



**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 the Council Chamber, Islington Town Hall, Upper Street, N1 2UD on **31 January 2022 at 7.00 pm.**

Enquiries to : Mary Green
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Despatched : 20 January 2022

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 Phil Graham
Councillor Roulin Khondoker
Councillor Anjna Khurana
Councillor Angelo Weekes

Quorum: is 3 Councillors



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

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

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

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

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

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

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

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

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

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

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

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

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

4. Minutes of previous meetings

B. Items for Decision - Audit Committee

1.	Local Government and Social Care Ombudsman annual review performance 2021	9 - 26
2.	Council Tax base	27 - 36
3.	Risk management update - January 2022	37 - 42
4.	Internal Audit Interim Annual Report 2021-2022	43 - 104
5.	Update on the local authority external audit market and appointment of external auditors from 2023	105 - 116
6.	Annual report of the Pensions Sub-Committee	117 - 120
7.	Annual report of the Personnel Sub-Committee	121 - 124

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

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.

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The next meeting of the Audit Committee and Audit Committee (Advisory) will be on
22 March 2022

London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 5 October 2021

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at the Town Hall, Upper Street, N1 2UD on 5 October 2021 at 7.00 pm.

Present: **Councillors:** Nick Wayne (Chair), Janet Burgess MBE, Flora Williamson and Angelo Weekes

Independent members: Alan Begg and Alan Finch

Observer: Councillor Satnam Gill

Councillor Nick Wayne in the Chair

238 APOLOGIES FOR ABSENCE (Item A1)

Received from Councillor Sara Hyde.

239 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

Councillor Angelo Weekes substituted for Councillor Sara Hyde.

240 DECLARATIONS OF INTEREST (Item A3)

Councillor Satnam Gill OBE declared an interest in agenda item B1 - Review of Polling Districts and Polling Places - as the Council's representative on the Hilldrop Community Association.

Councillor Janet Burgess MBE also declared an interest in agenda item B1 - Review of Polling Districts and Polling Places – as a trustee of Whittington Community Association.

241 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 27 July 2021 be confirmed as a correct record of proceedings and the Chair be authorised to sign them.

242 REVIEW OF POLLING DISTRICTS AND POLLING PLACES (Item B1)

In her introduction to the report, the Electoral Services Manager drew members' attention to a revised report which had been circulated earlier in the week. Minor typographical amendments had been made to the original report circulated with the agenda pack to ensure that it accorded with references on the accompanying maps of Wards in the Borough.

RESOLVED:

(a) That the changes set out in the revised report of the Director of Law and Governance and detailed on the Ward maps (Appendices 1 and 2 of the report) in relation to the polling districts and polling places for the new Wards in Islington, be approved.

(b) That the Electoral Services Manager and her Team be thanked for their work on the review of the polling districts and places.

243 INTERNAL AUDIT CHARTER (Item B2)

RESOLVED:

That the contents of the report of the Corporate Director of Resources and the Internal Audit Charter appended to the report be approved.

244 ANNUAL STANDARDS AND MEMBERS' CONDUCT REPORT (Item B3)

The Director of Law and Governance introduced the report, stating that promoting and maintaining high standards of conduct in accordance with the Nolan principles and legislation was an increasingly important part of proper local authority governance and any authority's reputation. The Council kept its Code of Member Conduct under review and had recently made amendments, in order to maintain its best features and incorporate appropriate LGA recommendations. Broadly speaking, the Council had had a good record in respect of member complaints and declarations of interest in the past year, and had continued to provide training.

RESOLVED:

That the report of the Director of Law and Governance detailing the annual report on standards of member conduct, including a summary of complaints received under the Code of Conduct Complaints Procedure and their outcome, be noted.

245 2020/21 INTERNAL AUDIT ANNUAL REPORT (Item B4)

The Chair drew members' attention to an exempt appendix (appendix 4), comprising the Final Internal Audit Report – Safeguarding Adults (Governance and Records Management) report, which had been circulated to members of the Committee on the preceding day. The audit of Safeguarding Adults Service had achieved a "No assurance" rating. John Everson, Director of Adult Social Services and Stephen Taylor, Director of Adult Social Care Transformation, attended during discussion of this item to respond to questions. They also described the context for the finding and actions undertaken under their stewardship to ensure that mechanisms were in place for adult safeguarding.

RESOLVED:

That the contents of the report of the Corporate Director of Resources, including exempt appendix 4, detailing the delivery of the Internal Audit Plan, be noted.

246 CYBER DEFENCE ASSURANCE UPDATE (Item B5)

RESOLVED:

(a) That the report of the Corporate Director of Resources be noted as a statement of the types of cyber attacks and ransomware over the last calendar quarter and the actions Islington Digital Services were taking.

(b) That the current position for the Council's cybersecurity assurance programme and the ongoing audits and activity, also as detailed in the report, be noted.

247 BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1ST FEBRUARY 2021 TO 31ST AUGUST 2021 (Item B6)

RESOLVED:

That the report of the Corporate Director of Resources, detailing the operation of the Council's whistleblowing procedures from 1 February 2021 to 31 August 2021, be noted.

248 ANNUAL FRAUD REPORT 2020-21 (Item B7)

RESOLVED:

(a) That the report of the Corporate Director of Resources summarising counter-fraud activity carried out by Internal Audit (Investigations) and Housing Investigations be noted.

(b) That the Internal Audit Team and Housing Investigations Team be thanked for their work.

249 REPORTING ON EXIT PAYMENTS (Item B8)

RESOLVED:

(a) That the report of the Corporate Director of Resources detailing the exit payments made to individuals since the revocation of the Regulations be noted.

(b) That it be noted that any termination of employment where the total payment including pension strain, redundancy payments, notice payments and any discretionary payments above £100k would be reported to the earliest available Audit Committee.

250 EXTERNAL AUDITOR PROGRESS UPDATE (Item D1)

The Chair had agreed that this report be considered as urgent business in order that members of the Committee could be apprised of the progress of work to date by the Council's Auditors and the reasons for the delay in the completion of their work on the Statement of Accounts.

The Director of Finance reported that, despite good progress, the increased regulatory requirements and focus underpinning the external audit meant that the completion date would be beyond the September statutory date. It was highly likely that the majority of local authorities would be in the same position. An additional

Audit Committee would be required in early November 2021 to consider and approve the Council's accounts.

RESOLVED:

(a) That the contents of the report of the Corporate Director of Resources, attaching a report from Grant Thornton, the Council's external auditors, entitled "Audit Progress Report and Sector Update", be noted.

(b) That an additional meeting of the Committee be arranged for a date in the first two weeks of November 2021 for the purposes of the consideration of the Statement of Accounts.

(c) That it be noted that the Council was required to place a notice on its website to explain the delay in publication of the audited accounts.

251 **CYBER DEFENCE ASSURANCE UPDATE- EXEMPT APPENDIX (Item F1)**
Noted.

252 **BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1ST FEBRUARY 2021 TO 31ST AUGUST 2021 - EXEMPT APPENDIX (Item F2)**
Noted.

253 **ANNUAL FRAUD REPORT 2020-21 - EXEMPT APPENDIX (Item F3)**
Noted.

254 **REPORTING ON EXIT PAYMENTS - EXEMPT APPENDIX (Item F4)**
Noted.

The meeting ended at 9.15 pm

CHAIR

Audit Committee and Audit Committee (Advisory) - 11 November 2021

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at the Town Hall, Upper Street, London N1 2UD on 11 November 2021 at 7.00pm.

Present: **Councillors:** Nick Wayne (Chair), Janet Burgess MBE, Sara Hyde and Flora Williamson

Independent members: Alan Begg and Alan Finch

Councillor Nick Wayne in the Chair

255 APOLOGIES FOR ABSENCE (Item A1)

None.

256 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

257 DECLARATIONS OF INTEREST (Item A3)

None.

258 STATEMENT OF ACCOUNTS 2020-2021 (INCLUDING PENSION FUND ACCOUNTS) AND AUDIT FINDINGS REPORT (Item B1)

The Service Director Finance gave a powerpoint presentation to the Committee on the major changes and highlights to the accounts this year. Members asked a number of questions on the presentation slides which officers responded to.

The following points were noted:

- The Pensions Sub-Committee dealt with investments and the Pensions Board approved the Pension Fund accounts
- The £90m deficit for the year in the Collection Fund was not mentioned in the "Debtors" slide, which indicated £220m total worth of debtors in 2020/21. The Service Director Finance stated that bad debt provision was fairly high and that many of these were aged debts which were not recoverable and which the Council would not actively be chasing.
- The deficit of £90.8m on the Collection Fund was noted. The deficit of £75.8m being carried forward would be monitored over three years.
- Covid cost the Council about £0.8m above Government grants. Overall this year, the Council was managing within Covid funding, bar another lockdown.

Representatives from Grant Thornton, the Council's external auditors, gave a verbal presentation to the Committee on their "Audit Findings for Islington Council and Islington Council Pension Fund", attached to the report of the Corporate Director of Resources, and responded to questions from members.

The following points were noted:

- The auditors proposed giving an unmodified audit report.
- It was not expected that any of the issues in the Auditor's report which indicated that a response was awaited from management were likely to affect the decisions to be made by this Audit Committee
- There were a number of inaccuracies/omission of brackets throughout the report. Each note needed to be precise eg. Page 89 of the report referred to "appeals against property valuations by business rate payers. The outcome of these appeals, and the timing of any future payments, is determined by the Valuations Office", whereas appeals were made to the "Valuation Service"
- The Auditors' report had made reference to Islington's Finance Team being "lean" and a question was asked as to whether this implied that it was under resourced? A response was given that the level of work needed in responding to an audit report was increasing.
- The Chair of the Pensions Sub-Committee had been advised that the Pension Fund accounts were to be considered at this meeting. The Chairs of the Pensions and Personnel Sub-Committees had been invited to report to Audit Committee in January 2022 on their activities.
- The Thames Water Rates provision had been included to cover a risk that the Council could be required to make refunds to tenants. However, the Council intended to continue defending any claims brought against it
- The Council was required to make provision for business rates appeals against property valuations by business rate payers. It was noted that business rates would be paid until the appeal was heard.

The Corporate Director Resources stated that the Service Director Finance would be revising the staffing structure in his Team, including the recruitment of new staff, which would hopefully lead to a more accurate set of Accounts next year. On the question of whether the Accounts were in a satisfactory state to sign off at this meeting, he highlighted the fact that the Auditors had confirmed that they were materially correct. A final check would be made of the Accounts to ensure that any typographical errors and inaccuracies were revised.

RESOLVED:

(a) That the 2019/20 Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement, attached to the report of the Corporate Director of Resources, be approved.

(b) That the auditor's Audit Findings Reports and Value for Money conclusion, as detailed in the report and their verbal presentation to the Committee, be noted.

(c) That the action plans of recommendations in the Audit Findings Reports be approved.

(d) That the letter of representation set out in Appendix B of the report be approved.

(e) That Resources officers and representatives from Grant Thornton, the Council's external auditors, be thanked for their work on the production of the accounts.

The meeting ended at 8.30 pm

CHAIR

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Report of: Director of Law and Governance and Monitoring Officer

Meeting of:	Date:	All
Audit Committee	31 January 2022	All

SUBJECT: Local Government & Social Care Ombudsman (LGSCO) Annual Review performance report 2021

1. Synopsis

- 1.1 Following the publication of the LGSCO Annual Review letter 2021, this report provides a summary of the council's performance in complaint handling from 1 April 2020 – 31 March 2021, highlighting decisions upheld by the LGSCO.

The number of complaints received (71) by the LGSCO for the authority during 20/21.

Of the 71 cases received, 17 underwent a detailed investigation, 54 cases received decisions, which resulted in alternative outcomes directed to the complainant. All LGSCO decisions are shown in the statistics report included with the LGSCO Annual Review letter.

Of the 17 cases investigated 12 cases received a decision of upheld or maladministration with injustice.

Of the 12 cases, the authority provided a satisfactory remedy to 3 cases before the complaint reached the Ombudsman.

Of the 12 complaints where compliance with the recommended remedy was recorded during 20/21, 12 recommendations were complied with.

2. Recommendations

- 2.1 To note the Local Government & Social Care Ombudsman Annual Review letter 2021 dated 29 July 2021 **See Appendix 1.**
- 2.2 To note that, of the 17 cases investigated, there were 12 upheld decisions with the remaining 5 cases not upheld.

- 2.3 To note that 5 out of the 17 upheld cases, received a satisfactory remedy before the Ombudsman involvement.
- 2.4 To note that 9 out of the 9 cases recommended during 1 April 2020 to 31 March 2021 (100%) complied with the Ombudsman recommendations.
- 2.5 To note that separate to the complaints investigated by the LGSCO reported in the Annual Review Letter, 4 upheld decision during the period in question (finding of maladministration) were decided by the Housing Ombudsman, **See Appendix 2.**
- 2.6 To note that, in line with the statutory duty under section 5A (2) of the Local Government and Housing Act 1989, the Monitoring Officer provides this annual report to Audit Committee.

3. Background

- 3.1 A total of 12 cases with decisions upheld by the LGSCO.

Table 1: Services and summary of decisions

People - Adult Care Services Total - Total of 5 upheld cases

Summary of complaint	Findings	Compensation Reason & Amount
19019259 The Council was at fault for the delay in its safeguarding investigation. This did not result in a significant injustice	<p>Finding Upheld</p> <p>Remedy No Satisfactory remedy offered by the Council before the LGSCO involvement.</p> <p>Compliance Yes On time</p>	<p>Compensation £0</p> <p>Reason Compensation Paid</p> <p>Learnings The Council's investigation did not identify any evidence of neglect or abuse. But the concern did result in the Best Interest Meeting's recommendation that Mrs Y's accommodation would be better at ground floor level.</p>
19018941 The Council acknowledged it failed to provide the proper information about charging for admission	<p>Finding Fault with injustice</p> <p>Remedy Write an apology for failure to provide proper information, and</p>	<p>Compensation Outstanding charges waived.</p>

to a care home for a period of assessment. The Council agrees to waive the charges for the relevant six-week period.	<p>confirmation that it will waive the outstanding charges. Council to review its description of intermediate care to ensure that placements for which it charges are not at odds with its own definition and the law.</p> <p>Compliance Yes On time</p>	<p>Reason Compensation Paid To acknowledge the injustice.</p> <p>Formal apology</p> <p>Learnings Description of intermediate care reviewed and updated to ensure placements, which are charged are not at odds with Councils own definition and the law.</p>
<p>19018683</p> <p>The Council did not properly deal with correspondence. It failed to recognise there was potential disability related expenditure (DRE) to disregard, and does not appear to have responded to complaints about the standards of care provided to the complainant.</p>	<p>Finding Fault and Injustice</p> <p>Remedy The council to consider whether it should disregard any disability related expenditure from its assessment of complainants finances, in line with the Care and Support Statutory Guidance, to allow submission of evidence in support of any such claim. If it is decided the complainant does have valid DRE which should be disregarded, the Council should consider backdating the disregard. Offer £200 time and trouble payment. .</p> <p>Compliance Yes On time</p>	<p>Compensation Refund £200.00</p> <p>Reason Compensation Paid To acknowledge time and trouble</p> <p>Learning Reminder to individual officer</p>
<p>19021053</p> <p>There were failings over a placement for respite care.</p>	<p>Finding Fault</p> <p>Remedy Satisfactory remedy, apology, offered by the Council before the LGSCO involvement.</p>	<p>Compensation £0</p> <p>Reason Compensation Paid</p> <p>Learning</p>

	Compliance Yes On time	
19011672 The Council failed to complete an adult social care assessment in 2017.	Finding Upheld Remedy Satisfactory remedy offered by the Council before the LGSCO involvement. The Ombudsman recommended the Council offer an assessment, considering any reasonable adjustments, this was rejected by the complainant. Compliance Remedied during LGSCO investigation.	Compensation £0 Reason Compensation Paid Learning

People -Children Services - Total of 0 upheld case

Environment Services - Total of 2 upheld cases

Summary of complaint	Findings	Compensation Reason & Amount
19017621 The Council failed to properly consider an application for a blue badge under the Department of Transport's hidden disabilities eligibility criteria guidance.	Finding Fault Remedy Satisfactory remedy offered by the Council following LGSCO involvement. Compliance Yes On time	Compensation £0 Reason Compensation Paid Learnings The Council acknowledged information detailing an applicant's right to review, complaint to the Council and Ombudsman was not detailed within letters. It has improved and updated procedures, as of February 2020, in line with the DfT's guidance
19015487 The Council's was at fault in the way it responded to a request	Finding Fault with Injustice Remedy	Compensation £0 The Council's compensation offer under

to separate out a resident's parking permit.	Satisfactory remedy offered by the Council before the LGSCO involvement. Compliance Remedied before LGSCO involvement.	it complaints process remedied any injustice because of its fault.
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Planning – Total of 1 upheld case

Summary of Complaint	Findings	Compensation Reason & Amounts
19014128 The council failed to take enforcement action properly and promptly about the conversion of units from business to residential use without consent.	Finding Fault with Injustice Remedy Issue a written apology. Have a clear, overall strategy setting out objectives, purposes of visits, and what steps it would take if the failure to co-operate continued. Provide updates about progress, or lack of progress. Make a decision whether there is breaches of planning consent. Review why the delay happened and act to ensure this is not repeated in the future. Create a strategy, setting out an action plan, including timeframes for action. Officers reminded of the need to provide updates to complainants about progress on their reports. Pay £350. Within 16 weeks of the final decision It will draw up an action plan for its investigation of the internal works carried out in the	Compensation. £350 Reason Compensation Paid. Avoidable Injustice

	rear extension and communicate this to the complainant.	
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Homes & Communities - Housing Needs - Total of 2 upheld cases

Summary of complaint	Findings	Compensation Reason & Amount
<p>19020427</p> <p>The council failed to properly consider an application to join its housing register. It failed to properly consider eligibility for overcrowding points, delayed an investigation, failed to provide updates, and delayed making a referral for an occupational therapist to assess needs.</p>	<p>Finding Fault and Injustice</p> <p>Remedy Issue an apology. Reconsider request for overcrowding points. Review the causes of the delay with the investigation of the application and act to ensure these are not repeated on future cases. Pay £200 (in addition to £125 already paid)</p> <p>Compliance Yes On time</p>	<p>Compensation £200 Apology</p> <p>Reason Compensation Paid Injustice</p> <p>Learnings</p>
<p>19019179</p> <p>The Council failed to help complainant when threatened with homelessness. The Council was at fault for failing to carry out its homeless duties in line with law and guidance. The complainant suffered unnecessary uncertainty and financial loss</p>	<p>Finding Maladministration and Injustice</p> <p>Remedy No Satisfactory remedy offered by the Council before the LGSCO involvement.</p> <p>Compliance Yes On time</p>	<p>Compensation £7,605</p> <p>Reason Compensation Paid Unnecessary uncertainty and a financial loss in the form of avoidable court costs</p> <p>Learnings Within 3 months: Issue a reminder to staff of the Council's duties under the Homeless Reduction Act 2017, provide any necessary training to new staff. Review and amend the Council's policy on when to make an offer of s188</p>

		interim accommodation in line with law and guidance. Review all current cases where the Council's practice of requiring applicants to wait for a possession order and bailiff warrant might result in similar fault causing injustice and take suitable steps to remedy any cases it finds
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Resources - Total of 2 upheld case

Summary of complaint	Findings	Compensation Reason & Amount
20004625 The Council's enforcement agents wrongly contacted a person for a debt they did not owe.	Finding Maladministration and Injustice Remedy Satisfactory remedy offered by the Council before the LGSCO involvement. Compliance	Compensation £0 Reason Compensation Paid Learnings
20001979 The Council's decision not to backdate the council tax single person discount to 2003.	Finding Fault Remedy Single person discount backdated to 2003. Satisfactory remedy offered by the Council following LGSCO initial enquiry Compliance Remedied before LGSCO involvement.	Compensation Reason Compensation Paid Learning The Council has flagged to the service the need to notify people of their appeal rights to the Valuation Tribunal.

3.2 Comparison to the Previous Year

	Complaints received	Complaints investigated	Complaints upheld	Upheld rate
2015/2016	100	21	10	48%
2016/2017	106	16	7	44%
2017/2018	126	16	11	69%
2018/2019	106	26	11	42%
2019/2020	84	24	17	71%
2020/2021	71	17	12	71%

The number of complaints received by the LGSCO for 2020/21 decreased by 7 cases the lowest in 6 years.

Of the upheld cases, the ombudsman has decided that it will not investigate 3 cases because they were satisfied with the actions the council has taken or proposes to take. ***(Local Government Act 1974, section 24A (7), as amended)***. These cases were classified in the LGSCO decision letter as, Upheld not investigated – injustice remedied.

Findings for the remaining 9 cases are Maladministration and Injustice.

Satisfactory remedy provided

	Complaints Upheld	Complaints remedied	% of upheld cases
2017/18	11	1	10
2018/19	11	3	28
2019/20	17	5	29
2020/21	12	3	25

In all cases, remedies were completed within the agreed timescales.

Compliance with Ombudsman recommendations

	Complaints recommendations for current year	Compliance with recommendations for current year	% of upheld cases
2018/19	10	10	100
2019/20	9	9	100
2020/21	9	9	100

Compensation payments

	Compensation paid	£ +/-
2018/19	£7,440.00	
2019/20	£3,950.00	-3490.00
2020/21	£8,355.00	4,405.00

3.3 **Commendations**

The Local Government & Social Care Ombudsman Annual Review letter highlighted in its report areas where the authority, led by the Corporate Complaints team, took positive action and good work was achieved by the council.

Training

The LGSCO has recognised our investment in staff training delivering two Children's Social Care courses during the year. It is unfortunate that the Effective Complaint Handling in Adult Social Care course scheduled for late March 2020 was cancelled due to C-19. We are currently working with the LGSCO piloting a new online course.

The complaint handling courses have been mandatory for all council staff and partner organisations since April 2018 and we continue to support and facilitate take-up of the courses as a useful tool to ensure good complaint handling and compliance by our authority.

Complaints/Improvement

There have been identifiable trends in complaint decisions, which have attributed to the number of complaints being upheld following a detailed investigation.

- Instances of unclear procedures for residents/service users.
- The need for procedure reviews and follow on staff training
- Poor communication with residents and services users.

Improvement

The focus for the Corporate Complaints will be to further support services in Good Complaint Handling and Compliance to the Councils Corporate Complaints policy and Ombudsman guidelines. This will include;

3.4

- Scrutiny of complaint Stage one responses at the Chief Executive Stage of the complaint process. Using the authority given to the Corporate Complaints team to change service decisions where proper consideration has not been given to the remedy; helping services to learn from their faults.
- Maintaining links with Departmental Complaint Leads and Senior Managers within each Council Directorate to maintain 100% compliance and reinforce the importance of effective complaint handling within their Directorates.
- To ensure a greater view of complaints with findings of maladministration and Injustice and upheld outcomes individual LGSCO investigation reports are shared with the Corporate Management Board; and reviewed at Political Leadership Meetings.
- Impending late responses to LGSCO recommendations will be escalated to Corporate Directors by the Corporate Complaints team.

- Share publicised reports provided by the LGSCO to ensure the authority and directorates keep abreast of the research and expectations placed upon the authority. "Getting things right during times of change". "Under Pressure - the impact of the changing environment on local government complaints".
- Training on Effective Complaint Handling and Effective Complaint Handling Adult Social Care for all Islington staff and Partner Organisations involved in complaint handling and the general management of complaints. This will ensure that new staff are developed and any staff in need of refresher training is also considered.

3.5 **Summary**

The Annual Review letter 2021 shows a good year in the council performance in handling complaints. This year's report conclusion is as follows;

- ✓ Despite the challenges over the last year during the Covid.19 emergency there has not been an increase in upheld investigations by the LGSCO, the volume of complaints that reached the LGSCO fell.
- ✓ Compliance with recommendations at 100%.
- ✓ The emphasis placed on providing a satisfactory remedy before LGSCO involvement is showing results with 3 cases appropriately remedied which is a small decrease of 5 from the previous year. A 25% satisfactory remedy rate is an improvement on the previous year, 29%, and is more than twice as good as similar types of authorities at 12%.
- ✓ There were no upheld cases for Education and Children services; this is an improvement on 3 cases in 2019 which included a public report.

4. **Financial implications:**

- 4.1 A total of £8,355.00 has been paid in compensation for 2020/21, an increase of £4,405.00 on the previous year's figure of £3,950. However, the majority, £7605, was for one case, reference: 19019179, Homes & Communities - Housing Needs, (The Council failed to help complainant when threatened with homelessness. The Council was at fault for failing to carry out its homeless duties in line with law and guidance. The complainant suffered unnecessary uncertainty and financial loss).

4.2 **Legal Implications:**

The Local Government Ombudsman has advised that:

a) Where findings of maladministration/fault are made in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, the duty is satisfactorily discharged by the Monitoring Officer making a periodic report to the council summarising the findings on all upheld complaints over a specific period.

b) Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, the Monitoring Officer should consider whether the implications of that investigation ought to be individually reported to members.

c) in the unlikely event that an authority is minded not to comply with the Ombudsman's recommendations following a finding of maladministration, the Monitoring Officer would be expected to report this to members under section 5A (2) of the Local Government and Housing Act 1989. This is an exceptional and unusual course of action for any authority.

The reporting procedure employed by the Central Complaints Unit and Monitoring Officer complies with the above guidance by the Local Government Ombudsman as well as ensuring that the Audit Committee has an opportunity to consider the outcome of the local government ombudsman's determinations of complaints made against the council.

This process meets the Monitoring Officer's reporting duties under section 5A (2) of the Local Government and Housing Act 1989.

4.3 Environmental Implications

There are no environmental implications arising from this report.

4.4 Resident Impact Assessment:

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

5. Reason for recommendations

- 5.1 To ensure that Councillors are kept informed about complaints that have been reviewed by the Local Government and Social Care Ombudsman.

Appendix 1: Local Government & Social Care Ombudsman Annual review letter dated 27 July 2021.

Appendix 2: Housing Ombudsman Complaints with finding of maladministration.

Final report clearance:

Signed by:

Peter Fehler
Director of Law and Governance
Monitoring Officer

Date: 13 January 2021

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Financial Implications

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Legal Implications

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Local Government & Social Care OMBUDSMAN

21 July 2021

By email

Ms Roberts-Egan
Chief Executive
London Borough of Islington

Dear Ms Roberts-Egan

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

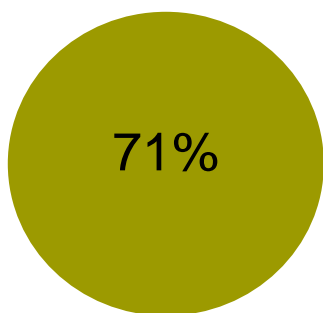
We were pleased to deliver an online complaint handling course to your staff during the year. I welcome your Council's investment in good complaint handling training and trust the course was useful to you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M King', with a stylized flourish at the end.

Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



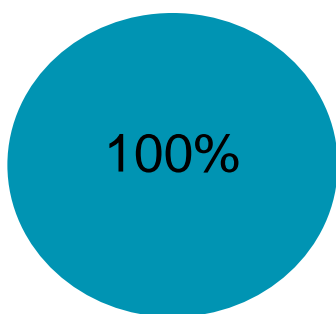
71% of complaints we investigated were upheld.

This compares to an average of **72%** in similar authorities.

12
upheld decisions

Statistics are based on a total of 17 detailed investigations for the period between 1 April 2020 to 31 March 2021

Compliance with Ombudsman recommendations



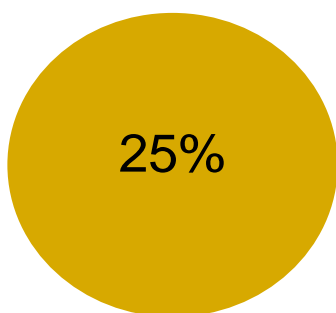
In **100%** of cases we were satisfied the authority had successfully implemented our recommendations.

This compares to an average of **99%** in similar authorities.

Statistics are based on a total of 8 compliance outcomes for the period between 1 April 2020 to 31 March 2021

- Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the authority



In **25%** of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **12%** in similar authorities.

3
satisfactory remedy decisions

Statistics are based on a total of 17 detailed investigations for the period between 1 April 2020 to 31 March 2021

NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

Appendix 2

Housing Ombudsman complaints

The Housing Ombudsman does not provide Local Authorities with an annual letter with statistics and information on complaints made and the outcomes.

Below is a table for the one upheld cases for 2020/21, which has gone through the Council's complaints process.

CST (Responsive Repairs) – Homes and Neighbourhoods

Summary of complaint	Compensation amount	Compensation reason
Service Failure 201912484 Regarding provision of asbestos info prior to taking tenancy and condition of property when they moved in	Pay £250 for bathroom repair	The service did not offer sufficient redress for inconvenience experienced due to delay in completing repairs

Partners for Islington (PFI)

Summary of complaint	Compensation amount	Compensation reason
Maladministration 201916077 The landlord handling of ASB reports, including a delay in progressing legal action	In addition to £850 offered at CE stage, pay additional £350 for distress and inconvenience and £150 for handing of the formal complaint	The landlord took too long to consider/pursue legal action to check flooring in neighbours property regarding ASB noise issues
Maladministration 201909292 Length of time to complete Major Works, complaints handling and standard of temporary accommodation	Pay £100 for distress and delay and pay for Major works delay in accordance with section 2.6 of Landlords Compensation & refund policy	Length of time to complete Major Works

Maladministration 202002802 Landlord's response/delay for repairs	£50 for late response to reports £50 for service failure in complaints handling	The landlord failed to respond to reports of issues with living room temperature, specifically living room radiators
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Total upheld cases for 2020/21 for the HO, 3.

The Corporate Complaints team works closely with CST and PFI clienting team to monitor upheld findings and provide guidance to improve working practices and reduce the likelihood of faults recurring.

Report of: Corporate Director of Resources (Section 151 Officer)

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	31 January 2022	Error! Reference source not found.	All
Delete as appropriate	Exempt	Non-exempt	

COUNCIL TAXBASE 2022/23 AND 2021/22 FORECAST

1. SYNOPSIS

- 1.1 This report covers the council taxbase estimate for the financial year 2022/23, as well as the council tax forecast for the current financial year 2021/22.
- 1.2 There is a headline council taxbase increase of 3.14% in 2022/23, recouping the majority of the 4.29% reduction experienced in 2021/22. The reasons for this increase are two-fold. Council tax support caseload has stabilised since the sharp increase at the start of the pandemic and has not increased to the extent estimated at 2021/22 budget setting. Also, council tax collection has marginally improved since the last financial year, albeit still below the pre-pandemic level.
- 1.3 However, underlying this position, there is a 0.59% decrease in the council taxbase before changes in council tax support and collection losses are taken into account. This is predominantly due to a significant increase in student exemptions (with many students returning to student accommodation in the 2021/22 academic year) and growth in single person discounts over the past year. This will be monitored closely as part of 2022/23 budget monitoring in order to inform future year taxbase projections in the council's medium-term financial strategy.

2 RECOMMENDATIONS

- 2.1 To approve that the council taxbase for the whole area for 2022/23 shall be 80,177.9 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.10** and **Appendix A**)
- 2.2 To note that the 2022/23 taxbase maintains the balanced budget position for 2022/23 and will be fully incorporated in the final version of the 2022/23 budget report and council tax calculations to be considered by the Executive on 10 February 2022 and Full Council on 3 March 2022. (**Paragraph 6.1**).

- 2.3 To approve that the council taxbase for meeting the special expenses issued by the Lloyd Square Garden Committee for 2022/23 shall be 44.3 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.12** and **Appendix B**)
- 2.4 To note the council tax forecast for 2021/22 and distribution of this in 2022/23 between the council and Greater London Authority (GLA). (**Paragraph 5.3** and **Table 2** and **Appendix C**)

3 BACKGROUND

- 3.1 The council is required to calculate its council taxbase for the next financial year and notify precepting authorities by 31 January of the preceding financial year. The council has delegated responsibility for determining the council taxbase to its Audit Committee.
- 3.2 The Lloyd Square Garden Management Committee issues a special levy on the council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. It is necessary for the council to calculate separately the taxbase for the Lloyd Square Garden area.
- 3.3 The council is also required to forecast whether there will be a council tax surplus or deficit in the Collection Fund at the end of the current financial year and incorporate its share of any surplus or deficit in its budget for the next financial year.
- 3.4 The council is also required to make similar estimates around business rates income through the NNDR1 estimate to central government. This is currently being worked up ahead of the 31 January 2022 statutory submission deadline and will be reflected in the final version of the budget report to the Executive on 10 February 2022 and Full Council on 3 March 2022.

4 COUNCIL TAX BASE ESTIMATE 2022/23

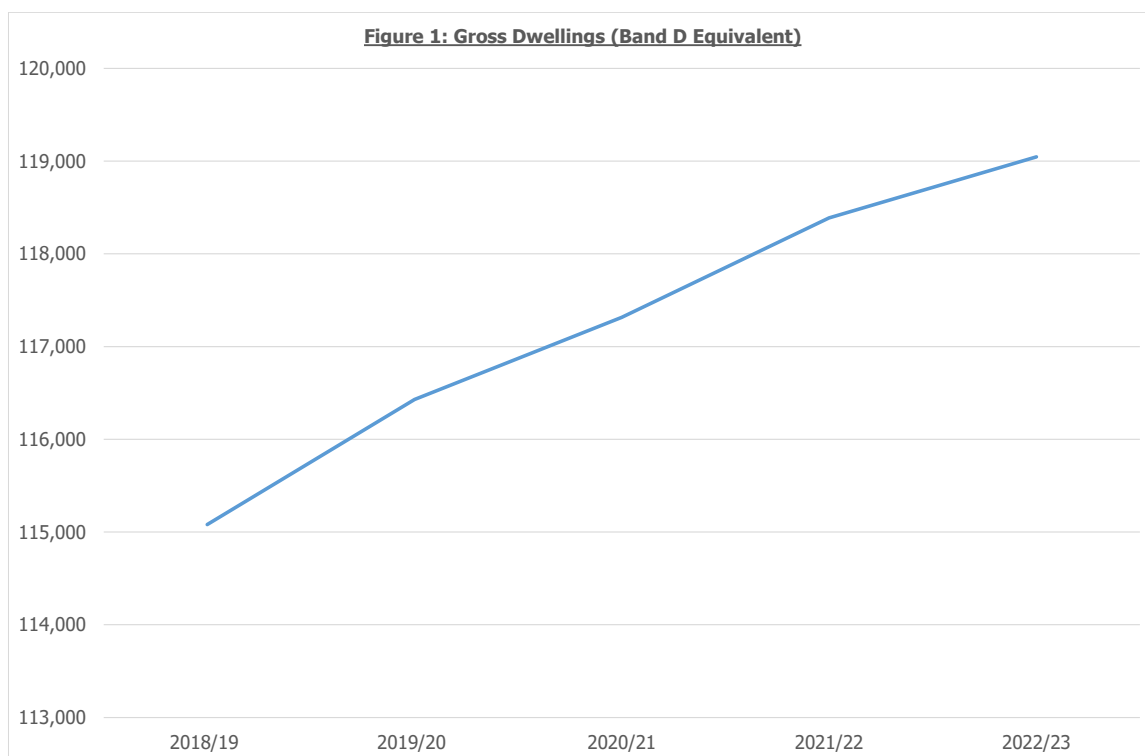
- 4.1 The primary basis for the taxbase calculation, as prescribed in regulations, is the number of dwellings on the Valuation Office Agency Council Tax Valuation List as at 30 November 2021, adjusted for exemptions, discounts and disabled relief at the same date.
- 4.2 The calculation for the council's whole area for 2022/23 is detailed at **Appendix A** and summarised in **Table 1** on a 'Band D equivalent' (average) basis.

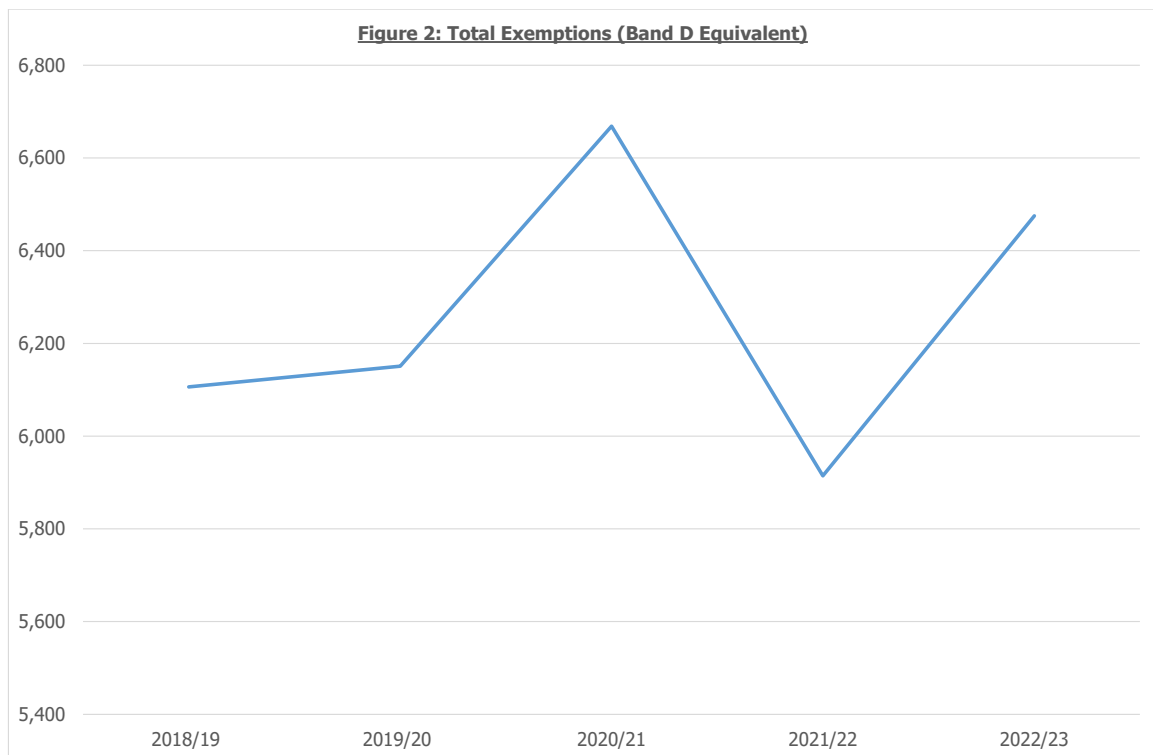
Table 1: Summary of Change in Taxbase for Council's Whole Area

	2021/22 Band D Equivalent	2022/23 Band D Equivalent	Change Band D Equivalent	Change %
Number of Dwellings	118,387	119,045	658	+0.56%
Exemptions and Disabled Relief	(5,955)	(6,514)	(559)	+9.39%
Total Chargeable Dwellings	112,432	112,531	99	+0.09%
Discounts (namely Single Person Discounts)	(9,466)	(10,167)	(701)	+7.40%
Total before CTS & Local Discounts	102,966	102,364	(602)	-0.58%
Council Tax Support and Local Discounts	(22,409)	(19,706)	2,703	-12.06%
Total Adjusted Dwellings	80,557	82,658	2,101	+2.61%
Less Allowance for Non-Collection	(2,819)	(2,480)	2,817	-12.05%

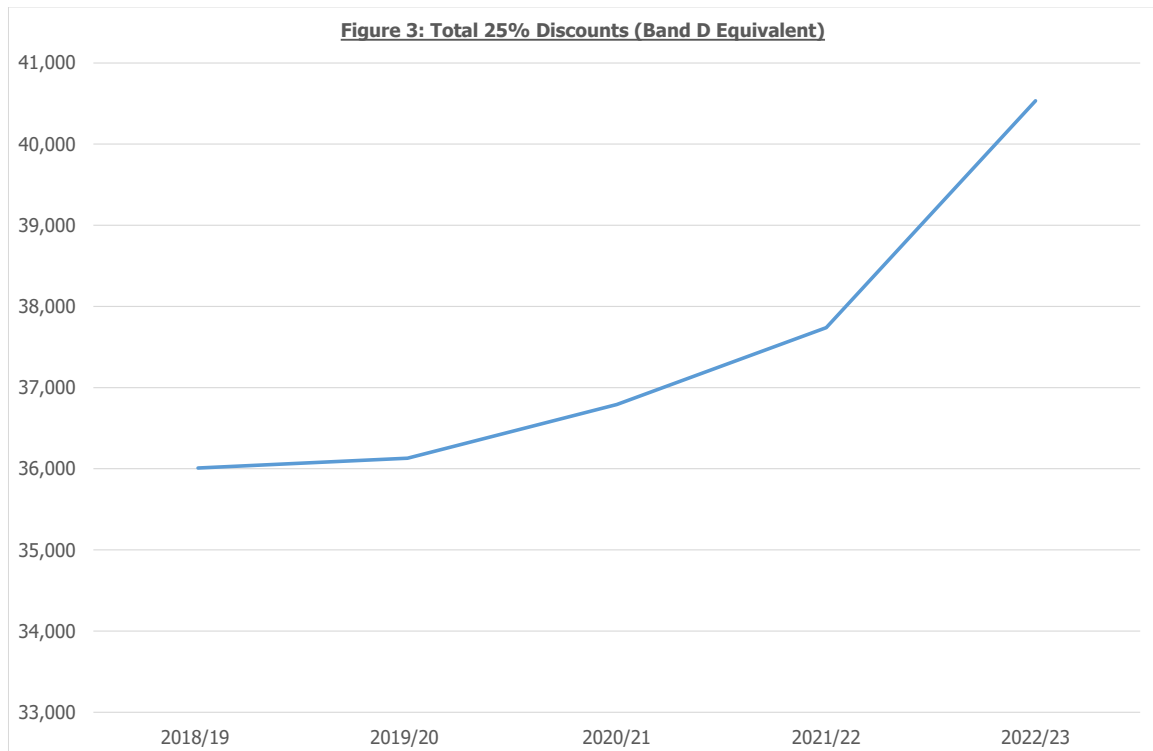
Net Taxbase (to 1 decimal place)	77,737.1	80,177.9	2,441	+3.14%
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- 4.3 The taxbase calculation prudently makes no projection for additional properties that may be added to the Valuation List between 30 November 2021 and the end of the 2022/23 financial year. Any additions to the taxbase will be reflected in future year (2023/24 onwards) taxbases once confirmed. This reflects significant uncertainty around the completion timing of new developments and the expectation that a significant proportion of new dwellings will be eligible for exemptions and/or discounts, thereby diminishing the net addition to the taxbase.
- 4.4 The three charts below illustrate the change in the number of dwellings, total exemptions and total 25% discounts between the 2018/19 and 2022/23 taxbase. Whilst there has been a continued, albeit declining, increase in gross dwellings in the borough (**Figure 1**), the fluctuating effect of exemptions (**Figure 2**) and steep increase in 25% discounts (**Figure 3**) is having a greater impact on the overall taxbase level.



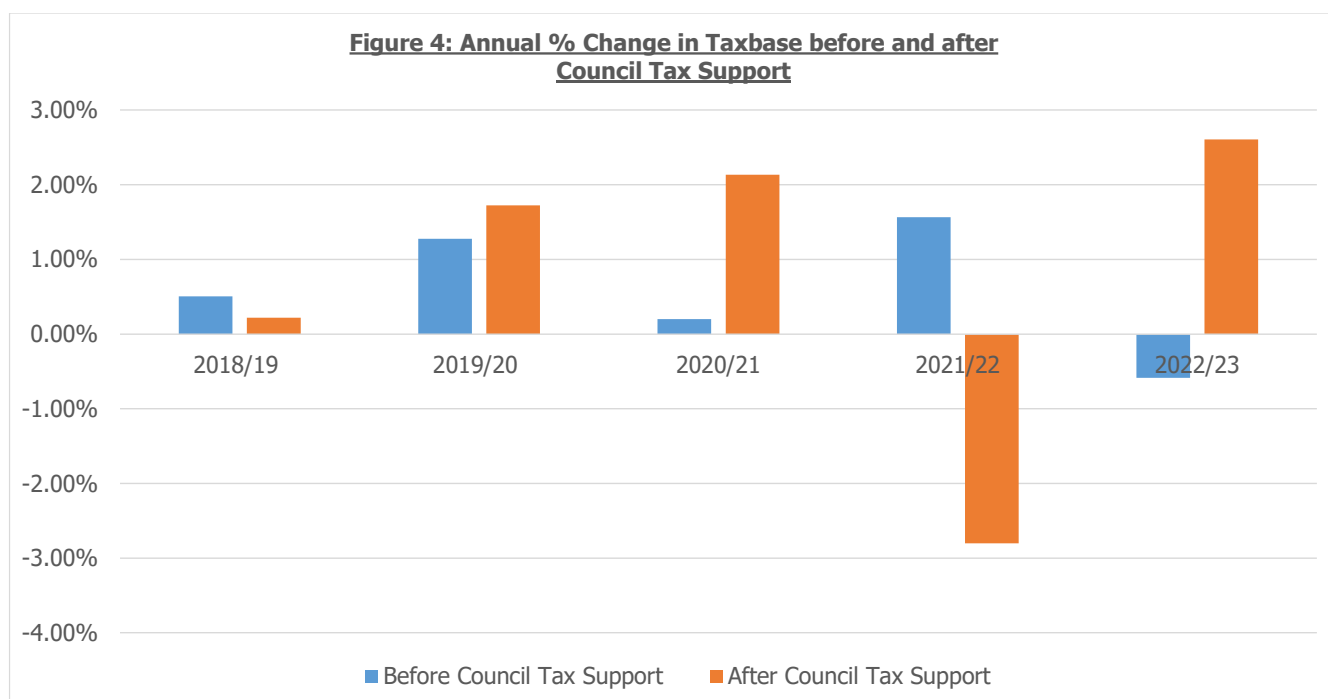


- 4.5 The recent year-on-year fluctuation within exemptions can be logically explained by the impact of the COVID-19 pandemic on student residents. An impact of the pandemic was fewer students living in the borough in the 2020/21 academic year and therefore less student exemptions from council tax. With universities having returned to some degree of face-to-face learning in the 2021/22 academic year, there has been a corresponding movement back towards pre-pandemic exemption levels.



- 4.6 The upwards trend on 25% discounts (namely single person discounts) appears to have started before the pandemic and accelerated over the past year. Anecdotal evidence from other London boroughs suggests this could be linked to: (a) the typically smaller size of new dwellings being built; and (b) relocation of families out of inner London, as reflected in declining pupil numbers, freeing up smaller properties to be occupied by single adult households.

- 4.7 It is assumed that existing locally agreed council tax reliefs for care leavers up to the age of 25, foster carers and Shared Lives carers will continue in 2022/23 at current levels.
- 4.8 The taxbase adjustment for the cost of council tax support reflects the council's 2022/23 scheme agreed by Full Council on 9 December 2021 (including the expansion of working aged support from 91.5% to 95%) and the current level of caseload. As part of setting the 2021/22 council tax base in January 2021, with all the uncertainty of a second national lockdown and the furlough scheme due to end on 31 March 2021, it was prudently assumed that caseload would significantly increase during 2021/22. This increase has not materialised, thereby giving rise to a favourable movement of 13.53% on the council tax support element of the taxbase.
- 4.9 The budgeted collection rate for 2022/23 is estimated at 97.0% (an increase of 0.5% from the 2021/22 rate of 96.5%). This is the percentage of 2022/23 council tax bills that the council is budgeting to receive over time, including in subsequent financial years. The 97.0% estimate is a judgment based on an incremental improvement in collection in the current financial year compared to 2020/21. However, council tax collection remains below the pre-pandemic level when the budgeted collection rate was 98.0%.
- 4.10 Before budgeted losses for non-collection, there is a 2.61% increase in the council taxbase in 2022/23. Applying a collection rate of 97.0% gives a net council taxbase figure of 80,177.9. This equates to a 3.14% increase compared to 2021/22. This follows a 4.29% taxbase decrease in 2021/22 (compared to 2020/21), so the taxbase remains below pre-pandemic levels in 2022/23.
- 4.11 Behind this headline increase, the underlying taxbase before council tax support and budgeted collection losses has decreased by 0.59% in 2022/23. The annual percentage taxbase change before and after council tax support for the years 2018/19 to 2022/23 is depicted in **Figure 4**. The movement in the underlying taxbase will be monitored closely as part of 2022/23 budget monitoring in order to inform the future year (2023/24 onwards) taxbase projections in the council's medium-term financial strategy.



- 4.12 The council taxbase calculation for the Lloyd Square Garden area for 2022/23 is set out at **Appendix B**. Applying a collection rate of 97.0% results in a Lloyd Square taxbase figure of 44.3.

5 **COUNCIL TAX FORECAST 2021/22**

- 5.1 The latest 2021/22 Collection Fund forecast for council tax, which is subject to change between now and the end of the financial year, is a £0.795m surplus. This comprises a £1.839m COVID-19 related deficit brought forward from 2020/21 and a £2.634m in-year surplus (detailed at **Appendix C**).
- 5.2 The forecast in-year Collection Fund surplus of £2.634m is due to:
- Lower than budgeted council tax support costs of £5.327m – As explained earlier in this report, this is due to council tax support caseload stabilising and not increasing to the extent estimated at 2021/22 budget setting.
- Partially offset by:
- An adverse net movement of £2.551m in the wider taxbase position – largely attributable to increased student exemptions and single person discounts.
 - £0.142m payment to the council's General Fund and the GLA in relation to the forecast Collection Fund surplus as part of 2021/22 budget setting in January 2021.
- 5.3 The distribution of the forecast Collection Fund surplus is outlined in **Table 2** based on prescribed accounting requirements, including the three-year phasing of 2020/21 Exceptional (COVID-19) Deficits.

Table 2: Distribution of Forecast 2021/22 Council Tax (Surplus)/Deficit

			Total £m
Total Forecast (Surplus)/Deficit			(0.795)
Add back 1/3 2020/21 Exceptional Balance (2023/24 element due to three-year phasing)			(0.608)
Total (Surplus)/Deficit to be distributed in 2022/23			(1.403)
	Islington Council £m	GLA £m	Total £m
1/3 of 2020/21 Exceptional Balance (2022/23 element due to three-year phasing)	0.478	0.130	0.608
Remainder of (Surplus)/Deficit	(1.566)	(0.446)	(2.012)
Total (Surplus)/Deficit in 2022/23 Budget	(1.088)	(0.316)	(1.403)

6 IMPLICATIONS

Financial Implications

- 6.1 The financial implications of this report, which maintains the balanced budget position for 2022/23, will be incorporated in the final version of the 2022/23 budget report and council tax calculations to be considered by the Executive on 10 February 2022 and Full Council on 3 March 2022.

- 6.2 Every 1% increase in the council taxbase equates to approximately £1.0m additional net council tax income for the council.
- 6.3 The movement in the underlying taxbase will be monitored closely as part of 2022/23 budget monitoring in order to inform the future year (2023/24 onwards) taxbase projections in the council's medium-term financial strategy.

Legal Implications

- 6.4 The council, as billing authority, is required to calculate the amount which will be its council taxbase for the next financial year by 31 January of the preceding financial year. (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of council tax Base) Regulations 2012).
- 6.5 The council must make similar calculations in relation to any items of expenditure which relate to a part only of the council's area. This enables the council to collect, as council tax, the contributions of the local residents for these expenses. In Islington, the expenses of meeting the special levy issued by the Lloyd Square Garden Management Committee qualify and the council can take such expenses into account in calculating its budgetary requirements provided it has defined them as "special expenses" in a resolution in force at the time it calculates such requirements (Section 34 of the 1992 Act and the 2012 Regulations).
- 6.6 The precepting authorities must be notified by the council of its council taxbase calculation for the next financial year between 1 December and 31 January of the preceding financial year to enable those authorities to calculate their budgetary requirement for the next financial year and the precept they will issue to the council before 31 March. If the council fails to comply with the end of January deadline, the regulations prescribe a notional formula for the precepting authorities to use in default, which will bind the council. Similar rules require the precepting authorities to notify the council of relevant prescribed information between 1 and 31 December of the preceding financial year.
- 6.7 The calculation of the council taxbase may, but no longer has to, be approved by Full Council. It may be approved by a council committee or sub-committee, but not by the Executive (Section 84 of the Local Government Act 2003 and Regulation 4(9) to (11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended)).
- 6.8 The council must set the council tax for the next financial year before 11 March of the preceding financial year (although it will not be invalid merely because it is set on or after that date). Before the council can decide this amount, it has to complete a further series of statutory calculations to establish its budgetary requirements for the next financial year. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11 March of the preceding financial year and are usually made at the same time as the council tax is set.
- 6.9 The council, as billing authority, must estimate for each financial year whether there is a surplus or deficit in its Collection Fund. Any surplus or deficit in respect of council tax must be shared between the council and its relevant major precepting authorities and the council is required to inform them should this be applicable (The Local Authorities (Funds) (England) Regulations 1992).

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

- 6.10 This report does not have any environmental implications.

Equality Impact Assessment

- 6.11 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.

- 6.12 An Equality Impact Assessment has not been completed because this report in itself does not have any such implications.

7 REASON FOR RECOMMENDATIONS

- 7.1 The council is required to set a council taxbase for the next financial year and estimate the surplus or deficit on its Collection Fund for the current financial year.

Appendices:

Appendix A – Islington Whole Area Council Tax Base 2022/23

Appendix B – Lloyd Square Garden Area Council Tax Base 2022/23

Appendix C – Council Tax Forecast 2021/22

Background papers: None

Final report clearance:

Signed by:		
	Dave Hodgkinson, Corporate Director of Resources (Section 151 Officer)	Date

Report Author:

Martin Houston, Strategic Financial Advisor

Legal Implications Author:

Peter Fehler, Director of Law and Governance

APPENDIX A: ISLINGTON WHOLE AREA COUNCIL TAX BASE 2022/23

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30 November 2021	4,870	6,178	29,702	33,309	18,980	9,905	7,142	937	111,023
Less Disabled Relief	0	(6)	(30)	(63)	(55)	(39)	(21)	(7)	(221)
Plus Disabled Relief	6	30	63	55	39	21	7	0	221
Less Exemptions	(2,189)	(306)	(1,204)	(1,529)	(838)	(580)	(160)	(25)	(6,831)
Total Chargeable Dwellings	2,687	5,896	28,531	31,772	18,126	9,307	6,968	905	104,192
Discounts (25%)	(962)	(3,498)	(14,635)	(12,188)	(5,487)	(2,209)	(1,139)	(90)	(40,208)
Discounts (50%)	0	(2)	(4)	(7)	(6)	(3)	(13)	(9)	(44)
Less Equivalent Discount Value	(241)	(876)	(3,661)	(3,051)	(1,375)	(554)	(291)	(27)	(10,074)
Total before Council Tax Support and Local Discounts	2,446	5,020	24,870	28,721	16,751	8,753	6,677	878	94,118
Less Local Discounts	(2)	(14)	(74)	(81)	(46)	(29)	(38)	(4)	(288)
Less Council Tax Support	(305)	(1,720)	(7,307)	(6,032)	(2,545)	(1,065)	(390)	(5)	(19,369)
Total Adjusted Dwellings	2,139	3,286	17,489	22,608	14,160	7,659	6,249	869	74,459
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent (before Collection Losses)	1,426	2,556	15,546	22,608	17,307	11,062	10,415	1,738	82,658

Net Taxbase (after Collection Losses) for Council's Whole Area based on budgeted collection rate of 97.0%

80,177.9

APPENDIX B: LLOYD SQUARE GARDEN AREA COUNCIL TAX BASE 2022/23

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30 November 2021	0	0	0	1	2	3	18	5	29.0
Less Disabled Relief	0	0	0	0	0	0	0	0	0.0
Plus Disabled Relief	0	0	0	0	0	0	0	0	0.0
Less Exemptions	0	0	0	0	0	0	0	0	0.0
Total Chargeable Dwellings	0	0	0	1	2	3	18	5	29.0
Discounts (25%)	0	0	0	0	(1)	(2)	(4)	(1)	(8.0)
Discounts (50%)	0	0	0	0	0	0	0	0	0.0
Discounts (10%)	0	0	0	0	0	0	0	0	0.0
Less Equivalent Discount Value	0	0	0	0	0	(1)	(1)	0	(1.3)
Total Adjusted Dwellings	0	0	0	1	2	3	17	5	27.8
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent (before Collection Losses)	0	0	0	1	3	4	28	10	45.7

Net Taxbase (after Collection Losses) for Lloyd Square Garden Area based on budgeted collection rate of 97.0%

44.3

APPENDIX C: COUNCIL TAX FORECAST 2021/22

	2021/22 Budgeted £m	2021/22 Forecast £m	Variance £m
<u>Income</u>			
Gross Council Tax Income	(194.190)	(195.050)	(0.860)
Exemptions	9.701	12.245	2.544
Disabled Relief	0.066	0.073	0.007
Discounts	15.526	16.941	1.415
Total Income before Council Tax Support and Local Discounts	(168.897)	(165.791)	3.106
Local Discounts	0.510	0.548	0.038
Council Tax Support	36.243	30.918	(5.325)
Net Income	(132.144)	(134.325)	(2.181)
<u>Expenditure</u>			
Precepts and Demand			
Islington Council			
- General Expenses	99.230	99.230	0.000
- Special Expenses (Lloyd Square Garden Area)	0.019	0.019	0.000
	99.249	99.249	0.000
Greater London Authority	28.270	28.270	0.000
Total Precepts and Demand	127.519	127.519	0.000
Impairment Allowance & Write Offs	4.625	4.030	(0.595)
Distribution of Previous Year's Forecast Surplus			
- Islington Council	0.111	0.111	0.000
- Greater London Authority	0.030	0.030	0.000
Total Distribution of Previous Year's Forecast Surplus	0.142	0.142	0.000
Total Expenditure	132.286	131.691	(0.595)
In-year (Surplus)/Deficit	0.142	(2.634)	(2.776)
(Surplus)/Deficit B/f	(0.142)	1.839	1.981
(Surplus)/Deficit C/f	(0.000)	(0.795)	(0.795)



Report of: Corporate Director of Resources

Meeting of:	Date:	Ward(s):
Audit Committee	31 st January 2022	All

Delete as appropriate		Non-exempt
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SUBJECT: Risk Management Update – January 2022

1. Synopsis

- 1.1 The purpose of this report is to provide the Committee with an update on key risk management activity that has taken place in between comprehensive Principal Risk Reports. The report presents a summary update based on a previous request from Committee. The report is intended to provide Committee with an insight of risk management activity that occurs outside of the Principal Risk reporting cycle.

2. Recommendations

- 2.1 Committee is asked to note the report which provides an update since the last comprehensive Principal Risk Report to Committee in May 2021.

3. Principal Risks and related mitigating activity

- 3.1 Committee noted the last Principal Risk Report on 25th May 2021. Actions to mitigate Principal Risks continue to be implemented (as listed in Appendix 5 of the report, a copy can be accessed [here](#), at pages 31-86). The next comprehensive Principal Risk Report will be presented to Committee in June 2022.
- 3.2 This report provides an update on key risks i.e. the Council's Covid-19 response, risks related to financial stability, and cyber and data protection. The updates were drafted in consultation with the relevant risk leads.

4. Covid-19 response

- 4.1 The Covid-19 outbreak control risk remains at the highest risk score although we are better prepared to respond to the latest infection wave than the previous winter wave. Our approach has matured further since the last report and services have adapted to meet the needs of residents. To meet the demand of the current wave, some public health work has been de-prioritised to enable resources and staff to be deployed to support the Covid-19 response. This re-deployment is expected to last through January-February 2022 although much uncertainty remains around the impact of the Omicron variant. Gold Command has resumed in response to increasing infection rates to maintain strong management and overview. Business continuity plans have been updated and are being kept under review to ensure that services are well placed to continue operating effectively. The Borough Emergency Command Centre, originally scheduled to close at the end of December 2021, will remain operational through the current response.
- 4.2 Data on Covid-19 cases and contacts are reviewed daily to support contact tracing and help manage cases and local outbreaks in our communities. We are providing tailored support to vulnerable residents, care homes and schools to manage clusters of outbreaks. We have better quality data available, compared to Spring 2021, which is used for outbreak prevention and control plans. A tailored approach is applied that allows for an agile and fluid response and we adjust operational plans in line with the latest government guidance.
- 4.3 The booster vaccination programme is being rolled out (at the time of writing), with an uptake of around 72% amongst the 70+ age group. We have increased access points for vaccinations at community pharmacies and pop-up locations around the borough which are offering both bookable appointments and walk-in clinics.

5. Financial Stability

- 5.1 This section provides an update on four Principal Risks i.e. Covid-19 Financial Impact, External Funding Uncertainty, Increasing Outstanding Debt, and Covid -19 Impact (Public Realm).
- 5.2 Risk to the Council's financial stability and resilience remains high with a stable trend since the last report. Whilst significant uncertainty remains, progress has been made on action plans to reduce risk exposure. Local authorities continue to receive annual funding settlements which restricts future planning. We continue to manage this risk by being disciplined in our funding decisions and budget planning. We continue to respond to Government consultations and to make the case for a return to three-year settlements. There is a robust process in place for regular reviews of assumptions in the Medium-Term Funding Strategy (MTFS), and we are on track to deliver our savings commitments for 2021-22.
- 5.3 The Government's decision to provide £1.5bn additional funding to cover reduced business rates due to Covid-19 has addressed the threat of reduced income for the Council. This funding is targeted to businesses outside of the retail, hospitality, and leisure sectors in order to avoid Material Change in Circumstance (MCC) claims which would adversely impact the Council's finances. We continue to closely monitor the financial impact of Covid-19 and have built in contingencies in this year's budget and plan to allow for further contingencies in the 2022-23 budget. We have completed actions to address the level of outstanding debt owed to the Council

due to increased financial hardship for both business and residents, and the pause in court proceedings during lockdown. A review of our debt management policies and procedures identified a number of improvements required which will be addressed during 2022.

- 5.4 Action to address the financial impact of Covid-19 in the public realm has had a positive impact on income recovery, with the forecast overspend for parking and leisure services reduced since the last report. Parking Services are now forecasting a balanced budget by the end of this financial year, largely due to better than anticipated parking suspensions income. Parking charges for 2021-22 have been implemented and detailed proposals produced for revised fees and charges from next financial year as part of the MTFS position for approval by the Executive.

6. Cyber and Data Protection

- 6.1 This risk was assessed as having an increasing risk outlook in the last report. The current risk outlook remains high but stable. The Committee received a Cyber Defence Assurance report in October 2021 as part of the quarterly update cycle, which detailed cyber threats and how they are being mitigated.
- 6.2 The Council is continually improving our cyber defences while the external cyber-attack environment is becoming increasingly sophisticated. During 2021 and most recently in December 2021, additional activities took place to raise staff awareness about phishing and keep cyber security front of mind. The Council is planning changes to cyber event monitoring processes in the coming months, which will mitigate this risk further.
- 6.3 The Annual Cyber Defence Report will be discussed by Corporate Management Board in March 2022 and will contain a detailed update on developments and progress on managing this Principal Risk.

7. Risk Management Activity

- 7.1 A new Risk Manager has been appointed since the last update to Committee. Upcoming risk management activity will focus on further development of our risk management framework. A revised framework will be presented to Committee in Summer 2022. We also plan to produce a risk appetite statement to further enhance our risk maturity and support risk-based decision making. These activities will require engagement with Directorate Management Teams and the Corporate Management Board and will ensure that the Council optimises achievement of its objectives by applying sound risk management principles.

8. Implications

8.1 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.

8.2 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.

8.3 **Environmental Implications**

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

8.4 **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.

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

9. **Reason for recommendations**

- 9.1 This report provides an update on risk management activity since the last comprehensive risk report to Committee in May 2021.

Final report clearance:

**Authorised by David
Hodgkinson 12/01/2022**

Signed by:	David Hodgkinson
Date:	12/01/2022

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REPORT ENDS

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Finance
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London N7 7EP

Report of: Corporate Director - Resources

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	31 st January 2022	-	All

SUBJECT: Internal Audit Interim Annual Report 2021-22

1 Synopsis

- 1.1 A continuous internal audit service provides independent assurance on the control environment that supports the delivery of Council objectives.
- 1.2 This report aims to provide Audit Committee with assurance over the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered. It highlights service areas where high priority recommendations have been made. It also comments on the level of implementation of audit recommendations by management.

2 Recommendations

- 2.1 Committee is asked to note the report.

3 Background

- 3.1 The 2021-22 Internal Audit Plan was approved by Audit Committee on 25th May 2021. This report presents a summary of the work that Internal Audit has undertaken as part of the 2021-22 audit plan and the position of the plan at 30 November 2021.
- 3.2 The work of Internal Audit largely focuses on key risk areas as identified with the Council's Principal Risk Report. Delivery of the annual audit plan provides assurance on the actions being taken to mitigate principal risks.

4 Role of internal audit

- 4.1 The Council's internal audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing. It encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.
- 4.2 A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*
- 4.3 The Council's framework of governance, risk management and internal control supports and underpins the delivery of strategic objectives. Internal Audit service provides Audit Committee with an independent and objective appraisal of the adequacy and effectiveness of this framework. This is achieved through the delivery of a risk-based audit plan. The service also provides consultancy and advice to management on risk and controls on an ad-hoc and proactive basis.
- 4.4 The Council's internal audit function operates as a shared service with the London Borough of Camden. The service operates a co-sourced service delivery model, where internal audit services are provided by in-house staff. A small portion of work is delivered by a co-sourced provider, currently PwC. The service also works closely and in alignment with the Risk Management and Corporate Investigation functions. This provides a number of benefits, including increased joint working and collaboration, and the sharing of information and intelligence.

5 Design and delivery of the 2021-22 Internal Audit Plan

- 5.1 The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is devised. The Council's robust processes to identify and articulate Principal Risks provide a solid foundation for the audit plan. The Council's Principal Risk Report is mapped to internal audit activity over a rolling three year period. This approach provides assurance that actions designed to mitigate key risks are being implemented effectively. It also provides the Council and other stakeholders with assurance that audit resource is correctly targeted to mitigate risks.
- 5.2 In addition to risk based audits, a rolling cycle of reviews provides continued assurance on the Council's key financial systems. The audit plan also looks at areas where senior management have asked for independent assurance.
- 5.3 A concerted effort is made to ensure that the plan is resident focussed. Where audit reviews do not directly address resident facing areas, they aim to provide assurance on overall governance arrangements. These reviews demonstrate that Islington is in a position to deliver its desired outcomes for residents.
- 5.4 Throughout the year, where required, the plan was flexed to respond to emerging risks. This flexibility allowed the team to provide proactive advice on risk and control as needed.

6 Outcomes and follow up activity

- 6.1 The report details the outcomes to date of the 2021-22 audit plan at Appendices 1 and 2. It covers outcomes of follow up audits in Appendix 3. Summary details of high priority recommendations not previously reported to the Audit Committee have been included in Appendix 2. Internal Audit has received appropriate management responses to the recommendations made to address these risks.
- 6.2 We are pleased to report a positive response to final audit reports with satisfactory management responses to audit recommendations. Internal Audit routinely conduct follow up reviews to assess the level of implementation of audit recommendations. Where implementation of recommendations is prolonged, Internal Audit may provide support to auditees in-year.

7 Internal Audit assurance opinions

- 7.1 On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within Appendix 1 of this report.

- 7.2 There are four possible assurance opinions that can be provided:

No Assurance

There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Limited Assurance

There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.

Moderate Assurance

An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.

Substantial Assurance

There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.

- 7.3 These conclusions are based on the number of critical and high priority risks identified in the report. The Committee receives details of high priority recommendations raised in audit reviews within Appendix 2 of this report.

8 Follow up activity

- 8.1 Internal Audit recommendations arising from planned audit work are followed up to ensure that they have been implemented. We report levels of implementation to the Audit Committee bi-annually. Follow up activity undertaken in 2021-22 is summarised in appendix 3 of this report.
- 8.2 Controls Board continues to meet six-weekly and tracks implementation of audit recommendations.
- 8.3 Auditees will be invited to attend Audit Committee if a low level of implementation of audit recommendations is noted. Auditees who may be invited to the January 2022 meeting will be agreed with the Chair advance of the meeting.

9 Internal Audit team capacity

- 9.1 Since August 2021, the team has been operating with a vacancy of one (1 FTE), reducing the team's capacity to deliver all planned audits in current financial year. We have tried to recruit an interim agency staff member to fill the role on a temporary basis as permanent recruitment gets underway. However, as reported to Committee in previous recruitment rounds, there continues to be a sector-wide shortage of qualified internal auditors and this approach has not been successful. We are currently widening our search using specialist agencies and hope to identify a suitable candidate for a January 2022 start to cover the role until the permanent post can be filled. The Audit Manager role is also being utilised to service the follow up audit plan and ad hoc requests for risk and control advice..

10 Implications

10.1 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.

10.2 Legal Implications

There are no legal implications arising from this report.

10.3 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.

10.4 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.

11 Reason for recommendations

- 11.1 To note outcomes of delivery of the audit plan at Appendices 1-3.

Appendices:

Appendix 1 provides an update on outcomes of delivery of the 2021-22 audit plan to date.

Appendix 2 summarises high priority findings arising from audit reviews finalised since last reported to Audit Committee in October 2021.

Appendix 3 details the results of the follow up of previous audit recommendations.

Final report clearance: **Authorised by David Hodgkinson 12/01/2022**

Signed by: David Hodgkinson – Corporate Director of Resources

Date: **12/01/2022**

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REPORT ENDS

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APPENDIX 1 – 2021-22 INTERNAL AUDIT INTERIM ANNUAL REPORT

Internal Audit Interim Annual Report

Audit Committee 31st January 2022

Introduction: This Appendix gives summary details of the 2021-22 audit plan that was agreed by Audit Committee on 25th May 2021. It shows the indicative scope as well as the completion status of each individual project. It is included to provide Audit Committee with assurance that the audit plan – which is the key vehicle for providing the Council with independent assurance – is being effectively delivered.

* Denotes a principal risk

1. Summary of assurance ratings for completed reviews

Number	Ref	Audit Title	Assurance Rating
Assurance ratings for planned audit reviews			
1	FR20-5	Use of Contingent Workers	The assurance rating will be confirmed based on management's response. Management have provided further information subsequent to the issue of the draft report, which is currently being reviewed by Internal Audit.
2	HOU20-5	Health and Safety – Asbestos	No assurance
3	PS20-6-3	School – Establishment Review – Moreland Primary School	Moderate assurance
4	PS20-6-6	School – Establishment Review – St Luke's Church of England Primary School	Substantial assurance

Extended follow up outcomes (see rating key in Appendix 3)			
5	FWU21-27	Gifts and hospitality and declarations of interest *	A good rate of implementation was noted
6	FWU21-34	Right to work vetting arrangements *	A good rate of implementation was noted
7	FWU21-31	Direct payments *	Agreed actions have been fully implemented
8	FWU21-24	HomeBuild *	A reasonable rate of implementation was noted
9	FWU21-33	S106 *	A good rate of implementation was noted
Reviews completed where an assurance opinion was not provided (a management letter or grant compliance opinion was issued)			
10	HOU21-3	Voluntary Sector Organisation (VSO) – Highbury Roundhouse	Eight areas of concern were raised (advisory review)
11	AD21-2	Supplier Bank Amendments	Six high priority findings
12	FR21-4-1	Covid-19 grant certification * - Arts Council Culture Recovery Fund	Compliance opinion issued
13	FR21-4-2	Covid-19 grant certification * - Sales, Fees and Charges – Lost Income.	Compliance opinion issued
14	AD21-1	HIV Pre-Exposure Prophylaxis (PrEP) grant 2020-21	Compliance opinion issued
15	AD21-3	Green Homes grant – project closure	Compliance opinion issued

2. Detailed 2021-22 audit plan update

2.1 Audits brought forward from 2020-21

Ref	Audit title	Indicative scope	Planned days	Status
CC20-1	Landlord Duty of Care – Lifts	On-going programme of assurance against this area of Principal Risk. Cross-cutting review of the Council's arrangements for ensuring compliance with health and safety requirements across its property portfolio. Scope to focus on lift maintenance and replacement within the Council's housing stock.	20	Following review, a need for additional audit work to cover off areas of key risk was identified. Subsequently, key individuals were not available to allow finalisation of findings. A revised completion date of January 2022 is anticipated.
HOU20-5	Health and Safety – Asbestos	Risk based review of key Health and Safety risk area.	15	The report is at 'draft' final stage pending final agreement of management responses. An exit meeting was held and additional evidence provided by management was reviewed by Internal Audit in Q3 21-22. 5 high priority findings were raised, details of which can be seen at Appendix 2.
FR20-5	Use of Contingent Workers	Risk based review of key controls regarding the use of agency and consultancy staff. Scope to include controls surrounding approval, extension, vetting and financial monitoring.	20	A draft report has been shared with management and an exit meeting was held. Management have provided further information which is currently being reviewed by Internal Audit. A report finalisation date of January 2022 is anticipated.

PS20-6-3	School – Establishment Review – Moreland Primary School	Risk based review of Moreland Primary School.	10	Completed. No high priority findings were identified.
PS20-6-6	School – Establishment Review – St Luke’s Church of England Primary School	Risk based review of St Luke’s Church of England Primary School.	10	Completed. No high priority findings were identified.

2.2 Corporate/Cross-Cutting

Ref	Audit title	Indicative scope	Planned days	Status
CC21-1	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks. This will support the activity of the Council’s risk management function.	20	This exercise will take place in late Q3 and early Q4 to inform the 2022-23 audit plan which will be approved by Audit Committee in March 2022.
CC21-2	Serious fraudulent activity *	Internal Audit input into reactive investigations to be undertaken in-year. This will support the activity of the Council’s corporate investigations team as needed.	20	Members of the Internal Audit team have provided ongoing input into reactive investigations throughout the year to date to support the Corporate Investigations team.
CC21-3	Annual Governance Statement and audit plan production	Preparation of the Council’s Annual Governance Statement and audit plan.	10	Responsibility for the Annual Governance Statement will no longer sit with the Internal Audit team in order to conform with CIPFA guidance, however the Internal Audit team will provide support to the new

				<p>owners of this work in this transition year during Q4 of 2021-22 and Q1 of 2022-23.</p> <p>The annual audit planning exercise will take place in late Q3 and early Q4 alongside the assurance mapping exercise (see CC21-1 above). The audit plan will be approved by Audit Committee in March 2022.</p>
CC21-4	Controls Board	Internal Audit input into Controls Board workplan and support for directorate representatives.	25	The Internal Audit team has been servicing Controls Board, as well as providing support for directorate representatives around follow up activity.
FWU21-5	Programme Management Office (PMO) *	Extended follow up of audit recommendations arising from the 2020-21 review of PMO (CC20-2 – management letter with 17 high priority findings across four audit areas). The audit scope looked at the redesign of the Council's Programme Management Office (PMO) and conducted project health checks across a sample of three programmes (one each in Housing, Environment and Regeneration and People).	20	Follow up fieldwork is underway. A follow up memorandum will be issued in Q4 of 2021-22.
FWU 21-2 21-3 21-9 21-10	Follow ups of outstanding high priority actions from prior year audits *	<p>Follow up of high priority audit recommendations arising from the following reviews:</p> <ul style="list-style-type: none"> FWU19-2: Landlord duty of care – Fire Risk Assessments (second follow up) 	31	<p>Activity has been undertaken as follows:</p> <ul style="list-style-type: none"> FWU19-2: Landlord duty of care – Fire Risk Assessments (management letter with two high priority findings) – follow up complete. See Appendix 3 for details of follow up outcomes.

21-11		<ul style="list-style-type: none"> • CC20-1: Landlord duty of care – lifts • CC20-3: Financial strategy/Covid financial impact • CC20-4: Capital programmes • CC20-6: Contract management 20/21 		<ul style="list-style-type: none"> • CC20-1: Landlord duty of care – lifts (assurance rating tbc) - follow up not yet due. To commence in Q4 2021-22. • CC20-3: Financial strategy (Adult Social Care) (Moderate assurance) - follow up not yet due. To commence in Q4 2021-22. • CC20-4: Capital programmes (Moderate assurance) - follow up not yet due. To commence in Q4 2021-22. • CC20-6: Contract management 20/21 (Limited assurance) - all actions whose due date has passed have been followed up. See Appendix 3 for details of follow up outcomes.
FWU21-TBC	Follow ups of 2021-22 audits in year *	As follow ups tend to take place one full quarter from finalisation of the review (e.g. follow ups of Q2 audits will not usually take place earlier than Q4), and minimal Q1 audit activity is planned due to the timing of approval of the audit plan, an assumption has been made that 1/3 of planned 2021-22 audits will be followed up in year, with the remainder followed up in 2022-23.	68	The majority of audit recommendations raised in the course of 2021-22 have not yet reached their due dates. Follow up work is ongoing on all open audit recommendations, and where actions have been found to be implemented, recommendations have been closed. See Appendix 3 for details of follow up outcomes.

2.3 Resources

Ref	Audit title	Indicative scope	Planned days	Status
FR21-1-1	Key Financial Systems (KFS) – Accounts Payable	Review of key financial systems. We created an in-depth map of key financial controls in four areas (Accounts Payable, Income, Treasury and Payroll) during 2020-21 (FR20-1). We then assessed whether the design of controls is theoretically sufficient to mitigate risks. Work in 2021-22 will include an update of this control design assessment to ensure that the KFS controls map for these areas remains current. The map will inform the choice of controls we target in 2021-22 to test whether they are operating effectively. The KFS review areas for 2021-22 will also include Pensions.	14	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FR21-1-2	Key Financial Systems (KFS) – Income		14	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FR21-1-3	Key Financial Systems (KFS) – Treasury		14	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FR21-1-4	Key Financial Systems (KFS) – Payroll		14	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FR21-1-5	Key Financial Systems (KFS) – Pensions		14	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FR21-2	Access controls and rights *	An extended audit into access controls and rights for key business applications and processes, based on data security risks identified around the appropriateness of the approvals process.	30	Fieldwork is underway and outcomes will be reported in Q4 2021-22.
FR21-3	Business transformation *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.

FR21-4-1	Covid-19 grant certification * - Arts Council Culture Recovery Fund	Ad hoc reviews of Covid-related grants to verify that they are being administered in accordance with grant conditions.	20	A Head of Internal Audit's compliance opinion was provided on the return provided for the Arts Council Culture Recovery Fund grant.
FR21-4-2	Covid-19 grant certification * - Sales, Fees and Charges – Lost Income.			A Head of Internal Audit's compliance opinion was provided on the return provided for the Sales, Fees and Charges – Lost Income grant.
FR21-5	Challenging Inequality Programme *	A risk based review of the Challenging Inequality Programme to verify that the framework's design supports the Council's ambition to meet the Equalities Gold Standard. The audit will provide assurance against the Diversity and Inclusion and the Social Inequalities principal risks.	20	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FWU21-27	Gifts and hospitality and declarations of interest *	<p>Extended follow up of audit recommendations arising from the 2017-18 review of Gifts and hospitality and declarations of interest (CC17-10 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Policy and guidance; • Register of declarations of interest; • Gifts and hospitality register; • Contract standing orders and documentation (consultants); and 	6	<p>Extended follow up completed. We looked at the rate of implementation of 12 recommendations related to two high and three medium priority findings. We found that:</p> <ul style="list-style-type: none"> • 11 recommendations relating to two high priority and three medium priority findings have been implemented; and • One recommendation relating to a medium priority finding has been partially implemented.

		<ul style="list-style-type: none"> Contract standing orders and documentation (agency staff). 		<p>The partially implemented recommendation related to:</p> <ul style="list-style-type: none"> The automated generation of a register of gifts and hospitality. <p>A revised target implementation date of 31 December 2021 has been agreed for the outstanding recommendation.</p>
FWU21-34	Right to work vetting arrangements *	<p>Extended follow up of audit recommendations arising from the 2019-20 review of Right to work vetting arrangements (FR19-2 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> Visa end dates; Right to work status of agency staff; Policies and protocols; HR risk register; and EU exit preparation – agency and Council. 	8	<p>Extended follow up completed. We looked at the rate of implementation of 14 recommendations related to two high and four medium priority findings. We found that:</p> <ul style="list-style-type: none"> 13 recommendations relating to two high priority and three medium priority findings have been implemented; and One recommendation relating to a medium priority finding has been partially implemented. <p>The partially implemented recommendation related to:</p> <ul style="list-style-type: none"> The creation of a Human Resources risk register. <p>A revised target implementation date of 31 December 2021 has been agreed for the outstanding recommendation.</p>
FWU 21-12	Follow ups of outstanding high	Follow up of audit recommendations arising from the following reviews:	44	Activity has been undertaken as follows:

21-13 21-16 21-17 21-18 21-22	priority actions from prior year audits *	<ul style="list-style-type: none"> • FR20-2: IT application review – CivicaPay • FR20-5: Use of contingent workers • FWU20-17: Capital expenditure (second follow up) • FWU20-40: Continuous audit monitoring (second follow up) • FWU20-33: Cyber security (second follow up) • FWU20-5: Payroll (second follow up) 		<ul style="list-style-type: none"> • FR20-2: IT application review – CivicaPay (Moderate assurance) – follow up complete. See Appendix 3 for details of follow up outcomes. • FR20-5: Use of contingent workers - follow up not yet due. To commence in Q1 2022-23. • FWU20-17: Capital expenditure (Moderate assurance) – follow up complete. See Appendix 3 for details of follow up outcomes. • FWU20-40: Continuous audit monitoring (Limited assurance) – follow up complete. See Appendix 3 for details of follow up outcomes. • FWU20-33: Cyber security (Limited assurance) – follow up complete. See Appendix 3 for details of follow up outcomes. • FWU20-5: Payroll (Limited assurance) - follow up in progress. To complete in Q4 2021-22.
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2.4 People

Ref	Audit title	Indicative scope	Planned days	Status
PS21-1	High needs/SEN children's placements *	Brought forward from 2020-21 plan. Risk based review of controls in place around high-needs/SEN children's placements. Scope to include monitoring and reporting of high cost care placements / packages.	20	Fieldwork is underway and outcomes will be reported in Q3 2021-22.
PS21-2-1	Schools establishment review – St John's Highbury Vale Primary School	Risk based review of seven schools/children's centres. These reviews do not directly align to a principal risk, and are part a rolling programme of assurance for schools which operates on a cyclical basis. The programme assesses the effectiveness of school governance mechanisms and financial practices.	12	Fieldwork is underway and outcomes will be reported in Q3 2021-22.
PS21-2-2	Schools establishment review – Vittoria Primary School		12	Fieldwork is underway and outcomes will be reported in Q4 2021-22.
PS21-2-3	Schools establishment review - Newington Green Primary School		12	Fieldwork is underway and outcomes will be reported in Q4 2021-22.
PS21-2-4	Schools establishment review – Duncombe Primary School		12	Deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.
PS21-2-5	Schools establishment review - Pooles Park Primary School		12	Deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.

PS21-2-6	Schools establishment review - Samuel Rhodes Primary School		12	Deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.
PS21-2-7	Schools establishment review – Laycock Primary School		12	Fieldwork is underway and outcomes will be reported in Q3 2021-22.
PS21-3	Troubled families	Audit review and sign off of compliance with requirements within Memorandum of Understanding between the Council and MHCLG covering funding from MHCLG's Troubled Families programme.	10	The audit is currently being scoped. Fieldwork will begin in Q4 2021-22.
FWU 21-14	Safeguarding adults – governance and records management *	<p>Extended follow up of audit recommendations arising from the 2020-21 review of Safeguarding adults (PS20-2 - No assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Evidence of case management and approval (critical priority); • Timeliness of case management activity; • Retention of evidence to support case closure; and • Updating the information sharing agreement. 	8	Follow up fieldwork is underway. A follow up memorandum will be issued in Q4 of 2021-22.
FWU21-31	Direct payments *	Extended follow up of audit recommendations arising from the 2019-20 review of Direct	7	Extended follow up completed. We looked at the rate of implementation of 11 recommendations related to three high

		<p>payments (PS19-5 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Transfers from pre-paid cards • Ordering pre-paid cards • Financial monitoring • Governance arrangements – risk-based reviews of spend • Direct payment agreements • Deceased individuals 		<p>priority findings, two medium priority findings and one low priority finding. We found that all recommendations had been implemented.</p>
<p>FWU 21-21 21-26 21-30</p>	<p>Follow ups of outstanding high priority actions from prior year audits *</p>	<p>Follow up of audit recommendations arising from the following reviews:</p> <ul style="list-style-type: none"> • PS20-7: Domestic violence • FWU20-10: Placement commissioning 16-17 year olds (second follow up) • FWU20-4: SEN transport (second follow up) 	<p>30</p>	<p>Activity has been undertaken as follows:</p> <ul style="list-style-type: none"> • PS20-7: Domestic violence (Moderate assurance) - follow up not yet due. To commence in Q4 2021-22. • FWU20-10: Placement commissioning 16-17 year olds (Limited assurance) - follow up complete. See Appendix 3 for details of follow up outcomes. • FWU20-4: SEN transport (No assurance) - follow up in progress. To complete in Q4 2021-22.

2.5 Environment and Regeneration

Ref	Audit title	Indicative scope	Planned days	Status
FWU21-6	Parking services *	<p>Extended follow up of audit recommendations arising from the 2020-21 review of Parking Services (ER20-3 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Debt recovery process • Cancelled Penalty Charge Notices (PCNs) • Spot checks on enforcement decisions • Contract management of debt enforcement agents • Governance arrangements – roles and responsibilities • Policies and procedures • Risk management • Oversight of written off PCNs • Appeal response times • Reconciliations 	13	<p>Extended follow up in progress. We have asked management for evidence of implementation of 17 recommendations related to four high priority findings and six medium priority findings. Evidence has been provided and additional follow up work is being undertaken to verify implementation of actions.</p>
FWU 21-7 21-15	Follow ups of outstanding high priority actions from prior year audits *	<p>Follow up of audit recommendations arising from the following reviews:</p> <ul style="list-style-type: none"> • ER18-5: Greenspace income 	21	<p>Activity has been undertaken as follows:</p> <ul style="list-style-type: none"> • ER18-5: Greenspace income (Limited assurance) - follow up in

21-36 21-37		<ul style="list-style-type: none"> • FWU20-20: Blue badges (second follow up) • AD20-2: Commercial waste recovery plan • AD20-3: People-friendly streets 		<p>progress. To complete in Q4 2021-22.</p> <ul style="list-style-type: none"> • FWU20-20: Blue badges (Moderate assurance) - an update and evidence of implementation has been requested from action owners. No response has been received to date, and a reminder has been issued. • AD20-2: Commercial waste recovery plan (management letter with four high priority findings) - follow up in progress. To complete in Q4 2021-22. • AD20-3: People-friendly streets (management letter with one high priority finding) - follow up in progress. To complete in Q4 2021-22.
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2.6 Housing

Ref	Audit title	Indicative scope	Planned days	Status
HOU21-1	Tenant Management Organisation (TMO) monitoring arrangements *	A review of Council processes for monitoring TMO activity and governance arrangements. This will take into account whether monitoring activity is sufficient in light of the increased	16	This audit has been deferred at the request of the service area. Significant changes are planned in the approach to monitoring TMO activity over the coming months,

		responsibilities for councils introduced in the 2021 Housing White Paper.		therefore a review of existing arrangements is likely to identify known issues. Internal Audit has held a risk based discussion with the service area and it was agreed that the audit would be deferred to 2022-23 to allow time for revised practice to be implemented. Internal Audit will also remain available throughout this period to provide advice on risk and control as needed.
HOU21-2-1	Tenant Management Organisation (TMO) establishment review - Braithwaite	Risk based review of five TMOs. These reviews are part a rolling programme of assurance for TMOs which operates on a cyclical basis. The programme assesses the effectiveness of governance mechanisms and financial practices.	11	This review is planned for Q4 of 2021-22 but is dependent on the vacancy within the Internal Audit team being filled. If this does not happen, the audit will be deferred to Q1 of 2022-23.
HOU21-2-2	Tenant Management Organisation (TMO) establishment review - Blackstock		11	This review is planned for Q4 of 2021-22 but is dependent on the vacancy within the Internal Audit team being filled. If this does not happen, the audit will be deferred to Q1 of 2022-23.
HOU21-2-3	Tenant Management Organisation (TMO) establishment review - Spa Green		11	This review is planned for Q4 of 2021-22 but is dependent on the vacancy within the Internal Audit team being filled. If this does not happen, the audit will be deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.
HOU21-2-4	Tenant Management Organisation (TMO)		11	This review is planned for Q4 of 2021-22 but is dependent on the vacancy within the

	establishment review - Holbrook			Internal Audit team being filled. If this does not happen, the audit will be deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.
HOU21-2-5	Tenant Management Organisation (TMO) establishment review - Miranda		11	This review is planned for Q4 of 2021-22 but is dependent on the vacancy within the Internal Audit team being filled. If this does not happen, the audit will be deferred to Q1 of 2022-23 due to vacancy within Internal Audit team.
HOU21-3	Voluntary Sector Organisation (VSO) – Highbury Roundhouse	Risk based review of one VSO. These reviews do not directly align to a principal risk, and are part a rolling programme of assurance for VSOs which operates on a cyclical basis.	20	Completed. Advisory review, with no assurance rating assigned.
FWU21-24	HomeBuild *	<p>Extended follow up on audit recommendations arising from the 2020-21 review of HomeBuild (HOU20-1 – Moderate assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Financial governance • Risk management • Change control • Quality management 	7	<p>Extended follow up completed. We looked at the rate of implementation of nine recommendations related to one high and three medium priority findings. We found that:</p> <ul style="list-style-type: none"> • Three recommendations relating to one high priority and one medium priority finding have been implemented; • Three recommendations relating to one high priority and two medium priority findings have been implemented; and

				<ul style="list-style-type: none"> Three recommendations relating to one medium priority finding have not been implemented. <p>The partially implemented recommendation related to:</p> <ul style="list-style-type: none"> Oversight of the financial performance of the programme; The creation of a change control procedure; and Finalisation of the Quality Management Plan. <p>The not implemented recommendations all related to:</p> <ul style="list-style-type: none"> Quality reporting and monitoring. <p>A revised target implementation date of 31 January 2022 has been agreed for the outstanding recommendations.</p>
FWU 21-1 21-23 21-25 21-29	Follow ups of outstanding high priority actions from prior year audits *	Follow up of audit recommendations arising from the following reviews: <ul style="list-style-type: none"> HASS19-6: Housing Revenue Account HOU20-5: Health and safety – asbestos HASS17-2: Annual service charges FWU20-14: Rent income and recovery (second follow up) 	20	<p>Activity has been undertaken as follows:</p> <ul style="list-style-type: none"> HASS19-6: Housing Revenue Account (Moderate assurance) - an update and evidence of implementation has been requested from action owners. No response has been received to date, and a reminder has been issued. HOU20-5: Health and safety – asbestos (No assurance) - follow up

				<p>not yet due. To commence in Q1 2022-23.</p> <ul style="list-style-type: none"> • HASS17-2: Annual service charges (Limited assurance) -follow up complete. See Appendix 3 for details of follow up outcomes. • FWU20-14: Rent income and recovery (Moderate assurance) - an update and evidence of implementation has been requested from action owners. To date, a response has been provided for only one of the five outstanding recommendations, and a reminder has been issued.
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2.7 Community Wealth Building

Ref	Audit title	Indicative scope	Planned days	Status
CWB21-1	Local business resilience *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	This audit will be scoped and carried out in Q4 2021-22.
CWB21-2	Financial resilience of residents *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	This audit will be scoped and carried out in Q4 2021-22. If we are unable to fill the vacancy within the Internal Audit team by early Q4, this audit may complete in Q1 2022-23.

FWU21-33	S106 *	<p>Extended follow up of audit recommendations arising from the 2019-20 review of S106 (ER19-4 – Moderate assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Evidence of approval • Policies and procedures • Borough Investment Panel terms of reference <p>Expenditure of funding allocation</p>	7	<p>Extended follow up completed. We looked at the rate of implementation of four recommendations related to one high and three medium priority findings. We found that:</p> <ul style="list-style-type: none"> • Three recommendations relating to one high priority and two medium priority findings have been implemented; and • One recommendation relating to a medium priority finding has been partially implemented. <p>The partially implemented recommendation related to:</p> <ul style="list-style-type: none"> • Oversight of data. <p>A revised target implementation date of 31 December 2021 has been agreed for the outstanding recommendation.</p>
FWU21-20	Follow ups of outstanding high priority actions from prior year audits *	<p>Follow up of audit recommendations arising from the following reviews:</p> <ul style="list-style-type: none"> • CC20-5: Information governance – records management (second follow up) 	3	<p>Activity has been undertaken as follows:</p> <ul style="list-style-type: none"> • CC20-5: Information governance – records management (Moderate assurance) - follow up complete. See Appendix 3 for details of follow up outcomes.

2.8 Public Health

Ref	Audit title	Indicative scope	Planned days	Status
PH21-1	Health and social care integration and Covid-19 outbreak control *	A Public Health audit is carried out annually to provide assurance against this area of principal risk. Responsibility for carrying out these audits alternates between the Internal Audit teams at Islington and Camden. The audit will provide assurance against the Health and Social Care Integration and the Covid-19 Outbreak Control principal risks by assessing public health performance relating to Covid-19.	20	Scoping for this audit is underway and fieldwork will begin in Q4 2021-22.
FWU21-28	Follow ups of outstanding high priority actions from prior year audits *	Follow up of audit recommendations arising from the following reviews: PH18-1: Public health (second follow up)	3	Activity has been undertaken as follows: <ul style="list-style-type: none"> PH18-1: Public health (Moderate assurance) - follow up complete. See Appendix 3 for details of follow up outcomes.

2.9 Additional Reviews

Three additional reviews have been requested in the 2021/22 year to date, with a combined audit budget of 35 days.

Ref	Audit title	Indicative scope	Planned days	Status
AD21-1	HIV Pre-Exposure Prophylaxis (PrEP) grant 2020-21	Review of compliance with grant conditions for this grant from the Department of Health and Social Care.	5	Complete. A grant compliance opinion was provided by the Head of Internal Audit.

AD21-2	Supplier Bank Amendments	100% review of supplier bank amendments across a three month period to verify whether processes have been followed and assess whether controls in place in this area are sufficient to mitigate fraud risks.	25	Completed. Six high priority findings were raised, details of which can be seen at Appendix 2.
AD21-3	Green Homes grant – project closure	Review of compliance with grant conditions for this grant from the Department for Business, Energy and Industrial Strategy	5	Complete. A grant compliance opinion was provided by the Head of Internal Audit.

3. Audit plan delivery (as at December 2021)





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Audit status	Number of reviews
Total number of reviews included on the audit plan <i>Total (see 2.1 to 2.9 above for breakdown)</i>	45
Audits deferred or likely to be deferred to Q1 2022-23 <i>Deferred to respond to business need:</i> 1. Tenant Management Organisation (TMO) monitoring arrangements <i>Deferred due to vacancy within Internal Audit team:</i> 2. Schools establishment review – Duncombe Primary School 3. Schools establishment review - Pooles Park Primary School 4. Schools establishment review - Samuel Rhodes Primary School 5. Financial resilience of residents	10

Audit status	Number of reviews
<p><i>Likely to be deferred due to vacancy unless an alternative delivery resource can be identified for Q4 2021-22 (the co-sourced partner has been approached as an alternative delivery resource):</i></p> <p>6. Tenant Management Organisation (TMO) establishment review - Braithwaite</p> <p>7. Tenant Management Organisation (TMO) establishment review - Blackstock</p> <p>8. Tenant Management Organisation (TMO) establishment review - Spa Green</p> <p>9. Tenant Management Organisation (TMO) establishment review - Holbrook</p> <p>10. Tenant Management Organisation (TMO) establishment review – Miranda</p>	
Remaining audits due for completion as part of the 2021-22 plan	35
<p>Audits completed to reporting stage</p> <p><i>Audits completed and report issued in final</i> <i>13 (37%)</i></p> <p><i>Audits completed and awaiting management response</i> <i>2 (6%)</i></p>	15 (43%)
<p>Audits in progress</p> <p><i>Fieldwork</i> <i>10 (28%)</i></p> <p><i>Scoping</i> <i>9 (26%)</i></p>	20 (54%)
Audits not yet started	1 (3%)

Note: Expected delivery as at 31st March 2022- based on current progress and projected outcomes, we anticipate that we will deliver in the range of 86%-92% of the plan by 31st March 2022, with the remainder delivered in early Q1 22-23. The exact figure in this range will depend on whether an alternative delivery resource can be identified for the Tenant Management Organisation (TMO) establishment reviews, as noted above.

Basis of our opinion and assurance statements

Level of assurance	
Substantial 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Moderate 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited 	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No 	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

APPENDIX ENDS

APPENDIX 2 – Critical and High Priority Recommendations

2021-22 Internal Audit Interim Report

Audit Committee 31st January 2022

Introduction

This appendix summarises high priority recommendations arising from audit reviews since our last update to Committee in October 2021. It provides an overview of findings in areas where control weaknesses have been identified that present a high risk to specific service objectives.

Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

Reference	Audit Title
AD21-2	Supplier Bank Amendments
<ol style="list-style-type: none"> 1. The Supplier Maintenance team size may not be sufficient to fully carry out supplier verification tasks effectively; 2. Under normal circumstances, sundry suppliers (one-off suppliers) do not have bank details verified. There is a lack of mitigating controls over volume or value of sundry supplier transactions; 3. Instances were noted where the supplier verification process was not followed; 4. Instances were noted where Head of Service approval was used as an alternative control to independent supplier verification despite being a weaker control; 5. Instances were noted where independent verification of supplier email addresses was not sufficiently evidenced; and 6. Instances were noted where suppliers were incorrectly identified as exempt from the independent verification of bank details process. 	

Reference	Audit Title
HOU20-5	Health and Safety – Asbestos – Governance, Management and Monitoring
	<ol style="list-style-type: none"> 1. Information sharing arrangements for asbestos survey and inspection results in the Council’s schools were not clearly defined; 2. There is no single centralised system to log all asbestos information and records. There is not a defined process for reporting asbestos management information to support oversight; 3. A backlog of survey re-inspections was noted for the corporate estate, and management oversight of asbestos risk management is restricted by the limitations of the Council’s asbestos database; 4. There is no formalised process for informing external, non-asbestos related, building contractors of identified instances of asbestos across schools, corporate and housing properties; 5. There is no formalised process for the delivery and monitoring of staff training, including providing training attendance records to the central asbestos team.

APPENDIX ENDS

APPENDIX 3 – FOLLOW UP OUTCOMES

2021-22 Internal Audit Interim Report

Audit Committee 31st January 2022

Introduction: This appendix gives details of the results of follow up of recommendations. It provides an indication of the level of implementation of audit recommendations by management.

1. Summary of actions where progress has been noted at follow up

This table sets out the rate of implementation of findings where recommendations have been found to be either implemented or partially implemented at follow up.

The detailed findings tables at section 2 below gives a more detailed breakdown of implemented, partially implemented and not implemented recommendations, which provides further information on how successful management have been in mitigating the identified risk exposure.

Number	Reference	Audit title	Rate of implementation of actions (see rating key below)
1	CC17-10	Gifts and Hospitality and Declarations of Interest (extended follow up – see Appendix 1)	Good
2	CC18-6	Technology Debt Management	Good
3	CC19-1	Landlord Duty of Care – FRA	Good
4	CC19-4	Cyber Security	Good

Number	Reference	Audit title	Rate of implementation of actions (see rating key below)
5	CC20-2	Programme Management Office (PMO) (extended follow up – see Appendix 1)	Follow up activity is underway
6	CC20-5	Information Governance	Reasonable
7	CC20-6	Contract Management	Good
8	FR18-1	Payroll – key controls review	Follow up activity is underway
9	FR18-5	Capital expenditure	Reasonable
10	FR19-2	Right to Work Vetting Arrangements (extended follow up – see Appendix 1)	Good
11	FR20-1-1	Continuous Audit Monitoring – Cash Management	Good
12	FR20-1-2	Continuous Audit Monitoring – Accounts Payable	Agreed actions have been fully implemented
13	FR20-1-3	Continuous Audit Monitoring – Treasury Management	Good
14	FR20-2	IT application review – CivicaPay	Agreed actions have been fully implemented
15	CS17-2	SEN transport	Good
16	CS18-3	Schools Financial Monitoring	Good
17	CS18-6-2	St John Evangelist RC Primary School	Good
18	CS18-6-5	Rotherfield Primary School	Good

Number	Reference	Audit title	Rate of implementation of actions (see rating key below)
19	CS18-6-6	Holloway (Beacon High)	Good
20	CS18-6-7	Winton Primary School	Good
21	HASS18-2	Mental Health Safeguarding Processes	Follow up activity is underway
22	PS19-1	Placement Commissioning 16-17 year olds	Good
23	PS19-5	Direct Payments (extended follow up – see Appendix 1)	Agreed actions have been fully implemented
24	AD19-2	Conewood Children’s Centre	Good
25	PS20-2	Safeguarding adults – governance and records management (extended follow up – see Appendix 1)	Follow up activity is underway
26	ER18-1	Blue Badge	Good
27	ER18-5	Greenspace Income	Follow up activity is underway
28	ER19-4	S106 (extended follow up – see Appendix 1)	Good
29	ER20-3	Parking Services (extended follow up – see Appendix 1)	Follow up activity is underway
30	AD20-2	Commercial Waste Recovery Plan	Follow up activity is underway
31	AD20-3	People Friendly Streets	Follow up activity is underway
32	HASS17-2	Annual Service Charges	Good
33	HASS18-3	Rent Income & Recovery	Good

Number	Reference	Audit title	Rate of implementation of actions (see rating key below)
34	HASS18-4	Housing Voids	Reasonable
35	HASS18-6	Voluntary Sector Organisation – Hilldrop Area Community Association	Good
36	HOU20-1	HomeBuild (extended follow up – see Appendix 1)	Good
	PH18-1	Public Health	Good

Page 80 Rating key:

Dark green = 100% of recommendations have been closed

Light green = progress has been made on 80%+ of recommendations

Yellow = progress has been made on 60%-79% of recommendations

Amber = progress has been made on fewer than 59% of recommendations

Red = progress has not been made on any recommendations *or* recommendations are due however management have not engaged with follow up requests

Grey = evidence has been received and is currently being assessed by Internal Audit

2. Detailed 2021-22 follow up outcomes

2.1 Corporate/Cross-Cutting

Number	Audit title	Scope	Original assurance rating and number of findings	Follow up outcomes
CC17-10	Gifts and Hospitality and Declarations of Interest	To review the processing, recording, administering and monitoring of gifts and hospitality and declarations of interest.	Limited assurance 5 findings (12 recommendations in total): <ul style="list-style-type: none"> • 2 high priority; and • 3 medium priority. 	<p>All recommendations have now been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • Eleven recommendations relating to four findings (two high priority and two medium priority) have been implemented; and • One recommendation relating to one medium priority finding has been partially implemented. <p>The finding where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> • The automated generation of a register of gifts and hospitality (medium priority). <p>A revised target implementation date of 31/12/2021 has been agreed for the outstanding recommendation.</p>
CC18-6	Technology Debt Management	IT audit review of Technology Debt Management	Management letter issued 4 findings (9 recommendations in total): <ul style="list-style-type: none"> • 1 high priority; and • 3 medium priority. 	<p>All recommendations have now been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • Eight recommendations relating to three findings (one high priority and two medium priority) have been implemented; and

Number	Audit title	Scope	Original assurance rating and number of findings	Follow up outcomes
				<ul style="list-style-type: none"> One recommendation related to a medium priority finding has been partially implemented. <p>The medium priority finding where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> IT asset management. <p>A revised target implementation date of 31/03/2022 has been agreed for the outstanding recommendation.</p>
CC19-1	Landlord Duty of Care – FRA	To review the design and operation of controls in place surrounding Fire Risk Assessments for the Council's Housing portfolio.	<p>Management letter issued</p> <p>4 findings (4 recommendations in total):</p> <ul style="list-style-type: none"> 2 high priority; 1 medium priority; and 1 low priority. 	<p>All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> Two recommendations relating to two findings (one medium priority and one low priority) have been implemented; and Two recommendations related to two high priority findings have been partially implemented. <p>The high priority findings where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> Creation of a fire training plan; and A backlog of tenancy management actions relating to Fire Risk Assessment completion, inspections and monitoring. <p>Both partially implemented findings were due to delays in appointing a third party contractor to deliver tenancy management actions, and a revised target implementation</p>

Number	Audit title	Scope	Original assurance rating and number of findings	Follow up outcomes
				date of 31/03/2022 has been agreed for all outstanding recommendations to allow time to appoint a contractor and embed the agreed audit actions.
CC19-4	Cyber Security	IT audit review of Cyber Security arrangements	<p>Limited assurance</p> <p>8 findings (16 recommendations in total):</p> <ul style="list-style-type: none"> • 2 high priority; and • 6 medium priority. 	<p>All recommendations have now been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • Eleven recommendations relating to six findings (one high priority and five medium priority) have been implemented; • The risk associated with one recommendation (related to a medium priority finding) was assessed by management and accepted; and • Four recommendations relating to one high and one medium priority finding have been partially implemented. <p>The findings where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> • Legacy/end of life technology and infrastructure (high priority); and • Cyber security risk management (medium priority). <p>Revised target implementation dates between 31 December 2021 and 31 July 2022 have been agreed for the outstanding recommendations.</p>

Number	Audit title	Scope	Original assurance rating and number of findings	Follow up outcomes
CC20-5	Information Governance	Review of Information Governance records management.	<p>Moderate assurance</p> <p>5 findings (9 recommendations in total):</p> <ul style="list-style-type: none"> • 5 medium priority. 	<p>All recommendations have been followed up and a reasonable rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • Three recommendations relating to three medium priority findings have been implemented; • Three recommendations relating to three medium priority findings have been partially implemented; and • Three recommendations relating to two medium priority findings have not been implemented. <p>The medium priority findings where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> • Assignment of roles and responsibilities; • Retention of records; and • Updates to asset register. <p>The medium priority findings where recommendations were not implemented related to:</p> <ul style="list-style-type: none"> • Retention of records; and • Classification of records. <p>Revised target implementation dates of 31 March 2022 have been agreed for the outstanding recommendations.</p>
CC20-6	Contract Management	Ongoing programme of assurance against this area of key risk.	<p>Limited assurance</p> <p>8 findings (11 recommendations in total):</p> <ul style="list-style-type: none"> • 2 high priority; and 	<p>All recommendations which have reached their target date have been followed up. Outcomes to date are as follows:</p>

Number	Audit title	Scope	Original assurance rating and number of findings	Follow up outcomes
			<ul style="list-style-type: none"> 6 medium priority. 	<ul style="list-style-type: none"> Five recommendations relating to five findings (two high priority and three medium priority) have been implemented. <p>The remaining six recommendations have not yet reached their target date and will be followed up when that happens.</p>

2.2 Resources

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
FR18-1	Payroll – key controls review	To review the administration of salaries, addition of staff to payroll, removal, amendments, payroll payments, deductions, overpayments and overtime. To review staff expenses and any special	<p>Limited assurance</p> <p>11 findings (22 recommendations in total):</p> <ul style="list-style-type: none"> 4 high priority; and 7 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. Further evidence has been provided and additional follow up work is being undertaken to verify implementation of outstanding actions.

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		payments to staff.		
FR18-5	Capital expenditure	To review the effectiveness of key controls in place surrounding the Council's capital programme.	<p>Moderate assurance</p> <p>6 findings (18 recommendations in total):</p> <ul style="list-style-type: none"> • 5 medium priority; and • 1 low priority. 	<p>All recommendations have been followed up and a reasonable rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • 11 recommendations relating to five medium priority and one low priority findings have been closed; • Two recommendations relating to two medium priority findings have been partially implemented; and • Five recommendations relating to three medium priority findings have not been implemented. <p>The findings where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> • Adding the revised Capital Expenditure guidance document to intranet; and • Summary reporting on financial performance to directorate-level delivery boards. <p>The findings where recommendations were not implemented related to:</p> <ul style="list-style-type: none"> • Ownership and approval of the revised Capital Expenditure guidance; • Review and sign-off of transfers of wrongly capitalised expenditure to revenue; and

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
				<ul style="list-style-type: none"> Creation and reconciliation of a central Capital Projects tracker. <p>A revised target implementation date of 13/10/2021 was agreed for the outstanding recommendations. As this target date has passed, we have sought an update from action owners.</p>
FR20-1-1	Continuous Audit Monitoring (CAM) – Cash Management	To review key financial systems in line with the rolling CAM plan.	<p>Limited assurance</p> <p>3 control design findings (7 recommendations in total):</p> <ul style="list-style-type: none"> 3 medium priority. <p>1 operating effectiveness finding (1 recommendation in total):</p> <ul style="list-style-type: none"> 1 medium priority. 	<p>All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> Seven recommendations relating to two medium priority control design findings and one medium priority control operating effectiveness finding have been implemented; and One recommendation relating to a medium priority control design finding has been partially implemented. <p>The control design finding where the recommendation was partially implemented related to:</p> <ul style="list-style-type: none"> Clearance of unidentified items from the suspense account. <p>A revised target implementation date of 30/09/2021 has been agreed for the outstanding recommendations. As this target date has passed, we have sought an update from action owners.</p>

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
FR20-1-2	Continuous Audit Monitoring (CAM) – Accounts Payable	To review key financial systems in line with the rolling CAM plan.	Limited assurance 1 control design finding (2 recommendations in total): <ul style="list-style-type: none"> • 1 medium priority. 4 operating effectiveness findings (4 recommendations in total): <ul style="list-style-type: none"> • 1 high priority; • 2 medium priority; and • 1 low priority. 	All recommendations have been followed up and found to be implemented. No further follow up activity is planned.
FR20-1-3	Continuous Audit Monitoring (CAM) – Treasury Management	To review key financial systems in line with the rolling CAM plan.	Moderate assurance 1 control design finding (1 recommendation in total): <ul style="list-style-type: none"> • 1 medium priority. 2 operating effectiveness findings (2 recommendations in total): <ul style="list-style-type: none"> • 1 medium priority; and • 1 low priority. 	All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows: <ul style="list-style-type: none"> • One recommendation relating to a medium priority control design finding has been partially implemented; and • No further operating effectiveness issues were noted. The control design finding where the recommendation was partially implemented related to: <ul style="list-style-type: none"> • Formalising processes for monitoring budgets and cashflow, including secondary approval of deals (medium priority).

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
				A revised target implementation date of 31/10/2021 was agreed for the outstanding recommendation. As this has now passed, management have been asked for evidence of implementation.
FR20-2	IT application review – CivicaPay	Key controls testing, including a deep-dive into an IT application. Focus on key controls and risks related to availability, integrity, confidentiality and accountability.	Moderate assurance 4 findings (9 recommendations in total): <ul style="list-style-type: none"> • 2 high priority; • 1 medium priority; and • 1 low priority. 	All recommendations have been followed up and found to be implemented. No further follow up activity is planned.

2.3 People

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
CS17-2	SEN transport	To review the impact of increasing costs and demographic issues on service delivery as well as arrangements for ensuring ongoing viability.	No assurance 9 findings (20 recommendations in total): <ul style="list-style-type: none"> • 7 high priority; and • 2 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. Revised target implementation dates between 31/12/2020 and 31/03/2022 were agreed for the outstanding recommendations. Where these implementation dates have passed, management have been asked to provide evidence of implementation, but have not yet done so.
CS18-3	Schools Financial Monitoring	To review the Council's ongoing financial monitoring arrangements in respect of schools.	Management letter issued 1 finding (1 recommendation in total): <ul style="list-style-type: none"> • 1 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows: <ul style="list-style-type: none"> • Recommendations relating to one medium priority finding have been partially implemented. The finding where recommendations were partially implemented related to: <ul style="list-style-type: none"> • Seeking feedback from schools (medium priority). A revised target implementation date of 30/09/2021 was agreed for the outstanding recommendations. As this

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
				implementation date has passed, management have been asked to provide evidence of implementation.
CS18-6-2	St John Evangelist RC Primary School	To carry out a risk based review of a school/children's centre.	Moderate assurance 3 findings (4 recommendations in total): <ul style="list-style-type: none"> • 3 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. In line with the revised approach to establishment audit follow ups agreed at Audit Committee in May 2021, any further progress against recommendations will be assessed and agreed by the People Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
CS18-6-5	Rotherfield Primary School	To carry out a risk based review of a school/children's centre.	Moderate assurance 7 findings (9 recommendations in total): <ul style="list-style-type: none"> • 2 high priority; • 3 medium priority; and • 2 low priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. In line with the revised approach to establishment audit follow ups agreed at Audit Committee in May 2021, any further progress against recommendations will be assessed and agreed by the People Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
CS18-6-6	Holloway (Beacon High)	To carry out a risk based review of a	No assurance 14 findings (22 recommendations in total):	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021.

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		school/children's centre.	<ul style="list-style-type: none"> • 9 high priority; and • 5 medium priority. 	In line with the revised approach to establishment audit follow ups agreed at Audit Committee in May 2021, any further progress against recommendations will be assessed and agreed by the People Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
CS18-6-7	Winton Primary School	To carry out a risk based review of a school/children's centre.	<p>Moderate assurance 8 findings (13 recommendations in total):</p> <ul style="list-style-type: none"> • 1 high priority; • 5 medium priority; and • 2 low priority. 	<p>All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021.</p> <p>In line with the revised approach to establishment audit follow ups agreed at Audit Committee in May 2021, any further progress against recommendations will be assessed and agreed by the People Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.</p>
HASS18-2	Mental Health Safeguarding Processes	To review the arrangements and processes in place surrounding mental health safeguarding.	<p>Management letter issued 3 findings (5 recommendations in total):</p> <ul style="list-style-type: none"> • 1 high priority; and • 2 medium priority. 	Follow up work is ongoing on all recommendations.

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
PS19-1	Placement Commissioning 16-17 year olds	To review the Council's commissioning processes for Looked After Children and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint Commissioning Policy. To also include a review of the effectiveness of assessment/ placement processes, budget monitoring and/or contract management.	<p>Limited assurance</p> <p>6 findings (15 recommendations in total):</p> <ul style="list-style-type: none"> • 3 high priority; and • 3 medium priority. 	<p>All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • 15 recommendations relating to six findings (three high priority and three medium priority) have been implemented; and • One recommendation relating to one medium priority finding has not been implemented. <p>The finding where a recommendation was not implemented related to:</p> <ul style="list-style-type: none"> • Updates to procedures to reflect responsibilities of social workers and key workers (medium priority). <p>A revised target implementation date of 30/09/2021 was agreed for the outstanding recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation.</p>

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
AD19-2	Conewood Children's Centre	To carry out a risk based review of a school/children's centre. Audit following concerns.	Management letter issued 5 findings (15 recommendations in total): <ul style="list-style-type: none">• 5 high priority.	<p>Since the audit fieldwork, the management of the Children's Centre has returned to the Council. As a result, eight recommendations are no longer relevant due to a move from localised HR and payroll processes to using the Council's processes, which have been audited elsewhere. The risk associated with one recommendation was assessed by management and accepted.</p> <p>All other recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> • Five recommendations relating to three high priority findings have been implemented; and • One recommendation relating to a high priority finding had not been implemented. <p>The finding where a recommendation was not implemented related to:</p> <ul style="list-style-type: none"> • Investigation into accuracy of pension payments (high priority). <p>A revised target implementation date of 30/09/2021 was agreed for the outstanding recommendation. As this implementation date has passed, management have been asked to provide evidence of implementation.</p>

2.4 Environment and regeneration

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
ER18-1	Blue Badge	To review the administration and issue of blue badges. To include a review of controls surrounding enforcement.	Moderate assurance 5 findings (5 recommendations in total): <ul style="list-style-type: none"> 5 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. A revised target implementation date of 30/06/2021 was agreed for the outstanding recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation, but have not yet done so.
ER18-5	Greenspace Income	Risk based review.	Management letter issued 3 findings (5 recommendations in total): <ul style="list-style-type: none"> 2 high priority; and 1 medium priority. 	In March 2021, management requested an extension of due dates for all actions as key staff at the Council's partner organisation for this work were furloughed and actions could not be completed in their absence. A revised target implementation date of 30 September 2021 has been agreed for all recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation, but have not yet done so.
AD20-2	Commercial Waste Recovery Plan	Added to the audit plan in response to emerging Covid-19 risks. The audit will provide support	Management letter issued 8 findings (20 recommendations in total): <ul style="list-style-type: none"> 4 high priority; 3 medium priority; and 	Follow up fieldwork is underway. Outcomes will be reported in Q4 2021-22.

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		for the Commercial Waste post-Covid recovery plan.	<ul style="list-style-type: none"> 1 low priority. 	
AD20-3	People Friendly Streets	Added to the audit plan in response to Audit Committee request for additional assurance in this area.	<p>Management letter issued 6 findings (10 recommendations in total):</p> <ul style="list-style-type: none"> 1 high priority; 3 medium priority; and 2 low priority. 	Follow up fieldwork is underway. Outcomes will be reported in Q4 2021-22.

2.5 Housing

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
HASS17-2	Annual Service Charges	To review the methodology for calculation to assess whether reasonable, fair and complete.	<p>Limited assurance 6 findings (21 recommendations in total):</p> <ul style="list-style-type: none"> 1 high priority; and 	<p>All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> Seventeen recommendations relating to two medium priority findings have been implemented; and

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		To assess the adequacy of supporting documentation for charges. To determine whether income is maximised.	<ul style="list-style-type: none"> 5 medium priority. 	<ul style="list-style-type: none"> Four recommendations relating to three medium priority findings have been partially implemented. <p>The finding where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> Frequency of data submissions and review (medium priority); Level of detail in leaseholder charge breakdowns (medium priority); and Formal training for officers (medium priority). <p>A revised target implementation date of 30/09/2021 was agreed for the outstanding recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation.</p>
HASS18-3	Rent Income & Recovery	To review the effectiveness and efficiency of the Council's arrangements for rent collection and rent arrears following the introduction of Universal Credit.	<p>Moderate assurance</p> <p>5 findings (12 recommendations in total):</p> <ul style="list-style-type: none"> 1 high priority; 3 medium priority; and 1 low priority. 	<p>All recommendations have been followed up and a good rate of implementation of actions has been noted. Outcomes to date are as follows:</p> <ul style="list-style-type: none"> Six recommendations relating to three findings (two medium priority and one low priority) have been implemented; Five recommendations relating to three findings (one high priority and two medium priority) have been partially implemented; and

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
				<ul style="list-style-type: none"> One recommendation relating to a high priority finding has not been implemented. <p>The findings where recommendations were partially implemented related to:</p> <ul style="list-style-type: none"> Separation of duties in rent level calculations and approval (high priority); Defining timescales for escalation of arrears (medium priority); and Separation of duties for financial reconciliations (medium priority). <p>The findings where a recommendation was not implemented related to:</p> <ul style="list-style-type: none"> Separation of duties in rent level calculations and approval (high priority). <p>A revised target implementation date of 30/06/2021 has been agreed for the outstanding recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation.</p>
HASS18-4	Housing Voids	<p>To ensure that the following key objectives are being met:</p> <ul style="list-style-type: none"> Sound policies and 	<p>Moderate assurance</p> <p>6 findings (13 recommendations in total):</p> <ul style="list-style-type: none"> 5 medium priority; and 	<p>All recommendations have been followed up and a reasonable rate of implementation of actions has been noted. Outcomes to date are as follows:</p>

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		<p>procedures in place for the management of empty Council properties (voids) and these are adhered to by all staff;</p> <ul style="list-style-type: none"> • Appropriate action is taken to minimise the time that Council properties are empty and classified as void. Relevant performance and financial information is produced and monitored in order to assist with this process; 	<ul style="list-style-type: none"> • 1 low priority. 	<ul style="list-style-type: none"> • Nine recommendations relating to five findings (four medium priority and one low priority) have been implemented; and • Four recommendations relating to one medium priority finding have not been implemented. <p>The finding where recommendations were not implemented related to:</p> <ul style="list-style-type: none"> • Updates to the void recharges policy (medium priority). <p>A revised target implementation date of 30/09/2021 was agreed for the outstanding recommendations. As this implementation date has passed, management have been asked to provide evidence of implementation.</p>

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
		Repairs to void properties are restricted to those essential to meet the Council's re-let standard. All rechargeable repairs are fully and promptly charged to the outgoing tenant and appropriate action is taken to recover the sums due.		
HASS18-5-2	Gambier House Tenant Management Organisation (TMO)	To carry out a risk based review of a TMO.	Limited assurance 12 findings (14 recommendations in total): <ul style="list-style-type: none"> • 10 medium priority; and • 2 low priority. 	Recommendations have not yet been followed up. In line with the revised approach to follow up activity reported to Audit Committee in May 2021, progress against recommendations for this audit (along with other establishment audits) will be assessed and agreed by the Homes and Neighbourhoods Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
HASS18-6	Voluntary Sector Organisation (VSO) – Hilldrop Area Community Association (HACA)	To review VSO monitoring arrangements. To include a visit to one VSO.	Limited assurance 6 findings (19 recommendations in total): <ul style="list-style-type: none"> • 2 high priority; and • 4 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. In line with the revised approach to follow up activity reported to Audit Committee in May 2021, further progress against recommendations for this audit (along with other VSO establishment audits) will be assessed and agreed by the Fairer Together Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
HASS19-2-1	Newbery House Tenant Management Organisation (TMO)	To carry out a risk based review of a TMO.	No assurance 13 findings (36 recommendations in total): <ul style="list-style-type: none"> • 11 high priority; and • 2 medium priority. 	Recommendations have not yet been followed up, as a postponement of the follow up was requested by the Council's TMO Team due to remote working constraints. In line with the revised approach to follow up activity reported to Audit Committee in May 2021, progress against recommendations for this audit (along with other TMO establishment audits) will be assessed and agreed by the Homes and Neighbourhoods Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
HASS19-2-4	Arch Elm Tenant Management Organisation (TMO)	To carry out a risk based review of a TMO.	No assurance 11 findings (33 recommendations in total): <ul style="list-style-type: none"> • 6 high priority; and 	Recommendations have not yet been followed up. In line with the revised approach to follow up activity reported to Audit Committee in May 2021, progress against recommendations for this audit (along with other TMO establishment audits) will be assessed and agreed by the

Number	Audit title	Scope	Original audit – assurance rating and number of findings	Follow up outcomes
			<ul style="list-style-type: none"> • 5 medium priority. 	Homes and Neighbourhoods Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
HASS19-5	Disability Action in Islington – Voluntary Sector Organisation (VSO)	To review VSO monitoring arrangements. To include a visit to one VSO.	Management letter issued 7 findings (19 recommendations in total): <ul style="list-style-type: none"> • 5 high priority; and • 2 medium priority. 	Recommendations have not yet been followed up. In line with the revised approach to follow up activity reported to Audit Committee in May 2021, progress against recommendations for this audit (along with other VSO establishment audits) will be assessed and agreed by the Fairer Together Directorate Management Team. Outcomes will be reported to Internal Audit via the Council's Controls Board.
HASS19-6	Housing Revenue Account (HRA)	To assess the adequacy and effectiveness of the Council's controls around the management and ongoing monitoring of the Housing Revenue Account.	Moderate assurance 5 findings (6 recommendations in total): <ul style="list-style-type: none"> • 1 high priority; • 3 medium priority; and • 1 low priority. 	Two of the six recommendations (relating to one medium and one low priority finding) were followed up and found to be implemented. This was reported to Audit Committee in October 2021. However, an update and evidence of implementation of the remaining four recommendations was requested from action owners in July 2021. No response has been received to date, and reminders have been issued.

2.6 Public Health

Number	Audit title	Indicative scope	Original audit – assurance rating and number of findings	Follow up outcomes
PH18-1	Public Health	Risk based review based on risk assessment conducted in-year. The review focussed on key controls surrounding partnership arrangements, with a focus on sexual health services.	Moderate assurance 5 findings (9 recommendations in total): <ul style="list-style-type: none"> 5 medium priority. 	All recommendations have been followed up and a good rate of implementation of actions was noted and reported to Audit Committee in October 2021. A revised target implementation date of 31/03/2022 has been agreed for the outstanding recommendations.

APPENDIX ENDS

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Resources
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	31 st January 2022		All

Delete as appropriate		Non-exempt
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SUBJECT: Update on the Local Authority External Audit Market & Appointment of External Auditors from 2023

1. Synopsis

- 1.1. On the 16th December 2021, the Government published information on a new package of measures to support the improved timeliness of local audit. This set out the background to the deterioration in performance in hitting audit deadlines by local bodies and a series of actions which are designed to abate the decline.
- 1.2. The Audit Committee received a report on the 27th July 2021 which provided 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.
- 1.3. On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities for the five consecutive financial years commencing 1 April 2023 (the compulsory appointing period).
- 1.4. A decision to become an opted-in authority must be taken in accordance with the Regulations by the members of an authority meeting as a whole (Full Council).

- 1.5. All local government and police bodies will need to make a decision on the procurement method of their external audit arrangements for the period commencing from the financial year 2023/24 by Friday the 11th March 2022.
- 1.6. This report seeks a recommendation from the Audit Committee to Full Council to approve the submission of the form of acceptance notice to the Public Sector Audit Appointments (PSAA) to opt in to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028.

2. Recommendations

- 2.1. To note the wider context in which the new appointment of External Auditors will be conducted within as set out in **section 3**.
- 2.2. To note that the considerations relevant to making a decision in relation to the appointment of its External Auditors from the financial year 2023/24 as set out in **section 4**.
- 2.3. To recommend the approval by Full Council of the submission of the form of acceptance notice to the PSAA to opt in to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028.

3. Challenges in the local audit sector

- 3.1. On the 16th December 2021, the government published a set of measures to improve the timeliness of local audits. Within this document they set out that their priorities for local audit are a strong and coordinated quality framework, a buoyant local audit market, and improved transparency and governance.
- 3.2. Local government audit plays a vital role in providing local authorities with accurate and reliable financial information to plan and manage their services and finances effectively. The timely completion of local audit also ensures local authority financial arrangements, including whether value for money is being achieved, are transparent to the taxpayer, and facilitates assurance for the public sector more broadly through the audit of the Whole of Government Accounts.
- 3.3. However, challenges remain around the timeliness of local audit which was one of the key issues highlighted by Sir Tony Redmond's [independent review](#) of local authority financial reporting and external audit. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021.

- 3.4. As the National Audit Office (NAO) outlined in its 2020 report [Timeliness of local auditor reporting on local government in England](#), a variety of complex factors are contributing to audit delays. Audit firms are struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely. For auditors that are choosing to stay within the profession, alternative audit opportunities are often perceived as more attractive than local audit, which is contributing a high turnover of staff within firms.
- 3.5. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays. The NAO found that the additional requirements of new International Financial Reporting Standards (IFRS), along with increased expectations from the Financial Reporting Council (FRC) following high-profile corporate failures such as Carillion and Patisserie Valerie, had combined to produce a significant increase in audit work, particularly on asset and pensions valuations. In some cases, issues with the preparation of local authority accounts have led to delays in audits being signed off.
- 3.6. The Finance Department within Islington has sought to secure additional resources to support the production of the accounts. It is the view of the NAO however, that some local authorities have diverted staff resources away from completing working papers and preparing accounts. In others, the quality of processes within the finance functions of some local authorities has affected their preparedness for audit. These issues, have, understandably, been exacerbated by the impact of the COVID-19 pandemic. From an Islington perspective, the unforeseen, additional and never before required work particularly in relation to valuations has been a significant factor in putting finance colleagues under strain.
- 3.7. Considering the complexity of the drivers behind audit delays, it is clear that a whole system response is needed, with local bodies, audit firms, regulatory bodies and code-setters needing to work collectively to implement solutions across the sector.
- 3.8. The government laid new regulations on 21 October 2021 to provide greater flexibility to the appointing person through, for example, extending the deadline for setting fee scales so that they can reflect the most recent market conditions, and streamlining the fee variation process under certain circumstances.
- 3.9. The government also provided £15 million of additional funding to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and the additional costs resulting from new audit requirements, including the new value for money reporting arrangements. In addition, the statutory deadline for publishing audited local authority accounts was extended to 30 September from 31 July from 2020/21 for 2 years.
- 3.10. At a recent [Local Audit Liaison Committee](#) meeting on the 21 September, it was noted by members that, while in the past, ensuring the quality of the final audit had been the priority, timeliness had worsened to the extent it had become a quality issue.

3.11. In response, a set of additional measures were committed to by government and other key stakeholders which were set out in the December 16th update. The sections of this update, together with the key commitments are set out below.

Section 1: Measures relating to audit firms and timely completion of audit

- Financial Reporting Council to publish updated Key Audit Partner guidance by spring 2022, including new routes for an experienced Registered Individual to become a Key Audit Partner
- Government to work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants

Section 2: Measures relating to local bodies and quality of accounts preparation

- DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements.
- CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory
- DLUHC to provide via the Local Government Association a sector grant for a number of targeted training events for audit committee chairs

Section 3: Proposed measures relating to accounting and audit requirements

- National Audit Office (NAO) rolling over of amendments to allow for altering the timing of elements on the Value for Money arrangements work and enable more focus on fully delivering opinions on the financial statements
- CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with International Financial Reporting Standards and statutory accounting principles
- HMT to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 22/23 onwards
- The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 21/22
- Delaying implementation of standardised statements and associated audit requirements

Section 4: Longer-term measures to help stabilise the market and address long-term supply issues

- PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24
- Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts and the 30 September date for 5 years from 2023/24 – 2027/28.
- NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period
- Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications

4. Appointment of an External Auditor

- 4.1. 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.
- 4.2. 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.
- 4.3. The previous 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.
- 4.4. That arrangement is coming to an end and once again the 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.
- 4.5. The Council has 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.
- 4.6. Section 3 of this report 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.
- 4.7. 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.

- 4.8. 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.
- 4.9. 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.
- 4.10. 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.
- 4.11. 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.

PSAA Auditor Procurement Process

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

- securing the delivery of independent audit services of the required quality (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.

4.13. 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.

4.14. As set out previously in this report, 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 supporting the following 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.

- 4.15. 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.

Audit Pricing

- 4.16. 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.
- 4.17. 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.
- 4.18. If the changes that relate to audit fees, proposed in MHCLG's 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.
- 4.19. 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.
- 4.20. 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

- 4.21. 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.
- 4.22. 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.
- 4.23. 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.
- 4.24. 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.
- 4.25. 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.

5. Implications

Financial Implications:

- 5.1. 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.
- 5.2. 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.
- 5.3. 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.
- 5.4. 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:

- 5.5. 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;
- 5.6. 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.
- 5.7. 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.

- 5.8. **Environmental Implications and contribution to net zero carbon by 2030.**
There are no environmental impacts arising from this report.

Resident Impact Assessment

- 5.9. 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.
- 5.10. 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.

6. Conclusion and reasons for recommendations:

- 6.1. Given the Council does not possess sufficient capacity and capability internally to run its own Auditor procurement exercise, the option to procure independently is discounted. Owing to the compelling financial and non-financial benefits of the collective purchasing arrangement together with the contract management benefits of utilising the PSAA, option 3 - To opt into a national collective scheme that PSAA is developing is the recommended method.

Appendices:

None

Background papers:

Committee	Paper	Hyperlink
Audit Committee 27 th July 2021	Appointment of External Auditors from 2023	https://democracy.islington.gov.uk/documents/s25473/External%20auditor%20appointment.pdf
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%204Jan17%202.pdf

Final Report Clearance:

Signed by:

Corporate Director of Resources

Date

Received by:

Head of Democratic Services

Date

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

Report of: Chair of the Pensions Sub-Committee

Meeting of	Date	Ward(s)
Audit Committee	31 January 2022	N/A

Delete as appropriate	Exempt	Non-exempt

Report to the Audit Committee from Cllr Paul Convery, chair Pension Fund subcommittee

The governance of the Council's Pension scheme is shared between two committees:

(1) The fund's investments are managed through the Pensions subcommittee as a subcommittee of the Audit Committee. Its membership consists of 4 Councillors whose decisions are assisted by officers of the Council and a group of technical advisers, Mercers, MJ Hudson Allenbridge and PIRC.

(2) The administration of the pension scheme – payments, contributions, member recruitment and communication – are the responsibility of the Pension Board chaired by Cllr David Poyser. This is a tripartite body established by statute in 2015 and includes representatives of the scheme members (pensioners and contributors) and representatives of employers (schools and “admitted bodies”).

This report briefly summarises the work of the Pensions subcommittee, the Fund's recent performance and the activities undertaken to maximise the growth of the Fund's investments.

The subcommittee's primary objective is to ensure the Fund can pay current pensions and meet future liabilities. In recent years the Fund's projected future liabilities have outstripped the Fund's valuation and the Council has had to increase its employer contributions to ensure the Fund is balanced in the long term. These additional employer contributions are met from the Council's General Fund and these add extra cost pressures to the Council's revenue budget.

Every 3 years an actuarial valuation is undertaken to estimate the Pension fund's value and its future liabilities. The last triennial review was undertaken in 2019 and it identified a deficit. The Council committed to a plan that would bring the Fund into balance over a 19 year “recovery” period. The

elements of this plan were: a review of the Fund's asset allocations; additional employer contributions; and an insurance policy to safeguard against any significant reduction in equity values.

During the past 3 years, the Fund's value has increased significantly despite the highly volatile nature of financial markets worldwide. The global Covid pandemic had a very negative effect on global markets in the early months of 2020 but most equity returns bounced back almost immediately despite the continuing economic problems caused by the pandemic. Many of the gains were in technology based sectors which have performed extremely well during the public health emergency. As confidence has returned to markets following the deployment of vaccines and new treatments, growth has returned to most economies in which the Fund holds investments.

During the financial year 2020-21, the Fund enjoyed returns of 22.1% which were significantly better than in many previous years and which also out-performed the Fund's benchmark of 19.3%. As a result, the Fund's total value increased from £1.36bn to £1.66bn as at March 2021. Consequently our actuary has provided a provisional estimate of the Fund's value and liabilities and, depending on the sensitivity of some liability variable, the Fund is now between 98% and 102% funded which means the deficit position has been turned-around.

All the asset classes, except property and UK equities, performed very well. The Fund also benefitted from a fortuitous decision to close-out our insurance against equity market loss. This policy was closed at almost exactly the moment when equity markets fell to their lowest in late March 2020. We therefore took a windfall payment of £72m ahead of markets recovering quickly. The proceeds were allocated to the new class of Multi Asset Credit.

Over the past year, the subcommittee considered the Fund's allocation policy and, in December 2020 adopted a revised investment strategy so the Fund's holdings are now arranged in the following asset classes:

	Proportion of the Fund allocated	Allowable variance
Equities *	46%	+/-6%
Private Equity	4%	+/-2%
Multi Asset Credit	5%	-
Property **	25%	+/-2%
Private Debt	10%	+/-2.5%
Infrastructure	10%	-

* All markets: developed, emerging and frontier; the share of UK listed equities has been reduced

** includes social housing

The London CIV is our pooling organisation which continues to grow its assets under management. At March 2021, the London CIV held £23.8bn of the 32 London Local Authorities' fund assets. As at the end of March 2021, 22 funds had been launched and LCIV is now also a signatory to Climate Action 100+ and Task Force on Climate-Related Financial Disclosures.

Islington's Pension Fund has adopted a set of Environment, Social and Governance (ESG) criteria as a central part of the Fund's strategy and its approach as a long-term investor. In 2019 the subcommittee revised the Investment Strategy to include a comprehensive decarbonisation policy with targets to 2022 and a monitoring programme. These initial targets are to:

- Reduce future emissions of fossil fuel reserves owned by companies in the portfolio by at least 75% between 2016 and 2022 (at March 2021, achieved 55%);
- Reduce exposure to carbon intensive (publicly listed) companies by at least 50% (at March 2021, achieved 46%)

- Invest at least 15% per cent of the Fund in sustainability-themed investments (current position 14%)

In June 2021, the subcommittee revised the decarbonisation targets to set short to medium targets from 2022 onwards:

- Achieve a net zero emission target at 2050 aligned with the 1.5 degree Celsius limit
- Invest at least 20% of the fund in sustainability-themed investments by April 2026
- Reduce carbon emissions of all listed portfolios by 49% at 2026, and 60% by 2030
- Decarbonise all other asset classes, where possible.
- Engaging with investee companies to reduce their carbon footprint and their reliance on fossil fuels.

The Subcommittee continues to measure the Fund's carbon footprint and emissions annually.

The Subcommittee has declared that, whilst it is committed to engagement with carbon intensive companies because this will enhance returns in the long term, it will divest if there is a long-term risk to returns due to stranded assets. We are also actively involved in the Local Authorities Pension Fund Forum (LAPFF) which engages with individual companies and the Institutional Investors Group on Climate Change (IIGCC).

Finally, on behalf of the subcommittee, I would like to thank our in-house pension administration staff, advisors and service providers for their support during the year.

Cllr Paul Convery, Chair Pensions subcommittee, January 14th 2022.

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

Report of: Chair of the Personnel Sub-Committee

Meeting of	Date	Ward(s)
Audit Committee	31 January 2022	N/A
Delete as appropriate	Exempt	Non-exempt

Subject: Annual Report of the Personnel Sub-Committee 2021

1. Synopsis

- 1.1 This report summarises the work of the Personnel Sub-Committee in 2021.

2. Recommendations

- 2.1 That the work of the Personnel Sub-Committee in 2021 is noted.

3. Background

- 3.1 The Personnel Sub-Committee is responsible for the recruitment and appointment of Corporate Directors and Service Directors in accordance with Part 4 of the Council's Constitution.
- 3.2 The Sub-Committee has recruited to 13 senior officer posts over the past year. This was a particularly busy year for the Sub-Committee due to the senior officer restructure in April 2021 which required recruitment exercises be carried out for several new posts. In addition, a number of senior officer vacancies arose during the year due to staff turnover, retirement and other reasons. The senior officer posts recruited to in 2021 were:
- Director of Early Intervention and Prevention
 - Director of Inclusive Economy and Jobs
 - Partnership Director – Fairer Together

- Corporate Director – Community Wealth Building
- Director of Adult Social Care
- Director of Climate Change and Transport
- Director of Corporate Landlord Services
- Director of Environment and Commercial Operations
- Director of Learning and Culture
- Director of Housing Property Services
- Director of Law and Governance
- Director of Young Islington
- Corporate Director of Children's Services

- 3.3 The Sub-Committee held 18 formal meetings in 2021. Due to the challenges of the pandemic, the Sub-Committee was required to transition to virtual interviews for some posts. This was implemented effectively and allowed the work of the Sub-Committee to continue safely.
- 3.4 In addition to the above, training has also been offered to members and substitute members of the Personnel Sub-Committee to assist in them in their roles. This included an overview of employment legislation, advice on effective interview technique, and matters related to equalities, diversity and inclusion in recruitment. It is intended for this training to be offered annually.

4. Implications

4.1 Financial Implications

All senior officer recruitment activity is met from existing staffing budgets. There are no financial implications associated with this report.

4.2 Legal Implications

The senior officer recruitment process is conducted in accordance with the Council's Constitution, Part 4 Procedure Rules – Officer Employment Rules. Appointments must be made on merit (Section 7, Local Government and Housing Act 1989).

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

None.

4.4 Equality 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.

This report relates to the work of the Personnel Sub-Committee and senior officer recruitment over the past year. The Sub-Committee has due regard to equalities matters when carrying out its role. An Equality Impact Assessment is not required in relation to this annual update report.

It is the policy of Islington Council that no present or future employee or job applicant receives less favourable treatment on the grounds of their sex, perceived or actual sexual orientation, marital status, race, religion or belief, age, creed, colour, nationality, national origin, ethnic origin, or disability, or on the grounds of their association with someone in one of these groups; nor is disadvantaged by any conditions or requirements which cannot be shown to be justified. The Council welcomes applications from Black and Minority Ethnic candidates and acknowledges its responsibility to mitigate against racial discrimination.

5. Conclusion and reasons for recommendations

The Audit Committee is asked to note the work of the Personnel Sub-Committee over the previous year.

Appendices:

- None.

Background papers:

- None.

Final report clearance:

Signed by:

Chair of the Personnel Sub-Committee

Date

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