Subsidy, claim and Teachers' Pensions claim	TBC	Self-Interest (because this is a recurring fee)	The terms of engagements are being agreed. The level of the expected fee individually or in aggregate taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £156,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
Place analytics – CFO Insights subscription	10,000	None identified	Not applicable – no independence threats identified

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with your policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee and Audit Committee Advisory Committee except the certification claims for which cannot commence until we receive your approval. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

# Independence & non-audit services - continued

**Non-audit services provided prior to appointment**

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the Authority and the Fund.

Service	Date of service	Fees £	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Place analytics – CFO Insights subscription	2017/18	10,000	N	N	This work was completed prior to our appointment as your auditors

We do not believe that the previous service detailed above will impact our independence as auditors.

Page 88



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



# Annual Report on grants and returns 2017/18



**London Borough of Islington**

February 2019

# Contents

The contacts at KPMG in connection with this report are:

**Neil Hewitson**  
*Director*

Tel: 0207 311 1791

[neil.hewitson@kpmg.co.uk](mailto:neil.hewitson@kpmg.co.uk)

**Paul Cuttle**  
*Senior Manager*

Tel: 0207 311 2302

[paul.cuttle@kpmg.co.uk](mailto:paul.cuttle@kpmg.co.uk)

	<b>Page</b>
<b>Headlines</b>	3
<b>Summary of certification work outcomes</b>	4
<b>Fees</b>	6

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



### Introduction and background

This report summarises the results of work we have carried out on the Council's 2017/18 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2017/18 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2017/18 Housing Benefit Subsidy claim. This had a value of £195.5 million.
- Under separate assurance engagements we certified two returns as listed below.
  - Teachers' Pension Return; and
  - Pooling of Housing Capital Receipts.

### Certification and assurance results (Pages 4-5)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified. Our initial testing of 40 cases identified two errors however management was able to complete testing of all cases in the relevant cells due to their small populations and was able to fully identify all errors and amend the cell. The 2016/17 claim was subject to qualification due to an error that could be fully quantified.

Our work on the other grant assurance engagements resulted in unqualified assurance reports for both the Teachers' Pension return and Pooling of Housing Capital Receipts Return. We did not identify any amendments or exceptions in relation to the Teachers' Pension return. An adjustment was required as part of the audit of the Pooling of Housing Capital Receipts Return.

### Fees (Page 6)

Our fee for certifying the Council's 2017/18 Housing Benefit Subsidy grant was £24,912, which is in line with the indicative fee set by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council and were £6,000 in total.

# Summary of reporting outcomes

Page 94

Overall, we carried out work on three grants and returns:

- One was unqualified with no amendment;
- Two were unqualified but required some amendment to the final figures; and

No claims required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2017/18 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment but unqualified	Unqualified
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1			●	
<b>Other grant/return engagements</b>					
— Pooling of Housing Capital Receipts	2			●	
— Teachers’ Pension return	3				●

# Summary of certification work outcomes

Page 95

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>— The claim was submitted to KPMG by the deadline.</li> <li>— The claim was certified without qualification (the claim was subject to qualification in 2016/17).</li> <li>— Two errors were identified in our initial testing of 60 cases both relating to non-HRA overpayments.</li> <li>— For one error (relating to cell 28) management were able to re-check the remaining 66 cases in the cell. A further 14 errors were found. The total value of the amendment was £1,041.</li> <li>— One error was a result of a software issue that following investigation was found to potentially impacted on only 19 cases. The Council reviewed all cases and found that seven cases should be removed from the claim to the value of £14,003.</li> <li>— The claim was therefore certified in advance of the deadline set by the CLG.</li> </ul> <p>The value of the errors total £15,044 is minor compared the total value of the claim of £195.5 million.</p>	(£15,043)
2	<p><b>Teachers' Pension Return</b></p> <ul style="list-style-type: none"> <li>— The return was submitted to KPMG by the deadline. Working papers provided to support the claim were of a good quality and no amendments were required. The claim was therefore certified in advance of the deadline set by the CLG.</li> </ul>	-
3	<p><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>— The return was submitted to KPMG by the deadline. Working papers provided to support the claim were of a good quality however an amendment was required.</li> <li>— As part of the recent GLA grant bidding process (which took place in 18/19 after the submission of the 17/18 claim) the Council submitted a bid and were award GLA grant in respect of three schemes for which expenditure had been incurred in 17/18. As such expenditure of £362,008 was removed from the claim reducing the cell from £6.4 million to £6 million.</li> <li>— The deadline for submission was delayed from 30 November 2018 to 13 January 2019 by the CLG while certification procedures were agreed but this gave less time for the claim to be certified. The certified claim was submitted to the CLG on the 25 January 2019 because while the audit was completed before the 13 January 2019 the Council was unable to amend the relevant cell. The value in the cell is hardcoded into the claim form and could only be amended by the CLG which resulted in the slight delay.</li> </ul>	(£362,008)

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2017/18 was £30,912.

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £24,912. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £24,912.

### Grants subject to other engagements

The fees for our assurance work on other returns are agreed directly with the Council. Our fees for 2017/18 were in line with those in 2016/17.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2017/18 (£)	2016/17 (£)
Housing Benefit Subsidy claim	24,912	24,912
Teachers' Pension Return	3,000	3,000
Pooling of Housing Capital Receipts	3,000	3,000
<b>Total fee</b>	<b>30,912</b>	<b>30,912</b>



[kpmg.com/uk](https://kpmg.com/uk)



© 2019 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

This page is intentionally left blank