



ISLINGTON

**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 1, Islington Town Hall, Upper Street, N1 2UD on 27 July 2021 at 7.00 pm.**

Enquiries to : Mary Green
Tel : 020 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 19 July 2021

Membership

Councillor Nick Wayne (Chair)
Councillor Sara Hyde (Vice-Chair)
Councillor Janet Burgess MBE
Councillor Flora Williamson

Alan Begg (Independent member)
Alan Finch (Independent member)

Substitute Members

Councillor Angelo Weekes

Quorum: is 3 Councillors



A. Formal Matters	Page
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- | | |
|----|-----------------------------------|
| 1. | Apologies for absence |
| 2. | Declaration of substitute members |
| 3. | Declarations of interest |

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

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

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

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

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

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

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

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

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

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

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

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

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| 4. | Minutes of previous meeting | 1 - 6 |
| 5. | Audit Committee appointment to Pensions Sub-Committee 2021/22 | 7 - 8 |

B. Items for Decision - Audit Committee

1.	The Council's use of investigatory powers	9 - 16
2.	Strategy and Change progress report	17 - 22
3.	Annual Governance Statement 2020-21	23 - 58
4.	Risk management update - July 2021	59 - 62
5.	Appointment of External Auditors from 2023	63 - 72
6.	Action plans arising from outcome of external investigations	73 - 76

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

1.	Action plans arising from outcome of external investigations - exempt appendix	77 - 84
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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 ordinary meeting of the Audit Committee and Audit Committee (Advisory) will be on 5 October 2021

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 25 May 2021

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held in the Council Chamber, Town Hall, Upper Street, N1 2UD on 25 May 2021 at 7.00 pm.

Present: **Councillors:** Nick Wayne (Chair), Sara Hyde (Vice-Chair) and
Flora Williamson

Also Present: **Independent member:** Alan Begg and Alan Finch

Councillor Nick Wayne in the Chair

214 APOLOGIES FOR ABSENCE (Item A1)

Received from Councillor Janet Burgess MBE.

215 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

216 DECLARATIONS OF INTEREST (Item A3)

None.

217 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 16 March 2021 be confirmed as a correct record of proceedings and the Chair be authorised to sign them.

218 APPOINTMENTS TO PENSIONS SUB-COMMITTEE, PENSIONS BOARD AND PERSONNEL SUB-COMMITTEE (Item A5)

RESOLVED:

(a) That the membership of the Audit Committee, appointed by the Council on 20 May 2021, terms of reference and dates of meetings of the Audit and Audit (Advisory) Committee for the municipal year 2021/22, as set out in Appendix A of the report of the Acting Director of Law and Governance and Monitoring Officer, be noted, with the exception of the meeting currently programmed for 6 September 2021, which is to be postponed to a date in late September/early October 2021.

Pensions Sub-Committee

(b) That the size of the Pensions Sub-Committee and its Terms of Reference, as detailed in Appendix A of the report of the Acting Director of Law and Governance and Monitoring Officer, be confirmed.

(c) That the following members be appointed to the Pensions Sub-Committee for the municipal year 2021/2022, or until successors are appointed:

Councillors	Substitute Members
Paul Convery (Chair)	Jenny Kay
Satnam Gill OBE (Vice-Chair)	
Michael O'Sullivan	
(vacancy)	

(d) That Councillor Paul Convery be appointed as Chair and Councillor Satnam Gill OBE be appointed as Vice-Chair of the Pensions Sub-Committee for the municipal year 2021/2022, or until successors are appointed.

Personnel Sub-Committee

a) That the size of the Personnel Sub-Committee and its Terms of Reference, as detailed in Appendix A of the report of the Acting Director of Law and Governance and Monitoring Officer, be confirmed.

b) That the following members be appointed to the Personnel Sub-Committee for the municipal year 2021/2022, or until successors are appointed:

Councillors	Substitute Members
Anjna Khurana (Chair)	All other Executive members
Kaya Comer-Schwartz	Sheila Chapman
Satnam Gill OBE	Paul Convery
Janet Burgess MBE	Jenny Kay
Troy Gallagher	Martin Klute

c) That Councillor Anjna Khurana be appointed Chair of the Personnel Sub-Committee for the municipal year 2021/22, or until a successor is appointed.

Pensions Board

a) That the following appointments to the Pensions Board be noted:

a) Valerie Easmon-George as pensioner member representative for a term of four years, from 3 June 2019.

b) The reappointment of the following members for a three year term from 3 June 2019: (i) Mike Calvert, Unison, as a member representative
(ii) Maggie Elliott – Chair of Governors at Montem School as an employer representative.

c) Alan Begg as an independent member for a term of four years, from 3 June 2019.

d) Maggie Elliott as Vice-Chair of the Pensions Board.

- e) That there is an employer representative vacancy and a substitute pensioner member representative vacancy.
- 2) To reappoint George Sharkey, GMB, as a member representative on the Pensions Board for a three year term, with effect from 25 May 2021.
- 3) That Councillor David Poyser be appointed as a member and Chair of the Pensions Board.

219 2021-22 INTERNAL AUDIT PLAN (Item B1)

In response to questions from Members, the Audit Manager stated that the reference in the report to c880 Audit days compared favourably to other similar local authorities and was sufficient to resource the current Plan. However, additional resources might allow additional work. She described the types of training available to the Audit Team and was satisfied with the balance between follow-up and new audits. The Audit Team was currently fully staffed and she was confident that the Plan as currently written was deliverable. She confirmed that a portion of the c880 Audit days was co-sourced to PWC and included capacity for additional audits if necessary. On the apparent lack of information on Pensions, the Audit Manager confirmed that the Audit Team relied on external actuaries and valuations for key elements of assurance.

The Chair suggested that Members of the Committee be invited to propose topics for follow-up, priorities or deep dives and to send these directly to the Audit Manager for consideration.

RESOLVED:

- (a) That the 2021 – 22 Internal Audit Plan, appended to the report of the Corporate Director of Resources, be approved.
- (b) That Members of the Committee be invited to forward suggestions for topics for follow-up, priorities or deep dives directly to the Audit Manager for consideration.

220 PRINCIPAL RISK REPORT (Item B2)

Members of the Committee complimented the Audit Manager on the presentation of the report, its clarity and plain language.

The Committee noted the responses on the questions raised about the position of GLL and the running of the Council's leisure services and the sufficiency of mitigations against risks across the Council.

The Chair suggested that it would be useful for Members of the Committee to perhaps review the risk topics to identify if there were any particular areas of concern in order that the appropriate manager(s) might be invited to attend a future Audit Committee to respond to questions about the risk areas, which would have been supplied to the manager(s) in advance of the meeting. He undertook to discuss with the Chair of Children's Services Scrutiny Committee to ensure that

there would be no duplication of work by the Committees if the Audit Committee were to consider reviewing schools' viability and place planning. He suggested that Members forward details of any particular area for review to him in the first instance.

RESOLVED:

That the current principal risks facing the Council, as detailed in the report of the Corporate Director of Resources, be noted.

221 CYBER SECURITY (Item B3)

RESOLVED:

That the report of the Corporate Director of Resources be noted as a statement of the current position for the Council's cybersecurity assurance programme and the ongoing audits and activity.

222 UPDATED EXTERNAL AUDIT REPORT (Item B4)

RESOLVED:

That the report of the Corporate Director of Resources, detailing the total anticipated fee for the external audit for the Council and Pension Fund for the year ending 31 March 2021, in the sum of £231,579, be noted.

223 EXCLUSION OF PRESS AND PUBLIC (Item)

RESOLVED:

That the press and public be excluded during consideration of the following item as the presence of members of the public and press would result in the disclosure of exempt information within the terms of Schedule 12A of the Local Government Act 1972, for the reasons indicated:

<u>Agenda item E1</u>	<u>Title</u>	<u>Reasons for exemption</u>
	Cyber defence assurance - exempt appendix	<u>Category 3</u>

224 CYBER SECURITY - EXEMPT APPENDIX (Item F1)

The Committee placed on record their thanks for the exceptional work carried out by Jon Cumming, Director of Digital Services, and the Digital Services staff, to ensure that the Council had achieved good levels of cyber security defence.

The Chair requested a short report to the Committee in September 2021 on progress at that time.

RESOLVED:

- (a) That the contents of the exempt appendix to agenda item B3 be noted.
- (b) That a short report be submitted to the Committee in September 2021 on progress to date.

The meeting ended at 8.45 pm

CHAIR

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Governance and Human Resources
Town Hall,
Upper Street
London N1 2UD

Report of : Acting Director of Law and Governance and Monitoring Officer

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	27 July 2021		n/a

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Subject: AUDIT COMMITTEE APPOINTMENTS 2021/22

1. Synopsis

This report seeks agreement to the appointment of Councillor Mick Gilgunn to the Pensions Sub-Committee.

2. Recommendation

To appoint Councillor Mick Gilgunn to the Pensions Sub-Committee to replace for the municipal year 2021/22, or until a successor is appointed.

3. Background

- 3.1 At their meeting on 25 May 2021, the Audit Committee made the following appointments to the Pensions Sub-Committee:

Councillors	Substitutes
Paul Convery (Chair)	Jenny Kay
Satnam Gill OBE	
Mick O'Sullivan	
(vacancy)	

- 3.2 Since that meeting, Councillor Mick Gilgunn has been nominated to fill the vacancy on the Sub-Committee. As the parent Committee of the Pensions Sub-Committee, the Audit Committee is asked to agree the appointment.

4. Implications

4.1 Financial Implications

None

4.2 Legal Implications

These are set out in the report.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

There are no environmental impacts arising from this report.

4.3 Resident Impact Assessment

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

A resident impact assessment has not been carried out since the contents of this report relate to a purely administrative function and will not impact on residents.

5. Conclusion and reasons for recommendation

Approval to the recommendation is needed to ensure that the Sub-Committee is properly constituted.

Background papers:

None.

Final Report Clearance

Signed by



Acting Director of Law and Governance and
Monitoring Officer

8 July 2021

Date

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Resources Directorate
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Report of: Corporate Director Resources

Meeting of:	Date:	Ward(s):
Audit Committee	27 July 2021	N/A

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SUBJECT: THE COUNCIL'S USE OF INVESTIGATORY POWERS

1. Synopsis

- 1.1 The report updates the Committee on the council's use of investigatory powers under the Regulation of Investigatory Powers Act 2000 ("RIPA"). The report also provides an update on actions taken following the Investigatory Powers Commissioners Office ("IPCO") inspection of the council's surveillance activities.

2. Recommendations

- 2.1 To note the actions undertaken to address the recommendations of the Investigatory Powers Commissioner ("IPC").
- 2.2 To note the outstanding actions to be taken to address the recommendations of the IPC.
- 2.3 To note the level of directed surveillance undertaken by the council.

3. Background

- 3.1 RIPA provides a statutory framework regulating the use of directed surveillance and the conduct of covert human intelligence sources (informants or undercover officers) by public authorities. RIPA requires public authorities, including local authorities, to use covert investigation techniques in a way that is necessary, proportionate and compatible with human rights.

- 3.2 Directed surveillance is covert surveillance conducted for the purposes of a specific investigation or operation that is likely to result in the obtaining of private information about a person. Private information includes any aspect of a person's private or personal relationship with others, including family and professional or business relationships. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information.
- 3.3 The Investigatory Powers Act 2016 ("IPA") governs the lawful obtaining of communications data by public authorities. Communications data is generated in the provision, delivery and maintenance of postal or telecommunications services but does not include the content of the communication.
- 3.4 The council can only undertake covert surveillance under RIPA if the proposed operation is authorised by one of the council's authorising officers and subsequently approved by a magistrate. The council's communications data requests must be authorised by the Office for Communications Data Authorisations.
- 3.5 The Investigatory Powers Commissioner ("the IPC") has responsibility for oversight of investigatory powers used under RIPA. A remote inspection was conducted last year by telephone interview & desktop evaluation. Following completion of the inspection, the IPC issued a report on 5 June 2020. The IPC also issued a data assurance letter regarding data handling and retention safeguards relating to data obtained under RIPA and IPA.
- 3.6 An action plan was drawn up which was brought to Audit Committee on 28 July 2020.

4. The action plan

- 4.1 There has been some slippage due to the pandemic; officers working on the Information Governance side have had to prioritise the development of working policies and practices for a radically different way of working. Officers have not practically been able to undertake covert surveillance during the pandemic, however, the action plan has been progressed and a number of actions have been completed. The action plan has been updated as set out in the table below.

Number	Action	Owner	Original timescale	Update	Revised timescale	Date completed
Action 1a	To draw up a 'non-RIPA' policy for sign off by the Senior Responsible Officer for inclusion in the council's RIPA policy & covert surveillance procedural notes.	RIPA Co-ordinating Officer	31 August 2020	Non-RIPA procedures drafted & signed off by the SRO		9 July 2021
Action 1b	When the 'non-RIPA' policy is signed off the RIPA Co-ordinating Officer to provide a	RIPA Co-ordinating Officer	30 September 2020	Briefing note drafted & ready for circulation		9 July 2021

	briefing note for officers.					
Action 2	Senior Responsible Officer and RIPA Co-ordinating Officer to keep training requirements across the council under 6 monthly review.	RIPA Co-ordinating Officer	Every 6 months	Review identified need for training of new Authorising Officers. Training delivered on 19.1.21		On going
Action 3a	The IG Team review the policy and guidance for staff regarding sharing of data obtained under a RIPA authorisation, with a specific focus on only providing the data that is necessary.	Head of Information Governance and Data Protection Officer	31 July 2020	Completed		27 May 2021
Action 3b	The retention schedule is updated so that RIPA and IPA is included and clearly defined.	Information Management Lead	31 August 2020	Completed		11 September 2020
Action 4a	Data mapping to be completed for the flow of data resulting from a RIPA or IPA authorisation, identifying where it is stored.	Head of Information Governance and Data Protection Officer	30 September 2020	Data mapping exercise has been completed for Trading Standards. Work on the data mapping exercise for Housing Investigations is underway	31 August 2021	
Action 4b	Following the data mapping exercise (i) Head of Information Governance and Data Protection Officer to provide guidance/recommendations where data should be stored (ii) Service Areas to apply storage	(i) Head of Information Governance and Data Protection Officer (ii) Investigation Managers	30 October 2020	(i) To be completed	(i) 16 July 2021	

	guidance/recommendations & agreed retention.					
Action 4c	Audits are periodically undertaken to ensure that staff are complying with the agreed processes for managing RIPA and IPA data.	Investigation Managers with SRO oversight	Annually	Audits to be scheduled for 2022		
Action 5	When the data mapping exercise is completed, authorising officers to be provided with briefing.	RIPA Co-ordinating Officer	30 October 2020	Briefing to be provided when data mapping exercise (Actions 4a & 4b) is fully completed	30 September 2021	
Action 6	Briefing to be prepared for investigating officers and authorising officers regarding information to be included in RIPA and IPA authorisation requests regarding retention and disposal of the data obtained.	RIPA Co-ordinating Officer	30 October 2020	To be completed	30 September 2021	
Action 7	Commence a full review of previous authorisations. Identify all locations that data is stored and (where retention has been exceeded) securely destroy the data. Data that is still within retention should be stored in the agreed location and have the agreed retention period applied.	Investigation Managers with SRO oversight	1 January 2021	Reviews to be scheduled for 2022		

5. Authorisation of covert surveillance

- 5.1 During this financial year since 1 April 2021, the council has not authorised any directed surveillance.
- 5.2 For the previous financial year (1 April 2020 to 31 March 2021) the council did not authorise any directed surveillance.
- 5.3 The council has not authorised the use of a covert human intelligence source since October 2010.
- 5.4 The council has not authorised any directed surveillance since the lockdown in March 2020. By comparison the council has granted the following number of directed surveillance authorisations in previous years:
- 2013/14 - 6
 - 2014/15 – 4
 - 2015/16 – 1
 - 2016/17 – 2
 - 2017/18 – 1
 - 2018/19 - 6
 - 2019/20 – 4

6. Implications

6.1 Financial implications:

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

6.2 Legal implications:

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

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

The council is complying with the legal requirements of RIPA and the Home Office codes of practice. The data obtained under RIPA and IPA is subject to obligations under the Data Protection Act 2018 and the action plan will ensure the council's compliance.

6.3 Environmental implications and contribution to achieving a net zero carbon Islington by 2030:

There are no known environmental implications.

6.4 Resident Impact Assessment:

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

A Resident Impact Assessment has not been completed because it is not relevant to this report.

7. Reason for recommendations

- 7.1 The council is managing its covert activities in accordance with RIPA, IPA and Home Office codes of practice.
- 7.2 The council has devised an action plan to address the recommendations flowing from the IPC inspection report and data assurance letter. The council is implementing the necessary actions as outlined in paragraph 4.1.

Final report clearance:

Signed by:

Corporate Director Resources

Date

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Report of: Corporate Director Resources

Meeting of:	Date:	Ward(s):
Audit Committee	27/07/2021	N/A

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SUBJECT: STRATEGY & CHANGE PROGRESS REPORT

1. Synopsis

- 1.1 This report responds to the commitment made to the Audit Committee on 18 May 2020 to provide an update on the implementation of new arrangements for Strategy & Change within the Council.
- 1.2 The update presented to Audit Committee on 25 January 2021 confirmed that a consultation proposal was approved to create a new Transformation Unit function under Strategy & Change. This function comprised: a Head of Transformation, six Transformation Programme Leads (now five, with one recently moving under Fairness & Equality), and a small PMO team of three (Manager, Officer and Apprentice).
- 1.3 In April 2021, as part of the SLT restructure, the Transformation Unit moved across to the Resources Directorate, under Finance. This report outlines progress made since our last report in January, in three key areas:
 - a. Supporting development of **strategic business planning**, as a key driver for change across the council
 - b. Delivering **service transformation**, to make impactful change
 - c. Driving change through a **Corporate Delivery Framework**, to ensure grip and pace across the council's transformation and change work
- 1.4 It also highlights three key priorities for the next six months:
 - a. Establishing **new Transformation Fund reporting** to ensure delivery of benefits against Fund allocations

- b. Launching **Islington's PMO Centre of Excellence** informed by the findings of a recent audit report
- c. Introducing a **new Senior Leadership forum** as a key aspect of the culture change we are aiming to achieve across the council

2. Recommendation

- 2.1 To note progress to date and priorities for the next six months to further strengthen delivery of transformation programmes to maximise benefits for residents.

3. Progress over the past six months

- 3.1 **Strategic business planning:** Following the recent SLT restructure, directorates have undertaken business planning activities to ensure a clear and refreshed strategic direction, with a clear focus on driving service improvement and transformation to improve outcomes for residents, businesses and communities.
- 3.2 Transformation Leads have supported senior leadership to develop their Business Plans, which set out the vision and priorities for their directorates, and the programmes and activities that will deliver these. Support has included facilitation of awaydays and planning sessions to identify priorities over the coming years, drafting of business plans, and ensuring that transformation and change programmes are embedded in both directorate and service plans.
- 3.3 Our approach to culture change was key to session planning, embedding discussion and reflections relating to the recent staff survey responses, mental wellbeing, challenging inequalities and transformation, to ensure staff across each directorate felt engaged and supported.
- 3.4 **Service transformation:** The Transformation Unit's purpose is to support the Council and services to identify and deliver service improvements and transformation, and to ensure rigour, assurance and realisation of benefits. The team has supported a wide range of change initiatives in its' first year – ranging from significant transformation programmes through to improvements to 'business as usual' services. Key programmes the team have been involved in include:

Directorate	Transformation and change	Purpose
Adult Social Care	Integrated Care Programme	Bring together health and social care colleagues to provide a seamless service for residents, ensuring a coordinated approach, with less delay and reduced handoffs.
Adult Social Care	Adult Social Care review	Maximise resource through a strengths-based working approach, ensuring residents receive a coordinated approach with less delay and reduced handoffs.
Children's Services	Children Looked After Transformation	Improve outcomes for children by: <ul style="list-style-type: none"> a) Preventing children & young people from coming into care b) Ensure the right accommodation for children and young people, if the right thing is for them to come into care

Children's Services	Equalities in Education	Support schools to reduce educational inequalities by building upon collaborative working with a focus on disadvantaged groups across Islington.
Community Wealth Building	Economic Wellbeing	Deliver a coherent offer to promote economic wellbeing through: <ul style="list-style-type: none"> a) Building financial resilience through helping residents maximise income and manage debt b) Supporting people into good, sustainable jobs
Community Wealth Building	FutureWork Programme	Enable a flexible and hybrid working model for staff as lockdown restrictions ease, with the ability to effectively meet the needs of residents, local business and partners working from anywhere, enabling a work-life balance.
Environment	iCo Review	Ensure best value for money through a complete review of iCo (Islington's trading company) with recommendations.
Environment	Commercial Waste Review	Develop Covid-19 recovery approach and best value for money for our commercial waste service
Environment	Net Zero Carbon	Develop the council's strategy to achieve net zero carbon by 2030, enabling a cleaner, greener and healthier Islington.
Fairer Together	Resident Experience Programme	Exploit the power of digital to enable and empower residents to self-serve with ease, developing a tailored offer for the residents that need it most.
Public Health	Lateral Flow Testing (LFT) sites	Set up venues, recruitment, training and comms to enable timely and effective LFT for residents and staff.
Resources	Modernising Finance Transformation	Deliver a new operating model for the Finance service, including a new structure and improved approach to enable the department to support wider services and help the council deliver its strategic objectives for residents.
Resources	Workforce Strategy	Embed workforce strategy commitments to ensure the recruitment, retention and support to workforce in effective delivery of the council's services and priorities.

- 3.5 **Corporate Delivery Framework:** The Transformation Unit now facilitates five Directorate Delivery Boards across the council, ensuring improved grip, challenge and support in our transformation and change work. These take place monthly / six-weekly for the following directorates:
- Adults Social Care

- Children's Services
- Environment
- Homes & Neighbourhoods
- Resources

NB: The Fairer Together and Community Wealth Building Directorates have only been established since 1 April 2021, so arrangements for monitoring delivery of services and programmes at directorate level are still in development.

3.6 Alongside the Directorate Delivery Boards, a new monthly Strategic Transformation Board supports ensures grip and pace across the wider transformation portfolio. The Board is chaired by the Chief Executive, and membership includes Corporate Directors, key directorate staff and Transformation Unit staff. Directorates bring updates on key transformation programmes, enabling links to be made with other initiatives across the council and opportunities to collaborate and support delivery to be identified and taken forward.

3.7 Meetings focus less on standard templates and reporting, and more on enabling discussion and providing senior level steer and challenge to maximise impacts of transformation programmes for residents. The cycle for directorate reporting to Strategic Transformation Board is as follows:

Month 1 (rolling)	Month 2 (rolling)
Fairer Together Challenging Inequality Community Wealth Building New Zero Carbon	FutureWork People Transformation Housing Transformation Corporate Transformation

4. Priorities for the next six months

4.1 **Launching PMO Centre of Excellence:** An Internal Audit review of the council's PMO function in summer 2020 identified a number of areas for improvement. The audit focused on seven key risks (governance; information management; change control; communication and training; project management capability; learning & assurance; streamlined reporting).

4.2 The review made the following recommendations:

- The development of a lessons learned framework
- Consistent reporting across all levels of governance
- Clear risk management framework across the change portfolio
- Holistic view of project management capabilities across the council's change portfolio
- Mandatory use of RAID (Risks, Assumptions, Issues, Dependencies log) under the PMO toolkit
- Clear risk escalation framework across the council's change portfolio
- Training and communication on changes to the redesigned PMO function to be extended to delivery teams

4.3 The Transformation Unit accepted all recommendations and set up a working group with cross-council PMO representation to help undertake a full review of existing approach and processes.

- 4.4 Work to put in place systems, processes and documentation to address these recommendations is already well underway, developed and co-produced with managers and staff across the council who are engaged in transformation, programme and project management.
- 4.5 This will lead to a rebrand and launch in September of the council's PMO Centre of Excellence, sponsored by the Chief Executive and comprising the following elements:
- **PMO Toolkit:** a comprehensive user guide with templates to ensure consistency and best practice in the council's project and programme management
 - **PMO Forum:** a network of over 200 project and programme managers from across the council, enabling a holistic understanding of project management capability across Islington and resultant skills gaps, to help a programme of training, development and best practice knowledge-share
 - **PMO surgeries:** directorate drop-in sessions offering training and support on benefit, risk, issue and dependency management, ensuring a consistent and collaborative approach across the council
 - **Online reporting:** use of online PMO reporting toolkit to remove manual intervention and enable a more accessible, collaborative and empowering project management approach reporting framework
- 4.6 Early trials of the Toolkit and new Forum have been well-received. Staff have welcomed the comprehensive guidance and suite of documents in the Toolkit which will ensure enable effective and consistent management of projects and programmes. And initial meetings of the new PMO Forum have been well-attended, with staff keen to share learning and best practice. Work on the surgeries and online reporting is still in development but progressing well.
- 4.7 Collectively, the new arrangements set out in sections 3 and 4 of this report will ensure that the Transformation Unit, and the PMO function within it, can more effectively facilitate successful change across the council, through a consistent and high quality project management approach.

5.1 Implications

5.1 Financial implications:

There are no significant financial implications arising from this report.

5.2 Legal Implications:

There are no significant legal implications arising from this report.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

There are no environmental impacts arising from this report.

5.4 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.

- 5.5 The Strategy and Change team is focused on delivery of the Council's core commitment to fairness. We see fairness and equality as two sides of the same coin and in driving forward these new arrangements for corporate delivery will ensure that tackling inequality and promoting fairness are embedded in all delivery plans and reflected in key performance goals and indicators that will be reviewed regularly as part of the new corporate delivery framework. Resident Impact Assessments will be completed as appropriate.

6 Reason for recommendation

- 6.1 To provide a further update to the Committee on the Council's Strategy & Change work, as promised at the meeting on 25 January 2021.

Background papers: None.

Final report clearance:

Signed by:



Dave Hodgkinson

Date: 15 July 2021

Corporate Director of Resources

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ISLINGTON

Finance and Resources
Newington Barrow Way, London N7 7EP

Report of: Corporate Director - Resources

Meeting of	Date	Ward(s)
Audit Committee	27 th July 2021	All

Delete as appropriate		Non-exempt
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SUBJECT: Annual Governance Statement 2020-21

1. Synopsis

- 1.1. This report provides Committee with the Council's 2020-21 Annual Governance Statement (AGS). In accordance with Regulation 6 of the Accounts and Audit Regulations 2015, the Council is required to undertake a review its governance framework and publish an AGS as part of the Statement of Accounts.
- 1.2. The purpose of the AGS process is to provide a continuous review of the Council's governance framework, to provide assurance on its effectiveness and, where applicable, produce an action plan to address weaknesses identified. The process of preparing the AGS adds value to the corporate governance and internal control framework.
- 1.3. This report is intended to support the Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control.

2. Recommendations

- 2.1. To approve the Annual Governance Statement at Appendix A;
- 2.2. To authorise the Corporate Director, Resources, in consultation with the Chair of Audit Committee, to approve minor amendments to the Annual

Governance Statement prior to the signing of the final statement of accounts; and

- 2.3. To note that officers will report back on any amendments made to the Annual Governance Statement at a subsequent Audit Committee and provide a copy of any amended version of the Annual Governance Statement for the Committee's information.

3. Background

- 3.1. As in previous years, the production of the AGS has been led by the Head of Internal Audit, with contributions received from key officers across the Council in areas including Law, Finance, Strategy, People, Housing, and Environment. The Council's Corporate Management Board (CMB) has also reviewed the AGS. The Chief Executive and Leader will sign the AGS following approval by the Audit Committee and once adjustments have been made as outlined in the recommendations at section 2 above.
- 3.2. The 2020-21 AGS follows the guidelines encompassed in the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework (2016).
- 3.3. Section 3 of the AGS aligns with Chapter 7 of the CIPFA/SOLACE framework, which lists the key elements of the structures and processes that should comprise an authority's governance arrangements.
- 3.4. In line with the framework, the AGS is an assessment of the Council's performance across all of its activities and describes:
 - the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible (Section 3),
 - the processes applied in reviewing the effectiveness of the Council's governance framework, including the system of internal control (Section 4),
 - other areas of assurance and governance (Section 5),
 - the actions proposed to deal with any significant governance issues identified (Section 6).
- 3.5. While not published, since 2016-17 a self-assessment prepared by all directorates underpins the AGS. The self-assessment is a useful tool as it allows authorities to assess how far their processes and documentation meet the criteria suggested in the CIPFA/SOLACE framework.
- 3.6. The governance framework described in the AGS has been in place at the Council for the year ended 31 March 2021.
- 3.7. The statement was also shared with the Council's External Auditors, who reviewed the statement and provided comments.

- 3.8. For ease of reference, and in response to a previous request from Committee, areas that have been amended as compared to the previous year have been highlighted in grey.

4. Implications

4.1. Financial implications

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

4.2. Legal Implications

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct an annual review of its system of internal control and, following the review, the Council must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, before approving the statement of accounts.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

There are no environmental implications arising from the recommendations in 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.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendations

- 5.1. The Annual Governance Statement, attached at Appendix A, reports on the Council's governance arrangements and control environment, and forms part of the Statement of Accounts.

Appendices:

Appendix A – Draft 2020-21 Annual Governance Statement

Final report clearance:



Signed by:

David Hodgkinson – Corporate Director of Resources

Date:

6 July 2021

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REPORT ENDS

London Borough of Islington

Annual Governance Statement

2020-21



ISLINGTON

1. Scope of responsibility

- 1.1. Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the seven principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the code is on our website, included in the Council's Constitution.
- 1.3. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:
 - Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
 - Describes processes applied in reviewing their effectiveness, and
 - Lists actions proposed to deal with significant governance issues identified.

2. The purpose of the governance framework

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

- 2.3. The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

3. The governance framework

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

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

3.1.1. The Council expects the highest standard of conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Audit Committee, supported by the Standards Committee. The Standards Committee is responsible for considering complaints regarding alleged breaches of the Members' Code of Conduct. The Audit Committee receives an annual report on Member conduct (most recently at the September 2020 meeting). In accordance with the Localism Act 2011, the Council has appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.

3.1.2. A new Code of Conduct for Members was adopted at Annual Council on 20 May 2021. It is based on the new Local Government Association (LGA) Model Code and the Council's previous version of the Code.

3.1.3. Part 6 of the Constitution contains the revised Members Code of Conduct, which sets out the rules for registering and declaring interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.

3.1.4. Part 7 of the Constitution contains the Members' Allowance Scheme, which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.

3.1.5. An Employee Code of Conduct is publicised to staff.

3.1.6. The Council has an established whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. Whistleblowing arrangements are a key element of the Council's overall governance arrangements. It is the mechanism to 'empower the honest majority' in the fight against fraud and corruption and is an integral part of the Council's Anti-Fraud Strategy. The Council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management.

- 3.1.7. Whistleblowing allows employees, contractors and others to raise concerns surrounding potential fraud and corruption. The whistleblowing policy was reviewed and updated in May 2020 and January 2021 in line with good practice, and approved by the Audit Committee. The whistleblowing policy is located on the Council's intranet. The Audit Committee receives a report concerning whistleblowing bi-annually.
- 3.1.8. The Council has a formal two-stage process for managing complaints. Our aim is to ensure that when things go wrong, we respond quickly to put things right. The process is set out on the Council's website and copies are available from the Corporate Customer Service Team.
- 3.1.9. The Council's Corporate Customer Service Team is responsible for the overall management of complaints. Its aim is to ensure the Council learns and improves its performance as a result of customer feedback. Departmental Complaints Officers record and report on all complaints, and the service response is monitored.
- 3.1.10. Customers and residents who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government and Social Care Ombudsman or the Housing Ombudsman; independent, impartial and free services. The Ombudsman has powers to independently investigate complaints about how the Council has acted.
- 3.2. **Ensuring compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful**
- 3.2.1. The Council's Personnel Sub-Committee is responsible for the appointment (save on an interim basis) of Corporate Directors, Service Directors, statutory chief officers and for making a recommendation to Council on the appointment of the Chief Executive. The committee is comprised of both members of the Executive and back-bench members of the Council and appointments are made in accordance with the Recruitment Protocol. The members of the Personnel Sub-Committee participate in some of the preliminary decisions prior to the formal meetings of the committee, such as longlisting, and have an important role in helping to shape the recruitment process.
- 3.2.2. In accordance with the Officer Employment Rules in Part 4 of the Council's Constitution, the appointment and dismissal of non-chief officers will be discharged by the Chief Executive or the Corporate Director of the department in which that officer is employed. The Chief Executive and Corporate Directors may delegate this function to Service Directors, Heads of Service and Service Managers in their department.
- 3.2.3. Chief Officers are responsible for ensuring that their staff operate in accordance with employment policies and the Code of Conduct for Employees, which promotes high standards of behaviour. As well as

providing legal support on specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to Members, Chief Officers, Managers and staff on new legislation and case law developments and changes to existing legislation and regulations. All decision making reports to the Council, its Committees and the Executive include appropriate legal implications. Legal Services also provide legal implications for decision reports to Chief Officers and to meetings of the Corporate Management Board. The Director of Law and Governance attends or is represented at all Council, Executive, Audit Committee, Planning Committee and Licensing Committee meetings and other meetings when requested.

3.2.4. The Internal Audit service produces an annual plan, which identifies principal risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures and has taken action to mitigate principal risks. Internal Audit reports progress and outcomes of delivery of the audit plan to Audit Committee bi-annually. Internal Audit updates are also included as a standing item at each Audit Committee meeting.

3.2.5. The Audit Committee also receives an annual report on the principal risks facing the Council. Audit Committee noted a Principal Risk Report in September 2020, reflecting the Council's changed risk profile in light of the pandemic, along with actions that were being taken to mitigate principal risks. External audit reports are also available to the Audit Committee.

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

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

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

3.3.2. The Council also sets out its commitment to Freedom of Information and Environmental Information Regulations in its Access to Information Policy. The Council sets out its commitment to complying with Individual

Rights, as set out in the UK General Data Protection Regulation, in the Individuals Rights Policy.

- 3.3.3. A comprehensive Data and Information Management policy suite is in place to ensure staff are aware of their obligations to keep personal data secure. All staff are also briefed on Data Protection and Information Governance responsibilities via 'pop-up' training, and must complete two mandatory eLearning courses on UK GDPR and data handling.
 - 3.3.4. The Council continues to support the delivery of the Information Governance Strategy that sets out its commitment to ensuring the Council's continued compliance to legislation and this will continue to be tracked in the coming year.
 - 3.3.5. The Council has an Information Asset Register and a Record of Processing Activity in place to ensure that it manages its information and identified and mitigates any risks efficiently.
 - 3.3.6. The Information Commissioner's Office (ICO) carry out compulsory audits or ask organisations to participate in a 'consensual' audit. The Council participated in a consensual audit by the ICO in 2015. The Council are required by law to refer data breaches to the ICO where they meet the threshold for reporting. The Council has not reported any incidents in 2020-21.
 - 3.3.7. Individuals are entitled to escalate complaints to the ICO, these arise either from a Freedom of Information (FOI) or Data Protection (DP) concern (late/incomplete subject access request, alleged data breach etc). The ICO can issue a decision notice in response to an FOI complaint (this can be for or against the Council). The ICO can also issue practice recommendations or fines in relation to breaches of DP legislation (e.g. breach of data or another breach of legislation such as failing to respond to a subject access request in one month). The Council have had no decision notices or practice recommendations issued in 2020-21 from the ICO.
 - 3.3.8. Individuals are entitled to appeal an ICO decision notice or data protection complaints to the First Tier Tribunal (FTT), whilst these appeals are against the ICO the council can be added as a second respondent by the ICO or the FTT. The council was added as a second respondent to an appeal, heard in November 2019 and January 2020. The FTT issued its decision against the council in June 2020 and ordered the council to provide outstanding information to the Appellant. The council complied with the FTT decision and the matter is now closed.
- 3.4. **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- 3.4.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council websites, email, social media channels, public meetings and the quarterly magazine delivered to residents. Throughout the pandemic we have engaged extensively with community groups, using their insight to shape our communications materials and approach so that we can make sure important messages reach the right people through channels they trust. Surveys of residents are undertaken to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications. The 2021 survey of 1,000 residents is currently underway. The last survey took place in 2018.
- 3.4.2. It is recognised that social and economic inequalities exist for both residents and staff, and have been exacerbated by the pandemic. In 2020-21, the Council has continued to work to tackle the risks of social and economic inequalities across the Borough, and the Principal Risk Report documents mitigating actions. The Council has established a wide range of channels of communication with different sections of the community, enabling community groups and voluntary sector organisations to inform, co-develop and co-deliver our aspirations for a fairer Islington and our Fairer Together Partnership. This work has been enhanced with a particular focus on equality through the Council's Challenging Inequalities programme.
- 3.4.3. The Council facilitates a number of networks with community partners, in particular for voluntary sector organisations and faith communities working to promote equalities outcomes for communities with protected characteristics. This is supplemented by an annual programme of community and equality events delivered in partnership with the borough's voluntary and community sector.
- 3.4.4. In response to the pandemic, the council worked in partnership with voluntary organisations and community groups through its 'We Are Islington' response, enabling residents to access practical support around money, food, utility top ups and social isolation. Through this work the council established clear communication lines with VCS groups and the wider community to enable a two way exchange of information around infection rates, testing, vaccinations and key issues affecting the community, with a particular focus on sections of the community most at risk (age, ethnicity, disability status).
- 3.4.5. Through its VCS Partnership Grants Programme, the Council has made commitments of £2.7 million per annum until March 2024. Alongside this, the Council runs small grants programmes, including the Islington Council Community Chest fund and Local Initiatives Fund which enable communities to mobilise and respond to community need. Enabling and working with a strong, vibrant and independent voluntary and community sector, allows for clear communication channels with all sections of the community and intelligence that informs our policy

responses. All organisations that receive awards are required to comply with our minimum standards for VCS organisations and are subject to proportionate grant monitoring that aligns with the council's audit approach.

- 3.4.6. Council meetings are open to the public; the only exception is for agenda items that are confidential. The time, date and location of public meetings are displayed on the Islington website.
 - 3.4.7. During the Covid-19 crisis, the Council is using the powers in the 'Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020' to hold remote committee meetings.
 - 3.4.8. Ward partnership meetings provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. Those meetings are open to the public.
- 3.5. **Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning and translating the vision into courses of action for the authority, its partnerships and collaborations**
- 3.5.1. The central aim of the Council's Administration is to make Islington a fairer place. The Council's priorities to achieve its vision of a fairer Islington are set out in 'Building a Fairer Islington' our Corporate Plan for 2018-22.
 - 3.5.2. The Council's seven key priorities are:
 - **Homes** - Delivering decent and genuinely affordable homes for all;
 - **Jobs and Money** – Delivering an inclusive economy, supporting people into work and helping them with the cost of living;
 - **Safety** – Creating a safe and cohesive borough for all;
 - **Children and young people** – Making Islington the best place for all young people to grow up;
 - **Place and environment** – Making Islington a welcoming and attractive borough and creating a healthier environment for all;
 - **Health and independence** – Ensuring our residents can lead healthy and independent lives; and
 - **Well run council** – Continuing to be a well-run council and making a difference despite reduced resources.
 - 3.5.3. These priorities and the intended outcomes have been communicated to staff, residents and service users in newsletters, on the Council's website (www.islington.gov.uk) and through a variety of other media. The Council also uses large print and translated documents to make the information accessible.

3.5.4. In enabling a clear focus on key transformation and change priorities for Corporate Management Team for the year ahead and in light of the pandemic, the Council drafted Plans on a Page, setting out the relevant projects and programmes, MTFS savings and performance indicators that feed into the corporate plan.

3.5.5. The Council uses feedback from surveys and complaints in its commissioning strategies and actively engages with service users and carers to co-produce plans for service development and service change.

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

3.6.1. Part 3 of the Council's Constitution sets out the bodies or officers that are responsible for discharging the Council's executive and non – executive functions. The terms of reference of these bodies are set out in Part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

3.6.2. The Council's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive (although only in very limited circumstances in Islington);
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers);
- Committees and Sub-Committees of the Council or the Executive;
- Joint Committees;
- Officers, and
- Other persons authorised under specific legislation.

3.6.3. The Executive is made up of the Leader of the Council and eight Executive members. The Executive is responsible for the majority of the Council's most significant decisions, which are made in line with Council policy and budget. Its functions and terms of reference are set out in Parts 3 and 5 of the Constitution. Executive agendas, minutes and summaries of decisions are available on the Council website.

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

decisions by the Executive. These mechanisms involve the overview and scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution.

- 3.6.5. The Constitution includes formal delegation of responsibility and accountability, the Council's Procurement Rules and Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring that standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.
- 3.6.6. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Policy and Performance Scrutiny Committee and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the Council and its partners. This includes consideration of medium term financial strategy. The Policy and Performance Scrutiny Committee and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.
- 3.6.7. All formal meetings are clerked by well-trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure. Members are required to make sound decisions based on written reports, which are prepared in accordance with the Council's report writing guidelines, and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must address the impact on residents, including equalities impact and environmental impact, together with financial and legal implications and risks.
- 3.7. **Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money**
- 3.7.1. The Council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. Elements are:
- Corporate Performance Indicators – performance measures covering the impact of key services and priorities;
 - Internal monitoring and challenge around performance and delivery through Departmental Management Teams and Corporate Management Board;
 - Public reporting and scrutiny through quarterly reports to scrutiny committees, including more in depth scrutiny of specific topics; and
 - Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.

This year we focused on a suite of measures that helped monitor the impact and response to the pandemic. A review is now underway to ascertain whether these indicators continue to provide the required insight.

- 3.7.2. Copies of performance reports to the Council's five scrutiny committees can be found on the Council website in the Democracy section of the website.

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

- 3.8.1. The Council's Constitution sets out how the Council operates, how decisions are made transparently, and how the Council demonstrates its accountability to residents and local businesses.

- 3.8.2. The Constitution also sets out the roles and responsibilities of the Executive, other member level decision making bodies and officers. A Publicity Protocol governing Members' and Committees' communication is set out in Part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.

- 3.8.3. The Constitution is updated at least annually to reflect any internal or legislative changes. Key amendments coming into effect in 2020/21 included updates to the Members Allowance Scheme and revisions to meet the requirements detailed in the Chief Executive's Handbook.

3.9. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019)

- 3.9.1. The Corporate Director of Resources (who is also the Section 151 Officer) and the Director of Finance were responsible for leading and directing financial strategy and operations for 2020-21. These officers were responsible for:
- Ensuring lawfulness and financial prudence of decision-making;
 - Reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) and the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure; or is unlawful and is likely to cause a loss or deficiency; or if the Council is about to enter an item of account unlawfully; and
 - Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to Members.

3.9.2. The Head of Internal Audit gives an annual opinion on governance, risk management and internal control, and reports quarterly to the Audit Committee.

3.9.3. The Information Governance Board meets at regular intervals to discuss and monitor compliance with corporate systems of internal control, cyber security and governance issues. The group includes the Corporate Director of Resources, the Director of Law and Governance (the Council's Monitoring Officer) and the Head of Internal Audit. Representatives from each department are also included in the membership of this group.

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

3.10.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Director of Law and Governance is responsible, as Monitoring Officer, for:

- Maintaining and keeping under review the Constitution (setting out in particular the bodies and post holders able to exercise the Council's functions, and the code of conduct for members) and making this widely available to Councillors, officers and the public.
- Holding an up-to-date list of authorisations issued by the Directors to other officers under Part 3, paragraph 8.6 and Appendix 3 of the Constitution, authorising other officers to exercise functions delegated to them under the Constitution.
- Reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) if they consider that any proposal, decision or omission has given, may or would give rise to unlawfulness or has given rise to any maladministration which has been investigated by the Ombudsman.
- Contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council.
- Receiving and acting on complaints that a member has breached the Islington Members' Code of Conduct.
- Advising whether decisions of the Executive are in accordance with the Policy Framework and the Budget.
- Advising Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

3.11. Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

3.11.1. The Chief Executive is the Head of Paid Service and works closely with elected members to deliver the following:

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

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

3.12.1. The Council is committed to the on-going professional development of Members and officers. Upon election, all Members are provided with a corporate induction and offered access to an on-going training and development programme. Details of all training provided to Members is reported to Audit Committee annually and was last reported in September 2020.

3.12.2. The Council is committed to improving the support for elected members and is working towards applying for Chartermark status for member development.

3.12.3. Since the local elections in May 2018, training and development has been provided to Councillors on both a group and individual basis. There is an ongoing development programme with a number of dates scheduled for planned training each year. This has included personal development skills based work as well as specific knowledge. Councillors have also attended various LGA conferences and away days as well as specific events put on by the LGA and London Councils.

3.12.4. In 2019-20, the Council moved from an annual performance appraisal model to a Quality Conversations approach to employee performance management. This approach ensures that meaningful conversations take place between managers and employees as regularly as required to manage and improve personal and organisational performance, ensuring that the Council's employees possess the right skills and behaviours to help achieve success. The Policy and Performance Scrutiny Committee received a report on staff performance development in March 2021.

3.12.5. During 2020-21 a new behaviours framework was developed through consultation with staff to support the Council's CARE values (Collaborative, Ambitious, Resourceful, Empowering) and underpin the approach to performance development.

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

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

3.13.1. The Council continues to make efforts to improve the risk maturity of the organisation and move towards a more risk aware culture by embedding risk management into business as usual practices. In 2020-21 our risk maturity was further enhanced by the calculation of target risk scores for each principal risk. The Council's risk management function also played a key role during the pandemic, and worked with the leadership to identify risks resulting from the pandemic. This resulted in mitigating actions being designed to address risks.

3.13.2. While the risk management process is dynamic and forms an integral part of ongoing decision making, the Council's Principal Risk Report is revised annually and presented to the Audit Committee. The process is led by the Council's Risk Manager and Head of Internal Audit, in consultation with risk owners, Directorate Managements Teams (DMTs) and the Corporate Management Board (CMB). Risk Management updates are also included as a standing item on the Audit Committee's agenda.

3.13.3. The work of Internal Audit, in accordance with the annual Audit Plan, continues to be directed towards the high-risk areas as identified within the Principal Risk Report.

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

3.14.1. The Council's Anti-Fraud Strategy incorporates promotes a zero tolerance approach to fraud and incorporates the Council's fraud response plan. The Council's whistleblowing policy provides a mechanism for suspected fraud to be reported confidentially.

3.14.2. The Head of Internal Audit has overall responsibility for anti-fraud related activity and reports outcomes of whistleblowing investigations bi-annually to the Audit Committee.

3.14.3. Where applicable, completed anti-fraud investigations in 2020-21 produced reports with recommendations to strengthen controls and further mitigate the risk of fraud.

3.14.4. The Council participates in the National Fraud Initiative. In 2020-21, controls were also designed to prevent the risk of fraud in relation to grants paid as a result of the pandemic.

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

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

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

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

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

3.15.4. Each Executive Member is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The Executive Member is accompanied by the relevant Corporate Director. Details are set out in the performance management framework.

3.15.5. Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board.

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

3.16. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2018)

- 3.16.1. The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities and promoting high standards of member conduct.
- 3.16.2. The Committee meets on at least a quarterly basis. Since its inception, it continues to review and report on the Council's auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes independent members.
- 3.16.3. The Audit Committee and its two Sub-Committees deal with a range of matters including Council accounts and audit functions, personnel and pension functions.
- 3.16.4. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.
- 3.16.5. The Audit Committee has independent members suitably qualified and trained to support the committee in an advisory capacity.

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

- 3.17.1. Internal Audit assesses the level the implementation of audit recommendations and reports bi-annually to CMB and the Audit Committee. The External Audit is factored into the work plan of the Resources Directorate and adequate resources are devoted to this. Information needed by the External Auditors is provided promptly and the Council remains in regular dialogue with the External Auditors throughout the year.

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

- 3.18.1. The Council works in partnership with a wide range of organisations from the statutory sector, third sector and business sector to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together

around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.

- 3.18.2. Governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements.
- 3.18.3. Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director having overall responsibility.
- 3.18.4. Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability arrangements.
- 3.18.5. Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is usually the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.
- 3.18.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the Islington Partnership Board, partners may agree 'mandatory' membership from key organisations.
- 3.18.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB). The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.
- 3.18.8. Where the partnership involves sharing data then either a contract or an Information Sharing Agreement will be in place.
- 3.18.9. The Health and Wellbeing Board, which includes membership from the Council, Islington Clinical Commissioning Group and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination

and integration of commissioning plans to secure best use of resources and population health outcomes.

4. Assurance

4.1 Review of Effectiveness

- 4.1.1. Regulation 6 of Part 2 of The Accounts and Audit Regulations 2015 requires that relevant bodies conduct, at least once in each year, a review of the effectiveness of the system of internal control. The findings of the review must be considered by the body to ensure that it has the system of internal control required by Regulation 3.
- 4.1.2. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, directorate self-assessments (as per 4.2 below) and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Self-assessment

- 4.2.1. In line with section 5 of the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 (guidance notes), the Council holds a comprehensive self-assessment which details the Council's effectiveness in applying principles of good governance in practice.
- 4.2.2. The self-assessment, having been completed for the first time in 2016-17 by key officers across the Council; has been periodically updated since. The self-assessment indicates that the Council has achieved a sound level of implementation of good governance principles in a number of areas, with some areas requiring improvement. Directorate level self-assessments were also completed in-year.

4.3. External Audit and Inspectorates

- 4.3.1. The annual external audit of the Statement of Accounts has consistently produced an unqualified opinion with little or no material or immaterial adjustments. The same also applies to the audit of grant claims and returns. During the year the Council was one of less than 50% of authorities to successfully complete their audit by the statutory deadline due to increasing expectations placed on the audit sector.
- 4.3.2. Adult Social Care is subject to a regular Peer Review which functions as an external audit of departmental effectiveness. This is coordinated by London ADASS and the LGA and carried out by peers from other London Authorities.

- 4.3.3. Adult social care reablement and residential services are subject to statutory Care Quality Commission regulation and inspection.
- 4.3.4. Children's Services are subject to the statutory inspection regime from Ofsted, which found the service to be outstanding in March 2020.

4.4. Internal Audit

- 4.4.1. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provides an annual audit opinion and report that can be used by the organisation to inform its governance statement.
- 4.4.2. The Internal Audit plan is developed using a risk-based approach. Internal Audit provide assurance on the actions to mitigate key potential risks through delivery of the audit plan.
- 4.4.3. The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner. The full summary of the work that Internal Audit has undertaken during the 2020-21 financial year will be provided in the 2020-21 Internal Audit Annual Report to the Audit Committee.
- 4.4.4. Due to the pandemic emergency and the immediate response that followed, Internal Audit was required to temporarily pause completion of a number of core audit reviews during Q1 of 2020-21. Internal Audit used this time to provide risk and control advice on the Council's pandemic response, including around purchase ordering and the payment of suppliers. The Internal Audit team also supported the Council's Audit Manager (Investigations) to formulate advice related to pandemic related anti-fraud measures. While the core reviews were temporarily paused, the team's work focussed on providing ongoing assurance through the delivery of an accelerated programme of follow up activity.
- 4.4.5. Internal Audit also revisited Departmental Management Teams in summer 2020 to ensure that the 2020-21 plan was still relevant in light of the pandemic, and continued to focus on the highest risks as identified in the Council's September 2020 iteration of the Principal Risk Report.
- 4.4.6. Audit recommendations made in 2020-21 will be scheduled for follow up in 2021-22 to ensure that management action has been implemented within agreed timescales. This will provide senior management and the Audit Committee with a direction of travel in the internal control environment across the Council and will identify areas where further improvement is required.
- 4.4.7. A Controls Board has been set up and had its inaugural meeting in January 2021. The Director of Finance chairs the Controls Board and its

members include Internal Audit and representatives from all directorates. The board's role is to facilitate an ongoing dialogue between Internal Audit and Directorate Management Teams around the progress of the Internal Audit plan. This board will play a key role in monitoring open audit actions, tracking the implementation of audit recommendations and escalating areas of concern.

4.5. Head of Internal Audit's Annual Opinion

4.5.1. The Head of Internal Audit's annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2018-19 and 2019-20 was Moderate Assurance.

4.5.2. The work undertaken during 2020-21 has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2021, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Residual risks will be closely monitored through follow-ups and Controls Board in 2021/22. Further detail on audit outputs is provided in the Internal Audit Annual Report. The wider content of this Annual Governance Statement indicates an adequate level of assurance from the Council's governance framework.

4.5.3. The Head of Internal Audit also concluded that the Internal Audit service continues to be effective, complies with PSIAS, and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders. LB Croydon undertook an independent peer review of Islington Internal Audit service in May 2016 to comprehensively review the effectiveness of the Shared Internal Audit Service with LB Camden. It concluded that the audit shared service 'fully conforms' with PSIAS. From 2017-18 to 2020-21, a PSIAS self-assessment was conducted to ensure continued compliance with standards. In 2020-21, the Internal Audit service also benefited from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services).

5. Other areas of Governance and Assurance

5.1. *Managing and Responding to the Impacts of the Covid-19 Pandemic*

5.1.1. The Council's key focus during 2020-21 has been the management of the pandemic and the emergency response across the borough, and working with partners to support residents and businesses affected by

the pandemic. This has ranged from the provision of food support to those residents asked to shield in the first period of lockdown, working with schools and Early Years settings to provide the necessary education and childcare support in line with the government's lockdown rules, to ensuring that we were enforcing rules around business closure and social distancing.

5.1.2. The pandemic caused wide-ranging and large scale impact, affecting our citizens, partners and businesses and the Council as an organisation. This resulted in shifts in the delivery of services, changes in where and how people work, and resourcing and financial challenges. The Council proactively revisited its Principal Risk Report following the first lockdown, to ensure that a revised risk profile was articulated to reflect the risks associated with the pandemic.

5.1.3. To ensure an effective response to, and management of, the impacts of the pandemic, the Council rapidly put into place a robust set of emergency governance measures at the outset of the pandemic. These measures were put in place to facilitate a swift response to the pandemic and its impact across the Council, our services and communities, but also to ensure that the cross-cutting nature of the impact, and its size and scale, could be appropriately governed, managed and monitored.

5.1.4. The Council's emergency management structures were set up in-line with the national Emergency Management protocol including a Gold, Silver and Bronze command structure. This command structure, set up in parallel with other local, regional and national counterparts and partners, helped to facilitate a clear strategic direction for the organisation and clarified key roles and responsibilities. This enabled the quick implementation and coordination of activities to respond to the emergency.

5.1.5. The Council has made a concerted effort to help people protect themselves and their communities from the virus, as well as providing financial and other support to help individuals, businesses and voluntary and community organisations with the social and economic impacts they face.

5.2. *Resources*

5.2.1 The Council has a robust in-year budget monitoring process and medium-term financial planning process.

5.2.2 As part of the in-year budget monitoring process, financial performance and key risks against the approved budget are monitored and reported to Corporate Management Board, the Executive and Policy and Performance Scrutiny (PPS) Committee. The outturn position for 2020/21 showed there to be a non-pandemic related underspend which offset pandemic-related pressures over those contained within available government funding.

5.2.3 The Council in February approved a balanced budget for 2021/22 including £25m of budget savings and the maximum permissible increase in Council Tax of 1.99% plus the adult social care precept of 3%.

5.2.4 Developing the budget estimates for a given financial year is an ongoing process within the medium-term financial planning cycle that begins almost three years before any given budget report is agreed. This is a council-wide process involving all spending departments whereby estimates are worked up, challenged and refined as further information becomes known. It takes into account the most recently available budget monitoring information and the latest view on budget assumptions for the forthcoming financial year. In particular, the proposed savings have been signed off as deliverable by key stakeholder across the organisation.

5.2.5 The thoroughness of the overall budget setting process and the council's proposed policy to strengthen financial resilience in contingency and reserves for hardening budget risks over the medium term provides the Section 151 Officer with assurance on the robustness of the council's budget estimates, contingency budget and reserves for the forthcoming financial year.

5.2.6 The Section 151 Officer also takes assurance on the robustness of the budget estimates from the Value for Money (VFM) conclusion of the External Auditor on the 2019/20 Statement of Accounts that the council has "proper arrangements for securing economy, efficiency and effectiveness in its use of resources". In particular, the VFM assessment noted that:

- The council has set out in a reasonable way estimates of the additional costs and reductions in income for the budgetary challenge through to 2023/24;
- The council has identified the estimated gap using suitable assumptions and estimates which are in line with the External Auditor's expectations and similar councils;
- The council has put in place robust arrangements to ensure that risks and uncertainties are given due consideration in short and medium-term financial planning and the impact is effectively modelled to the best of their ability, drawing on external support where knowledge gaps or wider unknowns are identified;
- The outturn position for 2020/21 is broadly indicative that management's understanding of the key drivers for income and expenditure relating to core services and ability to understand impact of decisions taken is strong, and plans have been put in place for improvement to processes where significant variances were identified;
- The methodology through which management have identified pressures resulting from the pandemic, and the reporting structure to members, is considered effective;

- As a result of government funding and initiatives, prior year underspends and prudent financial planning including setting aside contingencies in the budget-setting process, the council has sufficient resources in place to meet the expected shortfalls in income and increases in expenditure for 2020/21 arising from the pandemic. However, in the medium term, the picture remains far more uncertain as the longer-lasting impact of the pandemic on the economy, in the context of wider financial risks beyond the control of officers or members, remains a significant unknown; and
- Management are conscious of the need to remain responsive to emerging circumstances, whilst keeping sight of longer-term strategic goals which underpin future investment decisions from use of reserves.

5.2.7 The longer-term Comprehensive Spending Review (CSR) and planned reforms to the local government finance system around business rates retention and the 'Fair Funding Review' (Review of Relative Needs and Resources) have all been delayed until 2022/23 at the earliest. The 'Fair Funding Review' presents a particular resources risk to the Council with the potential that government funding could be redistributed away from authorities such as London boroughs (in particular, inner London) towards counties and districts. In addition, the severely bleak nature of the national economic backdrop presents hugely significant risks for the funding of local government going forward. A further period of austerity cannot be ruled out and MTFs assumptions will need to be revised, potentially significantly, as events unfold.

5.2.8 Delivering robust financial management including financial control and providing high quality financial advice is a key contributor to the Council's strong financial standing. The unprecedented ask of financial management professionals in the current climate should be considered in the context of a significant reduction in financial management staffing resources over the past decade. This inevitably adds more risk to financial management processes. The organisation of resources and processes are reviewed regularly to mitigate this risk as much as is possible and focus resource where it is needed most at a given point in time.

5.2.9 The Council's Housing Revenue Account (HRA) has a robust and fully funded 30-year business plan.

5.2.10 The council committed to a new Corporate Asset Strategy in March 2020. The strategy aims to establish a bold new approach that ensures investment is directly linked to core council ambitions around fairness and community wealth building. It is designed to deliver a strategic, long-term approach to managing and enhancing our community asset base. Alongside the formal 3-year capital programme, the approved 2021/22 budget report included latest indicative capital expenditure estimates over the next 10 years.

5.2.11 The delivery of the savings and capital programmes will rely on these programmes being well managed and monitored. A project is underway to review the governance mechanisms in place, to ensure they appropriately support the delivery of these programmes.

5.3. *People*

5.3.1 In March 2019 the Children, Employment and Skills directorate and Adult Social Services (formerly part of the Housing and Adults Social Services directorate) were brought together to form one combined directorate, now known as the People Directorate.

5.3.2 The Corporate Director of People holds the statutory Director of Children's Services (DCS) role. The DCS is supported by a structure which allows the effective discharge of statutory duties with appropriate seniority and experience held at senior management level.

5.3.3 The revised structure and organisational arrangements provide a strong accountability, scrutiny, leadership and management grip on the Council's statutory duties for children in need of help and protection, children in care and care leavers, including early help and benefitting from high educational standards locally. Cultural opportunities for children and young people and employment and training pathways are strengthened as a result of employment, skills and culture services integration into the directorate. Strengthened arrangements between children's services and adults' services are being developed at pace to ensure there is ever greater consistency and continuity for young people as they become adults.

5.3.4 Accountability meetings are held with the leader of the Council and the Chief Executive, who hold the lead member for Children, Young People and Families and the chair of the Islington Safeguarding Children Partnership to account. These assurance checks are integral to the decision-making processes of the Council. All services delivered to Children Looked After and care leavers are scrutinised at the Corporate Parenting Board which is chaired by the In Care Council and the lead member for Children, Young People and Families. It has strong representation from the Children's Active Involvement Service, and the voice of the child is well evidenced in individual casework.

5.3.5 The quality of work for children in need of help and protection, children looked after and care leavers is scrutinised through Islington's Quality Assurance Framework. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director, the Lead Member for Children, Young People and Families and the Service Director of Safeguarding to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.

- 5.3.6 As part of this quality assurance, external and highly qualified professionals in the field carry out service reviews to benchmark against inspection expectations. There is funding from the DFE under Understanding Excellence for the Motivational and Trauma Informed Practice Model.
- 5.3.7 An annual self-assessment is carried out. Social worker caseloads, timeliness of interventions and outcomes for children are monitored at all levels and management oversight is good. The quality, value for money and sufficiency of placements for children is kept under review. An evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence-based programmes are in use.
- 5.3.8 The Islington Safeguarding Children Partnership (ISCP) has an independent chair who meets periodically with the Corporate Director as part of the accountability framework. The ISCP annual report is discussed by the Health and Wellbeing Board (HWB), Children and Families Board (CFB) and the Children and Families' Scrutiny Committee. Both the HWB and CFB reflect on the learning and build ISCP recommendations into their respective strategies. There continues to be a strong focus on Child Sexual and Criminal Exploitation through the ISCP's sub group that leads the partnership on this work. The ISCP also oversees multi-agency audits of practice, training and compliance with safeguarding requirements set out in legislation. The Children and Families' Scrutiny Committee have looked at exclusions in schools and how to achieve best practice in this area to support the health and wellbeing of all children and young people. In addition to the annual report on learning and education standards, an annual safeguarding report and quarterly performance reports are also scrutinised by the Committee.
- 5.3.9 The Joint Strategic Needs Assessment includes sections on vulnerable children and those in need of help and protection and is used to determine priorities for both the safeguarding board and for services for children and families.
- 5.3.10 Budget and change management proposals are scrutinised for impact on the quality of work with children in need of help and protection, children looked after and care leavers and this is included in Equality Impact Assessments.
- 5.3.11 Children's Services were judged outstanding by Ofsted in March 2020. They assessed the impact of leaders on social work practice with children and families as outstanding, the experiences and progress of children who need help and protection as outstanding, and the experiences and progress of children in care and care leavers as good.

5.4. *Adult Social Care*

- 5.4.1. The statutory DASS, (Director of Adult Social Services) for Islington is currently the Corporate Director for People. The DASS is responsible for providing professional leadership for all staff involved in delivering the Council's social services functions for adults and across local networks and partnerships involved in the provision of adult social care services. The DASS is also accountable for ensuring that relevant professional and occupational standards and standards of conduct are maintained across adult social care services provided by or commissioned by Islington.
- 5.4.2. The DASS is responsible for market shaping and continuity: commissioning effectively and ensuring the availability and quality of services that people want in order to be in control of their lives. The DASS holds responsibility for safeguarding adults who need care and support from abuse or neglect; when doctors are considering compulsory treatment or admission to psychiatric hospital and/or when people lack capacity to decide and may be restricted of their liberty.
- 5.4.3. The current structures and organisational arrangements provide a strong accountability, scrutiny, leadership and management grip on Islington's statutory duties for vulnerable adults including the duty to provide information, advice and guidance.
- 5.4.4. Assurance checks are integral to the decision making processes of the Council. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Director of Adult Social Services, the Lead Member for Health and Social Care and the independent Chair of the Safeguarding Adults Partnership Board to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.
- 5.4.5. The Council has a Safeguarding Adults Partnership Board that meets the current requirements for its scope and inclusiveness, chaired by an independent expert in the field who meets with the DASS.
- 5.4.6. The Safeguarding Adults Board oversees Safeguarding Adults Reviews and the implementation of recommendations arising from these reviews across the partnership.
- 5.4.7. The quality of social care practice in Adult Social Care is scrutinised through the quality assurance framework. Themes arising from this are reviewed by senior leaders and used to inform training programmes. Islington is a member of the North London Social Work Teaching Partnership, a consortium working to raise standards of social work education and continuing professional development and staff access continuing opportunities.

- 5.4.8. Approved Mental Health Act Professionals, (AMHPs) are warranted and supervised in line with statutory requirements.
- 5.4.9. The Council has partnership agreements (known as section 75 agreements) with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group, for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, outcome focused, joined up services for vulnerable people. There are regular meetings between the Chairs and Chief Executives of these organisations and the Council Leader and Chief Executive, and an annual report to the respective Boards and the Council's Executive to ensure that the day-to-day arrangements for collaborative working are meeting the aims of the partnerships and the objectives of the Council.
- 5.4.10. These arrangements have been strengthened in the light of the Better Care Fund and greater inter-dependency of health and social care funding. The partnership agreements and governance have been reviewed and refreshed. The Council and the CCG have also reviewed their respective commissioning structures to ensure better integration and accountability. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.

5.5. *Housing*

- 5.5.1. Housing is responsible for managing council residential tenanted and leasehold properties in the borough, either directly or through Partners for Improvement in Islington as part of the Council's two street properties PFI contracts. A Homes and Estates Safety Board, with an independent chair, oversees the particular fire and property-related risks to people in these dwellings. This is part of the overall corporate health and safety arrangements.
- 5.5.2. Housing Property Services have effective arrangements to monitor equipment and stock. Arrangements are in place to actively manage the risk of fraud through prevention and detection techniques.
- 5.5.3. The two long term PFI contracts to manage street council housing are managed by a clienting team with governance via senior management meetings with the PFI board and scrutiny via a range of annual audits carried out by the Council's Internal Auditors.
- 5.5.4. The PFI Integration Board has been set up to oversee the programme of work anticipating the Agreement for Islington HRA PFI (Partners for Improvement) Street Properties Project Two (PFI2) contract coming to an end in July 2022, and services transferring in April 2022. The Executive took the decision in July 2020 that services should be integrated into the Council's own housing service.

- 5.5.5. The relationship with the 23 Tenant Management Organisations in the borough is managed by the TMO compliance team, supported by internal audit who run an annual programme auditing TMO financial and governance controls.
- 5.5.6. Residents are involved in the prioritisation and governance of the Housing Service via reference groups and representation on Housing Scrutiny Committee.
- 5.5.7. Governance for the council's new build programme of new council homes is provided by the Housing Delivery Board.

5.6. *Transformation*

- 5.6.1. The Council adopted a new transformation and change management framework to ensure organisation change is well planned and delivers at pace. A Corporate Delivery Board, chaired by the chief executive, was established and in place for a period of six months. A mid-point review changed this forum to the Islington Transformation Board, with an increased focus on key transformation programmes.. This is supported by Directorate Delivery Boards, ensuring clear oversight of risks, issues, benefits and learning against all change and improvement projects under each directorate.
- 5.6.2. All major change projects have a CMB sponsor and a Senior Responsible Officer at Service Director level. Highlight reports are produced and reviewed at Directorate Delivery Boards, with Transformation Board taking an overview of our core transformation programmes, with a focus on strategy, accountability and impact.
- 5.6.3. The Transformation Unit supports project managers with these change initiatives, bringing attention to key risks and issues, ensuring appropriate progress is made and key dependencies are addressed. This draws on a wider support network, including Finance, Digital, HR, Legal and risk management advice to ensure barriers to success are identified and addressed.
- 5.6.4. The project planning process has a strong emphasis on resident impact and, where appropriate, return on investment. These are then monitored following project completion to ensure they are delivered.

5.7. *Cyber and Data Security*

- 5.7.1. There continues to be an increase in attempted cyber-attacks against local authorities. This area has been included in our Principal Risk Report. We continue to review and enhance our Cyber and Data Security approach, recent activity has included:
- An uplift in our Cyber defences;
 - Enhanced implementation of two factor Authentication with expiry;
 - Geo fencing to reduce offshore attacks;

- Operating system upgrade programme (PSN Programme);
- IT health-checks; and
- Backup system review.

5.8. **EU Exit**

5.8.1. The Council has continued to closely monitor the potential impacts of the EU Exit on the Council as an organisation and also to residents. Prior to the agreement of a new trade deal between the UK and the EU, the Council's Brexit Preparedness group led on the coordination of Brexit-related activities, including communications and scenario planning for a no-deal scenario.

5.8.2. Following the agreement of a new trade deal between the UK and the EU on 24 December 2020, thus avoiding a potential no-deal scenario, the Council removed its EU Exit Principal Risk from its Principal Risk Report and instead weaved the remaining risks emanating from the exit into the existing Principal Risks (e.g. contract management). Where applicable, the impacts of the EU exit are also being managed via local directorate and service level risk registers.

5.9. **Workforce Wellbeing**

5.9.1. The Council has prioritised employees' wellbeing during the pandemic. Since March 2020 the Council has significantly added to the existing wellbeing support available to staff. This includes providing support and resources on a range of topics including mental health and work/life balance.

5.10. **Climate Emergency**

5.10.1. The Council declared a Climate Emergency in June 2019, recognising the need to drastically reduce carbon emissions in the borough. A pledge has been made to work towards being a net zero borough by 2030, and the Net Zero Carbon strategy was adopted in November 2020.

5.10.2. The Net Zero Carbon Executive Board is being established to replace the Affordable Energy Board with a wider remit. This board will develop strong interfaces with other council officer/member boards to manage strategic risks. This area has also been included in the Council's Principal Risk Report to ensure that the risk cause, consequence and mitigating actions are tracked and monitored.

6. **Significant governance issues and areas for improvement**

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

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

6.2. There were no significant governance issues that met these criteria during 2020-21. However, the following general issues have been highlighted and, in line with good governance arrangements, will be monitored during the year ahead:

6.2.1 *The impact of the pandemic*

The challenges arising from the pandemic have been highlighted and, in line with good governance arrangements, will be monitored during the year ahead.

The pandemic has caused the largest shock to the global economy on record, with severe restrictions put in place across huge swathes of economic and social activities. Rather than a one-off event that the council's budget is recovering from, it is expected that the pandemic will continue to have a significant, currently unquantifiable, impact on the council's medium-term budget. The economic ramifications of the pandemic are going to take some years to unfold, with an inevitable impact on public sector spending settlements going forward. There is also a risk that the pandemic leads to a long-term increase in demand for some council services. Pandemic-related budget pressures will continue to be reviewed as part of the budget monitoring and medium term financial planning processes.

The impacts of the pandemic on strategic priorities, projects and programmes are being considered as we take steps to restore, reinvent and retain services.

6.2.2 *Housing Revenue Account (HRA) business plan*

Going forward the HRA business plan will be a formal document incorporated into the annual budget setting papers.

6.2.3 *Transformation Board*

A Transformation Board will monitor key transformation projects and Medium Term Financial Strategy savings.

6.2.4 *Tackling inequalities*

Work will continue to address this area of principal risk.

6.2.5 *Capital programmes*

Capital programmes will continue to be monitored.

6.2.6 *Environment income*

Income will continue to be monitored from key streams.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed by:

Leader

Date

Signed by:

Chief Executive

Date

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Report of: Corporate Director - Resources

Meeting of	Date	Ward(s)
Audit Committee	27 th July 2021	All
Delete as appropriate		Non-exempt

SUBJECT: Risk Management Update – July 2021

1. Synopsis

- 1.1. Audit Committee requested, at its meeting of 28th July 2020, that a Risk Management update be included on Committee's agenda as a standing item, where other risk management updates were not included on the agenda. The purpose of standing item is to provide Committee with an update on risk management activity that is taking place in between more detailed reports to Committee.

2. Recommendation

- 2.1. To note the report.

3. Background

- 3.1. Committee noted the Council's latest Principal Risk Report on 25th May 2021. Actions to mitigate Principal Risks continue to be implemented as listed in [agenda item B2](#).
- 3.2. Directorate Management Teams (DMTs) continue to utilise the Principal Risk Report, at directorate level, to manage risks at DMT level. An overarching update on risk management activity over the past year has been included in the 2020-21 Annual Governance Statement.

4. Recruitment

- 4.1. We recently advertised the vacant post of Risk Manager across the Shared Service between Islington and Camden. The recruitment round was successful and our new

Risk Manager will join the service in September 2021. In the mean time, the wider team is covering the role alongside service and directorate level risk leads.

5. Controls Board

- 5.1. Controls Board continues to act as a forum for the identification and discussion of emerging risks. Where necessary, Controls Board representatives will escalate emerging risks to directorate management team meetings. This activity is intended to enhance risk ownership and oversight at directorate level.

6. Annual Governance Statement

- 6.1. Governance self-assessments were completed at directorate level, with a focus on key risk areas going forwards. Section 6.2 of the Annual Governance Statement has drawn on these self-assessments to identify areas of focus for the coming year. These include:
- Impact of the pandemic;
 - Housing Revenue Account business plan;
 - Transformation Board;
 - Tackling inequalities;
 - Capital programmes; and
 - Environment income.

7. Implications

7.1. Financial implications

The programme of work has been met from within the existing risk management budget. The financial implications of individual principal risks are met by local budgets

7.2. Legal Implications

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

7.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

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

7.4. Resident Impact Assessment

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

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

8. Reason for recommendation

This report provides with an update on actions being taken to mitigate risks following the last update to Committee in May 2021.

Final report clearance:

Signed by:



David Hodgkinson – Corporate Director of Resources

Date:

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REPORT ENDS

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Resources
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Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	27 th July 2021		All

Delete as appropriate		Non-exempt
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SUBJECT: Appointment of External Auditors from 2023

1. Synopsis

- 1.1. The purpose of this report is to provide the Audit Committee with an update on the local authority external audit market and to outline the timeline and options available to the Council in appointing an External Auditor when the current arrangements reach their end.
- 1.2. During Autumn 2021 all local government and police bodies will need to make important decisions about their external audit arrangements for the period commencing from the financial year 2023/24.
- 1.3. In relation to appointing auditors local bodies again have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 1.4. This report provides an update on the process the PSAA is undertaking and provides information on the consequences of each of the options available to the Council in relation to the appointment of its external auditor.

2. Recommendations

- 2.1. To note that the Council will soon be required to make a decision in relation to the appointment of its External Auditors to commence from the financial year 2023/24.
- 2.2. To note the options available to the Council in relation to the appointment of its External Auditors from the financial year 2023/24.
- 2.3. To note the wider context in which the new appointment of External Auditors will be appointed within.

3. Background

Establishment of the PSAA

- 3.1. Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.
- 3.2. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 3.3. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts they enter into with the audit firms.
- 3.4. PSAA invited the Council to opt in, along with all other authorities, so that PSAA could enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.
- 3.5. The Council had three options, being 1) To undertake a complete procurement process itself and appoint its own auditor, or 2) Undertake a joint procurement with other bodies, or 3) To opt into a national collective scheme. The decision it made was to opt in to the national collective scheme.
- 3.6. This procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result the PSAA were able to enter into long term contracts with five suitable firms and to make auditor appointments to all bodies.

Changes in the Audit Market

- 3.7. 2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession we have then had the results of four independent reviews commissioned by Government:
 - Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;

- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

- 3.8. In total the four reviews set out more than 170 recommendations which are now in various stages of consideration by Government with the clear implication that a series of significant reforms will follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.
- 3.9. By the time firms were conducting 2018/19 local audits, the measures which they were putting in place to respond to a more focused regulator, determined to achieve change, were clearly visible. In order to deliver the necessary improvements in audit quality firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance.
- 3.10. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) – a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.
- 3.11. This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.
- 3.12. 2019/20 audits have presented even greater challenges. With Covid-19 also impacting, unprecedented challenges faced the sector. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. It is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality.
- 3.13. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must be paid for. As a result, many more fee variation claims have been received than in prior years. Within Islington, additional fees of £50,900 relating to changing audit requirements were proposed in Grant Thornton's 2020/21 Audit Plan, considered by this Committee in March 2021.
- 3.14. None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

- 3.15. All of this paints a picture of an audit industry under enormous pressure and of a local audit system which is experiencing its share of the strain and unavoidable instability as impacts cascade down to the frontline of individual audits.
- 3.16. The PSAA believes the audit market will continue to be relatively unstable and difficult to predict for a further period of time as the Government continues to develop and implement its policy response to the four independent reviews – Kingman, CMA, Brydon, and Redmond; as further regulatory pressure is applied; and as firms respond and adapt. It is their view that organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018. There is little evidence to suggest a contrary view.
- 3.17. Local government audit will not be immune from these difficulties. It is the view of the PSAA that bodies which opt into PSAA's national scheme will be in a better position than those which choose to make their own separate arrangements. This is on the presumption that firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.
- 3.18. The PSAA have led a sustained drive to improve the national scheme. During the past three years they have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:
- proactively and constructively engaging with the numerous high-profile industry reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
 - commissioning an independent review of the design and implementation of the appointing person role to help shape thinking about future arrangements;
 - commissioning an independent review of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market;
 - working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
 - the establishment of a Local Audit Quality Forum;
 - using an advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on their work, discuss audit-related developments, and listen to feedback;
 - maintaining contact with those registered audit firms that are not currently contracted with the PSAA, to build relationships and understand their thinking on working within the local audit market;
 - undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since April 2015; and
 - sharing their experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

3.19. The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality (current thinking is to weigh the procurement 80:20 in favour of quality over price);
- awarding long term contracts to a sufficient number of firms (estimated between 7-10 – up from the current 5) to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.

3.20. In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body, there are fallback options to extend one or more existing contracts for the period spanning 2023/24 and 2024/25.

3.21. Rather than simply extending the contracts at this stage, the PSAA believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

3.22. Prior to initiating the procurement the PSAA plan to set out the detailed basis on which, if necessary, the fallback decision to extend one or more current contracts will be taken. One of the objectives of the approach will be to encourage firms to participate in the procurement and in doing so to ensure that their tenders reflect realistic market bid prices.

3.23. One of the most concerning features of the local audit system since 2018 has been the large number of audit opinions which have been delayed beyond the target timetable set out in the Accounts & Audit Regulations, and the disruption and reputational damage that results for all parties as a result of those delays. The [NAO published a report](#) on this matter in March, 2021. The report concludes “The increase in late audit opinions, concerns about audit quality and doubts over audit firms’ willingness to continue to audit local authorities all highlight that the situation needs urgent attention. This will require cooperation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.” To support the drive for market sustainability, PSAA are considering the following possible options:

1. accepting consortia bids including those that involve firms which are seeking to enter the market by gaining experience working in partnership with an existing registered supplier;

2. accepting bids from firms that are currently proceeding through the local audit registration process; and
 3. inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market, mostly likely through some form of joint working arrangement between more experienced suppliers and new entrants or less experienced suppliers.
- 3.24. Additional costs may arise as an inevitable consequence of striving to bring new suppliers into the market. If additional costs were to occur, they would be borne by the scheme as a whole rather than by an individual audited body or a sub-set of bodies.
- 3.25. The MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. Subject to its outcome and the approval of relevant changes to the regulations, it is likely that the PSAA will set the length of the next compulsory appointing period as the five consecutive financial years commencing 1 April 2023.
- 3.26. In late September the PSAA is expected to invite all eligible bodies to opt into the scheme for the second appointing period. The intention at this stage is that bodies will be able to commit to join the scheme until the end of January 2022.

Audit Pricing

- 3.27. Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. Regardless of the additional costs incurred by local authorities as fee variations, the PSAA national scheme has reduced the costs of local audits significantly. The core audit fee for the Council was £270,440 in 2014/15 whereas the scale fee quoted in the 2020/21 Audit Plan is £156,179 - £114,000 less.
- 3.28. Additional fees (fee variations) are part of the legal framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or if the Regulator (the FRC) increases its requirement on auditors.
- 3.29. If the changes that relate to audit fees, proposed in MHCLG's recent consultation on the Appointing Person Regulations, are ultimately approved and implemented, PSAA will be able to manage the scale of fees and fee variations more flexibly. This will enable scale fees to be determined taking into account the outcome of more recently completed audits, and fee variations to be managed differently depending on whether they are driven by national or local factors.
- 3.30. Within the national scheme the PSAA review and assess each fee variation proposal. This uses the knowledge and experience of their team in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision. Should the Council procure directly, this would fall upon our internal resources and expertise to undertake.

3.31. Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact.

Summary of the options available

3.32. As a result of the position described in this report, the Council has three options:

1. To undertake a complete procurement process itself and appoint its own auditor, or
2. Undertake a joint procurement with other bodies, or
3. To opt into a national collective scheme that PSAA is developing.

3.33. The option to undertake an individual procurement provides the Council with the independence to select a supplier itself. However this will require the time, effort and skill of having to undertake a procurement and appointment process. It will also involve specifying the service required, inviting tenders, evaluating tenders. In addition a single procurement will lack the buying power to significantly influence quality and price. There would also be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.

3.34. The option of a joint procurement with a small number of Councils exists. Whilst previously this option was superseded by the national collective arrangement attracting better economies of scale, it would give the authorities a more direct relationship with the audit firm and allow some pooling of costs and expertise. At this stage it is unclear whether many of our local neighbouring boroughs are likely or not to opt in to the PSAA collective arrangement and would thus be inclined to join a smaller local joint procurement.

3.35. The option to take advantage of the national collective scheme is beneficial to the Council for a number of reasons. Although the Council loses some influence on the final outcome and will gain from:

- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
- PSAA will monitor contract delivery and ensure compliance with contractual requirements, audit quality and independence requirements;
- Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;

- It is expected that the large scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
- The overall procurement costs would be expected to be lower than an individual smaller scale local procurement;
- The overhead costs for managing the contracts will be minimised through a smaller number of large contracts across the sector;
- There will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel'; and
- A sustainable market for audit provision in the sector will be easier to ensure for the future.

4. Implications

Financial Implications:

- 4.1. The proposed fees cannot be fully known until the procurement process has been completed, as the costs will depend on proposals from the audit firms. Given the widespread prevalence of fee variations, market uncertainty and the revision to an 80% quality weighting within the procurement, it is almost certain that the fee payable by the Council will rise.
- 4.2. Opting-in to a national scheme provides a strong opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.
- 4.3. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2023/24.
- 4.4. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council or bid under the proposed arrangements whereby those going through registration or being 'supervised' by an appropriate approved body would be eligible.

Legal Implications:

- 4.5. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor

panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements;

- 4.6. Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 4.7. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.
- 4.8. **Environmental Implications and contribution to net zero carbon by 2030.**
There are no environmental impacts arising from this report.

Resident Impact Assessment

- 4.9. 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.
- 4.10. A resident impact assessment has not been carried out since the contents of this report relate to a purely administrative function and there are no direct impacts on residents.

5. Conclusion and reasons for recommendations:

- 5.1. This report is to provide a briefing on the next steps in the appointment of the authority and pension fund's external auditor. As the Council is yet to be invited to 'opt in' to a national scheme, the recommendations within this report are to note its contents.

Appendices:

None

Background papers:

Committee	Paper	Hyperlink
Audit Committee 24 th January 2017	Opt in to the national scheme for auditor Appointments with PSAA as the 'Appointing Person'	https://democracy.islington.gov.uk/documents/s10520/Audit%20cttee%20PSAA%20Audit%20appointment%2024Jan17%202.pdf

Final Report Clearance:

Signed by:



Corporate Director of Resources

Date: 16 July 2021

Received by:

Head of Democratic Services

Date

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Resources
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Report of: Corporate Director of Resources

Meeting of:	Date:	Ward(s):
Audit Committee	27 July 2021	N/A

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THE APPENDIX TO THIS REPORT IS EXEMPT AND NOT FOR PUBLICATION

The appendix to this report is exempt and not for publication because it contains exempt information under Schedule 12A of the Local Government Act 1972.

SUBJECT: ACTION PLANS ARISING FROM OUTCOME OF EXTERNAL INVESTIGATIONS

1. Synopsis

On 13 August 2020 the Audit Committee resolved that certain actions be undertaken arising from the outcomes of two separate external investigations into whistleblowing complaints. An interim update was reported to the Committee on 24 November, setting out progress and plans to address the recommendations. This report presents the progress of the implementation of the actions approved by the resolutions of Audit Committee at the meeting of 13 August 2020.

2. Recommendation

- 2.1 To note the contents of the exempt report and exempt Appendix 1 on progress towards implementing the actions.

3. Background

- 3.1 Whistleblowing arrangements are a key element of the Council's overall governance arrangements. Whistleblowing allows employees, members, contractors and others, to raise in confidence concerns in relation to wrongdoing.
- 3.2 The Council takes all allegations of impropriety very seriously and in this instance appointed an external investigator to ensure that an independent investigation was undertaken.

4. Implications

4.1 Financial implications

There are no significant financial implications arising from the recommendations in this report.

4.2 Legal Implications

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

4.3 Environmental implications and contribution to a Net Zero Carbon Islington by 2030.

There are no known environmental implications arising from the recommendations in 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.

An initial assessment has been undertaken and it has been determined that a full Resident Impact Assessment is not required because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendation

- 5.1 To note the progress on implementation of actions approved by resolution of Audit Committee on 13 August 2020 as further detailed in the Exempt report and exempt Appendix 1.

Appendices

Exempt Report

Exempt Appendix 1 – Recommendations and Actions Taken

Final report clearance:

Signed by:

Dave Hodgkinson
Corporate Director of Resources

Date: 12 July 2021

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