



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

AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting which will be held in Committee Room 4 at Islington Town Hall on **13 June 2022 at 7.00 pm.**

Enquiries to : Mary Green
Tel : 020 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 1 June 2022

Membership

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

Substitute Members

Councillor Satnam Gill OBE
Councillor Angelo Weekes

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

Quorum: is 3 Councillors



A. Formal Matters **Page**

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

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

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

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

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

- *(a) Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.
- (b) Sponsorship** - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
- (c) Contracts** - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
- (d) Land** - Any beneficial interest in land which is within the council's area.
- (e) Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) Corporate tenancies** - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
- (g) Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

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

4. Minutes of previous meeting 1 - 4
5. (a) Arrangements for Audit Committee 2022/23 and (b) appointments to Pensions Sub-Cttee, Board and Personnel Sub-Cttee 5 - 22

B. Items for Decision

1.	Risk management strategy and framework	23 - 44
2.	Principal Risk report 2022	45 - 92
3.	Internal Audit External Quality Assessment (EQA)	93 - 134
4.	Whistleblowing policy	135 - 148
5.	Cyber defence assurance for the London Borough of Islington	149 - 154
6.	External Auditor Reports	155 - 224

C. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. Exclusion of press and public

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

E. Confidential/exempt items

1.	Cyber security update - exempt appendix	225 - 248
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F. Urgent exempt items (if any)

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit Committee and Audit Committee (Advisory) will be on
18 July 2022

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 22 March 2022

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Islington Town Hall on 22 March 2022 at 7.00 pm.

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

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

Councillor Nick Wayne in the Chair

270 APOLOGIES FOR ABSENCE (Item A1)

Received from Councillor Sara Hyde.

271 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

272 DECLARATIONS OF INTEREST (Item A3)

None.

273 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 31 January 2022 be confirmed as a correct record and the Chair be authorised to sign them.

274 DRAFT 2022-23 INTERNAL AUDIT PLAN (Item B1)

The following points were noted during discussion:

- The Committee was reassured by officers that the 750 planned days for work on the Audit Plan could be completed by the Team within its current staff resources
- It was likely that the time spent by Internal Audit on reviewing grant claims for government funding should reduce this year, meaning that time could instead be devoted to other items in the Plan
- Pensions KPIs to appear on future Audit Plans

A general observation was made about how the Council deals with complaints, which was not necessarily related to the Internal Audit Plan, in that the complaints

process could be regarded as an early warning system for areas that might warrant investigation by Internal Audit.

RESOLVED:

That the 2022-23 Internal Audit Plan for the Council, as detailed in the report of the Corporate Director of Resources, be approved.

275 BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1 SEPTEMBER 2021 TO 31 JANUARY 2022 (Item B2)

The following points were noted during discussion:

- There had been five whistleblowing complaints to date in 2021/22, a decrease since the total of eighteen in 2016/17
- Whistleblowing complaints could be particularly useful to the Council on occasions when they helped to effect change
- The triage system operated by Internal Audit for dealing with complaints ensured that they were dealt with appropriately, referred to managers or other structures, and not necessarily as whistleblowing complaints.
- Complainants were encouraged to include as much detail as possible in their complaints and to put their name to the complaint in order to substantiate them.
- Staff who wished to make a complaint but did not have access to a computer were encouraged to put their complaint in writing
- Officers were to be commended on the speed and thoroughness of an investigation into a whistleblowing complaint from October 2021
- The proposed revised Whistleblowing Policy would be considered by Audit Committee in June 2022, following consultation. Following approval by Audit Committee, it was anticipated that communication would be made to all Council staff and trade unions to draw the revised Policy to their attention
- The proposed revised Whistleblowing Policy should also include guidance to councillors on the handling of complaints they received directly

RESOLVED:

That the report of the Corporate Director of Resources, detailing the Council's current Whistleblowing arrangements, be noted.

276 BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1 SEPTEMBER 2021 TO 31 JANUARY 2022 - EXEMPT APPENDIX (Item E1)

Noted.

277 VOTE OF THANKS

Chris Lobb, Audit Manager

Noting that this would be Chris Lobb's last attendance at Audit Committee, as he was due to retire at the end of March after 22 years' service at Islington and 42 years in local government, the Chair, on behalf of the Committee, placed on record the Council's thanks to him for his years of valuable service to the Committee and the Council and wished him good health and a long and happy retirement.

On behalf of the Committee, the Chair also thanked officers for their support to the Committee over the past four years.

The meeting ended at 8.00 pm

CHAIR

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Resources
Town Hall, Upper Street
London N1 2UD

Report of: Director of Law and Governance and Monitoring Officer

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): None

Subject: Membership, Terms of Reference and dates of meetings of Audit and Audit (Advisory) Committee in 2022/23

1. Synopsis

- 1.1 To inform members of the membership and remit of the Audit and Audit (Advisory) Committee in the municipal year 2022/23.

2. Recommendation

- 2.1 To note the membership appointed by Council on 26 May 2022, terms of reference and dates of meetings of the Audit and Audit (Advisory) Committee for the municipal year 2022/23, as set out at Appendix A.

3. Background

- 3.1 The terms of reference of the Audit and Audit Advisory Committee (as contained in Part 5 of the Council's Constitution) are set out at Appendix A.
- 3.2 The membership and dates of meetings agreed are also set out at Appendix A for information.

4. Implications

4.1. Financial Implications

None.

4.2. Legal Implications

None.

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

There are no environmental implications arising directly from this report.

4.4. Equalities 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.

- 4.4.1. An Equalities Impact Assessment is not required in relation to this report, since the contents of this report relate to a purely administrative function and will not impact on residents.

5. Conclusion and reasons for recommendation

The report is submitted to ensure members are fully informed of the remit of the Committees and their administrative arrangements.

Background papers: None

Final report clearance:

Signed by:

A handwritten signature in black ink, appearing to read "P Felber", is centered on the page. The signature is written in a cursive style.

Director of Law and Governance and Monitoring Officer

Date: 31 May 2022

Report Author: Mary Green, Democratic Services Officer

Tel: 0207 527 3005

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AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

1. COMMITTEE MEMBERSHIP – (Agreed at Annual Council 26 May 2022)

Councillors	Substitute Members
Nick Wayne (Chair)	Angelo Weekes
Flora Williamson (Vice-Chair)	Satnam Gill OBE
Janet Burgess MBE	
Sara Hyde	
<u>Independent Members - Audit Committee (Advisory)</u>	
Alan Begg	
Alan Finch	

2. FUTURE MEETING DATES

18 July 2022 at 7.00pm	13 September 2022 at 7.00pm	15 November 2022 At 7.00pm	30 January 2023 at 7.00pm	13 March 2023 at 7.00pm	23 May 2023 at 7.00pm
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3. AUDIT COMMITTEE

Composition

The membership of the committee shall not include any members of the Executive.

The membership of the Audit Committee (Advisory) shall include two independent members.

Quorum

The quorum shall be three members, not including Independent members

Terms of Reference

Audit Committee (Advisory) Functions

To consider the following matters and to make recommendations concerning them to the relevant Council bodies or to officers:

1. The Head of Internal Audit's annual report and opinion and the level of assurance internal audit activity can give over the Council's corporate governance arrangements;
2. The external auditor's annual letter, relevant reports and the report to those charged with governance on issues arising from the audit of the accounts;
3. Reports dealing with the management, performance and value for money of the providers of internal and external audit services;
4. A report from internal audit on agreed recommendations not implemented within a reasonable timescale;
5. The appointment of the Council's external auditor;
6. Work to be commissioned from internal and external audit;
7. Specific internal and external audit reports as requested;
8. The contract procedure rules and financial regulations in the Council's constitution and the Council's compliance with its own and other published standards and controls;
9. Any issue referred to it by the Council, Executive, Policy and Performance Scrutiny Committee or the Chief Executive;
10. The Council's arrangements for corporate governance and risk management and recommend necessary actions to ensure compliance with best practice;
11. The production and content of the authority's Annual Governance Statement;

12. The annual report from the Monitoring Officer concerning standards of member conduct, which shall include a summary of complaints received under the Code of Conduct Complaints Procedure and their outcome.
13. Any report on any matter relevant to the advisory functions of the Committee which the Committee may request from the Corporate Director of Resources or other proper officer.

Audit Committee Decision-Making Functions

Audit related matters

To review and agree the annual statement of accounts, including considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or the audit that need to be brought to the attention of the council.

1. To adopt the authority's Annual Governance Statement.
2. To agree annually the amount calculated by the Council as its tax base for the whole area of the borough, any tax base applying as special levies, and other matters associated with the tax base.

General Matters

3. To appoint a Personnel Sub-Committee, including approval of its terms of reference and membership. Members of the committee will be the Leader of the Council, the Executive Member with responsibility for Human Resources, and three ordinary member positions, one of whom will be appointed as Chair by the Audit Committee. All other Executive Members will be appointed to act as substitutes for the Committee, with the relevant Executive Member joining the Committee depending on the appointment being made. There will also be 5 ordinary member substitutes, one of whom will be the Chair of Audit Committee.
4. To appoint a Pensions Sub-Committee.
5. To appoint such other sub-committees or other bodies, including their membership and terms of reference, as the Committee deems from time to time appropriate.
6. To grant exemptions under section 3 of the Local Government and Housing Act 1989 from political restriction to holders of posts under the Council and to give directions as to inclusion of specified posts in the list maintained by the Council under section 2(2) of that Act.
7. To make appointments between council meetings to those outside bodies and panels appointed to by the Council under Part 3 paragraph 7.2.

8. To determine matters relating to the organisation and conduct of elections, including the following:
 - i. division of the constituency into polling districts;
 - ii. division of the borough into polling districts.
9. To regulate matters affecting members, including remuneration, expenditure and training and to promote high standards of conduct amongst members.
10. To recommend to Council the introduction, amendment or revocation of byelaws.
11. To take decisions on any matter within the terms of reference of any of its sub-committees where the proper officer considers that it is necessary and reasonable to do so.
12. All other non-Executive matters specified under the relevant legislation save for those which are delegated to officers (unless the relevant Corporate Director refers the matter to the committee) or are reserved to the Council under paragraph 1 of Part 3 of this Constitution or to the Licensing Committee or Licensing Regulatory Committee and Planning committees.

Resources
Town Hall, Upper Street
London N1 2UD

Report of: Director of Law and Governance and Monitoring Officer

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): None

Subject: AUDIT COMMITTEE APPOINTMENTS TO PENSIONS SUB- COMMITTEE AND PERSONNEL SUB- COMMITTEE 2022/23

Synopsis

- 1.1 In accordance with its terms of reference, the Audit Committee is responsible for The appointment of a Pensions Sub-Committee and a Personnel Sub-Committee, including approval of their terms of reference and membership.
- 1.2 Although the Pensions Board is constituted under separate Pensions regulations, its terms of reference of state that "All members of the Board shall be appointed by full Council or its Audit Committee which shall also appoint a chair from among the members of the Board." The Pensions Team are responsible for seeking nominations for vacant positions on the Board as they arise and for then submitting those nominations to the Council or Audit Committee for appointment.

1. Recommendations

2.1 Pensions Sub-Committee

- (a) To confirm the size of the Sub-Committee and its terms of reference in Appendix A
- (b) To appoint the members named in Appendix A for the municipal year 2022/23, or until successors are appointed.
- (c) To appoint Councillor Paul Convery as the Chair and Councillor Diarmaid Ward as the Vice-Chair of the Sub-Committee for the municipal year 2022/23, or until successors are appointed.

2.2 Personnel Sub-Committee

- (a) To confirm the size of the Sub-Committee and its terms of reference in Appendix A
- (b) To appoint the members named in Appendix A for the municipal year 2022/23, or until successors are appointed.
- (c) To appoint Councillor Anjna Khurana as the Chair of the Committee for the municipal year 2022/23, or until a successor is appointed.

2.3 Pension Board

- a) To note the following appointments:
- b) Valerie Easmon-George as pensioner member representative for a term of four years, from 3 June 2019.
- c) The reappointment of the following members for a three year term from 3 June 2019*:
 - (i) Mike Calvert, Unison, as a member representative
 - (ii) Maggie Elliott – Chair of Governors at Montem School as an employer representative.* nominations are being sought
- d) Alan Begg as an independent member for a term of four years, from 3 June 2019.
- e) Maggie Elliott as Vice-Chair of the Pensions Board.
- f) That there is an employer representative vacancy and a substitute pensioner member representative vacancy.
- g) George Sharkey, GMB, as a member representative on the Pensions Board for a three year term, with effect from 25 May 2021.

3) To appoint Councillor David Poyser as a member and Chair of the Pensions Board.

2. Background

- 3.1 The terms of reference for the Pensions Sub-Committee, Pensions Board and the Personnel Sub-Committee are set out in Appendix A.
- 3.2 The proposed membership for each of the Sub-Committees of the Audit Committee and the Pensions Board and the meeting dates agreed for the year are also set out at Appendix A.
- 3.3 The Pension Board membership consists of:
- 3 Islington Council Pension Fund employer representatives
 - 3 Islington Council Pension Fund member representatives
 - 1 independent member (non-voting)

The Audit Committee has responsibility to ensure continuation of membership in equal numbers for the employer and member representatives on the Board to achieve rolling reappointment to maintain knowledge and experience on the Board.

3. Implications

3.1. **Financial Implications**

None.

3.2. **Legal Implications**

None.

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

There are no environmental implications arising directly from this report.

3.4. **Equalities 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.

- 3.4.1. An Equalities Impact Assessment is not required in relation to this report, since the contents of this report relate to a purely administrative function and will not impact on residents.

4. Conclusion and reasons for recommendation

Approval to the recommendations is needed to ensure that the Sub-Committees are properly constituted.

Background papers: None

Final report clearance:

Signed by:

A handwritten signature in black ink, appearing to read 'P Felber', is centered on a light gray rectangular background.

Director of Law and Governance and Monitoring Officer

Date: 31 May 2022

Report Author: Mary Green, Democratic Services Officer
Tel: 0207 527 3005
Email: mary.green@islington.gov.uk

Appendix A

1. PENSIONS SUB-COMMITTEE

1.1. Committee Membership 2022/23

<i>Councillors</i>	<i>Substitute Members</i>
Paul Convery (Chair)	Jenny Kay
Diarmaid Ward (Vice-Chair)	Mick Gilgunn
Satnam Gill OBE	
Michael O'Sullivan	

Terms of Reference

1. To consider policy matters in relation to the pension scheme, including the policy in relation to early retirements.
2. To administer all matters concerning the Council's pension investments in accordance with the law and Council policy.
3. To establish a strategy for disposition of the pension investment portfolio.
4. To determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
5. To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers. (Note: The allocation of resources to the Pension Fund is a function of the Executive).
6. To consider the overall solvency of the Pension Fund, including assets and liabilities and to make appropriate recommendations to the Executive regarding the allocation of resources to the Pension Fund.

7. The Chair of the Pensions Sub-Committee will represent Islington Council at shareholder meetings of the London Collective Investment Vehicle (London LGPS CIV Limited). In the absence of the Chair, a deputy may attend.
8. Members of the Pensions Board shall be invited to attend meetings of the Sub-Committee as observers.

1.2 Quorum

The quorum for the Pensions Sub-Committee is 2 elected members.

1.3 Future Meeting Dates

Listed below are the dates of the meetings for 2022/23:

28 June 2022

19 September 2022

21 November 2022

6 March 2023

The date for the Pensions AGM 2021 is to be confirmed.

2. **PERSONNEL SUB-COMMITTEE**

2.1 Committee Membership 2022/23

Composition

The Audit Committee will appoint members and substitutes to the Personnel Sub-Committee and appoint the Chair. Members of the committee will be the Leader of the Council, the Executive Member with responsibility for Human Resources, and three ordinary member positions. One of the ordinary committee members will be the appointed Chair. All other Executive Members will be appointed to act as substitutes for the Committee, with the relevant Executive Member joining the Committee depending on the appointment being made. There will also be 5 ordinary member substitutes, one of whom will be the Chair of Audit Committee.

If a member of the committee cannot attend a meeting, they will arrange for a substitute to attend. Substitutes should be selected bearing in mind that the committee should be broadly representative of the Council.

When an appointment is to a post employed jointly by the Council and another organisation, such as the National Health Service, membership of the committee may be increased to include a relevant representative of that organisation as a co-opted non-voting member subject to the agreement of the Personnel Sub-Committee Chair.

<i>Councillors</i>	<i>Substitute Members</i>
Anjna Khurana (Chair)	All other Executive members
Kaya Comer-Schwartz	Dave Poyser
Satnam Gill OBE	Jenny Kay
Janet Burgess	
Diarmaid Ward	

Quorum

The quorum shall be three members.

Terms of Reference

1. Responsibility for and monitoring of, the Council's health and safety policies as employer, including reports on health and safety within Council departments.
2. To approve the early retirement of the Chief Executive and to agree the award of any discretionary payments in connection with such retirement or redundancy.
3. To approve any payment to an officer on termination of employment in respect of redundancy entitlement, any payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations and notice pay in respect of termination in the interests of the efficient exercise of the Authority's functions, which exceeds £100,000 in total.

4. To be responsible for the recruitment and appointment of Corporate Directors and Service Directors in accordance with Part 4, Rule 101.
5. To agree the starting salary for any post where the overall remuneration package on new appointment (excluding pension contributions in accordance with the Local Government Pension Scheme regulations) is to exceed £100k
6. To hear representations in respect of the termination of a Corporate Director's employment in accordance with the JNC terms and conditions of employment.
7. To appoint Independent Persons to carry out the functions in Section 28 of the Localism Act and other functions assigned to the Independent Persons
8. To receive submissions from trades unions' representatives on agenda items concerning staff terms and conditions.
9. To make recommendations to Council on the appointment of the Chief Executive.
10. To make recommendations to Council on the appointment of independent persons to serve on the Standards Committee and Audit Committee.
11. To receive notification when any member of staff performing a role appointed by Personnel Sub Committee leaves their position or gives notice that they are leaving and to agree a timeline for recruitment, if applicable.

2.4 Meeting arrangements

The quorum for the Personnel Sub-Committee is 3 elected members. Meetings for the municipal year 2022/23 will be arranged as required.

3. Pensions Board

3.1 Terms of Reference

1. To assist the London Borough of Islington as scheme manager in securing compliance with:

- a. the Local Government Pension Scheme Regulations 2013;
- b. any other legislation relating to the governance and administration of the Local Government Pension Fund Scheme (LGPS);
- c. requirements imposed by the Pensions Regulator in respect of the LGPS;
- d. such other matters as the LGPS regulations may specify

2. To assist the London Borough of Islington in securing the effective and efficient governance and administration of the scheme;

3. To consider cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
4. To produce an annual report outlining the work of the Board throughout the financial year.
5. To make recommendations to the Pension Sub-Committee.

Composition

The membership of the Board shall consist of:

- 3 Islington Council Pension Fund employer representatives
- 3 Islington Council Pension Fund member representatives
- 1 independent member (non-voting)

No substitutes are permitted, with the exception of the member of the Board who is appointed to represent pensioner members of the LGPS

All members of the Board shall be appointed by full Council or its Audit Committee which shall also appoint a chair from among the members of the Board.

Any person who is applying for or appointed as a member of the Pension Board must provide the Scheme Manager with such information as and when the Scheme Manager requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

No officer or elected member of the Council who is responsible for the discharge of any function in relation to the LGPS.

Members of the Pension Sub-Committee shall be invited to attend meetings of the Board as observers.

Meeting Dates 2022/23:

28 June 2022

19 September 2022

21 November 2022

6 March 2023

The date for the Pensions AGM 2022 is to be confirmed.

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): All

Subject: Risk Management Strategy and Framework

1. Synopsis

- 1.1. Islington Council seeks to continually review its policies and practices to ensure that they remain fit for purpose. The Council's risk management framework was due for review in 2022. The Council's risk framework has been reviewed and revised to further embed best practice risk management.
- 1.2. The Council recognises and accepts its responsibility to manage risks effectively. We believe that risk management is a continuous process designed to identify, analyse, and mitigate risks, with the purpose of supporting the achievement of our objectives.

2. Recommendations

- 2.1. The Committee is asked to note the revised risk management strategy and framework.

3. Background

- 3.1 The Council's existing risk framework covers key aspects of sound risk management practices and is well established. Most of the existing content has been retained in the revised framework. However, overall the content has been redrafted to ensure better clarity and accessibility. In addition, new sections have been included to create a more comprehensive framework. The following key changes have been made:

- A strategic vision and our aims for risk management have been included;
- The purpose of the framework and the Council's risk culture has been articulated;

- The new structure of the framework has been designed to create a clear document that works as a practical reference tool and resource for staff across the Council;
- Complex terminology has been removed as far as is possible to ensure that the framework is accessible to all levels of staff across the organisation;
- A high-level risk appetite statement has been articulated;
- Reference to project and programme risk management has been included.

3.2 While the current risk management framework has served the Council well in recent years, the revised and more comprehensive framework will:

- **Increase our risk maturity**- by enhancing and building on our existing framework, we will retain its core values whilst establishing a more comprehensive framework with clearer documentation of its components;
- **Empower our teams** - by providing a more practical and jargon-free framework teams will be equipped with the tools they need to manage risks well and further embed risk-based decision-making;
- **Develop our risk culture** - a clearer, more comprehensive framework will contribute to improved risk communication which will benefit our overall risk culture and maturity.

4. Implications

4.1. Financial Implications

4.1.1. There are no financial implications arising from this report. The programme of work has been met from within the existing risk management budget. The financial implications of individual risks will be met by local budgets.

4.2. Legal Implications

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

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

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

4.4. Equalities Impact Assessment

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

understanding.

- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the recommendation being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

- 5.1. The Committee is asked to note the revised risk management strategy and framework.

Appendices:

- Appendix 1 – Risk Management Strategy and Framework

Final report clearance:

Signed by:

Dave Hodgkinson

Corporate Director of Resources

Date:

20th May 2022

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

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Financial Implications Author: Paul Clarke, Director of Finance

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London Borough of Islington

Risk Management Strategy and Framework

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1. Introduction

Risk may be seen as an event or issue that may threaten our ability to deliver our vision and strategic objectives. Therefore, we recognise that managing risk effectively is key. However, we know that risk is inherent in any business and indeed it is essential to embrace risk to some degree if we wish to achieve our goals for Islington residents. Our priority must be to ensure that, as far as possible, our strategic objectives are not threatened by risks that have not been identified, managed or responded to effectively.

Effective risk management supports our ability to deal with emerging or growing risks and enhances our resilience. Additionally, both regulation and good practice require us to have an effective risk management framework in place.

2. Risk Management Strategy

The London Borough of Islington recognises and accepts its responsibility to manage risks effectively. We believe that risk management is a continuous process designed to identify, analyse, and mitigate risks, with the purpose of supporting the achievement of our objectives.

The vision of our risk management approach is to support the achievement of our strategic ambitions through the application of sound risk management principles. The vision is underpinned by four aims described below:



The risk management strategy is delivered through the application of the risk management framework set out in this document.

3. Purpose of a risk management framework

The purpose of a risk management framework is to support a robust and consistent process for managing risks and opportunities within the Council. It provides a common approach and terminology for all parts of the organisation. The framework has been designed to serve as an accessible and practical resource for teams to guide their risk

management activities and develop an understanding for root cause and consequence of risks.

Our risk management approach aims to embed a culture where risk management is integrated into the way we work. We want to ensure risk management feels dynamic and real. The framework is based on three interlinked principles:

1. **Resilience** - empowered and risk-based decision-making supports the resilience of an organisation;
2. **Agility** - risk management is forward-looking and supports the organisation to be agile, innovative and take calculated risk;
3. **Responsiveness** - risk management activities should be dynamic and responsive to emerging and changing risk.

Our risk management framework is informed by international risk management standards and best practice guidance (ISO 31000, the Institute for Risk Management).

3.1 Definitions

We have implemented the following definitions of risk and risk management:

Risk	Risk is the uncertainty of an event occurring that could affect the achievement of objectives. It is measured in terms of impact and likelihood, and the impact can be positive or negative.
Risk Management	Risk management is the process which help organisations to understand, evaluate and take action on risks with a view to increasing the probability of success and reducing the likelihood of failure.

3.2 Risk Culture

The Council is committed to developing a culture that supports openness, challenge, innovation and well-managed risk-taking. We expect staff to manage risk in line with this risk management framework. However, we also value feedback on its effectiveness to continuously improve and develop our risk management approach.

As with other organisations, the Council is on a continuing journey to developing our risk management. Our risk culture is risk-aware and proactive, with risk consistently considered as a key factor in all operational and strategic decisions.

4. Risk Appetite

Risk appetite is defined as the amount and type of risk that an organisation is willing to take in pursuit of its objectives. The Council's risk appetite varies depending on the type of risk. The Council is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Risk appetite is commonly expressed as a statement which explains what the Council sees as acceptable, taking into account organisational capability and capacity. The risk appetite statement is a fluid statement and is revisited regularly.

4.1 Risk Appetite Statement

We are an ambitious Council. To achieve our goals, we must continue to enhance our ability to collaborate, test new ideas and take risks. The Council recognises that the pursuit of strategic goals is not without risk and will not be afraid to take considered risks to learn and develop. A risk appetite that is defined in too rigid terms can hinder innovation. Appropriate risk-taking, underpinned by sound risk management, will support the Council to deliver its objectives. The Council is not unduly risk averse and will take a balanced view on risks as they are identified. However, as a general rule, the Council:

- Will not tolerate taking risks which would result in harm to our residents and staff;
- Will not tolerate risks which would result in breach of laws or regulations;
- Will not tolerate risks which would result in the Council becoming financially unviable;
- Will not tolerate risks that score 15 and above in the risk matrix and will require robust and closely monitored mitigation plans for such risks.
- Has a low tolerance for risks which would result in a long-term impact on our reputation.

5. Roles and responsibilities

All Council staff have a role to play in managing risk. Some individuals or groups have specific roles and responsibilities which are set out below:

All staff	Manage day to day risks within their areas of responsibilities and report risk concerns to their line managers.
Risk owners	A risk owner is the lead officer for the area affected by the risk. It is the risk owner's responsibility to ensure that appropriate resources are allocated to manage risk and that action plans are being implemented. They may delegate day-to-day management of risks but they are responsible for seeking assurance that the risks they own are managed effectively.
Service Managers/Project managers	Responsible for effectively managing risks within their areas of responsibility, including identifying risk ownership. Identify, assess and document significant risks and escalate appropriately if required.
Heads of Service/Service Directors	Deliver effective risk management within their area of responsibility to deliver business objectives. Responsible for timely escalation of significant risks. Encourage staff to be open and honest in identifying risks and opportunities.
Corporate Directors	Ensure key risks are being identified and managed to aid delivery of the Council's priorities and objectives. Promote effective risk management and risk-based decision-making within their areas. Risk owners for principal risks.
Corporate Director for Resources	Responsibility for the risk management framework and its effectiveness and to promote it across the Council.

Corporate Management Board	Promotes an effective risk management culture across the Council. Responsibility for ensuring that principal risks are managed and reported appropriately.
Audit Committee	Consider the Council's arrangements for corporate governance and risk management and recommend necessary actions to ensure compliance with best practice.

6. Risk governance

The risk management framework is underpinned by ownership and accountability. Strategic objectives and risk tolerance levels are set by the Corporate Management Board, who are reliant on staff at every level of the organisation escalating risks through formal reporting structures in line with the organisation's risk appetite. The risk governance arrangements ensure appropriate oversight of risk management and assurance of its effectiveness.

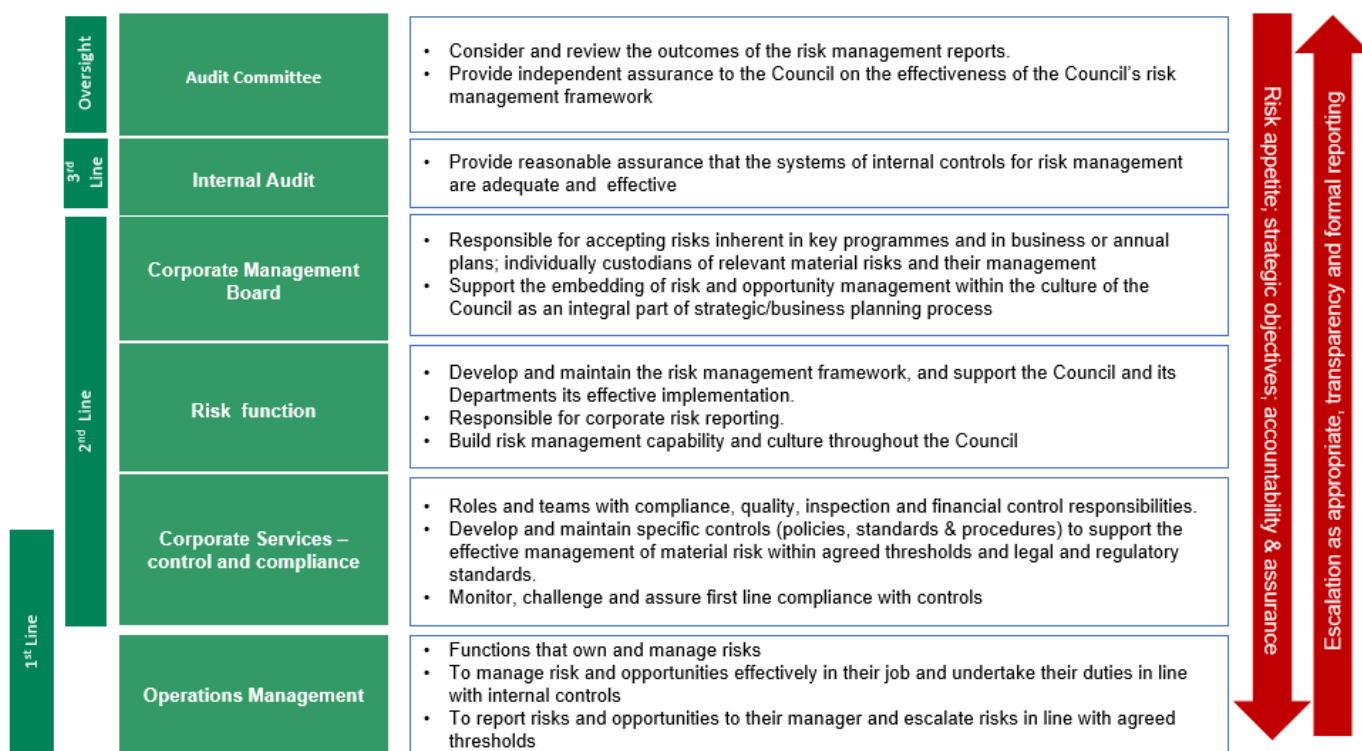


Figure 1: Risk governance structure

The governance structure aligns to the 'Three Lines of Defence' model which can be summarised as:

- *First line of defence:* Managing risks in day-to-day operations in line with internal controls (policies, procedures, and standards).
- *Second line of defence:* Roles and teams that put controls in place and monitor compliance, and the risk management function.
- *Third line defence:* Independent assurance that the controls are effective in managing risk.

6.1 Risk reporting

Risk owners need appropriate risk information to make business decisions and monitor business performance. They may nominate a risk lead to manage the day-to-day management of risks and will work with that person to determine what information is required. Each service and department should conduct risk assessments and keep a risk register to document the risks identified for their area, and the controls in place to manage them. Risk owners are responsible for regular monitoring of progress and updating the risk register. They may nominate a risk-coordinator to facilitate reporting of risks within their area of responsibility. Risk owners are also responsible for escalating risks to the next management level if risk exposure reach agreed trigger points.

The Council's Risk Manager is available to advise and support the development of a risk register. However, the service/department is responsible for the risk register, reflecting the fact that they own the controls and are responsible for monitoring and updating of risk and action items on their risk registers. Risk registers should follow the format of the template provided in **Appendix 3**.

The Principal Risk Report covers the Council's corporate level risks and is owned by the Corporate Management Board (CMB). The risk manager is responsible for working with risk sponsors and nominated risk leads to update all Principal Risks annually, and report to CMB and the Audit Committee. Figure 2 below shows the reporting flow of risk information.



Figure 2: Risk reporting

6.2 Escalation triggers

The Council has defined thresholds to ensure risks are reported and managed at the appropriate level. These thresholds, or triggers, reflect management's tolerance for risk exposure at each governance level, and support appropriate escalation and delegation of risk. This ensures that risks are managed at the appropriate level of responsibility and authority depending on the risk exposure.

Figure 3 below illustrates how the risk assessment matrices align across the governance levels using financial metrics as an example. For example, the bottom threshold for the corporate risk matrix (£1m financial impact) sets the upper threshold on the department risk matrix, reflecting a delegation of risk. A service or departmental risk that is assessed as having an impact score in the highest category would automatically trigger an escalation to next management level for review and oversight. The lower threshold criteria provided for department and service level should be treated as illustrative, for it could vary to reflect different risk contexts. **Appendix 1** provides a guide to assessing the impact of risk for each of the three levels.

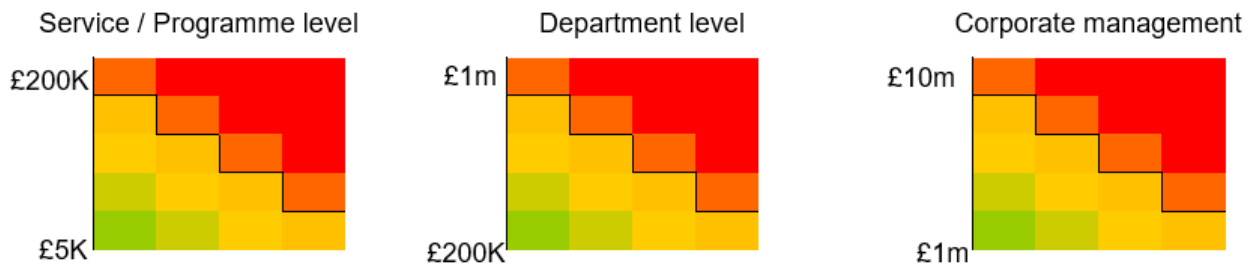


Figure 3: Illustrative example of differentiated but aligned risk matrices across governance levels.

7. Risk management process

The Council has implemented a six-stage process for managing risks. This comprehensive approach provides teams with a systematic way to manage all different types of risks. This section describes each step of the process.

The first stage involves understanding the team's or activity's objectives so that risks to achieving those objectives can be identified. The Council's strategic plan defines top level goals and objectives, and individual service areas should link their priorities to those.

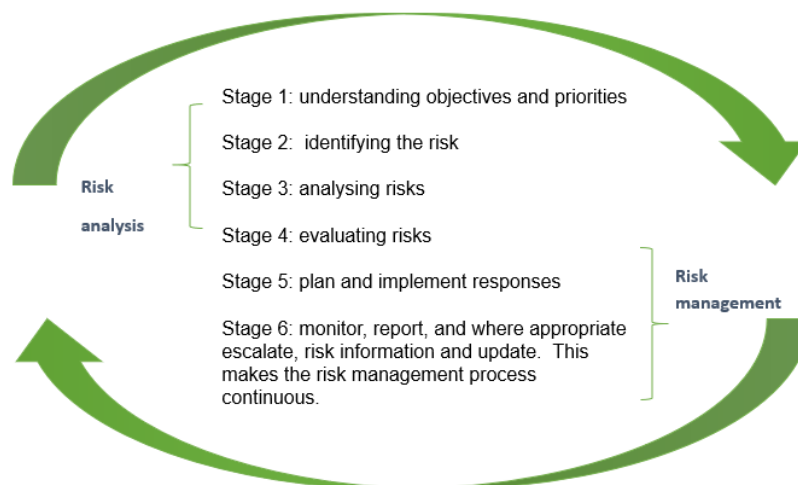


Figure 4: Risk management process

7.1 Risk identification

The aim of risk identification is to understand the overall risk profile. At this stage, it is useful to consider a wide range of risks that could have an impact on the ability to achieve objectives. A risk may have an impact on one or more objectives. Some risks may be outside of our direct control but should still be identified.

The table below presents examples of risk categories and areas that could be used as a starting point for identifying risks.

Category	Examples of risk areas
Political	Direction of Government policy now and possible changes in the future, tax policy, trade restrictions, political stability
Economical	Economic trends nationally, cost of living, wage rates, interest rates, inflation, exchange rates, credit availability
Social	Trends in demographics, consumer patterns, family life, community cohesion, residents' expectations, cultural norms and attitudes
Technology	Existing and emerging technology to deliver services, maturity of technology
Legal	Existing and future legislative and regulatory requirements, equal opportunities, health and safety, employment law, risk of legal claims
Environmental	Environmental factors that may hamper the delivery of objectives, adverse weather, changing climate
Governance	Clarity and transparency of decision-making and accountability, adequate monitoring, clarity of work plans
Operational	The design and efficiency of internal processes, value for money, quality and quantity of service or product, fraud
People	Leadership ability and effectiveness, staff engagement, culture and behaviours, industrial action, capacity and capability
Financial	Return on investment, quality of financial management, asset management, compliance with financial reporting, fraud
Commercial	Managing contracts and supply chains, poor performance, inefficiencies, value for money, meeting business requirements
Information	Quality of data and information, adequate use of available data, data protection, information governance, cyber attacks
Security	Managing access to premises and information, cyber security, staff safety and security
Reputational	Ethical considerations, poor quality of services, lack of innovation, repeated mistakes. Not managing risks appropriately can damage the reputation of individual departments as well as Council as a whole.
Project/Programme	Alignment of activities with strategic priorities, realising the indented benefits, delivering on time and within budget

Facilitated group workshops is the most effective method for risk identification as it draws on many different experiences and perspectives. Interactive workshops can often draw out previously unidentified risks through open and honest discussions.

Participants should represent a wide range of teams who may be affected by the risk area being discussed. This will generate a rich collection of risks to analyse further. Other risk identification methods include one-to-one conversations, and information gathering through surveys.

Once risks have been identified, they should be added to a risk register which will be used to document more details about each risk as the risk assessment process progresses. (**Appendix 3** includes a risk register template)

7.2 Risk analysis

After risks have been identified, they need to be analysed further to better understand how to manage them. The purpose of risk analysis is to articulate what would cause the risk to occur and what the consequences would be if it happened.

Once we understand cause and consequence, we can analyse the controls we have in place to manage the risk and their effectiveness. Proactive controls are designed to reduce the likelihood of the risk happening. Reactive controls will reduce the impact, or consequence, if the risk were to become reality.

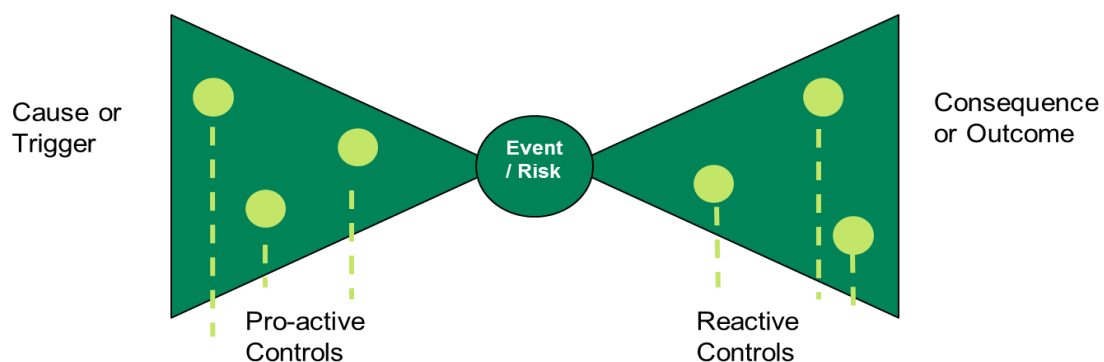


Figure 5: Analysing cause and consequence

7.3 Risk evaluation and scoring

The next stage in the risk management process is to evaluate the risk to establish the level of threat to our objectives. The evaluation process helps to identify the risks which can be tolerated, and which require additional action to reduce risk levels. It also facilitates prioritisation of risks.

We express total risk score in numerical terms of *likelihood multiplied by impact*. 'Likelihood' is defined as the probability of a risk occurring, whilst 'Impact' refers to the consequences if the risk it would occur.

Likelihood ratings is the same across the Council whilst impact ratings are differentiated by corporate, department and service level (see **Appendix 1**). We use a 'current' risk scoring method, meaning that we assess the likelihood (probability) and impact (consequence) of the risk in view of current controls in place.

Once risks have been evaluated and scored, they can be plotted on a heat map for an overview of the total risk profile (Figure 6). The Council has adopted a 5x4 risk score matrix.

The heat map will visually identify highest ranking risks and the cumulative risk level. This will assist the Council to consider its overall risk exposure and appetite (see **Appendix 2** for a heat map template).

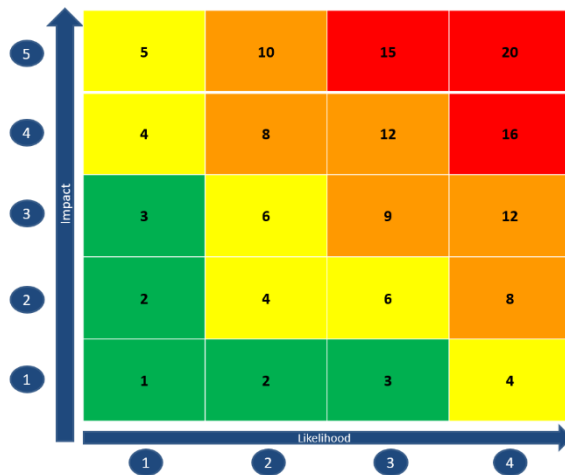


Figure 6: Heat map with risk scores

7.4 Taking action

The options of responding to a risk are referred to as the 4 T's:

- **Treat:** Applying proactive and reactive controls, and other actions to reduce risk levels to acceptable levels.
- **Tolerate:** The risk exposure may be tolerable if no future action is taken, or the ability to treat the risk is limited, or the cost disproportionate to the benefits.
- **Transfer:** Transfer all or some of the consequences to another party, most commonly through insurance.
- **Terminate:** Cease the activity that is giving rise to the risk.

The most common response is to treat the risk by increasing or modifying controls and mitigating actions.

7.5 Monitoring and review

All risk information should be documented in the risk register (see **Appendix 3** for a risk register template). This facilitates regular monitoring of implementation of mitigating actions and assessment of their effectiveness in reducing the risk level. New risks can be added as they are identified. High scoring risks should be monitored more frequently to ensure appropriate action is being taken. It is the risk owner's responsibility to monitor that action is taken forward and risk information is being updated.

Department and service level risk registers are dynamic risk management tools that should be reviewed on an ongoing basis, with formal management reviews at least bi-annually. Principal risks are reviewed bi-annually and updated annually.

7.6 Risk communication

Accurate and timely communication of risk information is crucial if we are to realise the benefits or risk management activities. Open, honest and transparent risk

communication is a sign of a strong risk culture. The Council's risk communications take many forms, including:

Formal communications

- Risk reporting – Department Management Teams, Corporate Management Board and Audit Committee receive regular updates to provide assurance that risks are being effectively identified and managed across the Council.
- External risk communication – engagement with residents and members to present risks associated with new projects and services.

Informal communications

- Staff intranet - sharing the risk framework and resources with staff and other ad hoc communications to raise awareness of risk management.
- Training sessions on risk management and the framework.
- Facilitated workshops with teams to support them to improve their risk management processes.

8. Managing risk in projects and programmes

The principles of the risk management process in this framework can be applied to project and programme risks as well. However, project and programme management have its own governance models and reporting structures. Risk management in this context is focused on risks to the successful delivery of the intended benefits of the project or programme.

For large and/or high-profile projects, risks may be of such strategic importance that they should feature on the corporate risk register. Programme/project sponsors should consider the impact criteria in **Appendix 1** when assessing if a risk meets the criteria for corporate oversight.

The Corporate Project Management Office (PMO) can provide specialist guidance on project and programme risk management – search PMO on Izzy for more information.

9. Guidance and training

The Risk Manager is responsible for designing and delivering training to support the Council's risk management activities. This may take many forms, for example:

- One-to-one guidance – talking through specific risks, or aspects of risk management, related to a member of staff's responsibilities.
- Resources on intranet – providing templates, guides and risk management tools on the Council's internal website.
- Team and member training – training sessions tailored to teams' service or risk areas, or members' responsibilities.
- Online training – Development of online training materials for staff who would like to gain risk management skills.

10. Conclusion

By establishing a robust risk management framework, the Council is able to manage risk as an integral part of governance and management. The benefits of the risk management framework include:

- A structured way of dealing with current and emerging risks;
- Creating the right culture so that the Council can learn from its mistakes and take advantage of opportunities;
- Helping to focus decision-making and actions of the priority issues for the Council, emanating from its objectives;
- Involving individuals at different levels in the Council and promote greater understanding of the objectives and strategy.

Appendix 1: A guide to assessing risk scores

Likelihood scoring

Likelihood score	Description	Example	Probability	
1	Rare	Very unlikely that this will ever happen.	1%	1 in 100
2	Unlikely	Expected to occur in only exceptional circumstances.	10%	1 in 10
3	Possible	Expected to occur in some circumstances. Has happened elsewhere.	20%	1 in 5
4	Likely	Expected to occur in many circumstances. Has happened in the past.	50%	1 in 2

Impact scoring (Corporate/Department/Service)

Corporate Management Board: Principal Risks

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

Note: a service is defined as critical if it is life critical, important if it has an immediate long-term impact on resident's quality of life

Directorate Management Team (DMT)/Senior Leadership Team (SLT) Risk Scoring Guide:

Impact Score	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Financial loss above £1m	Repeated disruption of a core/critical service.	Significant Medical treatment required, semi-permanent harm, 1 year or more. Safeguarding concerns of neglect.	Medium term damage (12 months or more) – e.g. Adverse publicity, regional follow-up stories on the same issue (or worse)
4	£800k-£1m	Major disruption to a critical service	Moderate Medical treatment required, semi-permanent harm, 9-12 months or more. Safeguarding concerns.	Ongoing adverse media coverage – regional (9-12 months)
3	£600k-800k	Moderate disruption to a critical service	Moderate Medical treatment required, semi-permanent harm, 6-9 months or more. Safeguarding concerns.	Ongoing adverse media coverage – regional (6-9 months)
2	£400k-600k	Minor disruption to a critical service	Moderate Medical treatment required, semi-permanent harm, 3-6 months or more. Safeguarding concerns.	Ongoing adverse media coverage – regional (3-6 months)
1	£200k-400k	Brief disruption to a critical service	Moderate Medical treatment required, semi-permanent harm, 0-3 months or more. Safeguarding concerns.	Ongoing adverse media coverage – regional (0-3 months)

Note: i) a service is defined as critical if it is life critical, important if it has an immediate long-term impact on resident's quality of life ii) the lower thresholds can be adjusted by each department depending on risk context

Service Risk Scoring Guide:

Impact Score	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Over £200k	Long term disruption to non-critical service	Moderate Medical treatment required, multiple casualties. Safeguarding concerns.	Adverse media coverage - regional
4	£100k-200k	Major disruption to a non-critical service.	Moderate medical treatment required. Single Casualties	Ongoing adverse media coverage - local
3	£50k-100k	Moderate disruption to non-critical service	Minor medical treatment required. Multiple number of casualties, recoverable injury.	Adverse one-off media coverage - local
2	£25k-50k	Minor disruption to non-critical service	Minor medical treatment required. Low number of casualties, recoverable injury.	Ongoing reputational damage within the local community
1	£5k-£25k	Brief disruption of non-critical service	Minor medical treatment required. Single casualty, recoverable injury.	Short term reputational damage within the local community

Note: that the upper thresholds can be adjusted by each department, and the lower threshold can be adjusted by each service depending on risk context.

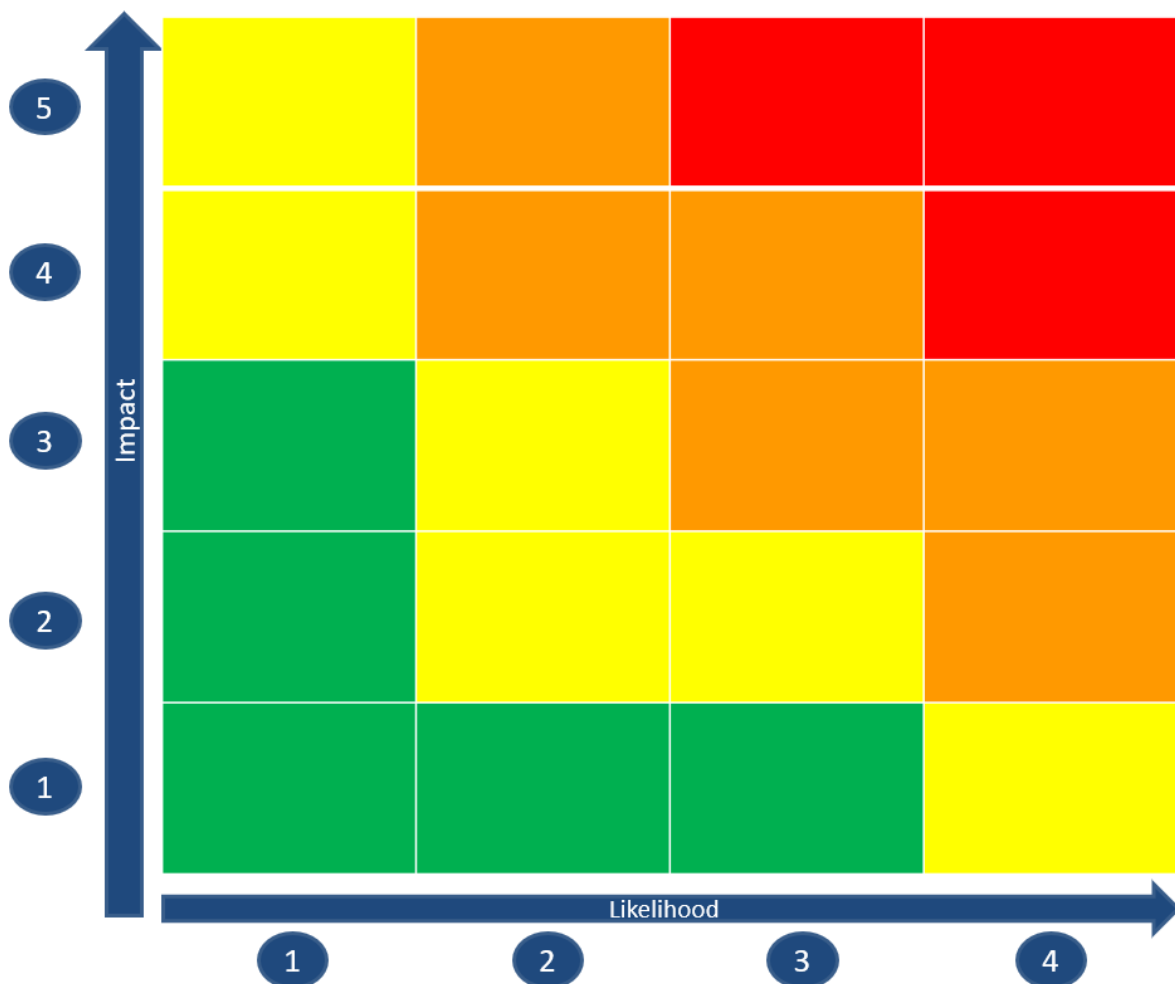
Appendix 2: Risk heatmap template

The heatmap can be used to visually present risks from a risk register. A 5x4 matrix is used (impact multiplied by likelihood).

The colours provide visual representation of risk severity:

- Green – Low risk
- Yellow – Medium risk
- Orange – High risk
- Red – Critical risk

The higher the risk severity, the more attention is needed to ensure robust mitigation plans and monitoring.



Appendix 3: Risk register template (department/service)

Objective	RISK Identified	Cause	Consequence	Impact category	Risk owner	Current risk score based on controls in place			Current controls in place to manage risk	Risk response	Further actions to mitigate risk	Target date and action owner
						Impact 1=Low 5=High	Likelihood 1=Low 4=High	Total score				
Link the risks to the relevant objective for the team/ department/ council	A risk is an uncertain event which may hinder ability achieve objective. A risk is <i>not</i> a current issue	The cause that would trigger the risk to happen	The impact if the risk were to happen	Either: Financial, Health and Wellbeing, Reputation or Service Delivery	Service Director	4	4	16 (Score at previous review: 20)	Define any existing controls	Transfer, Treat, Tolerate or Terminate	Define any additional actions which could reduce the risk	Assign a target date for completion of actions and an action owner.
Illustrative example:												
A well run Council Page 43	Payment fraud	Anti-fraud controls are not designed and implemented	Financial loss and reputational damage to the Council	Reputation / Financial	Head of Service	2	3	6 (Score at previous review: 6)	1. Segregation of duties between ordering good and services and authorising payment; 2. Invoice approval in line with the scheme of delegation; 3. Budget monitoring	Treat	Proactive duplicate payments testing	Target date: October 2022 Action owner: Accounts payables manager

Note: The Risk Manager can be contacted for an Excel version of this template

Version control:

Action	Date
This version	June 2022
Next review	June 2025

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): All

Subject: Principal Risk Report 2022

1. Synopsis

- 1.1. This report presents the current principal risks facing Islington. The report represents the Council's position as at May 2022. The articulation and mitigation of risks at Islington Council is a dynamic process, with risk management embedded in decision-making.
- 1.2. The Principal Risk Report (PRR) is an annual report presenting the principal risks facing Islington written in consultation with risk leads, Directorate Management Teams (DMTs) and the Corporate Management Board (CMB). The previous PRR was presented to Audit Committee in May 2021.
- 1.3. Overall, the report details:
 - **Appendix 1: Principal Risk Map** – the heatmap diagram indicates the positioning of Principal Risks, detailing the likelihood and impact scores for each risk. The impact matrix details the risk scoring mechanism.
 - **Appendix 2: Risk Universe** – presents an overview of the risks by category, demonstrating our balance of risk;
 - **Appendix 3: How areas of risk link to our objectives** – maps the links between Principal Risks and the Council's strategic objectives.
 - **Appendix 4: Executive Summary of the Principal Risks** – details the current and target risk score for each risk, the CMB risk lead, and forward trend;
 - **Appendix 5: Principal Risk detailed information and action plans (risk on a page)** details the risk information and update alongside the action plan

for each risk to achieve the target risk score. The target risk score is an expression of our risk appetite setting out the risk score we are working towards in the next 12 months.

2. Recommendations

- 2.1. The Committee is asked to note the report.

3. Background

- 3.1. The Council's Risk Manager met with circa 30 risk leads across the Council over February and March 2022, to review principal risks. These discussions covered the achievement of previously set objectives, assessed the current risk profile, identified any new risks and mitigating actions, and current and target risk scores were revisited. During April 2022, Directorate Management Teams discussed and agreed risks within their remit. The report was discussed and agreed by the Corporate Management Board in May 2022.

Key risk themes

- 3.2. Key risk themes are currently presenting as follows:
 - Inflation – a sharp increase in inflation, primarily driven by rising fuel and energy costs, is pushing up the cost of living. Inflation is a factor in most risk areas, most notably Financial Resilience of Residents and the New Homes Programme with increasing cost of construction materials putting pressure on contractors to deliver within budget. Increased financial pressure on families could lead to a rise in Youth Crime and Domestic Violence Abuse;
 - Financial Resilience of the Council – the medium-term financial outlook for local government remains highly uncertain. Local authorities continue to receive annual funding settlements which restricts future planning. There are also potential government funding reforms on the horizon that could have a significant impact on council funding;
 - Recruitment market – a challenging recruitment market is affecting the Council's, and its providers', ability to resource specialist staff, for example in IT, social care and construction sectors. The Council is working with specialist agencies to attract staff resource.

Summary of the Council's overall risk position

- 3.3. Since the last report in May 2021, we continue to see further stabilisation in risk scores as the impact of Covid-19 is no longer acute and as unpredictable as last year. The Council has articulated 28 Principal Risks as at May 2022. Despite six Principal Risks reducing in overall risk score since the previous year, the Council is

still operating in a heightened risk environment, with 24 risks scored above the agreed target score (86%). A key factor in our external risk environment is the situation in Ukraine which has exacerbated already rising energy prices and given rise to increased cyber risk. Risks that are significantly influenced by external factors are difficult to forecast with a high level of reliability and it may be challenging to design controls to meaningfully treat these risks. Target risk scores outlined at Appendix 4 reflect our ability to mitigate risks.

- 3.4. Two principal risks have moved within target score since the last report (Covid-19 Outbreak Control, Safeguarding Children). Six principal risks have been closed (Housing Delivery Test, Decline in Local Business Resilience, Covid-19 Financial Impact (public realm), Leisure Provision Closure, Increasing Outstanding Debt, and Service Response to Covid-19). Further commentary is included below.

Watchlist

- 3.5. Two areas of risk have been identified as potentially requiring escalation to Principal Risk status in the next twelve months. Both risks are currently managed at departmental level. The two areas are detailed below:
- 3.6. Protect Duty – The Government has confirmed that it intends to develop legislation to introduce a ‘protect duty’. This is likely to create a legal requirement for those owning, operating or responsible for certain publicly accessible places to take steps to protect the public from terrorist attacks. There is work in train to prepare for what the new duty might mean for the Council. A ‘Protect and Prepare’ Board is being set up coordinate this work.
- 3.7. Ukrainian refugees - The Council has made preparations to support refugees arriving in the borough from Ukraine. A cross cutting project team was put in place at the end of March 2022 to coordinate activities, with weekly updates provided to the Leader of the Council and Executive Members. The team is looking at a range of risks attached to the response, including safeguarding risks.

New risk added

- 3.8. One new risk has been escalated to principal risk.
- 3.9. **Risk title:** Volatility in the energy market
Risk Description: Volatility of energy market causing budget pressures for the Council, Schools and residents
Cause: Unpredictable global energy market, inadequate monitoring of energy prices and Council expenditure, unfavourable terms and conditions from energy

providers, services do not adapt budgets and activities to meet pressure in energy expenditure.

Consequence: Significant overspend on Council budget, key projects and programmes scaled down, paused or cancelled, savings targets not met

Risk sponsor: Keith Townsend

Rationale: Wholesale energy commodity prices saw significant rises in the second half of 2021, with prices rising to an all-time high in March 2022 as a result of the Russian invasion of Ukraine. As of 30 March, gas commodity prices were 540% higher than the 2021/22 purchases and the electricity commodity prices are 370% higher. The Energy Services team has developed a provisional purchasing strategy for the remainder of 2022/23 to mitigate financial risk. A range of actions are being taken to reduce energy consumption in the short, medium and longer term, with linkages to the delivery of the zero-carbon target.

Closed risks

3.10. Six principal risks have been removed from the principal risk report and will be managed at Directorate level. The rationale for the change in status is provided below.

3.11. **Risk title:** Housing Delivery Test

Risk description: Failure to meet three-year rolling housing targets in line with the national requirement

Risk sponsor: Stephen Biggs

Rationale for closing: The latest data, published in January 2022, show that the Council has exceeded the target and the forward trend is positive. Islington's longer term housing delivery target was reduced two years ago, at the same time as performance has improved. These factors remove the risk of failing to meet national targets. Delivery against targets will continue to be monitored, alongside the statutory annual reporting to government on performance.

3.12. **Risk title:** Decline in local business resilience

Risk description:

Risk sponsor: Stephen Biggs

Rationale for closing: The negative impact of Covid was not as severe as predicted on local business resilience and the anticipated recession did not materialise. Local businesses will be affected by increases in cost of living and the Council is monitoring impact closely and continuing to advocate on issues such as London Living Wage and business rates reform. This risk will continue to be monitored and managed at directorate level.

- 3.13. **Risk title:** Covid-19 financial impact (public realm)
Risk description: Significant budget overspend in Environment and Regeneration 2020/21
Risk sponsor: Keith Townsend
Rationale for closing: This risk was raised in response to the acute impact of Covid-19, with significantly reduced traffic levels in 2020/21. The recovery plan for parking services enforcement and leisure services had a positive impact on income recovery and an overall departmental significant overspend for 2020/21 did not materialise.
- 3.14. **Risk title:** Service response to Covid-19
Risk description: Council services are not adapted to respond to a further surge in Covid-19 (lacking the capacity/ability to rapidly scale up support to residents whilst maintaining a focus on business as usual)
Risk sponsor: Keith Townsend
Rationale for closing: Covid-19 impact on services has reduced significantly over the last 12 months. Covid management is built into business as usual and in case of a further wave, services are well placed to adapt. A comprehensive review and update of business continuity plans was completed at the end of 2021 and services are prepared to respond to disruptions.
- 3.15. **Risk title:** Leisure Provision Closure
Risk description: Loss of rent and service from leisure operator (GLL) for leisure centres
Risk sponsor: Keith Townsend
Rationale for closing: The leisure provider position has improved significantly over the year, with the expected surplus payable to the Council exceeding the forecast. The recovery plan is coming to an end in July 2022, when the provider returns to the pre-Covid contract position and the risk trend is assessed as improving. This risk will continue to be managed at directorate level.
- 3.16. **Risk title:** Increasing Outstanding Debt
Risk description: Failure to effectively collect monies owed to the Council from businesses and/or residents to fund Council services
Risk sponsor: Dave Hodgkinson
Rationale for closing: Taxation collection has rebounded following the pause in court proceedings due to the pandemic. The anticipated financial impact has significantly reduced since the acute stage of the pandemic last year and most of the outstanding debt will be recovered over time. This risk continues to be monitored and managed at directorate level.

Key amendments to risk articulation

- 3.17. In order to present a sharper risk profile, five risks have been merged to create two consolidated Principal Risks:
- 3.18. **Risk Title:** Financial Stability and Resilience
Risk description: Significant overspends/budget gaps
Cause: High inflationary pressures on pay and non-pay budgets (particularly energy costs), rising demand for council services (including COVID-19 legacy) and uncertainty around local government funding sources
Consequence: Unable to set a balanced/robust budget and depletion of financial reserves.
This risk is a consolidation of three previous risks related to finance: Savings Delivery, External Funding Uncertainty, and Covid-19 Financial Impact.
- 3.19. **Risk Title:** IT Transformation and Resilience
Risk description: We do not deliver IT projects which will enable/optimize business transformation and support resilient systems across the Council.
Cause: Insufficient planning/resourcing/funding to deliver the IT strategy. Lack of resources to build and monitor resilience, lack of disaster recovery planning
Consequence: Operation disruption, additional cost, reputational damage.
This risk is a consolidation of two previous risks relating to IT i.e. IT Delivery and Transformation, and IT Resilience.

4. Implications

4.1. Financial Implications

- 4.1.1. 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.

4.2. Legal Implications

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

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

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

4.4. **Equalities Impact Assessment**

- 4.4.1. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2. An Equalities Impact Assessment is not required in relation to this report because the recommendation being sought does not have direct impacts on residents.

5. **Conclusion and reasons for recommendations**

- 5.1. A key component of the Council's governance framework is sound risk management arrangements. The Committee is asked to note the 2022 Principal Risk Report.

Appendices:

- **Appendix 1: Principal Risk Map** – the heatmap diagram indicates the positioning of Principal Risks, detailing the likelihood and impact scores for each risk. The impact matrix details the risk scoring mechanism.
- **Appendix 2: Risk Universe** – presents an overview of the risks by category, demonstrating our balance of risk;
- **Appendix 3: How areas of risk link to our objectives** – maps the links between Principal Risks and the Council's strategic objectives.
- **Appendix 4: Executive Summary of the Principal Risks** – details the current and target risk score for each risk, the CMB risk lead, and forward trend;
- **Appendix 5: Principal Risk detailed information and action plans (risk on a page)** details the risk information and update alongside the action plan for each risk to achieve the target risk score. The target risk score is an expression of our risk appetite setting out the risk score we are working towards in the next 12 months.

Final report clearance:

Signed by:

Dave Hodgkinson

Corporate Director of Resources

Date: 20 May 2022

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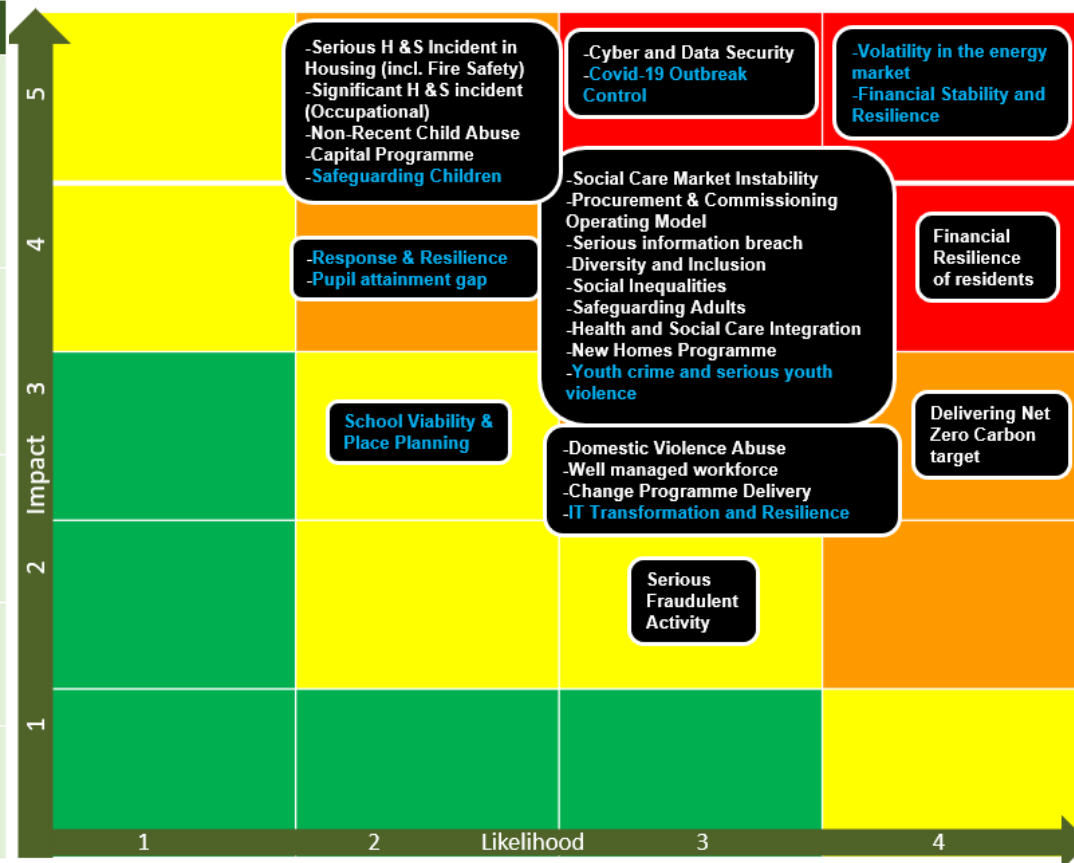
Tel: 020 7527 3314

Email: Marina.Lipscomb@islington.gov.uk

Appendix 1 - Principal Risk Map and Impact Scoring Matrix (Note: Risk titles in blue indicate a change from the last report dated May 2021)

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

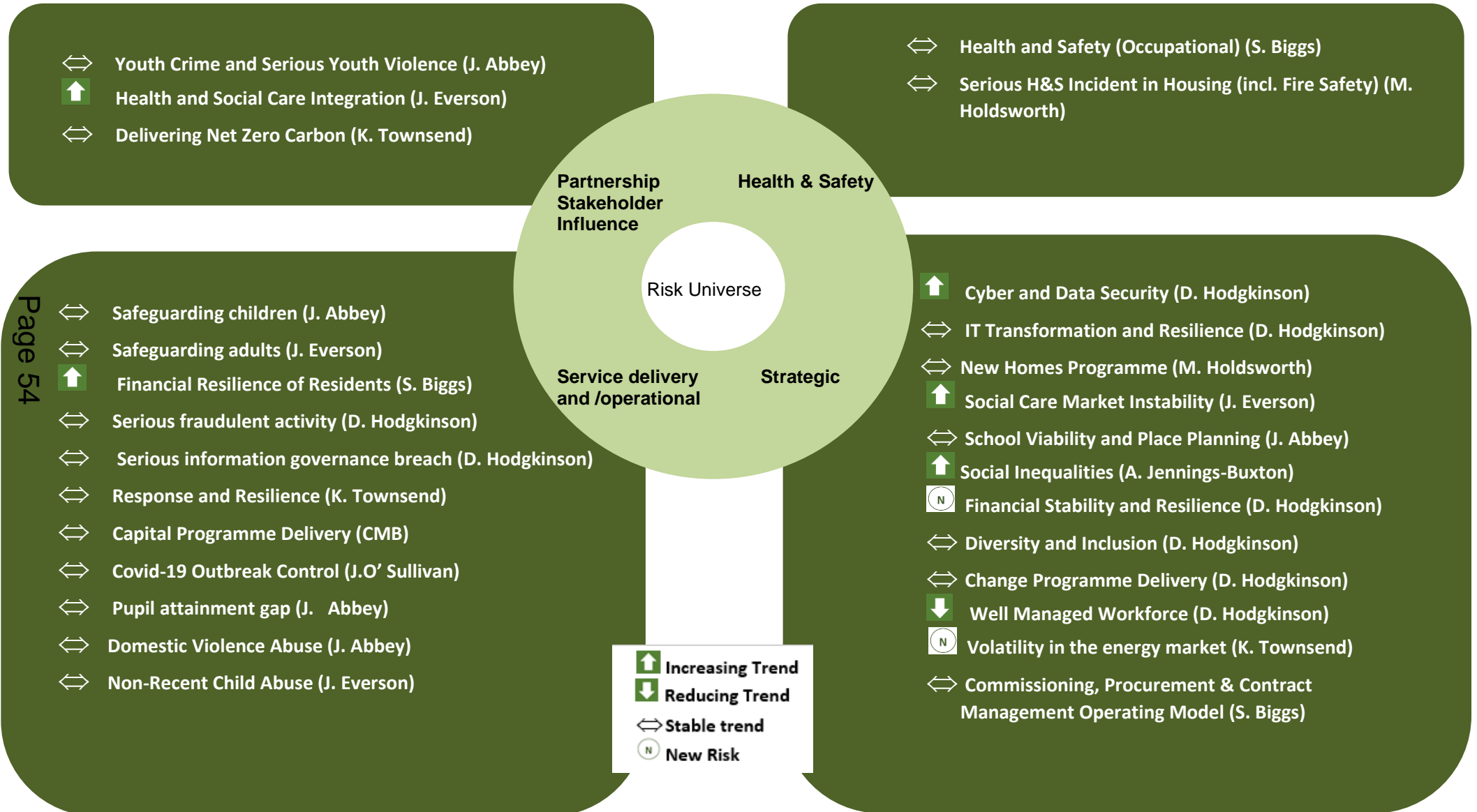
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Likelihood Score	1 - Rare	2 – Unlikely	3 – Possible	4 – Likely
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Note: risks have been scored considering the above criteria in view of the current controls in place. The criteria (Financial, Service Delivery, Health and Wellbeing or Reputation) considered most appropriate to each risk has been chosen. Risks in the same black box share the same scoring, the order they appear in the box is not indicative of severity.

Appendix 2 - Risk Universe (Including risk forward trend)







Appendix 3: How areas of risk link to our strategic objectives



Continue to be a well-run Council and making a difference despite reduced resources			
Service Delivery	Financial Stability	People	Data, Governance and Technology
<ul style="list-style-type: none"> • Response and Resilience • Serious Health and Safety Incident (Occupational) • Commissioning, Procurement & Contract Management Operating Model • Change Programme Delivery 	<ul style="list-style-type: none"> • Financial Stability and Resilience • Capital Programme Delivery • Volatility in the Energy Market 	<ul style="list-style-type: none"> • Diversity and Inclusion • Well-managed Workforce 	<ul style="list-style-type: none"> • Serious Fraudulent Activity • Information Governance • Cyber and Data Security • IT Transformation and Resilience

Appendix 4 - Executive summary of principal risks (Details for each risk are included in Appendix 5)

L=Likelihood Score, I=Impact Score. Current risk score in brackets indicate change from last Principal Risk Report (- + 0)

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
20 (New)	L:4 I:5 Score 20	L:3 I:5 Score 15	5 points	Financial Stability and Resilience	D.Hodgkinson	-		The risk is a consolidation of three previous risks (Covid-19 financial impact, External funding uncertainty and Savings delivery). The Council is forecasting a net balanced budget position in 2021/22 and has recently set a balanced budget for 2022/23, The 2022/23 budget includes some provision for inflation being high in the short-term. The risk trend is therefore assessed as stable for the next 12 months. There is however a significant budget gap to close over the medium-term outlook to 2025/26.
20 (New)	L:4 I:5 Score 20	L:3 I:4 Score 12	8 points	Volatility of energy market cause budget pressures for the Council, Schools and residents	K. Townsend	-		An unpredictable fuel and energy market has given rise to significant risk to the Council's energy purchasing. The forward trend is assessed as increasing as uncertainty is expected to remain high until the end of the war in Ukraine.
16 (0)	L:4 I:4 Score 16	L:3 I:3 Score 9	7 points	Declining financial resilience of residents	S. Biggs			Global uncertainty is adding to an already difficult financial outlook and the cost-of-living crisis is likely to remain over the next few years. This will present challenges for residents to remain financially resilient, a significant proportion of whom already face long term income deprivation. The risk trend is therefore assessed as increasing over the next 12 months. The Council will continue to target support to our most vulnerable households through the Community Financial Resilience function and associated support

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
15 (-5)	L:3 I:5 Score 15 (Previously 20)	L:3 I:5 Score 15	0 points	Covid-19 Outbreak Control	J. O'Sullivan	↔	↔	Many national mechanisms to manage Covid-19 outbreaks removed by end of March 2022. Resources for the Council's public health response has been tapered down but could be stepped up again if required. Local support to vulnerable settings is being maintained. Although the next 12-18 months is still a period of substantial uncertainty, the risk trend is assessed as stable as overall risk exposure has reduced.
15 (0)	L:3 I:5 Score 15	L:3 I:3 Score 9	6 points	Cyber and Data Security Breach	D.Hodgkinson	↔	↑	The external risk continues to increase, and this is balanced by our continuous work to improve cyber resilience, including staff awareness and training. The situation in Ukraine is expected to lead to a further increase in malicious cyber activity and therefore the risk trend is assessed as increasing over the next 12 months.
12 (0)	L:3 I:4 Score 12	L:2 I:3 Score 6	6 points	Diversity and Inclusion	D.Hodgkinson	↔	↔	The programme of work to address diversity and inclusion is progressing well and integrated with the wider Challenging Inequality Programme. Risk trend is assessed as stable.
12 (-4)	L:3 I:4 Score 12 (Previously 16)	L:3 I:3 Score 9	4 points	Increased incidents of youth crime and serious youth violence impact on the council's ability to respond adequately	J. Abbey	↔	↔	The overall risk profile has reduced in the last year based on the decreasing trend in incidents of serious youth violence, the progress made so far on the Youth Safety Strategy, the funding increase for the service, and the Council's new youth offer. External factors for this risk remain challenging but the risk trend is assessed as stable due to the Council's ability to respond.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
12 (0)	L:3 I:4 Score 12	L:2 I:2 Score 4	6 points	Failure to address and challenge social inequalities	A. Jennings-Buxton	↑	↑	Covid-19 and the current cost of living crisis have deepened inequalities and we are working on addressing this through the Challenging Inequalities programme and the Inequality Taskforce. Whilst there have been some positive shifts in the last 12 months, our approach is still developing and the risk trend is assessed as increasing due to the challenging external context.
12 (0)	L:3 I:4 Score 12	L:3 I:4 Score 12	0 points	Serious information breach or non-compliance with legislation	D.Hodgkinson	↑	↔	The Information Governance Team has strengthened collaboration with Information Asset Owners to embed the devolved accountability model. The risk trend has stabilised following the EU's decision on the adequacy of UK's data protection legislation following EU Exit.
12 (0)	L:3 I:4 Score 12	L:2 I:3 Score 6	6 points	Social care market instability cause provider failure or withdrawal	J. Everson	↔	↑	Over the last 12 months, providers have been supported financially through recruitment and retention grants which has supported their sustainability and ability to flex to meet additional responses that COVID has required. Increase in cost of energy, London Living Wage and inflation may increase provider instability and costs to the Council and there is therefore an increasing risk trend for the next 12 months.
12 (0)	L:3 I:4 Score 12	L:2 I:4 Score 8	4 points	Safeguarding Adults-Failure to identify or respond to preventable harm	J. Everson	↔	↔	A new quality assurance process had been developed for all packages of care and placement decisions, which is being embedded over the next few months. Whilst the current score remains the same as last report, the target score has been reduced to reflect the Council's risk appetite in this area. The risk trend remains stable.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
12 (0)	L:4 I:3 Score 12	L:2 I:3 Score 6	6 points	Not achieving the declared net zero carbon target (by 2030)	K.Townsend	↔	↔	The net zero carbon programme is progressing well, with eight delivery work streams, each headed by a service director and supplemented with work stream leads. The first annual report on progress against the Net Zero Strategy is due in June 2022. Risk trend continues to be stable.
12 (0)	L:3 I:4 Score 12	L:2 I:4 Score 8	4 points	Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes	S. Biggs	↔	↔	The progressive procurement strategy has established a clear direction and priorities, focused on in-house delivery and social value. However, the underpinning operating model is fragmented and insufficiently robust, risking the delivery of key strategic outcomes as well as generating value for money and compliance risks and issues. A corporate review of the operating model is being mobilised and will deliver a strengthened approach during 22/23 and there is a stable outlook for the next 12 months.
12 (0)	L:3 I:4 Score 12	L:2 I:2 Score 4	8 points	Health and Social Care Integration - Insufficient capacity and resource to meet need	J. Everson	↑	↑	The Health & Social Care Integration White Paper published in February 2022. However, uncertainty about funding and how the model will work in practice remains and the risk trend remains increasing.
12 (0)	L:3 I:4 Score 12	L:3 I:3 Score 9	3 points	New Homes Programme delivery	M.Holdsworth	↔	↔	The acute supply chain disruptions due to Covid-19 have reduced although some unpredictability remains. The Council is working closely with contactors to monitor their supply chain risk management and the risk remains stable.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
10 (0)	L:2 I:5 Score 10	L:1 I:5 Score 5	5 points	Non-Recent Child Abuse – Failure to deliver support payment scheme	J. Everson	↔	↔	The support payment scheme was formally agreed by Executive in October 2021 and under development, including the establishing of performance arrangements and financial monitoring. The risk trend for the next 12 months remains stable.
10 (0)	L:2 I:5 Score 10	L:1 I:5 Score 5	5 points	Serious Health & Safety incident in housing (Including Fire Safety)	M.Holdsworth	↔	↔	The Fire Safety Act 2021 is coming into force in October 2022 and the Council is working on delivering an action plan to ensure compliance with the new requirements, as well as the upcoming Building Safety Act. Risk trend remains stable.
10 (0)	L:2 I:5 Score 10	L:1 I:4 Score 4	6 points	Serious H&S Incident (Occupational)	S. Biggs	↔	↔	Covid-19 risk has reduced and incorporated into business-as-usual precautions in the workplace for all infectious diseases. The Council is reviewing Health & Safety leadership and governance to strengthen the service. Risk trend remains stable with ongoing mitigation and monitoring in place.
10 (-5)	L:2 I:5 Score 10 (Previously 15)	L:2 I:5 Score 10	0 points	Safeguarding Children – Safeguarding practice and provision for children and young people are ineffective	J. Abbey	↔	↔	The complexity of need has increased overall, and the impact of Covid-19 has increased pressures on families. There are also pressures in the recruitment market. Despite this, staffing has consistently been at a level where we are able to respond appropriately to safeguarding concerns. Overall, this risk has reduced since the service returned to face-to-face contact when Covid-restrictions were removed and risk trend remains stable.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
10 (0)	L:2 I:5 Score 10	L:1 I:4 Score 4	6 points	Capital Programme slippage and/or delivery failure	The Corporate Management Board (individual Corporate Directors, as applicable, within the Corporate Management Board)	↔	↔	The Capital Programme has an expected spend over 3 years of £539 million. It has grown significantly and therefore slippage and delivery risks are increasingly material. New capital governance arrangements were introduced in 2020 and these will be refreshed during 22/23 including closer alignment between financial and programme monitoring. The risk trend remains stable.
9 (0)	L:3 I:3 Score 9	L:2 I:3 Score 6	3 points	Failure to respond consistently to increase in Domestic Violence Abuse	J. Abbey	↑	↔	The expected spike in cases due to lockdown in 2021 did not materialise, but there has been a steady increase in safeguarding referrals over the year, many which have an element of domestic violence. The trend has stabilised as the Council is well-resourced in this area and has capacity to respond to increase in cases.
9 (0)	L:3 I:3 Score 9	L:2 I:2 Score 4	5 points	Well managed workforce to deliver corporate priorities	D.Hodgkinson	↔	↓	HR policies and procedures have been reviewed and simplified to support management of this risk. Key actions are due to be completed in 2022 which will reduce the risk when embedded. The risk trend is therefore assessed as improving.
9 (new)	L:3 I:3 Score 9	L:2 I:2 Score 4	5 points	Effective IT Transformation and Resilience	D.Hodgkinson	-	↔	Consolidation of two previous risks (IT Delivery & Transformation, and IT Resilience). A number of IT projects are reaching completion in summer 2022 which will improve resilience. The risk trend is assessed as stable over the next 12 months.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
9 (0)	L:3 I:3 Score 9	L:2 I:2 Score 4	5 points	Change Programme Delivery	D.Hodgkinson	↔	↔	Monthly Transformation Board meetings ensure a continuous focus on strategy, accountability and impact of key strategic programmes. The risk remains stable.
8 (-4)	L:2 I:4 Score 8 (Previously 12)	L:2 I:2 Score 4	4 points	Pupil attainment gap - Systemic failure to promote attendance and quality provision and interventions	J. Abbey	↔	↔	Schools have continued the National Catch-up programme to support vulnerable pupils. Secondary schools have been issued guidance on GCSE and A level requirements for assessments in June 2022. In February 2022, new guidance was issued in line with the removing of national restrictions. A new strategy in being put in place to reduce covid impact on attainment and the risk trend continues to be stable.
8 (-4)	L:2 I:4 Score 8 (Previously 12)	L:2 I:3 Score 6	2 points	Failure to effectively respond and recover from critical incident as a service (organisational preparedness, resilience and business continuity)	K. Townsend	↑	↔	Islington has stepped down its emergency command structure for the Covid-19 response. The Emergency Planning Team is reviewing business contingency plans for services as well as developing bespoke plans for specific incident types. As the service has moved away from Covid-19 response and back to business as usual, the risk trend is assessed as stabilised.
6 (-6)	L:3 I:2 Score 6 (Previously 12)	L:2 I:2 Score 4	2 points	School viability and place planning - Failure to implement a coherent strategy for managing the demand of school places impact the pattern of provision and schools' viability	J. Abbey	↔	↔	Individual school balances have been in decline since 2019 caused by falling rolls, combined with increasing SEND and increasing cost pressures such as rising energy costs. A school organisation plan for 2022-2025 is in development and the outlook for the next 12 months is assessed as stable.

Current risk score (and change since the last report)	Current Score	Target Score	Difference between current and target score	Risk	CMB Risk Sponsor	Forward trend April 2021	Forward trend April 2022	Comment on risk trend
6 (0)	L:3 I:2 Score 6	L:2 I:2 Score 4	2 points	Serious fraudulent activity	D.Hodgkinson	↑	↔	The current score of a 3 likelihood (possible fraud) and 2 impact remains unchanged from the previous year. However, the risk trend has stabilised as the expected increase in fraud emanating from Covid grants did not materialise.

Appendix 5: Principal Risk detailed information and action plans (risk on a page)

Risk Information Risk Title – Financial Stability and Resilience	Risk Scores	Existing Controls				
<p>Risk - Significant overspends/budget gaps Cause – High inflationary pressures on pay and non-pay budgets (particularly energy costs), rising demand for council services (including COVID-19 legacy) and uncertainty around local government funding sources Consequence - Unable to set a balanced/robust budget and depletion of financial reserves Risk Update – The council is forecasting a net balanced budget position in 2021/22 and has recently set a balanced budget for 2022/23, with a significant budget gap to close over the medium-term outlook to 2025/26. The 2022/23 budget includes some provision for inflation being high in the short-term, based on the outlook in Autumn 2021. However, the cost-of-living crisis has significantly escalated in recent months and inflation is now forecast to be above the government’s 2% target rate for most of the MTFS period. The pandemic is expected to have a significant lasting impact on the council’s budget. The sales, fees and charges income compensation scheme has now ended, and the government has indicated that there will be no additional COVID-19 funding for local authorities in 2022/23. The medium-term local government funding outlook continues to be highly uncertain. The 2022/23 local government finance settlement is the fourth consecutive one-year settlement. It is largely a rollover of the 2021/22 settlement with additional, one-off funding to address immediate funding issues in the sector. In addition, there are potential government funding reforms on the horizon that could have a significant impact on council funding (although there would be transitional protections). The robustness of all MTFS assumptions is currently being reviewed in order to shape the new medium-term budget setting process from 2023/24 and the estimated new savings requirement.</p>	<p>Current Score: L:4 I:5 Target Score: L:3 I:5 Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> Developing the budget estimates is a council-wide process whereby estimates are worked up, challenged and refined as further information becomes available. It takes into account the most recent budget monitoring information and the latest assumptions, informed by financial modelling from external financial advisors. Savings to balance the budget have been reviewed and signed off as deliverable by key stakeholders across the organisation. The thoroughness of this process is a key source of assurance in determining that overall estimates in the budget (including contingency) are robust and that financial reserves, whilst needing to be further strengthened, are adequate. The council’s budget is underpinned by several key MTFS principles related to financial resilience. An initial self-assessment against the CIPFA Financial Management Code has been undertaken as part of the 2022/23 budget assurance work. This shows a high level of compliance against the vast majority of the CIPFA Financial Management Code statements of standard (or best) practice. The council’s recurrent budget includes £5m per annum for contingency pressure and £4m per annum replenishment of financial reserves. Directorates agree cash limited budget allocations and take responsibility for delivering a balanced budget unless a business case presenting an exceptional circumstance for contingency funding is agreed. The in-year financial monitoring position is reported to Corporate Management Board, the Executive and the Policy and Performance Scrutiny Committee (PPS) at regular intervals throughout the financial year. The council responds to government funding consultations and also lobbies through London Councils, the Society of London Treasurers and the LGA on key funding issues. 				
Action	Expected impact	Resources required	Owner	Due Date	Status	
Enhanced budget setting process in reflection of the likely scale of savings required to balance the budget over the medium term	Reduce likelihood	Staff	D. Hodgkinson	Ongoing	In progress	
Working group to consider energy purchasing strategy	Reduce likelihood and impact	Staff	D. Hodgkinson	Ongoing	In progress	

Risk Information Risk Title – Volatility in the energy market	Risk Scores	Existing Controls			
<p>Risk Volatility of energy market causing budget pressures for the Council, Schools and residents</p> <p>Cause Unpredictable global energy market, inadequate monitoring of energy prices and Council expenditure, unfavourable terms and conditions from energy providers, services do not adapt budgets and activities to meet pressure in energy expenditure.</p> <p>Consequence Significant overspend on Council budget, key projects and programmes scaled down, paused or cancelled, savings targets not met</p> <p>Risk Update: Wholesale energy commodity prices saw significant rises in the second half of 2021 with a rapid increase in September. Another large spike followed in December 2021, with prices rising to an all-time high in March 2022 as a result of the Russian invasion of Ukraine. As of 30 March, gas commodity prices were 540% higher than the 2021/22 purchases and the electricity commodity prices are 370% higher. The Energy Services team has developed a provisional purchasing strategy for the remainder of 2022/23 to manage risk. Consideration will also be given to a purchasing strategy for 2023/24, although the situation on long-term price changes may not become clear until the end of the Ukraine conflict. A range of activities is taking place to reduce energy consumption to directly reduce financial impact, including looking at the most efficient way to run council and school buildings (heating, lighting and air conditioning systems). Some of the mitigation measures will require behaviour change from staff, which, if made permanent, will reduce the council's future energy demand and costs. In the short term, site managers for council buildings and schools have been asked to review and reduce energy consumption. In the longer term, the council is planning a set of feasibility studies for all corporate buildings with a gas supply to identify how to decarbonise the buildings.</p>	<p>Current Score: L: 4 I: 5</p> <p>Target Score: L: 3 I: 4</p> <p>Gap to target: L: 1 I: 1</p>	<ol style="list-style-type: none"> 1. Weekly meetings of the Energy Risk Management Committee (ERMC) to review current market and take informed decisions on energy purchasing. 2. A temporary weekly Energy Steering Group has been created, attended by service and corporate directors and finance and energy teams. 3. Daily monitoring and reporting on energy market. The council receives market intelligence daily as well as having access to live market prices through the balancing and settlement system Elexon. 4. Electricity purchase on a quarterly basis 5. Gas purchased on a monthly basis 6. Approval process for trades in place, with ERMC making a recommendation on the prices and period to purchase at to the Corporate Director for Environment, who then gives approval to proceed to purchase at or below the level agreed. 7. Provisional purchasing strategy for the remainder of 2022/23. 8. Sessions run by the Energy Services team to provide advice for site managers of both council buildings and schools on energy efficiency. 9. Annual monitoring and targeting visits and reports produced by Energy Services team 10. Develop communications plan to encourage staff to minimise energy use in Council buildings. 11. Detailed monitoring of smart meters in council buildings 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Deliver purchasing strategy for 2022/23	Reduce overall score	Staff	K. Townsend	April 2022	In progress
Accelerate installation of smart meters in Council buildings	Reduce overall score	Staff	K. Townsend	Ongoing	In progress
Building managers of the sites responsible for 80% of electricity/gas use asked to develop actions to reduce energy consumption	Reduce overall risk score	Staff	K. Townsend	Ongoing	In progress

Risk Information Risk Title – Financial Resilience of Residents	Risk Scores	Existing Controls			
<p>Risk – Failure to appropriately support residents to be financially resilient</p> <p>Cause - Government policy, global events, recovering from the Covid-19 pandemic, wider economic environment.</p> <p>Consequence - Vulnerable residents fall into significant new financial hardship. Evictions/homelessness may increase. Declining physical/emotional wellbeing of residents. Arrears/economic hardship may increase the debt position towards the Council, reducing ability to fund services.</p> <p>Risk Update – As we emerge from the Covid-19 pandemic, central government key Covid-19 support funding is coming to an end. Global uncertainty is adding to an already difficult financial outlook meaning that looking at the next few years ahead the cost-of-living crisis appears here to stay. All of this combined presents challenges for residents to remain financially resilient. We have developed a number of Economic Wellbeing workstreams to support residents during these challenging times to help them improve their financial resilience. These workstreams cover:</p> <ul style="list-style-type: none"> -Crisis Support – Utilising RSS funding to provide support for residents in severe financial hardship -Using this as a lever to signpost / refer to wider support -Maximising the use of hardship funding across the borough – both LBI and VCS -Administering government grants effectively to support vulnerable residents -Income maximisation - Ensuring low-income households access the support they are entitled to -Creating an integrated benefits and assessment team -Managing household finances – Exploring opportunities for joined up debt management approach -Communicate ways households can build up some financial resilience <p>There have been a range of benefit changes and government grants that impact our low-income households. The increased standard allowance in universal credit during Covid-19 has now been removed. The latest government grants are an extension of the Household Support Fund for LA's to help vulnerable households and the council tax energy rebate.</p>	<p>Current Score: L:4 I:4</p> <p>Target Score: L:3 (-1) I:3</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. Residents Support Scheme provides a safety net covering crisis awards, community care awards (household goods), discretionary housing payments and council tax welfare for severe financial hardship. 2. Data led approach to making pro-active contact with cohorts of residents who appear entitled to additional benefits. 3. Benefit take-up campaigns. 4. Council Tax Support policy provides support to low-income households. Help for working age households increased for 22/23. 5. A claim for universal credit is treated as a claim for council tax support. 6. Co-ordinated cross council approach to working our partners to support residents, including partnership work with voluntary sector to provide access to employment advice and access to food banks for residents in need. 7. Updated communications to make residents aware of money advice. 8. Government hardship grants distribution. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Fully utilise Residents Support Scheme funds to provide a safety net to low-income households	Reduce impact	Staff/IT	S. Biggs	Ongoing	On track
Launch further benefit take up campaigns to maximise residents' income	Reduce impact	Staff/IT	S. Biggs	Ongoing	On track
Implement changes to Council Tax Support Policy for 2022/23	Reduce impact	Staff/IT	S. Biggs	April 22	On track
Explore options for improving residents' financial resilience	Reduce impact	Staff/IT	S. Biggs	Ongoing	On track
Distribute Government grants including Household Support Fund and Council Tax Energy Rebate to those most in need	Reduce impact	Staff /IT	S. Biggs	Ongoing	On track
Review residents' access to advice and information to help them plan and improve their financial situations	Reduce impact	Staff/IT	S. Biggs	Ongoing	On track

Risk Information Risk Title – Covid-19 Outbreak Control	Risk Scores	Existing Controls			
<p>Risk – Significant future wave/s of Covid-19 cause harm to local communities.</p> <p>Cause – Outbreak control infrastructure and capacity removed or stepped down which could hamper local response (Public Health and Environmental Health, Communications). Insufficient regional capacity (UK Health Security Agency (UKHSA) - first line response to most outbreaks). Lack of engagement/adherence to measures that help reduce risk - PH guidance/advice or lower uptake of vaccinations.</p> <p>Consequence - Failure to (a) respond rapidly enough to emergence of a significant new variant; or (b) identify/manage significant local outbreak/s and implement sufficient associated activities, communications and interventions that keep our communities safe and well, leading to a distributed outbreak in the community, and possibly further restrictive measures. Possible reputational damage for LBI. Potential for further disproportionate impacts across our most vulnerable communities.</p> <p>Risk Update – Many national mechanisms to manage Covid-19 outbreaks removed by end of March 2022, including access to symptomatic and non-symptomatic testing for the general population, the national contact tracing service and the legal requirements to self-isolate. Resources for the Council’s public health response has been tapered down but could be stepped up again if required. We are maintaining local support to residential care settings and SEN settings. In the event of another wave the priority concerns would be (a) our vulnerable settings which are relatively small in numbers, (b) the older and clinically vulnerable in the community, where vaccination and rapid access to anti-virals will be important interventions; and (c) general community advice, guidance and communications on staying safe. Spring boosters for people 75 and over, people in residential care settings and aged 12 and over who are clinically vulnerable are being rolled out. Uptake of vaccinations in the borough is steadily improving but there are still around 40,000 residents who had not been vaccinated. The Council has successfully bid for a £485k investment in hyper-local targeting of communities where vaccination rates are lower to encourage and support on-going access, which runs until summer 2022. The vaccination structure – which is primarily the responsibility of the NHS - has been tapered down but could be stepped up if required. There is still substantial uncertainty over the next 12-18 months, including around potential new variants, how covid might interact alongside a significant flu season and if a further round (or rounds) of vaccinations will be needed. Even in the event of another wave of the pandemic, unless there was a dramatically different and large mutation, the risks are likely to be lower than in previous waves due to cumulative levels of immunity in the community.</p>	<p>Current Score: L:3 (-1) I:5</p> <p>Target Score: L:3 I:5</p> <p>Gap to target: L:0 I:0</p>	<ol style="list-style-type: none"> 1. Control measures are incorporated into existing control arrangements for similar risks and hazards. 2. Outbreak Control Board – which can be convened, if or when needed 3. The Outbreak Prevention and Control plan sets out how we will effectively respond to outbreaks, protect the vulnerable and general community, and support the management of cases in complex settings. The scope and content of the Plan will be reviewed in the light of changed national and regional arrangements. 4. Outbreak Prevention and Control activities supported by available data and intelligence, kept under review. 5. There is a local vaccination steering group involving the NHS, the Council and VCS partners, which helps support the roll-out and uptake of vaccinations There is data and intelligence to inform planning and an agile response to the promotion and uptake of the vaccine. 6. There is local guidance and toolkits for schools and care homes to use in managing infection risk. 			
<p>Action</p>	<p>Expected impact</p>	<p>Resources</p>	<p>Owner</p>	<p>Due Date</p>	<p>Status</p>
<p>Continue to provide targeted support to vulnerable settings</p>	<p>Reduce L&I</p>	<p>Staff</p>	<p>J. O’Sullivan</p>	<p>Ongoing</p>	<p>In progress</p>
<p>Continue to work with partners to promote uptake of vaccination</p>	<p>Reduce L&I</p>	<p>Staff</p>	<p>J. O’Sullivan</p>	<p>Ongoing</p>	<p>In progress</p>
<p>Review the Outbreak Management Plan to respond to a potential further infection wave/s during 2022/23</p>	<p>Reduce L&I</p>	<p>Staff</p>	<p>J. O’Sullivan</p>	<p>Ongoing</p>	<p>In progress</p>

Risk Information Risk Title – Cyber and Data Security	Risk Scores		Existing Controls		
<p>Risk - Process Control Networks and/or Critical Information Assets may be compromised</p> <p>Cause - Computer-based unauthorised access or malicious modification of code</p> <p>Consequence - Denial of Service, data breach, reputational damage, disruption of service(s)</p> <p>Risk Update - We continue to review and enhance our Cyber and Data Security approach, including:</p> <ul style="list-style-type: none"> • An uplift in our Cyber defences • Enhanced implementation of two factor Authentication with expiry. • Geo fencing to reduce offshore attacks • Operating system upgrade programme (PSN Certification achieved) • IT system health-checks • Backup system replaced • Implementation of AppLocker to prevent malicious code execution • Staff training and awareness of cyber security • Upgrading IT infrastructure and controls <p>The situation in Ukraine is expected to lead to a further rise in malicious cyber activity. The Council is continuing to improve cyber resilience to mitigate this threat.</p>	<p>Current Score: L:3 I:5</p> <p>Target Score: L:3 I:3</p> <p>Gap to target: L:0 I:2</p>	<ol style="list-style-type: none"> 1. Islington council has all of the normal cyber security controls expected on an organisations network. Such as access controls, computer controls, anti-virus controls, email and web filtering, firewalls, Denial of service protection, backup controls. 2. These controls are supported by processes such as service delivery, change control processes, technical design processes which are operated by IDS personnel. Together these manage the organisations cyber security risk. 3. These controls are regularly monitored, tightened and improved to deal with the changing levels of threat. 4. Data (at-rest) on PC's is protected by encryption (MS BitLocker) and data exchanged between PC's WFH and the council's network is protected by VPN/TLS (in-transit) encryption. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Procurement of a new Security Incident & Event Monitoring management service (SIEM)	Reduce Impact	Staff	D. Hodgkinson	Summer 2022	In Progress

Risk Information		Risk Scores	Existing Controls		
Risk Title – Diversity and Inclusion					
<p>Risk - Failure to attract and retain the diverse talent we need at every level of the organisation to deliver our services</p> <p>Cause - Low turnover resulting in limited opportunities for progression No management or leadership programmes in place to support progression No mentoring schemes in place. Lack of resources to deliver the required strategic approach to workforce planning. Lack of engagement by some directorates in apprenticeship programmes. Limited use of social media and modern attraction mechanisms. Inexperienced and non-diverse panel members</p> <p>Consequence - We will be unable to realise the benefits of a diverse and inclusive workforce in shaping and delivering our services.</p> <p>Risk Update - Turnover has been low as a result of Covid-19, providing limited opportunities for progression. Workforce planning has been built into new HR structure. The SLT restructure has presented an opportunity to recruit to 10 senior posts. We have refreshed our recruitment policy, procedure and approach including social media strategy and progressed the Develop Diverse Recruiter's Scheme to include question banks around CARE values and training for panel members. We have completed Cohort 1 of the Islington Management Diploma, Leadership programme and Management Modules for existing/aspiring managers and Cohort 2 is in progress.</p>		<p>Current Score: L:3 I:4</p> <p>Target Score: L:2 I:3</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. The new 'Challenging Inequality Programme now has a formulated workstream on 'Islington as an Employer' which includes a range of measures to improve equality, diversity and inclusion. The Programme Board ensures that workstreams remain on course with their action plans. This monthly meeting has robust governance and a clear focus. 2. The Public Sector Equality Duty (PSED) and Gender Pay Gap reports will incorporate an annual workforce equality plan. Both are reported annually to the Council's Audit Committee. 3. The Corporate Management Board is now in receipt of quarterly HR reports including information in relation to equalities in order to monitor progress. 4. DMTs review staff data on a monthly basis in order there is greater focus on monitoring equalities within departments. 5. Internal first approach and diverse panels 6. Cultural Competence Training in place 		
Action	Expected impact	Resources required	Owner	Due Date	Status
Deliver the Islington as an Employer workstream	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	Ongoing	On track
Develop Islington's employer brand and employee value proposition	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	September 2022	In progress
Develop talent strategy	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	September 2022	In progress
Review current rewards and benefits	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	September 2022	In progress

Risk Information Risk Title – Youth crime and serious youth violence	Risk Scores	Existing Controls			
<p>Risk - Increased incidents of youth crime and serious youth violence impact on the council's ability to respond adequately. A perceived failure to respond adequately to/prevent crime involving young people, despite extensive investment in services & well publicised plans.</p> <p>Cause - Early childhood trauma, disrupted attachment may lead to children unable to self-regulate; therefore, more likely to offend. Contextual factors e.g. living in high crime neighbourhoods, poverty and discrimination. Interventions are not sufficiently tailored or impactful.</p> <p>Consequence - Media coverage contributes to fear of crime, negative attitudes towards young people compounding the issues they face. More young people in criminal justice system and disproportionate impact on BAME communities</p> <p>Risk Update - The decreasing trend in serious youth violence and knife crime continues across London and in Islington. But the severity of cases is still prevalent. Organised crime groups are becoming more sophisticated in how they exploit young people. Implementation of the Youth Safety Strategy is progressing well and there are biannual reports on progress, the next one due in April 2022. Islington data compares favourably against national figures on youths in custody and reoffending but higher than average for first time offending. The overall risk profile has reduced in the last year based on the progress made so far on the Youth Safety Strategy, the funding increase for the service, and the Council's new youth offer. External factors for this risk remain challenging.</p>	<p>Current Score: L:3 (-1) I:4</p> <p>Target Score: L:3 I:3</p> <p>Gap to target: L:0 I:1</p>	<ol style="list-style-type: none"> 1. Youth Safety Strategy 2020-25, focused on protecting our children and young people from violence, abuse and exploitation. It includes a comprehensive partnership action plan that is overseen by the Youth Safety Delivery Group to keep track of progress and drive improvements, hand-in-hand with community partners and statutory organisations. The strategy builds upon our practice models especially the trauma informed approach and is based on our own academic research about 'what works'. There is robust monitoring in place of this multi-agency strategy, with quarterly monitoring on strategy metrics and targets and also monitoring against national data sets. 2. The Violence Reduction Unit (VRU) Parental Support project in Islington and Camden extended until March 2022. 3. VRU used to sustain the Transition to Secondary school project. and to now supporting families affected by child to parent violence 4. The Met Police Violence Suppression Unit (VSU) dealing with high harm offenders and groups with covert operations continuing. 5. Co-location of 2 police officers in Community Safety & ASB teams ASB early warning system to collect information on emerging issues that are shared with our partners. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Implementation of the Youth Safety Strategy	Reduce impact and likelihood	Staff	J. Abbey	Ongoing	In Progress

Risk Information Risk Title – Serious information breach or non-compliance with legislation	Risk Scores	Existing Controls			
<p>Risk - The Council does not keep sensitive and/or personally identifiable information secure</p> <p>Cause - Non-compliance with policy and procedures,</p> <p>Consequence - Fine, Reputational Damage, risk to individuals, further legal action</p> <p>Risk Update –</p> <p>The council has reported five data breaches to the ICO since the last risk update. All were closed with no further action as the ICO were satisfied with the mitigating actions taken and that there was no evidence of wider systemic failures.</p> <p>There is further regulatory change around data protection on the horizon. The government launched a consultation on proposed changes in September (closing in November). The findings of this have yet to be released but it's anticipated that there will be some changes to the law.</p> <p>Updated video training was issued to all staff over MetaCompliance during the last financial year.</p> <p>The council has a network of Information Asset Owners (IAOs) who are members of SLT and accountable for ensuring that any risks to their information is well managed. Over the last year the Information Governance Team have strengthened our communication with this group and meet with each IAO and their Information Leads on a quarterly basis.</p> <p>The council is in the process of implementing a system called Corestream to manage the UK GDPR mandatory paperwork such as data protection impact assessments. This will support the council's compliance with UK GDPR and make it easier for the council to demonstrate compliance.</p>	<p>Current Score: L:3 I: 4</p> <p>Target Score: L:3 I:4</p> <p>Gap to target: L: 0 I: 0</p>	<ol style="list-style-type: none"> 1. The Information Governance Board is in place to ensure that the SIRO receives assurance that the council is managing all information risks and complying with legislation. The Board also reviews any new risks to compliance – both DP and FOIA. 2. Timeliness of FOIs and SARs – this continues to be monitored – and action is taken in areas with low compliance to identify what support may be required. 3. Monitoring of ICO guidance – ongoing 4. Embedding of the accountability principle – this continues 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Create new Information Governance Strategy and associated action plan that ensures a continuous programme of improvements in terms of compliance with our legal obligations.	Reduce overall risk score	Staff	D. Hodgkinson	End June 2022	In Progress
Implement open data strategy so that members of the public are able to access information more efficiently. The council will publish a schedule of when information will be published to support this.	Reduce overall risk score	Staff	D. Hodgkinson	Sep 2022	In Progress

Risk Information Risk Title – Social Care Market Instability	Risk Scores	Existing Controls			
<p>Risk - Significant provider failure/ withdrawal of providers</p> <p>Cause - Financial strains causing providers to withdraw from the market</p> <p>Consequence - Safeguarding risks to individuals, Financial.</p> <p>Risk Update – During surges of the COVID-19 pandemic, regular weekly reporting to both ASC Silver and LBI GOLD meetings have taken place to update on the position with regards in particular to the care home and domiciliary care providers. Regular Communication arrangements have been in place to keep in touch with providers and identify any potential issues that may arise. Contract monitoring has been taking place despite access issues, virtual visits have enabled visual contact and review where appropriate to be maintained. Face to face visits have recommenced. Increase cost of energy, LLW and inflation may increase provider instability and costs to the Council.</p>	<p>Current Score: L:3 I:4</p> <p>Target Score: L:2 I:3</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. We are working with the provider market to ensure as wide a range of providers as possible to reduce the risk of adverse impact if providers withdraw from the market, this has seen a significant increase in spot providers, particularly in the domiciliary care market. Providers have been supported financially through recruitment and retention grants which has supported their sustainability and ability to flex to meet additional responses that COVID has required. 2. We have worked across NCL to secure additional care home capacity at times of increasing pressure (winter and surges). 3. We have regular provider forums and have increased opportunity to have 1:1 discussions with providers during the Covid-19 pandemic so concerns and risks can be addressed quickly. 4. Impact of increases in energy costs, LLW and inflation will be partially offset by Fair Cost of Care Grant 5. We have contingency plans in place to manage either provider failure or provider withdrawal from the market. 6. We are currently reviewing our existing model of homecare with a view to developing a new, more sustainable local offer that could improve quality for both recipients of care and paid carers. 7. There are a number of workforce initiatives underway across Islington and North Central London to promote social care careers and workforce development. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Monitoring of the local and national provider market	Reduce Likelihood	Staff	J. Everson	Ongoing	In progress
Collaboration across North Central London with local authority and NHS colleagues to support the social care market and workforce.	Reduce Impact	Staff	J. Everson	Ongoing	In progress

Risk Information Risk Title – Delivering Net Zero Carbon	Risk Scores		Existing Controls		
<p>Risk - Not achieving the declared net zero carbon target (by 2030) due to a reliance on Central Government policy and funding and scale and availability of external and external funding required.</p> <p>Cause - Lack of supportive national policy and funding for decarbonisation; Lack of organisational commitment to deliver the NZC ambitions; Resource and/or funding constraints (access to external funding) to deliver the Net Zero Carbon Strategy; Lack of influence over key stakeholders (local/national)</p> <p>Consequence - Reputational risk of failing to meet net zero carbon target; unsatisfactory reduction in the levels of carbon emissions; poor air quality impacting on residents' health and wellbeing; and impacts our ability to alleviate fuel poverty, particularly for vulnerable residents.</p> <p>Risk Update: The net zero carbon programme is progressing well, with eight delivery work streams, each headed by a service director and supplemented with work stream leads. The dedicated programme delivery team is now in place with a Director, a Head of Service, two strategic business managers, a programme support officer, a communications officer, a green economy officer, an officer for housing and buildings, and a finance officer. A planning officer and officer for transport are to be recruited. A communications and engagement strategy is in development, which will be a critical component to encourage residents and businesses to take action to reach the carbon target. In October 2021, the Council held a Climate Festival in collaboration with local community groups to build engagement in the community. The Council has commissioned University College London to conduct a piece of work to establish the cost of retrofitting all buildings in the borough. We continue to seek external funding for carbon reduction initiatives (e.g. install double glazing, insulation). The first annual report on progress against the Net Zero Strategy is due in June 2022. The current and expected increases in fuel prices will increase carbon cost and could result in accelerate progress towards renewables.</p>	<p>Current Score: L:4 I:3</p>	<p>Target Score: L:2 I:3</p>	<p>Gap to target: L:2 I:0</p>	<ol style="list-style-type: none"> 1. Net Zero Strategy and implementation programme in place. 2. Quarterly Net Zero Carbon (NZC) executive board meetings in place to provide strategic oversight, escalation, approvals and reporting. 3. Alignment and interface between the NZC exec board and the Housing delivery board. 4. Monthly net zero carbon programme board meetings to report on progress; manage risk, issues and dependencies across the programme. 5. Delivery of a cycle of presentations on NZC themes at the scrutiny committee meeting to provide oversight, engagement and reporting. 6. The Council is the lead authority on the Renewable Power work stream on the London Councils climate change programme – opportunity to influence at the regional level 	
Action	Expected impact	Resources required	Owner	Due Date	Status
Develop a community communications and engagement plan	Reduce Likelihood	Staff/Budget	K. Townsend	July 2022	In progress
Strategic review of carbon offset funding, and development of a broader financial strategy that will support and contribute to the delivery of priority requirements for the programme	Reduce Likelihood	Staff	K. Townsend	Ongoing	In progress
Benefits realisation framework under development to enable effective impact monitoring (carbon monitoring and other KPIs) for the programme	Reduce Likelihood	Staff/Budget	K. Townsend	July 2022	In progress
Deliver London wide work-plans in our role as lead authority for Renewable Power on the London councils climate change programme	Reduce Likelihood	Staff	K. Townsend	Dec 2023	In progress

Risk Information Risk Title – Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes	Risk Scores			Existing Controls	
<p>Risk – Procurement and commissioning operating model not sufficiently robust and strategic to fully realise the Progressive Procurement Strategy 2020/27. The operating model may not be fit-for-purpose and is not in line with the centralised approach to Category Management, dealing with procurement and supply issues within the Progressive Procurement Strategy 2020/27, meaning potential:</p> <ul style="list-style-type: none"> • Not realising maximum value for money for the Council or savings from a corporate level of control • Risk to delivery of key Council priorities agreed by members in terms of community wealth building, inclusive economy, social value, fairness etc. • Significant contractor failure/contractors failing to deliver within the agreed parameters (Quality, cost and schedule) <p>Cause - Ineffective/Non-compliance with corporate contract management procedure and/or contractual terms</p> <p>Consequence - Service disruption, reduced quality of service, additional financial burden, reduced social value</p> <p>Risk Update - We continue to implement the progressive procurement strategy 2020/27, with contract management as a major focus. Capacity in the team has been increased through centralisation. Two senior members of specialist staff cover supply relationship and assurance management. The Heads of Strategic Category Management progress setting strategies and direction with commissioning service departments. The Head of Delivery and Performance role maintains the operational support functional delivery of procurement and supply at the centre, including some contract management. The Council has engaged external training providers to deliver contract management training to staff as a strand of the procurement strategy. We have completed the first year of the training programme which will increase internal capabilities of contract management to improve standards and strengthen the devolved model. The training programme will run throughout the strategy period end in 2027. It is a challenging environment for providers in a post-covid world with rising inflation and increasing costs and the Council continues to monitor suppliers' viability and ability to deliver within the agreed parameters.</p>	Current Score: L:3 I:4 Target Score: L:2 I:4 Gap to target: L:1 I:0			<ol style="list-style-type: none"> 1. Keeping guidance under constant review and improvement. 2. Commissioning and Procurement Board for overarching direction and Supply Chain Practitioners Group for knowledge sharing 3. Reviewing the operating model regularly with a push for greater control of contract management through a central category management model. 4. Staff training on procurement and contract management 5. Conducting drop-in sessions – social value in contract management 	
Action	Expected impact	Resources required	Owner	Due Date	Status
Continue to deliver the implementation plan for the progressive procurement strategy	Reduce Likelihood	Staff	S.Biggs	Ongoing	In Progress
Reviewing category management and working practice to assess quality of end-to-end processes from start to end of a contract and benefits of more a centralised approach.	Reduce Likelihood	Staff	S.Biggs	Ongoing	In progress

Risk Information Risk Title – Non-Recent Child Abuse	Risk Scores	Existing Controls			
<p>Risk - Failure to adequately plan and deliver the Support Payment Scheme and resilience/recovery support for survivors could affect delivery of services or have a significant financial impact</p> <p>Cause - Practical support offer does not meet the needs of survivors. Failure to accurately plan, quantify, administer and monitor the support payment scheme.</p> <p>Consequence - Decline in the health and wellbeing of survivors. Expenditure exceeds budget for the support payment scheme. Reputational and political damage</p> <p>Risk Update: Support payment scheme proposal agreed by Council Executive Implementation of the Support Payment Scheme due to launch in Spring 2022. Review of resilience and recovery support for survivors initiated.</p>	<p>Current Score: L:2 I:5</p> <p>Target Score: L:1 I:5</p> <p>Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> Existing practical support offer in place which encompasses trauma counselling, specialist advice, support and assistance for care, housing, appropriate welfare benefits, access to further education and suitable employment and support to access to care records. Established relationship, and liaison, with the Islington Survivors Network and other groups who support survivors. Programme governance in place to plan and monitor the full support offer survivors of non-recent child abuse including the approved Support Payment Scheme. A full support offer has a practical support element, a financial element and recognition and acknowledgement by the council of the abuse suffered to helps survivors to heal and to move forward from their experiences. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Implement a support payment scheme that balances survivors' feedback and the council's legal and fiduciary duties.	Reduce Likelihood	Staff/Finance	J. Everson	Spring 2022	In Progress
Establish performance arrangements for the support payment scheme and practical support that is regularly monitored by the NRCA Strategic Board. This will also include financial monitoring.	Reduce Likelihood	Staff/Finance	J. Everson	Spring 2022	In Progress
Practical support offer reviewed with survivors to ensure that it reflects emerging needs.	Reduce Likelihood	Staff	J. Everson	July 2022	In Progress

Risk Information Risk Title – Serious Health and Safety Incident in Housing	Risk Scores	Existing Controls				
<p>Risk - Serious Health and Safety incident in the Council's housing stock Cause - Non-compliance with statutory duties /regulations Consequence - Multiple fatalities Risk Update - Front door upgrade/replacement programme was delayed due to the pandemic but have been progressed in the last 12 months. The pilot on inter-linked alarms was successfully completed and the full project is being rolled out this summer and due to complete in 2023. The Fire Safety Act 2021 is coming into force in October 2022 and the Council is working on delivering an action plan to ensure compliance with the new requirements, as well as the upcoming Building Safety Bill. In 2021, PWC conducted an audit of asbestos management across the council which resulted in some actions for housing.</p>	<p>Current Score: L:2 I:5 Target Score: L:1 I:5 Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> 1. Homes & Estates Safety Board provide challenge. 2. Ongoing delivery of Fire Safety Action Plan 3. Ongoing Fire Risk Assessment programme, with annual cycle for tall buildings with 'tolerable' rating (rather than every 3 years as per regulations – commitment given post-Grenfell). 4. Fire Risk Assessments for all 126 tall blocks have been completed and published online for transparency. 5. Liaison with the Ministry of Housing, Communities and Local Government and London Councils on emerging resident safety issues. 6. Housing Directors Fire Safety Sub-Group – monthly meeting to review actions, include senior staff from the London Fire Brigade (LFB) and Department for Levelling Up, Housing and Communities 7. Cyclical testing for electrical, lightning, legionella and construction risks remains on track. 8. Responsive testing service for asbestos containing materials (ACMs) in place. 9. Moving all areas relating to building safety under new Head of Service post to improve oversight and management of risk. 				
Action	Expected impact	Resources required	Owner	Due Date	Status	
Continue liaison with Department for Levelling up, Housing and Communities and London Fire Brigade	Reduce Likelihood	Staff	M. Holdsworth	Ongoing	In progress	
Project to roll out inter-linked alarms in street properties	Reduce Likelihood	Staff	M. Holdsworth	June 2023	In progress	
Deliver programme of work to ensure compliance with Fire Safety Act 2021 and Building Safety Bill	Reduce Likelihood	Staff/IT	M. Holdsworth	April 2023	In progress	
Implement actions from asbestos audit	Reduce Likelihood	Staff	M. Holdsworth	April 2023	In progress	

Risk Information Risk Title – Serious Health and Safety Incident (Occupational)	Risk Scores	Existing Controls			
<p>Risk - Serious Health and Safety Incident Cause - Non-compliance with policies or procedures Consequence - Life-changing injury, fatality, compromising the health, safety and wellbeing of workforce, service users or public, potential enforcement action. Risk Update - 2021 asbestos management audit has been completed and the team is following up on recommendations. Whilst most Covid-19 restriction has been lifted in people’s private life, Health and Safety regulations about precautions in the workplace continue to be applicable for all infectious diseases, alongside other relevant hazards. As services returned to normal face to face operations, health and safety incidents have increased to expected levels given the size of the organisation and the extent of hazards involved in delivering services. We have seen a slight increase in incidents involving the general public and service users against Council employees. Mental health and staff wellbeing is coming through as the longer-term consequence of the pandemic. HR is leading on proactive work on wellbeing with support from H&S team. The team will continue to conduct a rolling programme of compliance audits and the Auditing Plan will be expanded to include all services. Review British Safety Council gap analysis completed in May 2019 to inform the audit plan above and implement relevant recommendations. Health and Safety leadership and governance is currently under review to ensure a fit for purpose service.</p>	<p>Current Score: L:2 I:5 Target Score: L:1 I:4 Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. Regular reviews of Corporate Health and Safety policy and other Health and Safety policies. 2. Auditing plan to monitor compliance with H&S policies. 3. Health and Safety training included in corporate induction for new starters. Role specific training provided by services with support from Corporate Health and Safety Team. 4. Annual health and safety performance report to CMB. 5. Schools which have a service level agreement with H&S Team are supported by corporate health and safety and regularly audited. 6. Ongoing joint work with Public Health and HR to support managers and services (place, physical and mental wellbeing). 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Implement recommendations from asbestos audit	Reduce Likelihood	Staff	S. Biggs	Aug 2022	In progress
Deliver expanded 3-year (2022-25) H&S audit plan with annual reviews	Reduce Likelihood	Staff	S. Biggs	April 2023 (next review)	Started

Risk Information		Risk Scores	Existing Controls			
Risk Title – Safeguarding Children						
<p>Risk Safeguarding practice and provision for children and young people are ineffective to current and new familial and extra familial risks</p> <p>Cause Non-compliance with procedures, safeguarding practice and provision for children and young people are ineffective to current and new risks, lack of suitable trained and recruited staff, increase in demand</p> <p>Consequence Significant harm to a child(ren), death of a child</p> <p>Risk Update: The complexity of need has increased overall, and the service has also seen an increase in demand in certain areas. A particular challenge since end of 2021 has been to meet the needs of increasing numbers of unaccompanied children. There have been significant delays in court proceedings meaning children have stayed in care for longer and the lack of certainty about their permanent family could be emotionally harmful. This is now easing with the courts functioning again. Covid-19 and Brexit has caused pressure in the recruitment market, creating difficulties in staffing residential care homes adding to the already concerning placement sufficiency situation. The impact of Covid-19 has created increased pressures on families which is manifesting in increasing levels of poverty, increasing cases of domestic violence, mental health and contextual safeguarding risks. Staffing has consistently been at a level where we are able to respond to safeguarding concerns and comply with procedures. Overall the likelihood of this risk materialising has reduced since the service returned to BAU face to face contact when Covid-restrictions were removed.</p>		<p>Current Score: L:2 (-1) I:5</p> <p>Target Score: L:2 I:5</p> <p>Gap to target: L:0 I:0</p>	<ol style="list-style-type: none"> 1. Robust Quality Assurance and monitoring processes in place. 2. Training and development processes in place which give ongoing assurance regarding quality of work and adherence to legal framework 3. Workforce strategy in place. 4. Close liaison with family courts to ensure cases which can be heard progress to final hearing, so children are afforded permanency. 5. Placements sufficiency strategy (additional resources in our placement team and working regionally to devise solutions). 6. Increased mental health and clinical support in care leaving service for UASC children (unaccompanied). Specialist UASC project officer. 			
Action	Expected impact	Resources required	Owner	Due Date	Status	
Children looked after transformation	Reduce likelihood and impact	Staff/Finance	J. Abbey	Ongoing	In Progress	
Working locally, regionally and nationally to alleviate the lack of care placements.	Reduce Likelihood	Staff	J. Abbey	Ongoing	In Progress	

Risk Information Risk Title – Safeguarding Adults	Risk Scores	Existing Controls				
<p>Risk - Failure to fulfil our statutory obligation to identify or respond to significant preventable harm to adults at risk of abuse</p> <p>Cause - Provider Failure, significant provider concerns around quality of care, Non-Compliance with procedures, inadequate IT systems.</p> <p>Consequence - Risk to Individual, Reputational. Financial.</p> <p>Risk Update – We have continued production of additional guidance to assist staff to carry out safeguarding duties with confidence. We have created a quality assurance process for all packages of care and placement decisions. In order to join up between areas of shared concern during COVID for adults and children’s services we have utilized partnership meetings. Spot Provider Monitoring Calls are taking place to ensure providers have wrap around support during COVID. Social Work Teams and in house services continue to proactively check on people who are known to be particularly vulnerable. Ethical Framework is being promoted to all professionals to increase practice that is respectful, proportionate, collaborative, and person-centred and seeks to minimise harm. Additional support is now available for social workers responding to complex and high-risk domestic abuse concerns across adults and children’s services. Daily Safeguarding meetings have commenced in January, these replace the monthly MARAC (multi-agency risk assessment conference) meeting and have produced significantly better outcomes for vulnerable victims of DV who no longer need to wait up to a month for their case to be heard and protection plans to be implemented. All Safeguarding Investigations now have to go to a closure panel to ensure appropriate closure and all decisions are scrutinised via an audit process.</p>	<p>Current Score: L:3 I:4</p> <p>Target Score: L:2 I:4</p> <p>Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> 1. Adult Social Care and the Safeguarding Adults Board are represented at the Safer Islington Partnership, Islington Safeguarding Children’s Board, MARAC Steering Group, VAWG Board, Community Safety Partnership Board and PREVENT 2. We are working with providers to help viability. 3. Continuous cycle of placement reviews and frequent case audits. 4. Practitioner forums 5. Partnership Board, this has helped us to improve our joint working and strategic decision making. 6. Monthly Meeting with those involved in registered care settings including partners in health, CQC and Healthwatch - Early-stage intervention and escalation. 7. Quality Assurance Framework for Adult Safeguarding is being incorporated into a new department wide Quality Assurance Framework 8. Safeguarding Adults procedure and relevant ADASS guidance in place. 9. Interactive training for staff on implementing the Mental Capacity Act and Safeguarding Adults in practice <p>Covid-19 controls</p> <ol style="list-style-type: none"> 1. Additional support from paid advocates in care homes where their relatives usually provide advocacy, this has brought significant additional reassurance for relatives who have been unable to visit their loved ones. 2. We have produced a range of information/ guidance for staff and are delivering video-based practice clinics to support social workers undertaking safeguarding enquiries. We enhanced support for providers including having daily briefings, supplying PPE and Coordinating of Deliveraid for care home staff to receive hot meals. In response to the impact of vaccinations and infection control measures we are reviewing our contact arrangements to provide direct contact where it safe and reasonable to do so, this will lead to increased surety. 				
Action	Expected impact	Resources required	Owner	Due Date	Status	
Implementing Making Safeguarding Personal using a strength-based approach and utilising a Trauma Informed Approach.	Reduce L	Staff	J. Everson	Ongoing	In progress	
Fully implement revised Safeguarding QA process	Reduce L&I	Staff	J. Everson	Sept 2022	In progress	
Modern Day Slavery - rolling out a specialised training and guidance package for staff	Reduce L	Staff	J. Everson	Ongoing	In progress	
Preparing for delivery of training for the new Liberty Protection Safeguards all relevant staff once the new Code of Practice is published.	Reduce L	Staff	J. Everson	Delayed	Delayed	

Risk Information Risk Title – Health and Social Care Integration	Risk Scores	Existing Controls			
<p>Risk - Insufficient capacity, resource and integration within the local health and care system to meet resident's needs.</p> <p>Cause - National and local funding constraints Differing priorities of key partners, including the move to an Integrated Care System and new governance arrangements for the NHS and role of the Local Authority</p> <p>Consequence - Poor health and care outcomes for residents</p> <p>Risk Update - The Health & Social Care Integration White Paper was updated and published on 9 February 2022. It provides a promising base on which to build a more collaborative culture. Subject to on-going discussions, it will be important to acknowledge that local government place is where real changes happen, and appropriate funding is maintained to ensure delegated functions at place level can effectively be delivered.</p>	<p>Current Score: L:3 I:4</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:2</p>	<ol style="list-style-type: none"> 1. Health & Wellbeing Board, via the Leader of the Council is required to sign off our annual BCF plans with the NHS 2. Quarterly Section 75 meetings at Service Director level provide joint governance oversight of our pooled budgets 3. Annual Section 75 reports to the Health & Wellbeing Board provide strategic governance over our pooled budgets 4. The Fairer Together Partnership, and its sub-boards will provide a clear and more effective governance framework for integration locally including more shared and local decision making around our local resource. The Fairer Together Borough Board, and its sub-boards is proving to be an effective forum for establishing vision, working principles and a plan of action across the Islington footprint. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
<p>In response to the White Paper, effective Islington place level joint arrangements in place reporting into the Fairer Together Board and H&WB to strengthen Health & Social Care cross system working and on-going integration.</p>	<p>Reduce overall risk score</p>	<p>Capacity to effectively coordinate agreed ICS arrangements</p>	<p>J. Everson</p>	<p>Sept 2022</p>	<p>In progress</p>

Risk Information Risk Title – Domestic Violence Abuse	Risk Scores	Existing Controls				
<p>Risk - Lack of confidence and failure around decision making and interventions, lead to inconsistent response to dealing with an increase in Domestic Violence Abuse</p> <p>Cause - Accessibility to early intervention, economic slowdown resulting in increase in poverty, mental health issues and tensions within homes, inadequate capacity within the service</p> <p>Consequence - Serious harm to individuals and families</p> <p>Risk Update- The expected spike in cases due to lockdown in 2021 did not happen, but there has been a steady increase in safeguarding referrals over the year, with a particular increase after Christmas 2021, many which have an element of domestic violence. The Council is well resourced in this area and capacity to respond to increase in cases. There has been significant investment in this area over the last few years, and the Council has increased capacity from 4 to 54 investigators in addition to family support and resources. We are reliant on partner organisations such as the police and probation services, both of which has been stretched over the last few years. There are daily safeguarding meetings in place and every case is heard within three working days.</p>	<p>Current Score: L:3 I:3</p> <p>Target Score: L:2 I:3</p> <p>Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> The additional £2 million council investment agreed for 2020-23 to tackle VAWG has transformed the Council’s offer, and this has been bolstered by additional funding secured from Public Health, MOPAC and VRU. This has been used to: <ul style="list-style-type: none"> Increase the number of Independent Domestic Violence and DA support roles in Islington -co-located in mental health, sexual health services, Bright Start and MASH, TYS and BAME services Extend the IRIS project providing DA training to GP practices, chemists etc. Sustain the DA counselling services Establish DA Daily Safeguarding meetings Raise awareness and improve response to VAWG through a comprehensive workforce development programme building on Keel project Provide phones to victims/survivors reporting DA and to survivors Establish a new Intimate Partner Violence service Secured funding for a full time PHD student with University of Essex until 2023 to evaluate the VAWG Transformation programme The police’s safeguarding teams in Islington are continuing to work closely with the council to ensure the safety of those experiencing DA and their children. A borough wide communications campaign is bringing VAWG services to the attention of residents & stakeholders. Housing services campaign to promote the support available to residents and all housing officers are trained to support tenants experiencing DA Dept. for Levelling Up, Housing and Communicates Earned Autonomy funding secured for 2021-22 funding 2 Project Officers in the Workforce Development Team, 1.5 IDVAs in Brightstart and contributing to work with DA perpetrators and DA counselling. 				
Action	Expected impact	Resources required	Owner	Due Date	Status	
Delivery of the VAWG Service transformation	Reduce Likelihood	Staff	J. Abbey	Ongoing	In progress	
Keel Legacy; A comprehensive action plan to sustain the learning and good practice from the Keel project that successfully tested a new approach to working with families experiencing DA.	Reduce Likelihood	Staff	J. Abbey	Ongoing	In progress	
Implement VAWG Strategy for Islington	Reduce Likelihood	Staff	J. Abbey	Ongoing	In progress	

Risk Information		Risk Scores	Existing Controls		
Risk Title – Well Managed Workforce					
<p>Risk- Failure to successfully manage our workforce to deliver corporate priorities</p> <p>Cause - Lack of management experience/ability to manage performance effectively through a focus on outcomes. Lack of management development programmes. Absence of structure within the performance management approach. Lack of a behaviours framework. Outdated procedures. Increase in remote working</p> <p>Consequence - Workforce may not be engaged, delivering its full potential, impacting service delivery.</p> <p>Risk Update: The move to Remote Working will mean new ways of developing and managing performance. We have reviewed our HR policies and simplified them. The Chief Executive continues provide frequent management communications to improve information flow. We have completed a review of performance management and probation procedures. We have completed Cohort 1 of the Islington Management Diploma, Leadership programme and Management Modules for existing/aspiring managers and Cohort 2 is in progress. We have launched a behaviours framework to underpin CARE values and associated toolkit to support performance</p>		<p>Current Score: L:3 I:3</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. Chief Executive management communications. 2. HR Policies streamlined and simplified 3. Performance management procedure 4. Probation Procedure 5. Behaviours' Framework and toolkit 6. Staff engagement survey 7. Islington Management Diploma, Leadership programme and Management Modules for existing/aspiring managers 		
Action	Expected impact	Resources required	Owner	Due Date	Status
Procurement and implementation of learning management system and deployment of performance modules	Reduce L and I by 1	Existing staff resource System costs (budgeted)	D. Hodgkinson	March 2022	On track
Develop culture change workstream under FutureWork Programme	Reduce L and I by 1	Existing staff resource FutureWork Programme Resources (subject to business case)	D. Hodgkinson	September 2022	On track
Review of performance development approach	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	July 2022	On track
Embedding of CARE values across the organisation	Reduce L and I by 1	Existing staff resource	D. Hodgkinson	December 2022	On track

Risk Information Risk Title – New Homes Programme	Risk Scores	Existing Controls			
<p>Risk - Delay to our ability to deliver the New Build Programme, quality, time and cost.</p> <p>Cause - External market factors, resourcing, contractor failure, delay in planning approval, poor resident engagement.</p> <p>Consequence - Reputational damage, service delivery. Loss of opportunity for residents.</p> <p>Risk Update: Whilst the acute impact from Covid-19 supply chain disruptions has reduced, there is still some unpredictability in production and supply of construction materials, we are working closely with contactors to monitor their supply chain risk management. There is still risk around financial viability for some projects which is being monitored closely. Most of the financial risk the Council can control but it could mean delivering fewer affordable homes than projected. In our external environment, rising fuel prices will inevitably lead to increases in cost of materials, e.g., steel which will add pressure to contractors' ability to delivery within budget. New requirements, such as net zero carbon target and fire safety legislation, have also added costs to the programme.</p> <p>We have increased project management capacity over the last 12 months and integrated the project management office into the programme structure to ensure efficient delivery of the programme. Despite the challenges from the pandemic and current market conditions the commitment to deliver the 550 council homes will still be met.</p>	<p>Current Score: L:3 I:4</p> <p>Target Score: L:3 I:3</p> <p>Gap to target: L:0 I:1</p>	<p>Employed a communications officer to improve resident engagement.</p> <p>Engaged a team of architects to review opportunities for building, reviewing different building techniques.</p> <p>Housing Delivery Board (HDB) chaired by Cllr Ward, provides challenge and oversight. Reporting improved to provide better oversight (strategic information). Quality, schedule, cost. Meet bi-monthly.</p> <p>Programme structure includes contingency.</p> <p>New Homes Project Board (NHPB) Operational focus review all schemes, meet twice monthly.</p> <p>Communications strategy.</p> <p>Regular contact with contractors and review of their ability to manage risk.</p> <p>Working with employers' agents to understand industry trends.</p>			
<p>Action</p>	<p>Expected impact</p>	<p>Resources required</p>	<p>Owner</p>	<p>Due Date</p>	<p>Status</p>
<p>Continued monitoring and engagement with contractors to manage any delays.</p>	<p>Reduce Impact</p>	<p>Staff</p>	<p>M. Holdsworth</p>	<p>Ongoing</p>	<p>In Progress</p>

Risk Information Risk Title – IT Transformation and Resilience	Risk Scores	Existing Controls			
<p>Risk - We do not deliver IT projects which will enable/optimize business transformation and support resilient systems across the Council to ensure residents have effective digital services.</p> <p>Cause - Insufficient planning/resourcing/funding to deliver the IT strategy. Lack of resources to build and monitor resilience, lack of disaster recovery planning</p> <p>Consequence - Operation disruption, additional cost, reputational damage</p> <p>Risk Update - There have been a number of recent projects to deliver improvements to our IT resilience which are now coming to fruition. We have upgraded the core and edge switch replacement, Storage Area Network (SAN) replacement is almost complete, and the Virgin Media Wide Area Network (WAN) project is completed. We have also completed work to install a generator at 222 Upper Street offices to protect data servers in the event of a power failure. However, further electrical work is required at 222 necessitating long weekend outages. The pressure of staff shortages remains as skilled IT resources continue to be in high demand. The marketplace has changed post-lockdown, with businesses pushing ahead with IT projects that were either paused due to the lockdown, or to remediate deficiencies/vulnerabilities discovered in the pandemic context. IT skills as at an all-time high demand and cost.</p>	<p>Current Score: L:3 I:3</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. The current controls include the ongoing use of the Information Technology Infrastructure Library (ITIL) service delivery framework to ensure operational services are effective in maintaining the current platforms on which we need to build. 2. Digital Services has established shared same processes, tools and methodologies to create greater transparency and control of projects. 3. As a strategy the council is moving to cloud and Software as a Service (SaaS). For example, the Office365 components run in cloud and will still operate if 222 fails entirely. The target is to vacate datacentres within 2 years in favour of cloud delivery. 4. Business Continuity plans are in place. 5. WAN Transformation & core/edge switch replacement has renovated the corporate network and reduced reliance on 222 as the network hub. Boundary services have been partially moved to cloud with remote working. 6. Investment in SAN replacement and move to cloud-based backup (off tape) has been completed 7. Applications will be progressively upgraded to cloud where they are naturally architected to be more resilient, and are not vulnerable to on-premises hardware failures. 8. The cloud approach also spreads the attack surface for cyber activity reducing the impact should an attack be successful. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Continued delivery of IT strategy	Reduce overall score	IT/Staff/Finance	D. Hodgkinson	Ongoing	In Progress
Continued delivery of planned IDS projects	Reduce Likelihood	Staff/IT	D. Hodgkinson	Ongoing	In progress

Risk Information Risk - Change Programme Delivery	Risk Scores	Existing Controls			
<p>Risk - Inadequate organisational capacity to manage transformational change programmes to support delivery of strategic ambitions.</p> <p>Cause - Financial challenge, inadequate governance mechanisms, lack of project management capability</p> <p>Consequence - Change activity faces delay, declining quality and cost escalation, financial/other benefits are not met in full.</p> <p>Risk Update – The Corporate Project Management Office has taken substantial action to mitigate the risk to change programme delivery, including: established a Transformation Board to ensure proactive oversight and risk assurance against our strategic change programmes; Directorate Delivery Boards to review benefits, risks and issues against every change project and programme; PMO forum to develop and share best practice relating to benefits, risk and issue management; approval for move to online reporting solution to enable robust governance across the council in all change projects and programmes.</p>	<p>Current Score: L:3 I:3</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:1</p>	<ol style="list-style-type: none"> 1. PMO toolkit set up on the website to enable consistency in reporting and assurance. 2. Directorate Delivery Boards (DDB) in place across five directorates, chaired by corporate director and focusing on key change programme delivery and directorate performance. 3. Monthly Transformation Board meetings in place, chaired by Chief Executive to maintain a continuous focus on strategy, accountability and impact of key strategic programmes - bi-monthly rolling programme 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Review of Directorate Delivery Boards to ensure clear mechanism to enable grip and pace, development with HR on training and support for project management, clear risk management and change control framework, move to online reporting tool.	Reduce impact and likelihood	Staff	D. Hodgkinson	Mar 2023	In progress

Risk Information Risk Title – Failure to effectively respond and recover from critical incident	Risk Scores	Existing Controls			
<p>Risk - Failure to effectively respond and recover from critical incident as a service and organisational preparedness, resilience and business continuity. There is a risk we are not able to recover critical internal processes or respond effectively to a major incident following a disruptive event (internally/externally) within a suitable timeframe</p> <p>Cause - Inadequate emergency response/contingency plans business continuity (BC) planning and disaster recovery</p> <p>Consequence - Damage to reputation, resident safety, increased cost for response due poor planning, unacceptable response time.</p> <p>Risk Update - Covid support - Islington has stepped down its emergency command structure for Covid.</p> <p>Emergency Planning have closed the Borough Emergency Control Centre for Covid having managed the establishment of the PCR mass testing sites (Sobel Centre and Finsbury Leisure Centre), for the lateral flow testing programme across the borough, logistics for the roll out of lateral flow testing programme in all secondary schools, providing all the required equipment for January opening, lateral flow testing in prisons, assisted with outbreaks. Emergency Planning also produced a plan for surge testing (operation Eagle) to support easing of lockdown, lead a review of BC Plans after first wave to ensure learning is captured, continued to manage provision of PPE to Care homes, domiciliary care and front-line services as well as management of Covid marshals' scheme; recruitment plan, training.</p> <p>Business as usual activity: The Emergency Planning team have continued to respond to a number of incidents, including a couple of large incidents within the community; this included the nationwide fuel disruption and several large utility failures within the community requiring large scale evacuations. Emergency Planning are now reviewing contingency plans as part of the regular review cycle and planning exercises as well as working on bespoke plans such as Operation London Bridge.</p>	<p>Current Score: L:2 (-1) I:4</p> <p>Target Score: L:2 I:3</p> <p>Gap to target: L:0 I:1</p>	<ol style="list-style-type: none"> 1. Business Continuity plans are in place, and a 3-phase process is underway, with phase 1 (May 2020) and phase 2 (Dec 2021) now completed. 2. Arrangements for business continuity are being reviewed to enhance our approach to resilience and improve consistency across our services, including a review of the Islington Resilience Board. 3. We are fully compliant with EP 2020 requirements. 4. We undertake lessons learned review after any incidents. 5. Considering redeployment of staff to support surge test planning. 6. Maintain increased capacity of LALO's to support function. 7. An audit on Business Continuity has not resulted in any major findings. 8. Emergency generator at 222 office 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Consider exercise of BC plans	Reduce Likelihood	Staff	K. Townsend	Summer 2022	In progress
Review of BC and crisis response plans and processes	Reduce Impact	Staff / Equipment	K. Townsend	Autumn 2022	In progress

Risk Information Risk Title –Pupil Attainment Gap	Risk Scores	Existing Controls				
<p>Risk - Systemic failure to promote conditions (i.e. attendance) and quality provision and interventions which compound and increase pupil attainment gap for pupils</p> <p>Cause – Despite the return to full time face to face education, from Autumn 2021, schools have been impacted by pupil and staff attendance due to isolation restrictions and the more transmissible Omicron variant.</p> <p>Consequence - Pupils may not achieve their full academic potential (potential for a greater impact on vulnerable pupil’s educational outcomes), levels of persistent absence, fixed term exclusions and the number of pupils opting to electively home educate have continued to be a challenge when re-engaging students in the longer term.</p> <p>Risk Update: Schools have continued of the National Catch-up programme to support vulnerable pupils. This provision has been improved following guidance that schools can recruit their own tutors rather than through a national scheme. All Y2 pupils completed the statutory Phonics Assessment in December 2021. Those pupils who did not meet the expected standard will have a further opportunity in June 2022. Secondary schools have been issued with further guidance on GCSE and A level requirements for assessments in June 2022. Attendance is reported every two weeks to Executive member for Children and Families. This information is also shared with the Social Care teams and with social workers attached to young people. During the autumn term 2021 attendance remained above national (96%). Development of holiday and food project (HAF) is in place to support schools for the next three years (Easter and Summer programmes) Reporting arrangements will be similar to previous HAF programmes. In February 2022, new guidance was issued in line with the removing of national restrictions.</p>	<p>Current Score: L:2 I:4</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:0 I:2</p>	<ol style="list-style-type: none"> All educational settings updated risk assessments and completed necessary premise checks as required to return to face-to-face education from Sept 2021. Attendance was monitored closely and regular contact was in place to ensure that poor attendance trends did not become embedded in school culture. Effective systems and processes were in place when there was a positive COVID result in a setting. This was effectively tracked, and appropriate support provided by Public Health and Islington Learning and Schools department. A “traffic light system was introduced by Public Health to support schools manage an outbreak of COVID-19 when cases exceeded DfE contingency thresholds. In January 2022, a total of 868 CO2 monitors had been delivered to 66 settings in the Islington to support ventilation arrangements in schools. Schools continue to have risk assessments in place that reflect the current guidance. Promote quality tutoring and agreed interventions to improve attainment. Schools no longer need to report positive cases to the local Public Health Team. The PH team will continue to support schools; however, the focus of support will be on SEND settings, hospitalisation and death. Schools are currently preparing for national assessments in KS1, KS2, GCSE and A Levels. Guidance has been issued to secondary schools regarding GCSE and A Level requirements for exams. Assessment outcomes for KS1 and KS2 will not be published. 				
<p>Action</p>	<p>Expected impact</p>	<p>Resources required</p>	<p>Owner</p>	<p>Due Date</p>	<p>Status</p>	
<p>Developing an Education Strategy to reduce the impact of COVID-19, with a focus on readdressing priorities most impacted because of the pandemic. They are underpinned by a 12-month delivery plan. They included: Reduce exclusions, improve attendance by reducing persistent absence, reduce students at risk of NEET (post - 16 and post - 19), improve outcomes for secondary schools, improve outcomes for vulnerable learners, increase the uptake of the free education entitlement</p>	<p>Reduce impact</p>	<p>NA</p>	<p>J. Abbey</p>	<p>July 2022/23</p>	<p>In Progress</p>	

Risk Information Risk Title – Capital Programme Slippage and/or Delivery Failure	Risk Scores		Existing Controls		
<p>Risk Failure to adequately manage (cost/schedule/receipts) capital programmes</p> <p>Cause Inadequate governance and project management</p> <p>Consequence Financial Loss, breach of governance/regulation, reputational damage</p> <p>Risk Update: The council committed to a new Corporate Asset Strategy in March 2020. The strategy aims to establish a bold new approach that ensures investment is directly linked to core council ambitions around fairness and community wealth building. It is designed to deliver a strategic, long-term approach to managing and enhancing our community asset base. The Capital Strategy and Capital Programme was approved as part of the budget setting programme at full Council in February 2021. The total expected spend over three years is £539 million. The Capital investment will be used in the following areas: Decent and affordable homes - Jobs and opportunity - A safer Borough for all Greener and Cleaner Islington Enhancing Community Assets</p> <p>One of the key risks will be the capital funding obtained from projected capital receipts financing, this is intrinsically linked with the housing new build capital programme, and that there is uncertainty around the timing and value of these receipts given present economic conditions. New capital governance arrangements were introduced in 2020 and these will be refreshed during 22/23 including closer alignment between financial and programme monitoring.</p>	Current Score: L:2 I:5	Target Score: L:1 I:4	Gap to target: L:1 I:1	<ol style="list-style-type: none"> 1. Major Projects Board 2. Corporate Asset Delivery Board 3. Housing Delivery Board 4. A common set of project level and programme/directorate level reporting will be implemented to ensure consistency and robust delivery tracking 5. Enhanced Reporting and monitoring of capital spend as part of the monthly monitoring. 6. Capital receipts controls – We maintain a regular review of the property market and have been prudent in our financial assumptions. Timing delays can largely be managed through the use of HRA reserves. In the event of a decrease in projected capital receipts, the new build programme would need to be re-assessed in line with the overall available funding. 	
Action	Expected impact	Resources required	Owner	Due Date	Status
Ongoing monitoring of progress and delivery	Reduce overall score	Staff	CMB	Ongoing	In progress

Risk Information Risk Title – Social Inequalities	Risk Scores	Existing Controls				
<p>Risk - Failure to challenge and address social inequalities in Islington</p> <p>Cause - Poor prioritisation, lack of clear governance, and/or detailed project/programme management, broader external social issues/change leading to increasing inequalities</p> <p>Consequence - Loss of community confidence in the Council. Poor outcomes for residents.</p> <p>Risk Update - For the last 18 months the Council has been working hard to tackle inequality for staff and residents and was recently recognised for the achievements thus far, winning the GG2 Leadership and Diversity Award for local government and being shortlisted for LGC Award for Diversity and Inclusion (to be announced in July). We know that a number of factors, including Covid-19 and the current cost of living crisis, has deepened inequality and we are working on addressing this through the programme. The programme has robust governance arrangements with the Challenging Inequality Programme Board (officer board) Race Equality Working Group (Cllr group), Challenging Inequality Coalition (community) and regular meetings with staff forums. We are also currently carrying out our largest ever engagement exercise to understand how inequality impacts the daily lives of residents and their hopes and aspirations for the future. Our inequality taskforce is helping to challenge and shape our thinking. Whilst winning this award shows we are on the right track we know there is still a lot more to do.</p>	<p>Current Score: L:3 I:4</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:2</p>	<ol style="list-style-type: none"> 1. Challenging Inequality Programme to drive action across the Council, ensuring the equality agenda remains a priority for the Council. 2. The programme is also currently being reviewed by internal audit to ensure the governance arrangements are robust. 3. Challenging Inequality programme board 4. Directorate Leads 5. Clear Programme plan - including as employer, strategic leader and as a service provider. 6. Through the boards, will be monthly progress and review. 7. Race Equality Staff Network 8. Race Equality working group (member led) 9. Disability forum 10. LGBT network 11. Women’s network 12. Challenging Inequality Coalition with community 				
Action	Expected impact	Resources required	Owner	Due Date	Status	
	Analyse results from Let’s Talk Islington engagement exercise and develop a response	Reduce Likelihood	Staff/Policy	A. Buxton-Jennings	Ongoing	In progress
	Ensure community and staff input remains at the heart of the programme and that we are able to demonstrate impact the programme is having	Reduce Likelihood	Staff	A. Buxton-Jennings	Ongoing	In progress

Risk Information Risk Title – School Viability and Place Planning	Risk Scores		Existing Controls		
<p>Risk - Failure to implement a coherent strategy for managing the demand of school places, that could impact the pattern of provision and schools’ viability</p> <p>Cause - Significant reduction in pupil demand reflective of reduced birth and fertility rates within inner-London, reduction in pupil yield from new housing. Real terms reduction in school level funding over the medium term.</p> <p>Consequence - Schools become non-financially sustainable and unable to deliver the broad and balanced curriculum. Loss of confidence in the Council (all stakeholders)</p> <p>Risk Update: Demand for school places has fallen. In part this drop in demand has been driven by declining birth rates across London. Local evidence on births, health visiting and GP registrations (of children under 12 months), indicates that the recent reduction in births in Islington is likely to remain an ongoing trend. In 2019, the GLA identified problems of overestimation in the official ONS migration estimates, this is particularly acute in areas of London with high international flows and had led to inflated numbers of children in the projections that have now been revised. Individual school balances have been in decline since 2019 caused by the falling rolls, combined with increasing SEND and increasing cost pressures such as rising energy costs.</p>	<p>Current Score: L:3 I:2</p> <p>Target Score: L:2 I:2</p> <p>Gap to target: L:1 I:0</p>		<ol style="list-style-type: none"> 1. Monitoring of school budgets 2. Quality assurance of school deficit recovery plans 3. Supporting school to create appropriate staffing structures 4. Financial Audits of schools – including sharing lessons learnt 5. Priority support providing focussed support to maintain provision 6. Development of a School organisation plan for 2022-2025. 7. The school organisation programme board established, briefings and workshops held with key stakeholders in 2021/2022. 8. Updated roll projections completed with robust checking. 9. Admissions consultation completed (for admission in 23/24) 		
Action	Expected impact	Resources required	Owner	Due Date	Status
Production of an agreed school organisation plan	Reduce Likelihood	Staff – PM support	J Abbey	End July 2022	In progress
Increased monitoring of school budgets	Reduce Likelihood	Staff	J Abbey	Ongoing	In progress

Risk Information Risk Title – Serious Fraudulent Activity	Risk Scores	Existing Controls			
<p>Risk- Serious Fraud or corruption Cause - Lack of adequate governance arrangements including key controls and fraud awareness Consequence - Financial and Reputational damage to the Council Risk Update: The Corporate Investigations team has increased its capacity. The team is continuing to manage the reactive case load. Controls conversations and control recommendations are being made, as apt, as a result of investigative activity. The work on the National Fraud Initiative is continuing.</p>	<p>Current Score: L:3 I:2 Target Score: L:2 I:2 Gap to target: L:1 I:0</p>	<ol style="list-style-type: none"> 1. A robust whistleblowing policy (updated March 2022) and anti-fraud strategy is in place. 2. Regular reporting to Audit Committee takes place including bi-annual whistleblowing monitoring reports and an annual fraud report. 3. Internal Audit and Corporate Investigations work closely to ensure that intelligence is shared to support the identification of fraud risks. 4. Internal Audit and Investigations also work jointly on some investigations to ensure that Internal Audit are able to make recommendations to enhance controls and prevent the recurrence of fraud. 5. Fraud risks feed into the annual Audit Plan. Delivery of the Audit Plan ensures that recommendations are made to address control weaknesses. 6. The Corporate Investigations team stay abreast of fraud alerts and fraud risks. 			
Action	Expected impact	Resources required	Owner	Due Date	Status
Continue to engage in National Fraud Initiative	Reduce likelihood	Staff	D. Hodgkinson	October 2022	Ongoing

REPORT ENDS

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Finance
7 Newington Barrow Way, N7 9EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): N/A

Subject: Internal Audit External Quality Assessment

1. Synopsis

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require an External Quality Assessment (EQA) of the Internal Audit service be undertaken at least every 5 years.
- 1.2. The External Quality Assessment for the Camden and Islington shared Internal Audit service took place in Quarters 2 and 3 of 2021-22 and reported in Quarter 4. This report presents the outcome of the External Quality Assessment at **Appendix A**.
- 1.3. The report also presents the action plan arising from the External Quality Assessment at **Appendix B**, including a response to recommendations and good practice suggestions.

2. Recommendations

- 2.1. Audit Committee is asked to note the outcome of the External Quality Assessment at **Appendix A** and the corresponding action plan at **Appendix B**.

3. Background

- 3.1. The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit Committee, with independent assurance that risk management, governance and internal control processes are operating effectively.
- 3.2. The Public Sector Internal Audit Standards (PSIAS) require that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every 5 years. The PSIAS apply to all public sector Internal Audit service providers, whether in-house, shared services, co-sourced or fully outsourced. The EQA focusses on Internal Audit and excludes other areas within the service (risk management and investigations). The assessor is required to conclude on whether the Internal Audit service complies with the PSIAS.
- 3.3. The assessment was undertaken in line with the PSIAS. The shared service's last EQA was undertaken in 2016-17. The current assessment was undertaken by qualified, senior officers from LB Hillingdon as part of the London Audit Group (LAG) review process. The scope of the inspection followed the Chartered Institute of Public Finance and Accountancy (CIPFA's) Local Government Application Note, which details how the PSIAS should be applied in practice within Local Government. The assessment was carried out as part of a review process managed by LAG. The method of inspection, templates and report format had been specified by LAG. When allocating assessors, LAG had undertaken an exercise to ensure that there were no conflicts of interest.
- 3.4. The assessment entailed a review of documentation and processes as well as interviews with key stakeholders across Camden and Islington i.e. the Chair of the Audit Committee, the Chief Executive, the S151 Officer and the Director of Finance. Audit Committee members were also invited to complete a survey developed by LAG.
- 3.5. The assessment found that the Camden Islington Shared Internal Audit service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities.
- 3.6. The summary assessment of the compliance against the PSIAS (at pages 7 to 14 of the EQA report at **Appendix A**), demonstrates that the Internal Audit service is generally compliant with every standard.
- 3.7. No high or medium risk recommendations were made. Three low risk recommendations were made relating to the Public Sector Internal Audit Standards (further information is provided at **Appendix B**). A further fourteen low priority good practice suggestions were raised, ten related to Internal Audit and four related to the Camden and Islington's Audit Committees. Good practice suggestions are suggestions only, and each Council can take a view on whether it wishes to implement them.
- 3.8. We are pleased to report that two areas of notable practice were highlighted, where the activity of the Internal Audit Shared Service reflected current best practice. The report recommended that these areas of notable practice should be shared with others. The notable practices identified were:

- The mapping of each council's Principal Risk Report with the audit plan to ensure a clear link between the strategic objectives of each authority and the audit plan; and
- The use of a common findings report for schools' Internal Audit reviews to share learnings from schools' reviews.

4. Implications

4.1. Financial Implications

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

4.2. Legal Implications

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

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

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

4.4. Equalities Impact Assessment

- 4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

- 5.1. Overall the assessors concluded (at section 2.2 of the report at **Appendix A**) that the Shared Internal Audit Service is well regarded at both authorities and that Internal Audit staff are qualified, professional, highly skilled and experienced. The assessors also concluded that that officers within the Shared Internal Audit Service (SIAS) work collaboratively and proportionately with stakeholders to add value and identify areas where improvements can be made. The assessors' testing of the evidence confirmed that the SIAS was operating effectively, with consistent application of the Internal Audit charter, audit methodology and standard working papers across the SIAS, and a dedicated Internal Audit Manager and team at both councils.
- 5.2. Audit Committee is asked to note the outcome of the External Quality Assessment and the corresponding action plan.

Appendices:

- Appendix A – Camden Islington Internal Audit External Quality Assessment 2021-22 Final Report
- Appendix B – Camden Islington Internal Audit External Quality Assessment 2021-22 Action Plan

Background papers:

- None.

Final report clearance:

Signed by:

Dave Hodgkinson

Corporate Director of Resources

Date:

20th May 2022

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London Borough of Camden & London Borough of Islington Shared Internal Audit Service

2021/22 External Quality Assessment
Final Report

2nd February 2022

Report Author:

Sarah Hydrie CMIIA CIA
Head of Internal Audit & Risk Assurance

Business Assurance Service
London Borough of Hillingdon



1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require an External Quality Assessment (EQA) of Internal Audit (IA) be undertaken at least every 5 years, although more frequent assessments may take place. The PSIAS apply to all public sector IA service providers, whether in-house, shared services, co-sourced or fully outsourced. The EQA is on IA work and excludes other areas such as risk management and counter fraud/investigations.
- 1.2 Standard 1312 states: *External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.*
- 1.3 The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the IA activity belongs. The scope of the assessment must be agreed with an appropriate sponsor i.e. the Director of Finance or Chair of the Audit Committee.
- 1.4 Across London, the London Audit Group (LAG) has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group.
- 1.5 The IA function for the London Boroughs of Camden and Islington is provided through a shared service. This review of the Shared IA Service (SIAS) performance at Camden and Islington has been led by Sarah Hydrie, Head of IA & Risk Assurance at the London Borough of Hillingdon, who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed with Nasreen Khan, Head of IA, Investigations & Risk Management (HIA) for the SIAS.

2. Conclusion

- 2.1 Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the SIAS for the London Borough of Camden and the London Borough of Islington **Generally Conforms** with the **Public Sector Internal Audit Standards (PSIAS)**. Definitions of all the ratings are detailed in **Appendix A**.

Generally Conforms

The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.

- 2.2 During this review, we found the SIAS to be well regarded at both authorities. IA staff are qualified, professional, highly skilled and experienced. We identified that officers within the SIAS work collaboratively and proportionately with stakeholders to add value and identify areas where improvements can be made.
- 2.3 In addition, our testing of the evidence provided confirmed that the SIAS was operating effectively, with consistent application of the IA charter, methodology and standard working papers across the SIAS, with a dedicated IA Manager and team at both councils.
- 2.4 We have concluded that the SIAS is not 'fully' compliant with some aspects of the PSIAS and therefore have raised recommendations in these areas that the SIAS may want to consider. We have also made a number of good practice suggestions and highlighted opportunities to potentially increase the efficiency of the SIAS; please refer to **Appendix C** for further details.

3. Stakeholder Survey

- 3.1 During this assessment a survey of key stakeholders was undertaken. Feedback surveys were circulated to all 14 Audit Committee members for both London boroughs (10 surveys for Camden and 4 for Islington). In total of 6 of 14 (43%) surveys were returned, 3 (30%) for Camden and 3 (75%) for Islington. The summary survey results revealed the following:
- 2 of the 6 surveys were generally positive about the work and professionalism of the SIAS and members felt they had a good relationship with the SIAS staff;
 - 1 member did not complete their survey in full and in the 'further comments' section said that they were not 'close enough to give an appropriately evidence-based response';
 - 2 of the 6 members were fairly new to Audit Committee and did not feel they had enough experience to complete the survey in full;
 - 1 of the 6 surveys complimented the SIAS's professionalism and technical abilities;
 - 2 of the 6 surveys partially agreed that the SIAS asks challenging and incisive questions that stimulate debate and improvements in key risk areas; and
 - 1 survey contained generally negative feedback. Specifically, the respondent:
 - Did not agree with 9 out of 19 (**47%**) questions and partially agreed with 9 out of 19 (**47%**) questions;
 - They found that the IA service delivered a professional, technical service and IA processes were mainly good; and
 - The 'further comments' section contained statements which provided context to their responses, which include saying that, in their opinion, the SIAS did not demonstrate its independence or its ability to think strategically.
- 3.2 As part of our testing, we found no evidence of the where the SIAS's independence was compromised, and the review confirmed the SIAS's ability to think strategically.
- 3.3 In addition to the stakeholder surveys, we also conducted 1 to 1 meetings with the Chairs of both Audit Committees, both Chief Executives, both S151 Chief Finance Officers and both Directors of Finance. Overall, the feedback from these meetings was very positive; senior officers and the Chairs broadly stated that they believe the SIAS is professional, skilled, flexible and adding value.
- 3.4 The full results of the survey are set out at **Appendix B**.

4. Key (Not Detailed) Findings

- 4.1 The overall key finding of the EQA is, as set out at section 2 of this report, that **the SIAS has been assessed by us as Generally Conforming to the PSIAS**, which is the highest available level of assessment for local authorities. Nevertheless, at **Appendix C** we have set out **17 recommendations/good practice suggestions** aimed at further helping improve the efficiency and effectiveness of the SIAS.
- 4.2 The other key findings from this assessment include the following:
- Reporting:**
- I. An annual IA plan is prepared by the SIAS and approved by the Audit Committee at each council, and we understand each annual plan takes into consideration both Council's strategic risks. However, it was noted that an IA Strategy is not in place at either authority. This was further brought to light after stakeholders we met were unable to share the strategic vision for Internal Audit. The PSIAS recommend IA service have an IA Strategy which sets out the longer term vision for the IA service. Consequently, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.

- II. During testing, we found that IA progress reports or updates were being provided to the Islington senior officer board and Audit Committee four times a year, but at Camden these were only presented twice per year. The PSIAS set out that IA should report its progress to the corporate officer board and Audit Committee on a regular basis. Generally accepted good practice is that the HIA should present IA summary progress reports to the most senior officer board and Audit Committee on a quarterly basis to reflect the rapid pace of change and to facilitate IA being held to account. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- III. At both authorities, IA Plans, Progress Reports and Annual Reports are formally considered by DMTs prior to approval by the Audit Committee. However, our testing highlighted that although Islington's senior officer board also formally considers these documents before they are presented to Audit Committee, at Camden the responsibility has been delegated to the DMTs. The PSIAS set out that all IA reports should be formally presented to the senior officer boards as well as the Audit Committee to ensure IA performance receives the right level of scrutiny. Therefore, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- IV. In terms of reporting lines, we noted that HIA is within the statutory Chief Finance Officer's directorate at both authorities. Although it is not mandatory, it is recommended good practice that the HIA is independent of the Chief Finance Officer reporting function. Where the HIA service does sit within the Finance Directorate, it is recommended good practice for the HIA to have regular interaction with the Chief Executive Officer. It is our understanding that at Islington the HIA formally meets with the Chief Executive Officer on a quarterly basis, but that there is a less frequent and less formal arrangement at Camden. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- V. As part of our testing, we found the individual IA reports issued at the end of each piece of IA work to be relatively long in section 2 (the detailed findings). Whilst the SIAS does apply exception reporting concepts, it would save valuable time if consideration was given to reducing the length of the individual IA reports. This suggestion is in line with recognised best practice and the concept of agile auditing. This minimises the amount of time for IA to produce the reports and the amount of time for management to read the report and understand the key findings. Consequently, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- VI. We found that in 2017/18 (when there was a change of HIA for the SIAS) an EQA was neither conducted nor formally recorded as considered at either authority. Whilst it is noted that the incoming HIA was the previous IA Manager and that generally IA processes did not change, it is a requirement of the PSIAS for an EQA to be formally considered in the event of any major IA changes. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider, when applicable, in future.

Resources:

- VII. The SIAS consists of highly skilled/trained staff, consisting of a shared HIA, an IA Manager and 3 Principal Internal Auditors (PIAs) at each authority plus one graduate trainee at Islington and a small amount of specialist resource provided to the SIAS by PwC. Without conducting formal benchmarking, we are aware that the level of IA resource in the SIAS is lean compared to most London boroughs. Linked to this, our testing highlighted that there is scope for the SIAS to consider hiring trainees/apprentices or more junior auditors to perform the less complex/ more straightforward IA work. This would be an efficient way of continuing to keep the cost of the SIAS relatively low, as well as potentially contributing to the apprenticeship levy at both authorities. In addition, this would be a more effective use of resources, freeing up PIA time for the more complex assurance reviews. This sort of arrangement can also provide better succession planning within the SIAS, allowing the PIAs to get exposure to coaching and mentoring junior staff and if/when a PIA leaves or becomes an IA Manager, there is a ready-made replacement within the SIAS. Therefore, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.

- VIII. The SIAS does not currently use any form of audit software package and instead places reliance on using MS Word and Excel etc, as part of the IA process. Major audit software suppliers quote that upwards of 15% savings on IA costs can be achieved through the effective implementation of audit software. In our experience at a number of authorities, audit software, if successfully implemented, does achieve significant efficiencies, particularly in relation to audit evidence and the time taken for audit file reviews, as well as providing a transparent evidence trail of how much time an audit file has taken to complete/review and the exact time date it was carried out. At Hillingdon, the same amount of audit work is now being delivered for a significantly reduced IA service cost following the implementation of audit software (Hillingdon use TeamMate). However, we understand that the SIAS has previously used audit software (PAWS) and found the opposite to be true and that PAWS made the IA process significantly longer for IA staff, rather than more efficient. Nevertheless, with agile auditing/robotic process automation at the forefront of IA developments, we think that as matter of good practice the SIAS should reconsider the use of audit software and hence have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- IX. One of the critical activities for IA to carry out is the follow-up of previous IA recommendations. As part of our review, we identified that although there had been some slippage during the pandemic, the implementation rate of IA recommendations at Islington was fair and at Camden it was generally good, although there were some IA recommendations that had passed their agreed implementation date. Specifically, despite there being an 'Internal Controls Board' (ICB) at Islington, some recommendations raised in 2018 were still outstanding in 2021. Responsibility for implementation predominantly rests with management and IA had appropriately followed up actions. Further, although we were impressed with the concept of the ICB at Islington we found the amount of IA and management resource that goes into the implementation and monitoring of IA recommendations to be disproportionately high (approx. 180 IA days in the last 12 months which equates to c20% of the available 880 days in the IA plan). On top of the significant IA time, there is the management time that goes into the ICB, therefore is this the most effective approach for a process that achieves a fair, but not exceptional, IA recommendation implementation rate. In line with good practice and the concept of agile auditing, we believe the SIAS should consider implementing software to automate most of the process for the follow up of IA recommendations. This would streamline the process, reduce the demand on IA resource and provide greater accountability and transparency for senior managers in relation to managing their risks in a robust and timely way. Consequently, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- X. It was noted that the SIAS utilises specialist IT staff from the co-sourced partner (PwC) to deliver the IT element of the IA plan at both authorities. It is recognised that PwC has access to specialist IT audit staff and that key stakeholders at both authorities appreciate the latest knowledge and expert skills that PwC IT audit staff offers. However, we noted that the SIAS in total spends approx. 60 days per year in total on IT audit related work at both authorities. Given the major reliance that local authorities place on their IT systems, we think spending less than 7% of the 880 available IA days on IT audit is very low (i.e. at Hillingdon alone we provide at least 120 days IT audit per year). Therefore, we think the SIAS should consider increasing the volume of IT audit work at both authorities. Doing this would also provide an opportunity for the SIAS to consider appointing its own IT Auditor. Therefore, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- XI. During testing, we found that in line with the PSIAS the IA service took a comprehensive approach to staff Continued Professional Development (CPD). This included recording IA staff training needs and training undertaken in individual staff performance and appraisal documents. However, recognised good practice is for a centralised training log for the whole IA service to be maintained. This assists management with monitoring staff training and development for the overall IA service to ensure consistency and to identify potential gaps within the IA service. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.

Audit Committee:

- XII. We noted that some training for the Audit Committee members at Camden has been provided in 2021/22, but we were informed that prior to this, the last training provided to the Camden Audit Committee was 2018. In addition, we understand that whilst some training for the Islington Audit Committee is planned for later this year, no training has been provided to the Islington Audit Committee since 2018.
- XIII. In addition, our review highlighted that not all Audit Committee members understand the role of IA, as evidenced by part of the survey results/additional comments. Linked to this it was identified that an up-to-date skills matrix for each of the Audit Committee members is not in place.
- XIV. Further, we noted that whilst a review of the effectiveness of the Camden Audit Committee had been conducted in 2020, a review of the effectiveness of the Audit Committee at each authority has not been carried out on an annual basis in line with good practice.
- XV. Finally, we identified that neither Audit Committee has an independent Chair which is recognised best practice to ensure politics do not become part of Audit Committee meetings. As a consequence, we have raised a **LOW** risk in each of these four areas for the SIAS to consider in consultation with key stakeholders, with the aim of further improving the effectiveness of the Audit Committees at both councils.

Other Areas:

- XVI. As part of our testing, we identified that the SIAS IA Charter does not contain a statement which includes the boards responsibility to review and approve the appointment and removal of the HIA as set out in the PSIAS. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.
- XVII. We noted that whilst conflicts of interest are taken into consideration as part of IA planning and are set out in the SIAS Charter in line with the PSIAS, conflicts of interest are not specifically mentioned in individual audit terms of references. We understand the IA managers do discuss potential conflicts of interest with IA staff and we found no evidence that there were conflicts of interest, but we think it would be good practice to include a specific statement in each terms of reference to specifically state that there are no conflicts of interest. As a result, we have raised a **LOW** risk recommendation in this area for the SIAS to consider.

4.3 An action plan has been developed to summarise these **17 minor matters arising** and is included as **Appendix C** for the consideration by the SIAS in consultation with the key stakeholders at both authorities. Also included in **Appendix C** are two areas of **NOTABLE PRACTICE**.

4.4 We would like to thank all key stakeholders, particularly the HIA for their engagement and co-operation throughout the EQA process.

Sarah Hydrie CMIIA CIA
Head of Internal Audit & Risk Assurance

2nd February 2022

SUMMARY ASSESSMENT

Statement	Generally Conforms	Partially Conforms	Does not Conform
Mission of Internal Audit			
Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	✓		
Definition of Internal Auditing			
Is the internal audit activity independent and objective?	✓		
Does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓		
Core Principles			
Does the internal audit activity conform with the PSIAS by demonstrating integrity?	✓		
Does the internal audit activity conform with the PSIAS by demonstrating competence and due professional care?	✓		
Does the internal audit activity fully conform with the PSIAS by being objective and free from undue influence (independent)?	✓		
Does the internal audit activity fully conform with the PSIAS by being aligned with the strategies, objectives, and risks of the organisation?	✓		
Is the internal audit activity appropriately positioned and adequately resourced?	✓		
Does the internal audit activity demonstrate quality and continuous improvement?	✓		
Does the internal audit activity communicate effectively?	✓		
Does the internal audit activity provide risk-based assurance, based on adequate risk assessment?	✓		
Is the internal audit activity insightful, proactive, and future-focused?	✓		
Does the internal audit activity promote organisational improvement?	✓		
Code of Ethics			
Do internal auditors display integrity?	✓		
Do internal auditors display objectivity?	✓		
Do internal auditors display due respect and care by maintaining confidentiality?	✓		
Do internal auditors display competency?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓		
Attribute Standards			
Does the internal audit charter conform with the PSIAS by including a formal definition of the purpose, authority and responsibility of the internal audit activity?	✓		
Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?	✓		
Internal Audit Charter.	✓		
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	✓		
Does the CAE have direct and unrestricted access to senior management and the board?	✓		
Are threats to objectivity identified and managed.	✓		
Does the CAE report to an organisational level equal or higher to the corporate management team? Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓		
Does the CAE's position in the management structure: Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓		
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	✓		
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?	✓		
Does the CAE communicate and interact directly with the board?	✓		
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity? Does the board periodically review these safeguards?	✓		
Do internal auditors have an impartial, unbiased attitude?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties?	✓		
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓		
Is the risk of over-familiarity or complacency managed effectively?	✓		
Have internal auditors declared interests in accordance with organisational requirements?	✓		
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties has this been declared and investigated fully?	✓		
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	✓		
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓		
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓		
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓		
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?	✓		
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓		
Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓		
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓		
Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓		
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓		
Do internal auditors exercise due professional care?	✓		
Do internal auditors exercise due professional care during a consulting engagement?	✓		
Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓		
Do internal auditors undertake a programme of continuing professional development?	✓		
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the QAIP include both internal and external assessments?	✓		
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓		
Do internal assessments include ongoing monitoring of the internal audit activity?	✓		
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	✓		
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	✓		
Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓		
Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?	✓		
Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	✓		
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	✓		
Has the CAE reported the results of the QAIP to senior management and the board?	✓		
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓		
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓		
Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓		
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓		
Performance Standards			
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓		
Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓		
Does the risk-based plan set out the: Audit work to be carried out?	✓		
Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓		
Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
In developing the risk-based plan, has the CAE also given sufficient consideration to: Any declarations of interest (for the avoidance for conflicts of interest)? The requirement to use specialists, e.g. IT or contract and procurement auditors? Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓		
In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	✓		
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓		
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓		
Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓		
Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓		
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	✓		
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	✓		
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓		
Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓		
Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓		
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	✓		
Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes?	✓		
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓		
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes?	✓		
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems?	✓		
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓		
Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓		
Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓		
Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems?	✓		
Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓		
Do internal auditors develop and document a plan for each engagement?	✓		
Do internal auditors consider the following in planning an engagement, and is this documented: objectives, controls, risks, resources, operations, risk mitigation, adequacy, effectiveness, improvements?	✓		
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party?	✓		
For consulting engagements, have internal auditors established an understanding with the engagement clients?	✓		
Have objectives been agreed for each engagement?	✓		
Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	✓		
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓		
Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	✓		
Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓		
For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement	✓		
Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓		
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?	✓		
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	✓		
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: Intentional wrongdoing? Errors and omissions? Poor value for money? Failure to comply with management policy? Conflicts of interest?	✓		
Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓		
Does the CAE control access to engagement records?	✓		
Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓		
Do the communications of engagement results include the following: The engagement's objectives? The scope of the engagement? Applicable conclusions? Recommendations and action plans, if appropriate?	✓		
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓		
If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓		
Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	✓		
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓		
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓		
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	✓		
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓		
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓		
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results?	✓		
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓		
Has the CAE communicated engagement results to all appropriate parties?	✓		
Before releasing engagement results to parties outside the organisation, did the CAE: Assess the potential risk to the organisation? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results?	✓		
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓		
Has the CAE delivered an annual internal audit opinion?	✓		
Does the communication identify the following: The scope of the opinion, including the time period to which the opinion relates? Any scope limitations? The consideration of all related projects including the reliance on other assurance providers? The risk or control framework or other criteria used as a basis for the overall opinion?	✓		
Does the annual report incorporate the following: annual opinion, summary of work, qualifications, impairments, comparisons, conformance with PSIAIS, results of the QAIP, progress against improvement plans, summary of performance?	✓		
Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	✓		
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓		
If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓		

London Audit Group - Internal Audit Assurance Levels and Definitions

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

LB of Hillingdon – Internal Audit Recommendation Risk Ratings and Definitions

RISK	DEFINITION
HIGH ●	The recommendation relates to a significant threat or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
MEDIUM ●	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular, an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. The risk requires management attention.
LOW ●	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. The risk may be tolerable in the medium term.
NOTABLE PRACTICE ●	The activity reflects current best management practice or is an innovative response to the management of risk within the Council. The practice should be shared with others.

SURVEY RESULTS

The results of the stakeholder feedback survey are **based on 5 out of 6 completed questionnaires** which contain responses. Please note, some questions in these 5 surveys were unanswered by the respondents.

N.B. 20% equals 1 respondent, 40% equals 2 respondents, etc.

	Do Not Agree	Partially Agree	Generally Agree	Fully Agree
Standing and Reputation of Internal Audit				
1. The internal audit service is seen as a key strategic partner throughout the organisation	20%			60%
2. Senior managers understand and fully support the work of internal audit	20%			40%
3. Internal audit is valued throughout the organisation	20%		20%	20%
4. The internal audit service is delivered with professionalism at all times			20%	40%
5. The internal audit service demonstrates integrity in the way that it operates		20%	20%	40%
Impact on Organisational Delivery				
6. The internal audit service responds quickly to changes within the organisation		20%		40%
7. The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate		20%		20%
8. The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	20%	20%		40%

APPENDIX B (cont'd)

	Do Not Agree	Partially Agree	Generally Agree	Fully Agree
9. The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified		20%		40%
10. There have not been any significant control breakdowns or surprises in areas that have been positively assured by the IA service	20%			40%
Impact on Governance, Risk and Control				
11. The internal audit service includes consideration of all risk areas in its work programme		20%	20%	40%
12. Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation		20%	20%	20%
13. Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control	20%	20%	20%	20%
14. The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas		40%	20%	20%
15. The internal audit service raises significant control issues at an appropriate level in the organisation	20%	20%		40%
16. Internal audit advice is insightful, proactive and future-focused	20%		20%	20%
17. The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives		20%	20%	20%
18. Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation		20%		40%
19. Internal audit activity promotes appropriate ethics and values within the organisation	20%			40%

Survey – extracts of further comments:

One member said that they had been a member of the Audit Committee for a short time and did not feel that they had the opportunity, in Covid conditions, to obtain a detailed knowledge of how IA works. Therefore, they had partially completed the survey. They did however add that they had been impressed with the IA service, particularly its leadership. Their view was that the IA service appeared to be well regarded by officers and members of the Audit Committee. They had been impressed with the way the team adapted and delivered an audit programme in Covid conditions. During the member's relatively short time on the Audit Committee, several of the IA team had attended and there was clearly experience and strength in depth.

One member felt that they did not have enough exposure to the IA service to be able to pass judgement. However, they had no doubt that the IA service is professionally run, well regarded and well connected within the organisation and they had no reason to think IA doesn't tick the other boxes.

One member clarified that where they had listed 'partially agree' in their survey response; they were reflecting on the relationship the IA service has with the Audit Committee.

One member stated that they had left a number of answers blank as they were not close enough to give an appropriately evidence based response.

One member felt that IA provided a professional, technical service, but IA did not sufficiently demonstrate its independence and the ability to think strategically. The member's view was that IA's governance and management structure meant that IA was directed by the organisation.

One member stated they thought the IA processes are mainly good, but that IA does not demonstrate that it thinks strategically and can rise above the detail. As an example, the member stated that revisions to the AGS were made over a four year period and a recent exercise for the Audit Committee to deep dive into undelivered IA recommendations was not adequate. The member also queried whether IA should be preparing the AGS.

Overall, the member felt that IA needs to be and be seen to be more autonomous and not bound by officer decisions which are not aligned with IA best practice; IA should help the Council to better understand how to achieve its objectives and more effectively manage risk and IA should aid the strategic decision making of the leadership team and support oversight by the Audit Committee.

The member felt that more strategic thinking, including strategic risk analysis and high-level judgements, was required.

RECOMMENDATIONS/GOOD PRACTICE SUGGESTIONS & NOTABLE PRACTICES IDENTIFIED

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating
1	There is no documented IA Strategy for the SIAS and it was noted that none of the stakeholders interviewed were able to articulate to us the strategy or long-term plans for the IA Service.	The SIAS should consider developing an IA Strategy that underpins the IA Annual Plan and sets out the overall IA approach and vision, aligned to the strategic objectives of both councils.	<i>If there is no documented IA strategy in place and senior stakeholders are not aware of the IA strategy, there is a risk that some aspects of the IA approach may not align with the strategic objectives of both authorities, which could potentially have financial and operational consequences for the councils.</i>	LOW ●
2	The SIAS reports progress to the Islington senior officer board and Audit Committee on a quarterly basis, but to the Camden senior officer board and Audit Committee every 6 months.	The SIAS should consider formally reporting its progress to Camden senior officer board and Audit Committee on a quarterly basis. This reflects the pace of change in local government and provides greater oversight of the performance of the SIAS.	<i>If IA's progress is not reported regularly to the senior officer board and Audit Committee, there is a risk that oversight of IA performance and assurance on key risks may not be provided in a timely manner, which potentially could result in key strategic decisions not being taken promptly.</i>	LOW ●
3	At Camden we found that whilst DMTs are presented with IA progress reports and the annual plan etc, the IA reports are not reviewed by the senior officer board before they go to Audit Committee as required by the PSIAS.	The Camden senior officer board including the Chief Executive should consider approving all IA reports that go to the Audit Committee.	<i>If the IA Plan is not approved by the Chief Executive there is a risk of non-compliance with regulatory standards set out in the PSIAS which could have legal, operational and reputational consequences for the SIAS.</i>	LOW ●
4	At Camden we found that the HIA does not formally meet the Chief Executive Officer on a regular basis.	The HIA should consider formally meeting with the Camden Chief Executive Officer on a regular (at least quarterly) basis. This is particularly good practice where the IA service is part of the Finance Directorate as is the case at both authorities.	<i>If the HIA does not meet the Chief Executive Officer in formal 1-2-1's at each authority on a regular basis, there is a risk that independence of the SIAS may be compromised.</i>	LOW ●

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating*
5	We found the individual IA reports issued at the end of each piece of IA work to be relatively long in section 2 (the detailed findings).	The SIAS should consider reducing the level of detail in reports in line with the good practice concept of agile auditing. This will increase the efficiency of the IA reporting process for IA staff and client managers/ audit sponsors.	<i>If IA officers and client managers are spending a disproportionate amount of time on preparing/reading IA reports, there is a risk that resources are being used inefficiently which has financial and operational consequences for the councils.</i>	LOW ●
6	We found that in 2017/18 (when there was a change of HIA) an EQA was neither conducted nor formally recorded as considered. PSIAS 1312 and 2020 states that an EQA should be conducted whenever there is a key change in personnel.	Whenever there is a key IA change in future it is recommended that an EQA is carried out or formally considered and documented as such.	<i>If an EQA is not conducted or formally considered following a key change in the system of IA, there is a risk of non-compliance with the PSIAS which has potential legal, operational and reputational consequences for the SIAS.</i>	LOW ●
7	Except for one IA trainee at Islington, the most junior members of staff in the SIAS are Principal Internal Auditors.	The SIAS should consider adding trainees /apprentices or more junior staff to the team to carry out some of the less complex IA work. This would be a more efficient use of IA resource and provide better succession planning within the SIAS.	<i>If senior IA staff are performing less complex IA reviews there is a risk that resources are not being used effectively, efficiently and economically which could have financial and operational consequences for the SIAS.</i>	LOW ●
8	The SIAS does not currently use any form of audit software package and instead places reliance on using MS Word/Excel, etc, as part of the IA process.	The SIAS should reconsider implementing an effective IA software package to help increase the efficiency of the IA processes.	<i>If the IA Service does not use an effective audit software package there is a risk that IA resource will not be used to the optimum which has potential operational and financial consequences for the SIAS.</i>	LOW ●

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating*
9	The amount of time spent on IA recommendation follow-ups by the SIAS is disproportionately high compared to other IA processes which we found to be lean at both authorities.	The IA follow-up process should be considered for full automation. This would eliminate the need for senior IA staff to be checking spreadsheets and sending out reminders to managers.	<i>If SIAS staff are spending a high amount of time on follow-up work, there is a risk that resources are being used inefficiently which potentially could have financial and operational consequences for the councils.</i>	LOW ●
10	The amount time spent on IT audits provided by PwC across both authorities is 60 days and we believe this coverage is very low.	The SIAS should consider increasing the volume of IT audit work at both authorities to provide a greater level of assurance in this area. This would also provide an opportunity for the SIAS to consider appointing its own in-house specialist IT Auditor.	<i>There is a risk that the Board and Audit Committee at each authority do not get timely assurance on key IT risks facing both organisations. There is also a risk that the opportunity to develop in-house IT audit talent is missed.</i>	LOW ●
11	A central log of all SIAS training is not maintained.	The SIAS should consider implementing a centralised training log for all IA staff across the SIAS. This would help management take an overall view of staff training and development across the SIAS.	<i>If a central training log is not maintained and regularly updated there is a risk that IA service may not possess the relevant skills, knowledge and experience to fulfil their roles which has operational and reputational consequences for the IA Service. There is also a risk that IA management will not have effective oversight of the overall training and development needs of the IA service.</i>	LOW ●
12	Audit Committee training at both authorities is not carried out on an annual basis.	Both authorities should consider implementing a programme of training for all Audit Committee members.	<i>If the Audit Committee is not subject to an annual programme of training, there is a risk the committee will not have the up-to-date skills required for the role, including holding the SIAS to account.</i>	LOW ●

APPENDIX C (cont'd)

No.	Key Finding	Recommendation/Suggestion	Risk / Rationale	Risk Rating*
13	An up-to-date skills matrix for each member of the Audit Committee is not in place.	Both authorities should consider implementing a skills matrix for each Audit Committee member. These should be updated on annual basis to inform the skills gaps.	<i>Without an up-to-date skills matrix completed for each Audit Committee member, the training programme may not be targeting the right areas or address the skills gaps.</i>	LOW ●
14	A regular review of the effectiveness of each Audit Committee has not been carried out.	Both authorities should consider conducting an annual review of the effectiveness of the Audit Committee. These should be updated on annual basis to highlight any skills gaps.	<i>If a regular review of the effectiveness of Audit Committee is not carried out there is a risk that improvements and good practice may not be identified and followed.</i>	LOW ●
15	The Audit Committee Chairs at both councils are affiliated with a political party.	In line with best practice, it is recommended that both authorities consider appointing independent Chairs of their Audit Committees.	<i>If the Audit Committee Chair is not independent there is a risk that the Audit Committee meetings and IA's work are not free from political motivations which has operational and reputational consequences for the councils.</i>	LOW ●
16	The IA Charter does not contain a statement which includes the boards responsibility to review and approve the appointment and removal of the HIA.	In line with PSIAS 1100, the SIAS should include in its IA Charter the Board's responsibility to review and approve the appointment and removal of the HIA.	<i>If the Charter is not updated in accordance with the PSIAS there is a risk of non-compliance with regulatory standards which has legal, operational and reputational consequences for the IA Service.</i>	LOW ●
17	The individual IA terms of reference do not include a specific statement in relation to conflicts of interest.	It is recommended that individual IA terms of reference include a specific statement in relation to conflicts of reference to greater promote objectivity, transparency and independence.	<i>If terms of reference do not include a specific reference do not include a specific statement on conflicts of interest, there is a risk that the PSIAS (1112 and 1130) may not be fully complied with.</i>	LOW ●

APPENDIX C (cont'd)

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
18	The SIAS uses a 'Common Findings' paper for schools IA matters which helps share good and bad practice.	N/A	<i>The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.</i>	NOTABLE PRACTICE ●
19	The SIAS IA Plan for both authorities is aligned with the Principal Risk Report (PRR) at each organisation. This provides a seamless application of the IA methodology across both councils and a clear link between the strategic objectives of each authority, the PRR and the SIAS IA Plan.	N/A	<i>The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.</i>	NOTABLE PRACTICE ●

*Please refer to **Appendix A** for Risk definitions.

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Appendix B – Camden Islington Shared Internal Audit Service – EQA 2021-22




Recommendations, good practice suggestions and notable practices identified


No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
Notable practice – best practice which should be shared with others					
1.	The Shared Internal Audit Service (SIAS) IA Plan for both authorities is aligned with the Principal Risk Report (PRR) at each organisation. This provides a seamless application of the IA methodology across both councils and a clear link between the strategic objectives of each authority, the PRR and the SIAS IA Plan.	n/a	The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.	NOTABLE PRACTICE ●	This example of best practice has been shared with London Audit Group (LAG).
2.	The SIAS uses a 'Common Findings' paper for schools IA matters which helps share good and bad practice.	n/a	The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.	NOTABLE PRACTICE ●	This example of best practice has been shared with London Audit Group (LAG).



No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
Low priority recommendations relating to the PSIAS					
1.	The individual IA terms of reference do not include a specific statement in relation to conflicts of interest.	It is recommended that individual IA terms of reference include a specific statement in relation to conflicts of reference to greater promote objectivity, transparency and independence.	If terms of reference do not include a specific reference do not include a specific statement on conflicts of interest, there is a risk that the PSIAS (1112 and 1130) may not be fully complied with.	LOW ●	Noted Wording on the shared service's approach to managing potential conflicts of interest has now been included in the Terms of Reference template. Safeguards to ensure auditor independence and objectivity are documented in the shared service's Internal Audit (IA) Charter. Consideration is given to conflicts of interest during allocation of individual audit reviews.
2.	The IA Charter does not contain a statement which includes the board's responsibility to review and approve the appointment and removal of the HIA.	In line with PSIAS 1100, the SIAS should include in its IA Charter the Board's responsibility to review and approve the appointment and removal of the HIA.	If the Charter is not updated in accordance with the PSIAS there is a risk of non-compliance with regulatory standards which has legal, operational and reputational consequences for the IA Service.	LOW ●	Noted Consideration will be given on whether the shared service arrangement of having the Chief Executive of each Council approve the appointment and removal of the HIA is adequate. We are also seeking examples from other local authorities who have shared service arrangements on how they appoint and remove the HIA.
3.	We found that in 2017/18 (when there was a change of HIA) an EQA was neither	Whenever there is a key IA change in future it is recommended that an EQA is carried out or	If an EQA is not conducted or formally considered following a key change in the	LOW ●	Noted In 2017-18, following an external and internal recruitment process, the new HIA was appointed. The incoming

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
	<p>conducted nor formally recorded as considered. PSIAS 1312 and 2020 states that an EQA should be conducted whenever there is a key change in personnel.</p>	<p>formally considered and documented as such.</p>	<p>system of IA, there is a risk of non-compliance with the PSIAS which has potential legal, operational and reputational consequences for the SIAS.</p>		<p>HIA had previously been an Audit Manager within the shared service. The last EQA carried out in 2016-17 had found the service to be fully compliant with the PSIAS. As the HIA's appointment was an internal appointment within a fully compliant service, it was not considered necessary to carry out another EQA one year after the 2016-17 EQA. However, the rationale for this decision should have been documented at the time.</p> <p>Going forward, whenever there is a key IA leadership change, an EQA will be carried out or formally considered. The rationale for any decision will be documented.</p>
<p>Good practice suggestions – Internal Audit</p>					
1.	<p>There is no documented IA Strategy for the SIAS and it was noted that none of the stakeholders interviewed were able to articulate to us the strategy or long-term plans for the IA Service.</p>	<p>The SIAS should consider developing an IA Strategy that underpins the IA Annual Plan and sets out the overall IA approach and vision, aligned to the strategic objectives of both councils.</p>	<p>If there is no documented IA strategy in place and senior stakeholders are not aware of the IA strategy, there is a risk that some aspects of the IA approach may not align with the strategic objectives of both authorities, which could potentially have financial and</p>	<p>LOW</p> <p>●</p>	<p>Noted</p> <p>An Internal Audit Strategy, aligned with strategic objectives, was documented ahead of the 2022-23 year. The strategy, along with the 2022-23 Internal Audit Plan, was presented to both Councils' Corporate Boards ahead of presentation to the Audit Committees in March 2022.</p>

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
			operational consequences for the councils.		
2.	The SIAS reports progress to the Islington senior officer board and Audit Committee on a quarterly basis, but to the Camden senior officer board and Audit Committee every 6 months.	The SIAS should consider formally reporting its progress to Camden senior officer board and Audit Committee on a quarterly basis. This reflects the pace of change in local government and provides greater oversight of the performance of the SIAS.	If IA's progress is not reported regularly to the senior officer board and Audit Committee, there is a risk that oversight of IA performance and assurance on key risks may not be provided in a timely manner, which potentially could result in key strategic decisions not being taken promptly.	LOW 	Noted (finding relates to Camden only) Camden operates in a more devolved way than Islington, with Internal Audit outcomes reported to Directorate Management Teams (DMTs). Additionally, oversight of IA's performance occurs via quarterly performance reporting to the Corporate Board. Regular reporting to DMTs will continue and the need for more regular reporting to the Corporate Board will be kept under review.
3.	At Camden we found that whilst DMTs are presented with IA progress reports and the annual plan etc, the IA reports are not reviewed by the senior officer board before they go to Audit Committee as required by the PSIAS.	The Camden senior officer board including the Chief Executive should consider approving all IA reports that go to the Audit Committee.	If the IA Plan is not approved by the Chief Executive there is a risk of non-compliance with regulatory standards set out in the PSIAS which could have legal, operational and reputational consequences for the SIAS.	LOW 	Noted (finding relates to Camden only) As of March 2022, in addition to presentation to DMTs, the IA plan is presented to the Corporate Board (chaired by the Chief Executive).



No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
4.	At Camden we found that the HIA does not formally meet the Chief Executive Officer on a regular basis.	The HIA should consider formally meeting with the Camden Chief Executive Officer on a regular (at least quarterly) basis. This is particularly good practice where the IA service is part of the Finance Directorate as is the case at both authorities.	If the HIA does not meet the Chief Executive Officer in formal 1-2-1's at each authority on a regular basis, there is a risk that independence of the SIAS may be compromised.	LOW 	Noted (finding relates to Camden only) The HIA has a dotted reporting line to the Chief Executive and the Chair of the Audit Committee. As well as having regular 1:1 meetings, the HIA can seek an audience with the Chief Executive whenever an issue arises or escalation is needed. Nevertheless, the frequency of 1:1 meetings will be kept under review.
5.	We found the individual IA reports issued at the end of each piece of IA work to be relatively long in section 2 (the detailed findings).	The SIAS should consider reducing the level of detail in reports in line with the good practice concept of agile auditing. This will increase the efficiency of the IA reporting process for IA staff and client managers/ audit sponsors.	If IA officers and client managers are spending a disproportionate amount of time on preparing/reading IA reports, there is a risk that resources are being used inefficiently which has financial and operational consequences for the councils.	LOW 	Noted As part of our continuous service improvement, we have recently revisited our approach to presenting audit findings with a view to producing shorter, more succinct reports. A new reporting template has been developed to support this.
6.	Except for one IA trainee at Islington, the most junior members of staff in the SIAS are Principal Internal Auditors.	The SIAS should consider adding trainees /apprentices or more junior staff to the team to carry out some of the less complex IA work. This would be a more efficient	If senior IA staff are performing less complex IA reviews there is a risk that resources are not being used effectively, efficiently and	LOW 	Noted As the shared service staffing model is lean (there are just three dedicated in-house auditors at each borough), a strategic decision was made to hire senior auditors to ensure that they can deliver the cross-cutting plan



No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
		use of IA resource and provide better succession planning within the SIAS.	economically which could have financial and operational consequences for the SIAS.		largely independently and to a high standard. The audit plan aligns with each Council's principal risk report, and the shared service also carries out advisory and reactive reviews outside the audit plan. Auditors needs to be agile and skilled enough to undertake high risk reviews in unfamiliar areas at short notice. We are considering engaging a less senior auditor to conduct establishment reviews at schools, tenant management organisations and voluntary sector organisations.
7.	The SIAS does not currently use any form of audit software package and instead places reliance on using MS Word/Excel, etc, as part of the IA process.	The SIAS should reconsider implementing an effective IA software package to help increase the efficiency of the IA processes.	If the IA Service does not use an effective audit software package there is a risk that IA resource will not be used to the optimum which has potential operational and financial consequences for the SIAS.	LOW 	Noted Software was previously used by the shared service however it did not meet service needs and the software was decommissioned. Standard templates are in place across the shared service for terms of reference, working papers and reports, meaning that outputs are standardised and auditors are not consuming time creating templates. In 2022-23 we will revisit the possibility of implementing IA software, particularly in relation to follow up activity.

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
8.	The amount of time spent on IA recommendation follow-ups by the SIAS is disproportionately high compared to other IA processes which we found to be lean at both authorities.	The IA follow-up process should be considered for full automation. This would eliminate the need for senior IA staff to be checking spreadsheets and sending out reminders to managers.	If SIAS staff are spending a high amount of time on follow-up work, there is a risk that resources are being used inefficiently which potentially could have financial and operational consequences for the councils.	LOW 	Noted Work took place across 2021-22 to introduce a leaner process for follow ups. At Islington, this was coordinated through Controls Board. DMTs have also played a more active role in tracking implementation of audit actions. As noted in response to finding 7 above, we will consider software solutions to reduce the administrative burden of the follow up process for senior IA staff.
9.	The amount time spent on IT audits provided by PwC across both authorities is 60 days and we believe this coverage is very low.	The SIAS should consider increasing the volume of IT audit work at both authorities to provide a greater level of assurance in this area. This would also provide an opportunity for the SIAS to consider appointing its own in-house specialist IT Auditor.	There is a risk that the Board and Audit Committee at each authority do not get timely assurance on key IT risks facing both organisations. There is also a risk that the opportunity to develop in-house IT audit talent is missed.	LOW 	Noted The shared service applies a two pronged approach to IT audit assurance: it conducts dedicated IT audits but also includes elements of IT assurance within non-IT audits where applicable (for example a review of a service area's processes will often include a review of access rights within key systems). The audit plan is written by mapping principal risks to IA resource (see notable practice 1 above), so we are comfortable that key IT risk areas are included on the audit plan. While IT audit resource is being kept under review, the shared service has

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
					<p>not historically engaged an in-house IT auditor for a number of reasons including:</p> <ul style="list-style-type: none"> - Recruitment challenges (IT auditors are especially difficult to recruit outside the private sector); and - The co-sourced provider provides a wide range of specialist IT staff and tools, which offers greater flexibility of approach to IT auditing than would be achievable in-house.
10.	A central log of all SIAS training is not maintained.	The SIAS should consider implementing a centralised training log for all IA staff across the SIAS. This would help management take an overall view of staff training and development across the SIAS.	If a central training log is not maintained and regularly updated there is a risk that IA service may not possess the relevant skills, knowledge and experience to fulfil their roles which has operational and reputational consequences for the IA Service. There is also a risk that IA management will not have effective oversight of the overall training and	<p>LOW</p> <p>●</p>	<p>Noted</p> <p>A centralised training log will be maintained from 2022-23. There is a budget in place for staff training and staff are able to book themselves on courses as needed. Additionally, as part of the current co-sourced framework agreement, staff attend network days over the course of the year where training updates are provided on topical areas. There are mechanisms in place to ensure that managers have effective oversight of training needs as part of the 1:1 process. Training is also logged within weekly resource trackers for each staff member, providing management oversight of training.</p>

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
			development needs of the IA service.		
Good practice suggestions – Audit Committees					
1.	Audit Committee training at both authorities is not carried out on an annual basis.	Both authorities should consider implementing a programme of training for all Audit Committee members.	If the Audit Committee is not subject to an annual programme of training, there is a risk the committee will not have the up-to-date skills required for the role, including holding the SIAS to account.	LOW ●	Noted A training programme is in place across both Councils. However, historically, and in consultation with Committee Services (Camden) and Democratic Services (Islington), it was not considered necessary to deliver an annual training in the same areas repeatedly. Training is delivered when members are new and then revisited only if necessary. However going forward, the need for refresher training will be kept under review. In 2022-23, a full suite of training (Internal Audit, Anti-Fraud and Risk Management) has been planned for Camden’s Audit and Corporate Governance Committee. Training for Islington’s Audit Committee will be reviewed with Democratic Services.
2.	An up-to-date skills matrix for each member of the Audit	Both authorities should consider implementing a skills matrix for each Audit Committee member. These should	Without an up-to-date skills matrix completed for each Audit Committee member, the training programme	LOW ●	Noted We will work with Committee/Democratic Services in

No.	Summary Finding	Recommendation / Suggestion	Risk / Rationale	Risk Rating	Internal Audit Shared Service - Management response
	Committee is not in place.	be updated on annual basis to inform the skills gaps.	may not be targeting the right areas or address the skills gaps.		2022-23 to implement a skills matrix for Audit Committee Members.
3.	A regular review of the effectiveness of each Audit Committee has not been carried out.	Both authorities should consider conducting an annual review of the effectiveness of the Audit Committee. These should be updated on annual basis to highlight any skills gaps.	If a regular review of the effectiveness of Audit Committee is not carried out there is a risk that improvements and good practice may not be identified and followed.	LOW 	Noted We will work with Committee/Democratic Services in 2022-23 to support reviews of effectiveness of the Audit Committees in both boroughs.
4.	The Audit Committee Chairs at both councils are affiliated with a political party.	In line with best practice, it is recommended that both authorities consider appointing independent Chairs of their Audit Committees.	If the Audit Committee Chair is not independent there is a risk that the Audit Committee meetings and IA's work are not free from political motivations which has operational and reputational consequences for the councils.	LOW 	Noted The suggestion will be kept under review.

Risk	Definition
High 	The recommendation relates to a significant threat or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
Medium 	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular, an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. The risk requires management attention.
Low 	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. The risk may be tolerable in the medium term.
Notable practice 	The activity reflects current best management practice or is an innovative response to the management of risk within the Council. The practice should be shared with others.

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Finance
7 Newington Barrow Way, N7 9EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): All

Subject: Whistleblowing Policy and Procedure

1. Synopsis

1.1 Whistleblowing arrangements are a key element of the Council's overall governance arrangements. Whistleblowing allows employees, contractors and others, to confidentially raise concerns.

1.1. This report provides updates to the Council's Whistleblowing Policy and Procedure, which was previously updated in January 2021. In line with good practice, the Council seeks to continually review its policies and procedures to ensure that they fit for purpose. In this instance, changes were made largely to strengthen provisions in relation to anonymous referrals. The policy has also been strengthened in areas such as the right of accompaniment. Key changes since the last iteration dated January 2021 have been highlighted at **Appendix A** for ease of reference. A summary of key changes is provided below:

- Paragraph 2.2. – provides further detail on the support the Chief Executive will receive on receipt of a referral;
- Paragraph 3.1 – provides further detail on the assessment process;
- Paragraph 3.1 – recognises the right of accompaniment and makes provision for details of the allegations to be shared with the subject when an investigation is pursued;
- Paragraph 3.1 – the provision for a whistleblowing outcome to be reviewed by the Chief Executive has been removed as there is no legal obligation for this provision;
- Paragraph 5.1 – clarifies how the Council will deal with anonymous whistleblowing reports. While the Council will consider anonymous reports, these reports will not carry the same weight as allegations where the referrer is known. While the existing whistleblowing policy does make provision for discretion to be exercised when

deciding whether to investigate anonymous complaints, the revised policy further strengthens this, by stipulating the criteria that will inform the decision to investigate. This will take into account the seriousness of the allegations, the credibility of the allegation, the factual content and specific detail of the complaint (and any supporting material provided); and the likelihood of confirming the allegation from other attributable sources;

- Paragraph 5.6 – clarifies how the Council will deal with reports that a whistleblower had suffered a detriment as a result of making a referral under this procedure;
- Paragraph 5.6 – clarifies how the Council will deal with reports that have been made maliciously or known to be false. Disciplinary action may be taken against employees who make malicious or untrue allegations. It reminds staff that the disclosure must be in the public interest and they must believe it to be true. It further states that staff should not act maliciously, knowingly make false allegations or seek personal gain. The policy makes it clear that no action will be taken against anyone who makes an unfounded referral in good faith. The Council will also ensure that any negative impact on the subject of an unfounded or malicious allegation will be minimised.

1.2. Further minor amendments have been made as follows:

- Where applicable, contact details have been updated;
- Paragraph 1.1 now states that relevant officers will be trained in the use of this procedure.

2. Recommendations

2.1. To agree the Whistleblowing Policy and Procedure at **Appendix A**.

3. Background

3.1. Whistleblowing arrangements are a key element of the Council's overall governance arrangements. Whistleblowing allows employees, members, contractors and others, to confidentially raise concerns surrounding fraud and corruption. A review of the Council's whistleblowing policy was last undertaken in January 2021. The policy has now been reviewed and changes to the policy since the last iteration have been highlighted in **Appendix A**.

3.2. Ahead of presentation to the Audit Committee, the following consultation has taken place:

- The proposed revised policy was shared with the unions and members of the Audit Committee for comment;
- The proposed revised policy was shared with the relevant political leadership for comment.

4. Implications

4.1. Financial Implications

- 4.1.1. There are no specific financial implications associated with this report. Each referral will be determined on an individual basis and financial implications, if relevant, will be considered as part of this determination.

4.2. Legal Implications

- 4.2.1 The original Public Interest Disclosure Act 1998 whistleblowing provisions, inserted in the Employment Rights Act 1996, were amended by the Enterprise and Regulatory Reform Act 2013 to introduce a new public interest requirement. The Council must have regard to the Government's Whistleblowing Guidance for Employers and Code of Practice. The revised Policy is fit for purpose and is consistent with and pays due regard to the key principles and matters raised in the Government Guidance (and has also been subject to consultation with the recognised unions - a point referred to in the Government Guidance on page 5 under "Communicate Policy and Procedure"):

<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>

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

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

4.4. Equalities Impact Assessment

- 4.4.1. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

- 5.1. The report indicates that the Whistleblowing policy is in place and has been duly updated. The report is intended to support Audit Committee in obtaining assurance that the Council has a sound framework surrounding whistleblowing.

Appendices:

- **Appendix A** – Whistleblowing Policy and Procedure

Background papers:

- None.

Final report clearance:

Signed by:

Dave Hodgkinson

Corporate Director of Resources

Date:

20th May 2022

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Whistleblowing Policy and Procedure

1 BACKGROUND

1.1 Overall context

The Council expects the highest standards of behaviour of all those who work for the Council, Councillors and its contractors.

The Whistleblowing Procedure is intended to encourage employees and others who are listed below to report inappropriate action by any of the above which would not normally be revealed due to fears of victimisation or retribution.

The procedure provides a framework for those with concerns to report such concerns and for them to be dealt with in an appropriate manner.

The procedure reassures employees that they will be protected from reprisals or victimisation for making reports of malpractice, in the public interest, which they reasonably believe to be true.

The Council will ensure that relevant workers are trained appropriately in relation to whistleblowing law and this procedure.

1.2 Regulatory and legal context

This disclosure policy has been devised in accordance with the provisions of the Employment Rights Act 1996, Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013.

1.3 Scope of the procedure

This procedure applies to a report where it is the reasonable belief of the employee or other person making the report that it discloses past, present or likely future wrongdoing in any of the following categories:

- a criminal offence, including bribery or corruption,
- a failure to comply with a legal obligation,
- a miscarriage of justice,
- a danger to the health and safety of an individual,
- damage to the environment,
- a deliberate attempt to conceal any of the above

in relation to the conduct of the Council's business, including activities carried out by contractors on its behalf.

1.4 Matters outside the scope of the procedure

Statutory whistleblowing protections do not normally cover day to day issues in relation to an employee's terms and conditions of employment or a complaint about another employee, these can usually be referred to their line manager, or if necessary be pursued using the Council's Grievance Procedure.

Note: Employees generally do not receive statutory protection as a whistleblower when they complain merely about breaches of their own employment contract. A protected whistleblowing disclosure should have a public interest aspect to it. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the council's Grievance Procedure, not the Whistleblowing Procedure. If employees are unsure about whether or not their concern raises a public interest matter, they may find it useful to seek further guidance from the sources of advice provided below.

Complaints or allegations relating to Members of the Council are subject to separate investigative procedures under the Islington Code of Conduct for Members and the relevant provisions of the Localism Act 2011.

There are other matters that may attract statutory whistleblowing protection, but nonetheless should be reported using other council procedures:

- Matters that would normally be dealt with by the Council's collective bargaining arrangements with its recognised trade unions.
- Matters relating to child abuse which should be reported to the Referral and Advice Team: telephone **020 527 7400** or Email: csctreferrals@islington.gov.uk Further information is available on the Islington Council website: <https://www.islington.gov.uk/children-and-families/worried-about-a-child>
- Matters relating to the protection of vulnerable adults should be referred to the Access Team: telephone **020 7527 2299** or send an email to them at access.service@islington.gov.uk. Further information is available on the Islington Council website: <https://www.islington.gov.uk/social-care-and-health/abuse>
- You can also make a referral at: dolsoffice@islington.gov.uk or in an emergency telephone **0207 527 8837**
- For referral outside office hours in relation of child abuse or the protection of vulnerable adults contact the Emergency Duty Team on **020 7226 0992**.
- Allegations which you would normally make to Internal Audit concerning fraud or financial irregularity which should continue to be made direct to Internal Audit by calling **0207 527 6538** or email at: internal.audit@islington.gov.uk

- Matters relating to modern slavery should be raised as under paragraph 4 below.
- Complaints from the public that relate to standard of service delivered by the Council or its contractors which should be reported through the council's Complaints procedure see: <http://izzi/me/staff-essentials/communications-customer-service/dealing-customers/3complaints/2complaints/Pages/procedure.aspx>

1.5 Who is covered by the procedure?

All employees, contractors (and their staff), partner agencies (including the Health Authority and voluntary sector groups), casual and agency workers, consultants, trainees and self-employed people providing work for the Council may make reports under this procedure outlining any concerns.

2 MAKING A WHISTLEBLOWING REPORT – Step 1

2.1 Reporting a concern within the management structure of your own Service Area

In the first instance you should normally report any concerns to your line manager or their manager, preferably in writing. However, if you feel the matter is extremely serious or sensitive or involves your line manager or their manager, you should report the matter to the relevant Corporate Director.

Before raising your concern, you may wish to take advice on the matter from any of those listed in paragraph 5.7 of this procedure or discuss your concerns with a colleague first. It is advisable that you report your concern as early as possible. A significant delay in reporting the matter may make the subsequent investigation difficult to pursue.

In raising your concern in writing, you should give as much detail as possible, i.e. the background and history, giving names and relevant dates and the reasons why you are particularly concerned about the situation.

If you feel hesitant about putting your concern in writing at this stage you should telephone the manager to whom you wish to make the report and arrange to meet them. Do bear in mind you may be asked to put the details in writing later.

Managers receiving a report under this section must notify the whistleblowing officer of the referral within 24 hours.

Any evidence you provide may be useful. However, you do not need to provide evidence in order to make a report under this procedure.

2.2 Reporting a concern to the Council's Whistleblowing Officer

The Council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management (Tel: 020 7974 2211)

You may also contact the Whistleblowing Officer via email at: internal.audit@islington.gov.uk. This mailbox is restricted and only accessed by authorised managers in Internal Audit.

You may make a written report to the council's Whistleblowing Officer if you:

- Have previously raised an issue to management within your department and feel that it has not been dealt with properly or the matter involves your Corporate Director, or
- Fear that you will be victimised if the matter is raised within your management structure, or
- Fear that relevant information may be concealed or destroyed if the matter is raised within your management structure.

If the matter you wish to raise involves the Whistleblowing Officer, you may make your report to the Chief Executive. The Chief Executive, with support from a relevant senior officer, will then assess the matter in accordance with the provisions of the Whistleblowing Policy.

3 INVESTIGATION OF YOUR REPORT – Step 2

3.1 What will happen?

An assessment will be made on whether the referral is appropriate for this procedure in the light of the matters set out in paragraphs 1.3 to 1.5 above.

Receipt of your report will be logged by the Whistleblowing Officer, following which you will normally be interviewed. In most cases you will be asked to provide a written statement detailing the allegations following the interview.

You will receive a written acknowledgement of your report and will be informed of the action that will be taken to investigate your concern within 10 working days of receipt. You will also be given an estimate of the likely timescale of the investigation, although this cannot be guaranteed.

Where possible, you will be kept informed of the progress of the investigation, unless the Investigator considers that there is a risk of the investigation being prejudiced by disclosures of the process being taken. You may not receive full details of the progress or the outcome of the investigation if provision of details would be inconsistent with obligations of confidentiality in relation to others.

The person making the disclosure and the person the disclosure is about have the right to be accompanied and/or represented by their trade union representative or a colleague at all stages of the procedure. If, following the assessment process, an investigation is undertaken, an employee who is the subject of the allegation will be given details of the allegation in order to respond during the investigation.

In some circumstances the matter may be referred to an external agency, such as the police, if crime is involved. Where possible the Whistleblowing Officer will advise you of this before doing so.

It may be considered appropriate for the allegations in your report to be investigated on behalf of the Council by an external party. In these cases, the Council's Section 151 Officer or the Chief Executive will provide authority for an external investigation to be conducted. In exceptional circumstances, it may be considered appropriate to appoint a legal professional, such as a solicitor or barrister to conduct this

investigation. In these cases, the Council's Audit Committee will provide the authority for an external investigation to be undertaken.

3.2 Conclusion of the investigation – Step 3

If your allegation is not proven or there is insufficient evidence on which to base a conclusion, you will be advised accordingly.

In all cases a written record will be kept of the decision reached in relation to whether or not the Council will investigate.

In cases where action is necessary as a result of your allegation, a report will usually be sent to the Corporate Director responsible for the area under investigation. The Corporate Director will be responsible for implementing the recommendations in the report. You will be advised when the investigation is complete but it may not always be possible to tell you the details of the findings as this may be confidential.

If the investigation concerns inappropriate action by the Corporate Director, the report will be sent directly to the Chief Executive. If you are concerned about the Corporate Director receiving the report you should discuss this with the investigator.

4 MODERN SLAVERY

4.1 Modern slavery is the illegal exploitation of people for personal or commercial gain, often in conditions which the victim cannot escape. Islington is committed to ensuring that this exploitation does not occur in any of the Council's activities and that staff and the public have the opportunity to report suspicions to the appropriate place.

Staff who suspect that modern slavery or human trafficking may be happening through any of the council's activities, particularly in service delivery via third parties, should contact the Council's Head of Internal Audit, Investigations and Risk Management immediately (Tel: 020 7974 2211).

More information and advice can be found on the government's website on modern slavery: <https://www.gov.uk/government/collections/modern-slavery>

5 GENERAL PROVISION

5.1 Anonymous reports

This policy encourages you to give your name when making an allegation. Whilst anonymous allegations do not carry the same weight, any such reports received by the Council will be considered when the Council believes this to be appropriate. In exercising this discretion, the factors to be taken into account would include:

- the seriousness of the issues raised;
- the credibility of the concern;

- the factual content and specific detail of the complaint (and any supporting material provided);
- the likelihood of confirming the allegation from other attributable sources.

Anonymous whistle blowers will not ordinarily be able to receive feedback. Anonymous whistle blowers may seek feedback through a telephone appointment or via email. Please see the relevant contact details above. Such feedback will be provided subject to sufficient evidence that the person seeking the feedback is the same person who made the original complaint or allegation.

5.2 Anonymity

During the initial stages of the investigation, if you so wish, the Council guarantees that your identity will only be disclosed to those directly involved in investigating the allegation. If you wish to remain anonymous, we will take all reasonable steps to maintain your anonymity throughout the enquiry. However, notwithstanding all reasonable steps being taken, it is possible that anonymity will not be maintained. For example, the matters to which your complaint relates may enable interviewees in an investigation to guess your identity. We may also be required by law to breach anonymity. For example, we may be required by law to disclose your identity to other investigating agencies, but we will discuss this with you before doing so.

5.3 Attendance at a disciplinary hearing

In cases where disciplinary action is taken, it may be necessary for you to provide witness evidence. We will try to gather evidence to support your allegation without requiring your attendance at a hearing, but this may not always be possible.

5.4 Non-disclosure agreements

Non-disclosure clauses in settlement agreements do not prevent you from making a disclosure under this policy or attracting the statutory protection.

5.5 Statutory protection

The Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013 provide individuals with protection from victimisation, dismissal or any other detriment provided they have a reasonable belief that what they have reported is true and the report is made in the public interest.

5.6 Protection for Council employees

Action will not be taken against you by the Council if you make a report with a reasonable belief that it is in the public interest even if it is not confirmed by the investigation.

The Council will treat any victimisation or harassment of an employee because they made a report reasonably and in the public interest under this procedure as a serious disciplinary offence.

If you consider that you have been, are being or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this procedure, you should report your concerns to the Whistleblowing Officer.

The matter will then be dealt with as a new referral under this procedure and an assessment will be made as to whether or not the referral is appropriate for consideration under the procedure.

Employees should not make reports which they do not reasonably believe to be true or which are malicious. Disciplinary action may be taken against an employee who makes an allegation frivolously, maliciously or for personal gain.

Please note that:

- Staff must believe the disclosure of information is in the public interest;
- Staff must believe it to be true;
- Staff must not act maliciously; or knowingly make false allegations; and
- Staff must not seek any personal gain.

Just as the Council seeks to protect those who raise complaints in good faith, it will seek to protect those against whom potentially malicious claims are made. No action will be taken against anyone who reasonably raises a concern in good faith which transpires to be unfounded. However, the Council will take disciplinary action against any employee who makes a vexatious claim, a malicious claim or obtains information inappropriately to inform a vexatious or malicious claim. In either case, where it turns out that a claim was without foundation, the Council will ensure that any negative impact upon the person complained of is minimised.

If you are already the subject of a disciplinary, capability or redundancy procedure, this will not normally be halted as a result of your report.

5.7 Advice

If you wish to receive advice from a relevant professional in the council before making a report under this procedure, you should contact any of the following:

- Section 151 Officer (Tel: 020 7527 2294)
- The Corporate Health and Safety Manager. Email- CorporateHealthandSafety@islington.gov.uk

Alternatively, you may wish to ask for confidential help from your trade union:

- UNISON:
Jane Doolan Tel: 0207 527 8298
email: secretary@islingtonunison.org.uk
- GMB:
Marie McCormack Tel: 0207 527 3805
email: Marie.McCormack@islington.gov.uk

George Sharkey Tel: 0788 1310682
email: george.sharkey@islington.gov.uk
- Unite:
Jasmin Suraya Tel: 020 7527 8344
email: jasmin.suraya@islington.gov.uk

Bobby Haddock Tel: 07813361144
email: Robert.Haddock@islington.gov.uk

Or your professional organisation.

You may also contact the following organisations outside the council for assistance with your concern:

- Public Concern at Work, now known as Protect Tel: 020 3117 2520 or visit their website: <https://protect-advice.org.uk/>

For additional support you can contact the Employee Assistance Programme (EAP) Phone: 0800 243 458 or visit: <https://www.workplaceoptions.co.uk/member-login-2/>

Client ID: islington

Password: employee

The National Society for the Prevention of Cruelty to Children (NSPCC) has a national whistleblowing helpline for employees wishing to raise concerns about a child at risk of abuse.

You can find more information on this NSPCC whistleblowing helpline on their official website at: <https://www.nspcc.org.uk>

5.8 Reporting outside the Council

This procedure is intended to provide you with an avenue within the council to raise concerns. The council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the council following completion of the process set out above, the following are possible contact points:

- HM Revenue & Customs,
- the Financial Services Authority,
- the Office of Fair Trading,
- the Health and Safety Executive,
- the Environment Agency,
- the Director of Public Prosecutions,
- the Department of Health,
- the Care Quality Commission,
- the Serious Fraud Office,
- Ofsted,
- or other appropriate regulatory body.

For a full list of bodies and person who you can make a disclosure to see:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies>

A report made externally, i.e. to the police, media or Member of Parliament, will only be protected and count as a qualifying disclosure under the legislation if the following apply:

- the report is in the public interest: if you honestly and reasonably believed the information and any allegation contained in it to be substantially true,
- the allegation has not been made for personal gain,
- the allegation has already been raised with the council, unless you reasonably believed you would be victimised or that there may be a cover-up or that the matter is exceptionally serious.

Also a disclosure is not a qualifying disclosure if:

- by making the disclosure, you have committed an offence (e.g. under the Official Secrets Act 1989), or
- the information should be protected from disclosure because of legal professional privilege (e.g. the disclosure has been made by a legal adviser (or their secretary) who has acquired the information in the course of providing legal advice).

5.9 Review of the whistleblowing procedure

The procedure and reports made under it should be reviewed at least every four years. The Audit Committee will receive a regular monitoring report on the use of this procedure, detailing all referrals made under this procedure.

Previous Version January 2021
This Version June 2022

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Resources Directorate

Islington Council 7 Newington Barrow Way N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13th June 2022

Ward(s): All

The appendix to this report is not for publication

Subject: Cyber Defence Assurance for LBI

1. Synopsis

- 1.1. This paper is to provide an annual update on the assurances around the cybersecurity protections in place that ensure the integrity of the council's operations and data security.

2. Recommendations

- 2.1. To note, this report as a statement of the current position for the council's cybersecurity assurance programme and the ongoing audits and activity.

3. Background

- 3.1. This paper provides an update on cybersecurity activities over the last year and highlights how the cybersecurity posture has improved for the council.
- 3.2. This is the Annual Report to CMB and Audit Committee on the state of the council's cyber defences in the context of the broader cyber environment. It reflects the senior leadership's acknowledgement that cybercrime is a significant risk and resolve to keep cybersecurity central to all digital activity to protect our services and the private information of residents.

4. The Cyber Environment

- 4.1. In recent months, all UK Government and non-Government entities have been alerted to a heightened threat to security. The geo-political unrest outside the UK has forced many, including LBI, to be on high alert for both state-sponsored and opportunistic malicious/hostile cyber activity.
- 4.2. The National Cyber Security Centre (NCSC) guidelines continue to be the reference point for LBI. These frameworks have helped identify how 'in the wild' attacks may affect the LBI digital and non-digital estate and to guide what activities should be actioned to promote resilience.
- 4.3. Industry cybersecurity researchers and leading vendors continue to highlight opportunist cyber-attacks against End User Computing (laptops), Data Stores and Cloud environments, with specific focus on Ransomware, which continues to be the malware that causes the most organisational-wide problems, across multiple industries including local government.
- 4.4. According to the [IT Governance quarterly cybersecurity review](#), ransomware protection has improved, and this is reflected by a steady decrease in ransomware incidents - from over 50 reported occurrences in April 2021 down to below 25 such occurrences by September 2021. This is further corroborated by the 'State of Ransomware 2021 Sophos Report' where it concludes UK organisations managed to block 39% of ransomware attacks before the hackers could encrypt the data with their own password. Which means, protection from the remaining 61% is reliant on organisational security capabilities and awareness of its people – supported by good policies and processes.

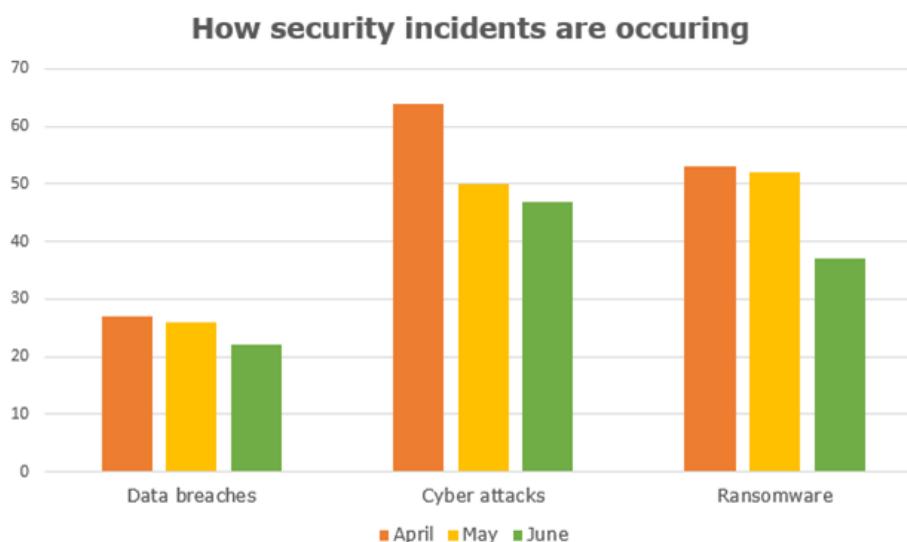


Figure 1: Data breaches and cyber-attacks quarterly review: Q2 2021 (itgovernance.co.uk)

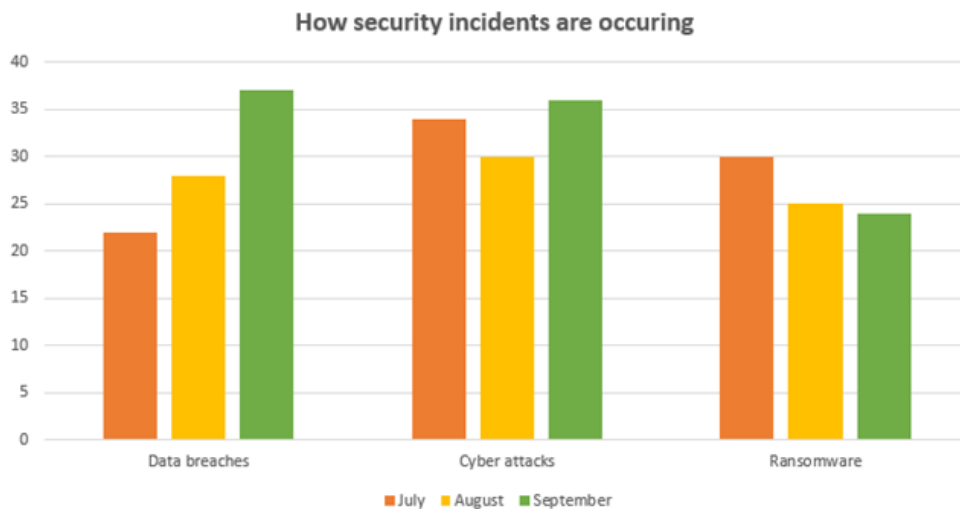


Figure 2: Data breaches and cyber-attacks quarterly review: Q3 2021 (itgovernance.co.uk)

- 4.5. The IT Governance finding further notes, data breaches have seen an increase due to the rise in social media/phishing and malware instances. Overall, the survey found that occurrences of cyber-attacks by hackers remain steady.
- 4.6. Motivations for hackers are not always known but there is often a financial driver. A person's data profile fetches £1 per person in the dark web currently, on the other hand, one employee's corporate data profile can fetch up to £10 or more. Beyond financials, the malicious nature of unauthorised access and its impact is seen constantly in the news.
- 4.7. The UK Government remains an attractive target for a broad range of malicious actors. Of the 777 incidents managed by the National Cyber Security Centre (NCSC) between September 2020 and August 2021, around 40 percent were aimed at the public sector identified by the UK Government's 'Cyber Security Breaches Survey 2022' report¹.
- 4.8. The government has identified that 'Cyber Security Cybersecurity Resilience' will continue to play an important role and that all critical government functions must be significantly hardened to cyber-attack by 2025; with all government organisations across the whole public sector being resilient to known vulnerabilities and attack methods no later than 2030.
- 4.9. Finally, data from Gartner shows that 72% of public sector IT leaders are continuing organisational digitisation, which places renewed focus on digital cyber resiliency². The government's National Cyber Strategy 2022 found that other factors like state espionage will likely continue to exploit national-strategic vulnerabilities. Whilst our government is working with allies to disrupt sophisticated shared threats from Russia and China, Iran and North Korea continue to use digital intrusions to achieve their objectives to increase their sovereign based digital footprint through their own state-based digital products or through digital theft and sabotage.

¹ [Cybersecurity Breaches Survey 2022](#)

² The ability to anticipate, withstand, recover and adapt to adverse conditions, stresses, attacks, or compromises on systems.

5. Summary Self-Assessment

Updates have been provided against the self-assessment framework that was used last year. The updates are based on the National Cyber Security Centre (NCSC) paper entitled: [“Questions for boards to ask about cyber security”](#). Cybersecurity remains a complex and technical topic.

The results of the assessment are contained in Appendix 1 (Exempt).

6. Implications

6.1. Financial Implications

All costs associated with cyber security are budgeted for and funded within the Islington Digital Services budget. There are no additional costs resulting from this report.

6.2. Legal Implications

Under UK GDPR, the Council has a duty to assess risk and to implement technical and organisational measures to meet security risks (whether from cyber-attack, or from physical or organisational matters), taking into account: the state of the art; the costs of implementation; and the nature, scope, context or purposes of the data processing; as well as the level and likelihood of the risk (Article 32(1)).

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

There is no additional on-premise hardware that will require further energy consumption as part of this paper. All data processing is in-cloud on a leveraged platform.

6.4. Equalities Impact Assessment

There are no implications in this report in relation to achieving a net zero carbon Islington.

7. Conclusion and reasons for recommendations

7.1. It is recommended that this report be noted as a statement of the current position for the council’s cybersecurity assurance programme and the ongoing audits and activity.

Appendices:

- Appendix 1 - NCSC Assessment Questions (Exempt)

Final report clearance:

Signed by:

Authorised by Dave Hodgkinson

Corporate Director of Resources

Date: 24 May 2022

Report Author: Jon Cumming, Director of Digital Services

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Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	13 th June 2022		All
Delete as appropriate	Exempt	Non-exempt	

External Auditor Reports

1. Synopsis

- 1.1. Grant Thornton UK LLP is presenting two reports to the Committee. The first is their Annual Audit Report for the year ending 31 March 2021. The second is the audit plan for the external audit of the Council and the Pension Fund for 2021/22.

2. Recommendations

- 2.1. To note the total anticipated fees for the external audits of the Council and Pension Fund for the year ending 31 March 2022 is £290,237.
- 2.2. To note the contents of the Audit Plan for the Council and Pension Fund Accounts for the year ending 31st March 2022.
- 2.3. To note the contents of the Annual Audit Report 2020/21.

3. Background

- 3.1. Each year the Council's external auditor presents to the Audit Committee their audit plan for the year end accounts. This also includes management progress updates on the recommendations made during the previous external audit.
- 3.2. The Annual Audit Report 2020/21 formally concludes the prior years audit process and summarises the findings previously considered by the Committee within the Audit Findings Report. The Annual Audit Report also includes the outcome of the auditors updated Value for Money assessment.

4 Implications

- 4.1. Financial Implications: The fees for the audit will be £252,429 (prior year £285,000) for the Council and £37,308 (prior year £54,000) for the Pension Fund, subject to the Council and Pension Fund delivering a good set of financial statements and working papers.
- 4.2. Legal Implications: The Annual Audit Report has no major legal implications. An unqualified audit opinion has been issued. The Report confirms that overall the Council has appropriate arrangements in place to ensure it manages risks to its financial

sustainability, that no risks of serious weaknesses have been identified, that no evidence has been found of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks, that it has in place a robust performance management framework to ensure effective delivery of services and priorities, that no evidence has been found of significant weaknesses in its arrangements for ensuring that it makes informed decisions and properly manages its risks, and that significant risks have not been identified in the Council's Value for Money arrangements for responding to the Covid-19 pandemic. However, under each of the headings Financial Sustainability, Governance, and Improving the 3 best value Es under the Local Government Act 1999 and the Local Audit and Accountability Act 2014, economy, efficiency and effectiveness, the Report identifies opportunities for improvement. Due regard must be had to these 8 Recommendations on respectively pages 12-14, 18-22 and 27/28 of the Report.

- 4.3 Environmental Implications: This report does not have any direct environmental implications.
- 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.
- 4.5 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.

Appendices:

- Appendix 1 – Annual Audit Report 2020/21
- Appendix 2 – External Audit plan 2021/22

Background papers: None

Responsible Officer:

Dave Hodgkinson, Corporate Director of Resources

Report Authors:

Paul Clarke, Director of Finance

Legal Implications Author: Peter Fehler, Director of Law and Governance

Auditor's Annual Report on Islington Council

2020/21
January 2022
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Contents



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We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Key recommendations	5
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Governance	15
Improving economy, efficiency and effectiveness	23
COVID-19 arrangements	29
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Appendices	
A - The responsibilities of the Council	
B - An explanatory note on recommendations	

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

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness



Financial sustainability

Islington Council will shortly be embarking on 2022-23 Budget and Council Tax planning from a position of longstanding financial pressure. Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified three opportunities for improvement which the Council may wish to consider as it prepares for 2022-23.

Further details can be seen on pages 7-14 of this report.



Governance

Our work focused on systems for managing risk, budgeting, making informed decisions and maintaining standards. Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified four opportunities for improvement.

Further details can be seen on pages 15 - 22 of this report.



Improving economy, efficiency and effectiveness

Islington Council has in place a robust performance management framework to ensure effective delivery of services and priorities. We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We noted one recommendation for improvement.

Further details can be seen on pages 23 - 28 of this report.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but three improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but four improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but one improvement recommendation made



Opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 02 February 2022. Our findings are set out in further detail on page 32.



Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

The range of recommendations that external auditors can make is explained in Appendix B.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 31 of this report.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying and Planning for Financial Pressures

From our review of 2020-21 arrangements, we note that sound budgeting processes are in place. Initial “bottom-up” input to budget and savings plans is driven by service directorates and managed by the Strategic Finance Team, overseen by the Corporate Management Board. Treasury and Capital Strategies align with Revenue Budgeting and the robustness of assumptions is overseen by the s151 Officer. Both the Executive Committee and the Policy and Performance Scrutiny Committee oversee Budget and Council Tax proposals and monitoring.

Islington Council has a strategic policy (dating back to 2019-20) in place to increase resilience in its Reserves. On 31st March 2021, the Council’s General Fund and Non Schools Earmarked Reserves balances relative to Revenue Expenditure were stronger than most other London Boroughs. although we recognise that a large proportion of these balances relate to the pandemic and other short-term pressures and so the balances will revert to lower levels over the next 2 years. This will bring Islington back towards the average again.

Figure 1 shows how the London Boroughs benchmarked against one another on 31 March 2021 - the close of 2020-21, as they went into 2021-22. Having previously held lower than average Reserves for London, the Council is aiming over the medium term to build a General Fund balance of £40M. We note that Earmarked Reserves on 31st March 2021 included around £68M of Reserves for Non-Schools smoothing, changes in assumptions, contingency and risk:

- Budget Strategy £21M
- Business Continuity £10M
- Social Care assumptions risk £5.9M
- Budget risks £25M
- HRA PFI smoothing £5.5M

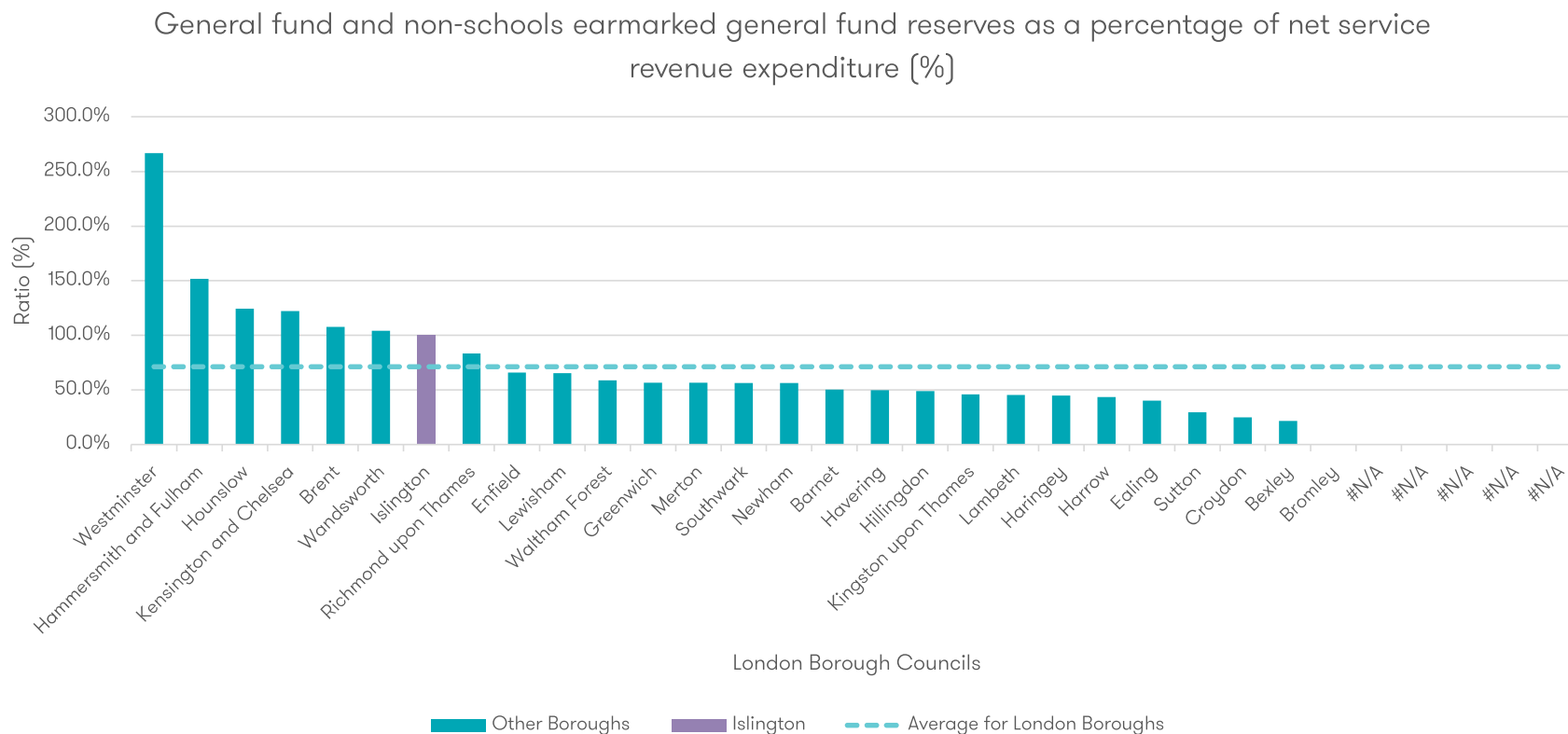
The Council will shortly be embarking on 2022-23 Budget and Council Tax planning from a position of longstanding financial challenge in the General Fund Revenue Account. The Council’s Budget and Council Tax proposals for 2020-21 to 2022-23 identified central government funding as “grossly insufficient” to meet the inflationary and demographic cost pressures it was facing and noted that in-year savings of £9.663M would be required from service directorates in 2020-21 to balance their budgets. Some of the 31 March 2021 reserves balances (budget risk and budget strategy reserves) will be used to help the Council deliver savings in the longer term (fund change costs as well as deal with timing issues in delivery, where the saving will not be delivered in time to account for a full year saving).

With financial pressures on the General Fund Revenue Account increasing year on year, Islington Council’s Budget and Council Tax proposals for 2021-22 to 2023-24 noted that significantly higher in-year savings of £25.264M would be required from service directorates to balance the budget for 2021-22. The Net Revenue Budget for 2021-22 included £10.5M of Contingency (£5.5M for Covid-Related Contingency and £5M for Other Contingency) and early indications are that at least some of that contingency will be required – the Council’s Period 5 Budget Monitoring Report for 2021-22 forecast £7M of Covid overspend being off-set against the Covid Contingency (and Reserves), with a further £2.9M Non-Covid Contingency also being needed.

Financial pressure is longstanding and expected to remain high in 2022-23 and future years, although we are content that reasonable and prudent processes are in place to prepare for that pressure.

Financial sustainability

Figure 1: General Fund and Non-Schools Earmarked General Fund Reserves on 31 March 2021 as a Percentage of Net Service Revenue Expenditure 2020-21



Financial sustainability

Savings Plans

The 2021-22 £25.264M Savings Plans form the cornerstone of Islington Council's Transformation Plan and are monitored monthly by The Corporate Management Board. The Executive Committee and the Policy and Performance Scrutiny Committee also receive regular monitoring reports through the year.

We reviewed a sample of the Savings Plans for 2021-22 in detail. Notwithstanding the covid-related and other financial pressures which led to £5M unachieved savings in 2020-21, we found overall that the process of making assumptions, planning and consulting with service teams works well. Given the Month 5 forecast overspends against plan for 2021-22 though, we note some observations for consideration in drawing-up savings plans for 2022-23:

- Savings plans for 2021-22 tended to consist of a high number of individually small schemes. New Savings of £14M consisted of 47 different schemes, with only three of the new schemes individually generating savings of more than £1M. Previously Agreed Savings of £11M consisted of 33 different schemes, with only one of the schemes being individually worth more than £1M. Managing, supporting and reporting on a high number of small schemes may be more resource intensive and may increase the risk of slippage.
- Some £9.8M of Savings for 2021-22 had been planned for Children and Adult Social Care Services. Both areas traditionally come under demand-led pressure and the Month 5 Budget Report for 2021-22 shows that an £11M overspend for the year was forecast across the two services for 2021-22 (the forecast Children's overspend was £5.142M and the forecast Adults overspend was £6.309M).
- Savings Plans rooted in underlying long-term transformation of service delivery tended to be smaller in value, drawn from existing rather than new plans for the year and sometimes not yet allocated to specific directorates (amalgamation of contracts, £0.9M; centralization administration processes, £0.5M; replacing face to face services with digital services, £0.3M; and localizing services to ensure earlier responses and reduce longer term issues, £0.375M).
- £8.4M of "cross-cutting" savings were included within the 2021-22 Savings Plans, in advance of being allocated to specific service directorates. These included £4.217M in recognition of temporary vacancies likely to arise from routine staff turnover during the year; £2.143M of funding substitutes relating to changing eligibility for free school meals; lower provisions needed for housing benefit errors; and planned funding substitution by drawing on reserves. The other cross-cutting lines included procurement savings not sourced at the time of writing the plan; and savings based on non-specified plans to streamline and redesign services. We note that going forward, where relevant, the Council is proposing to disclose the budget net of any adjustments needed to reflect changes in assumptions around demographics and inflation. Under 2020-21 and 2021-22 arrangements the budget was stated gross of the expected impact of demographic and inflationary change and this impact was reported as a saving, without there necessarily having been a change of service or policy.

It seems likely, given demand led pressures and price and wage inflation, that even a generous settlement for 2022-23 and later years will still leave the Council facing continued financial pressure. As plans for 2022-23 and the medium term are drawn-up, the Council may wish to consider the manageability of high numbers of small savings schemes; whether longstanding service redesign proposals still apply; and risks around savings and transformation that are rooted in Children's and Adult's Services or unallocated to specific directorates when the plans are drawn-up. If savings plan are needed to close a budget gap for 2022-23, those plans should be supported by a historic look back at equivalent savings performance over the previous three to five years and by risk analysis. This would help manage expectations around the delivery of savings and prioritisation of where to spend. Our observation is noted within an improvement recommendation on Page 12 of this report.



Financial sustainability

Other Financial Planning

Islington Council's Corporate Plan 2018-22 and the newly published Strategic Priorities, September 2021, clearly show the Council's Objectives and Priorities to surround Housing, Fairness and the Greener/ Cleaner agenda for residents. These documents provide the framework for all budgeting and investment decisions and plans. The Council's Revenue Budget and Treasury and Capital Strategies support the Objectives. Financial Performance against the Objectives is monitored by the Corporate Management Board, Executive Committee and Policy and Performance Scrutiny Committee. We saw evidence of good practice in financial planning and management. For example, the Month 8 Budget Monitoring Report for 2020-21 was expanded in light of the Covid-19 pandemic to include a Top-Level Summary of Trends in the Capital Programme, noting slippage; possible continued slippage; timing of expected capital spends; and the impacts of Covid-19. The report noted that:

"The delivery of the existing capital programme has been significantly delayed by the COVID-19 pause in construction activity during lockdown and ongoing restrictions. In light of the increased risk around the capital programme, the capital monitoring and reporting has been enhanced to include spend to date, plus reason for forecast variance and confidence in forecast. It is intended that this increased rigour in capital reporting to CMB and the Executive continues getting forward".

This notwithstanding, we noted some areas for consideration.

Revenue and Capital Budgets and Programmes

Revenue and Capital Budgets and Programmes and the associated Monthly Monitoring Reports do not clearly distinguish between planned activities that are discretionary and planned activities that are statutory. To some extent, there can be blurring of the two. The statutory requirement to provide library services is discretionally discharged by providing nine libraries, for example. Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web. This will help to showcase good practice and focus decision-making. We have noted our observation as an improvement recommendation on Page 13 of this report.

The Capital Programme

The Capital Programme (valued at £539.2M for 2020-21 to 2023-24) has been subject to slippage for three years running – not only since the Covid-19 pandemic. Statements of Account show that in 2020-21, 87% of the planned Capital expenditure was delivered. In 2019-20, 77% was delivered. In 2018-19, 87% was delivered.

The Capital Programme for 2020-21 to 2023-24 includes spending of £437.9M over the three years on Decent and Affordable Housing for the residents of Islington.. In September 2021, there were 61 different new, small housing projects running – largely managed by an in-house team, with each project being subject to different contractual processes. Existing Housing projects are being run at the same time under around a further 25 separate contracts.

Delivery and supply of resources, manpower, skills and raw building materials may be harder to fund, manage and monitor over a high number of small projects. New housebuilding plans to date have tended to focus on infill projects, which are dependent on the availability of suitable sites. Financing for the Capital Programme is another source of risk. Nearly 30% of the Programme for 2020-21 to 2023-24 relied on Flexible Use of Capital Receipts from new build house sales or Internal or External Borrowing. Any future volatility in the housing market, or alternative planned uses of the Capital Receipts, or change in the outlook for interest rates, or pressure on liquidity could put pressure on the delivery of the Programme. Deliverability will remain an issue for monitoring even after the impacts of Covid-19 subside.

Workforce Planning

From our reviews of Savings Plans, Transformation Projects and the Capital Programme, we noted some areas of potential staff resource pressure. Both for savings schemes and capital projects we noted high numbers of small initiatives – which by nature can be resource intensive to manage. With the Green agenda, we also noted growing areas of technical complexity. For example, new financial skills are needed with the launch of Green Community Investment Bonds in October 2021. New technological and project management skills are also needed as Capital Projects, for example around heat networks, become more complicated.

Islington Council has a good understanding of its' workforce profile, which is slightly older than average for London (as the July 2021 Existing Workforce Annual Report showed). The Council's Human Resources (HR) function was restructured during 2021 and new roles were created to enable strong workforce planning. The Council has arrangements for HR Business Partners to work with service line directors to develop local level people plans – using human capital metrics and staff engagement feedback together. A new Project Management Office Centre of Excellence and other initiatives to strengthen commercial expertise within the Council are also planned. From this we see that the Council is taking a proactive approach to managing the workforce issues it faces.

Financial sustainability

Managing Risks to Financial Resilience

As previously noted, the Revenue Budget for 2021-22 included significant Contingency (£10.5M). A successful policy of building resilience within Reserves has been followed for the last two years. Formal sensitivity analysis and scenario testing has not previously been used for General Fund Revenue budgeting but instead a detailed and robust challenge to all assumptions is overseen by the s151 Officer each year and presented within the Budget and Council Tax Setting Proposals. From our review of the challenge to assumptions for 2021-22, contingency budgets and reserves balances, we are content that sound processes are in place to manage financial resilience. Sensitivity analysis and scenario testing is often used by other Local Authorities to support Revenue Budget Setting. This could enhance the existing good procedures and could provide senior management with an additional analytical tool to support decision-making. We have noted our observation as an improvement recommendation on Page 14 of this report.

Medium Term Financial Strategy

From our review of procedures and processes for 2020-21, we are satisfied that Islington Council identifies and manages risks to financial resilience and challenges the assumptions underlying its plans. On an ongoing basis.

We note that the Council will shortly be preparing Budget and Council Tax proposals for 2022-23 and a revised Medium Term Financial Strategy. The Spending Review announced on 27th October 2021 indicated that Local Government may be about to receive a 3% increase in core funding and potentially a move back to multi-year settlements. Regional shares of any overall increase in funding are not yet clear. Expected inflationary pressures for 2022-23 may also mean increased funding remains neutral in impact. Changes in business rates to protect businesses from the impacts of Covid-19 are likely to mean reduced income for Councils and the extent to which this will be funded by central government is not yet clear.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified three opportunities for improvement which the Council may wish to consider as it prepares for 2022-23. These are set out on Pages 12 to 14 of this report.



Improvement recommendation



Financial Sustainability

Recommendation 1	If savings plan are needed to close a budget gap for 2022-23, those plans should be supported by a historic look back at equivalent savings performance over the previous three to five years and by risk analysis. This would help manage expectations around the delivery of savings and prioritisation of where to spend.
Why/impact	Some £5M worth of savings planned for 2020-21 were reprofiled or judged unachievable. An £25.6M programme of Savings and Transformation is planned for 2021-22 but Month 5 Budget data indicates that there will be net overspends incurred on the General Fund, requiring Contingency Funds to be used. It seems likely, given demand led pressures and price and wage inflation, that even a generous settlement for 2022-23 will leave the Council facing continued financial pressure in 2022-23. Granular plans for Transformation and Saving will help identify risks to savings plans and meet the financial challenge effectively.
Auditor judgement	Savings plans would contribute more effectively to budget management if they were granular; supported by a historic look-back; and risk assessed.
Summary findings	Savings and Transformation plans for 2022-23 should be reviewed in detail as part of the 2022-23 Budgeting process.
Management comment	The 2022-23 budget plans have been prepared with a view to having more robust saving proposals. The savings are at a more granular level which gives more certainty of delivery and allows better monitoring of progress.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Financial Sustainability

Recommendation 2	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.
Why/impact	This would help to showcase good practice and focus decision-making. It may also help residents to understand the difference between these types of spending; choices around service improvements and quality; and choices around specific projects.
Auditor judgement	The different categories of spending could be made clearer. Currently it is not apparent whether the Council's spending is discretionary or statutory.
Summary findings	No distinction is made in the financial information reported.
Management comment	<p>We would challenge this recommendation. We can see no benefit in trying to do this split.</p> <ol style="list-style-type: none"> 1. The split would be arbitrary – for example, providing a library service is statutory for a local authority. But that requirement could be fulfilled by having a mobile library or just 1 site. We have multiple libraries. 2. Another example is s151. We have to have a person responsible for the financial affairs of the Council but, in order to undertake that role, a Finance team needs to exist. How do you assess how big / senior / expensive that team needs to be? 3. The services we provide are a direct result of Member decisions and political priorities. These are for the benefit of the residents and therefore are more important than what is statutory and what is not. An example of this is early intervention. We spend significant amounts of money on early intervention services in adult social care that would be described as discretionary. However, this spend often results in clients not having to then receive much more expensive, statutory LA services such as residential care. <p>For these reasons we think the argument is not valid and the production of such a split could result in additional costs (see example 3 above)</p>



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Financial Sustainability

Recommendation 3	Consideration should be given to using sensitivity analysis and scenario testing to support Revenue Budget Setting for 2022-23.
Why/impact	Revenue Budget Planning in previous years has been well supported by detailed reviews of assumptions and the inclusion of Contingency. The outlook for 2022-23 will be challenging, even with a generous government settlement. As demand and cost pressures may make Savings harder to find, detailed modelling will help ensure budget projections are protected against surprises.
Auditor judgement	As noted on Page 11 of this report, many Local Authorities use sensitivity analysis and scenario testing to support their Revenue Budget Setting. This tool may be a helpful addition to the budget measures currently in place at Islington.
Summary findings	Budget setting relies on challenge to assumptions and factoring-in contingency. Procedures may be enhanced and more targeted if sensitivity analysis and scenario testing is also explored.
Management comment	Agreed, we will build this in to our plans for the 23/24 budget process.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

Islington Council has an effective system for monitoring and assessing risk. The Principal Risk Report presents the principal risks facing Islington Council to the Audit Committee and Audit Committee (Advisory) and Corporate Management Board and is used to inform the Internal Audit programme of work. It shows:

- Key Risk Themes (Increasing Inequality; Increasing Poverty; Reduced Financial Resilience Council and Partners; Health, Safety and Wellbeing of Council Staff and Residents);
- Links between risks and the Corporate Objectives;
- Heatmaps and detailed summaries;
- Target risk scores (a refinement introduced in 2020-21).

Whilst the Principal Risk Report is comprehensive and driven bottom-up (prepared at Directorate Management Team level and reported up to the Audit Committee and Audit Committee (Advisory)), there may be scope for widening its' use. Under current arrangements, the Principal Risk Report is not routinely included within papers to the Executive Committee or the Policy and Performance Scrutiny Committee, although these are the two most senior decision-making and scrutiny member groups within the Council. We also note that the bottom-up approach could narrow the range of risks included on the Report. For example, during the Islington Together Festival in October 2021, Islington Council opened a new, Green, Community Municipal Investment platform to the public. No formal risk register was opened at directorate level for this scheme because consultation and due diligence indicated little financial risk. Wider risks (for example around reputation/ stakeholder engagement/ green credentials/ take-up rates) may still have been useful to capture and monitor at Committee level. We have noted our observation as an improvement recommendation on Pages 18 - 19 of this report.

We noted clear examples of strong governance in 2020-21, including the introduction of a new Good Governance Group, a new Internal Controls Board and an active campaign to follow-up and close Open Internal Audit Actions during the year. The Internal Audit team is effective and the Internal Audit programme of work is well balanced. Thirty-nine reviews were included within the audit plan for 2020-21 and despite redeployment of staff to support Covid-19 responses and the difficulties of remote working, only six of the reviews were deferred to 2021-22 (none of which relate to critical financial systems).

Governance

Budget Setting Process and Budgetary Control

Initial “bottom-up” input to budget and savings plans is driven by service directorates and managed by the Strategic Finance Team, overseen by the Corporate Management Board. The draft budget is presented to the Executive Committee and the Policy and Performance Scrutiny Committee for review in December, with additional papers presented to approve the budget in February. The budget is presented alongside Treasury and Capital Strategies and the Medium-Term Financial Strategy.

Financial Monitoring reports for review of outturn against the budget are prepared on a monthly basis and presented to the Executive Committee and the Policy and Performance Scrutiny Committee throughout the year. Treasury Mid-Year and Year-End Outturn reports are not included within papers to the Executive Committee and Policy and Procedures Scrutiny Committee. They are reviewed at officer level and any matters for decision coming out of that review are covered in papers to the Committees. We have noted our observation as an improvement recommendation on Page 20 of this report.

Making properly informed decisions

Appropriate decision-making Committees and officer groups are in place. Key Member Committees are the Executive Committee and the Policy and Performance Scrutiny Committee (supported by other Scrutiny Committees in holding the Executive and Council to account). The work of the Council’s committees is governed by the constitution, which is regularly reviewed and updated and openly available on the Council’s website. The Constitution includes a Structural Diagram and Terms of Reference showing clearly which Committee does what. This is shown at Figure 2.

Key senior officer groups include the Corporate Management Board, the Strategic Transformation Board, the Project Management Office, the Senior Leadership Forum, the Change Board, the Internal Controls Board, the Good Governance Group and the Strategy Board. Some memberships and functions and skills overlap between groups and there is at present no single Structure Chart mapping the roles and responsibilities of the various senior officer groups. We have noted our observation as an improvement recommendation on Page 21 of this report. The Net Zero Programme (Vision 2030) includes a Governance Map/ Chart at workstream level and shows how Committees and Officer Groups share roles and responsibilities. This is an example that may be helpful in assessing whether a Chart is needed for the more senior groups within the Council as a whole. It is shown at Figure 3.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council’s policies and procedures comply with all relevant codes and legislative frameworks. There are Member and Officer Codes of Conduct in place and policies in place for dealing with complaints, whistleblowing, gifts and hospitality and declarations of interest. Anti-fraud and corruption functions are led by Internal Audit, a service shared with the London Borough of Camden.

In common with most other local authorities, the Council’s Pension Fund has a deficit. Pension liabilities were valued at £960M on 31st March 2021 and the Council plans to make contributions of £28.9m to the Local Government Pension Scheme and the London Pension Fund Authority in 2021-22. Islington Council is an administering body for the Local Government Pension Scheme. Actuaries are engaged to value the pension liability tri-ennially, with the last valuation having been in 2019-20.

The Council has a Pensions Board which manages regulatory compliance and a Pensions Sub-Committee which oversees strategy, policy and investments. The Pension Board makes an Annual Report to the Sub-Committee. We note that in September 2021, the Pension Board reported a serious data breach, detailing steps being taken to rectify and prevent re-occurrence.

The Pension Fund is included within the Islington Council Internal Audit programme of work on a cyclical basis. We note that the last internal audit of the pension fund systems was in 2015 and the next is scheduled for the 2021-22 programme of work. This is a gap of six to seven years and there may be scope for shorting it. We have noted a recommendation for improvement around this point on Page 22 of this report.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council’s arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified four opportunities for improvement, set out on pages 18 to 22 of this report.

Governance

Figure 2 - Committee Structure Chart in Constitution

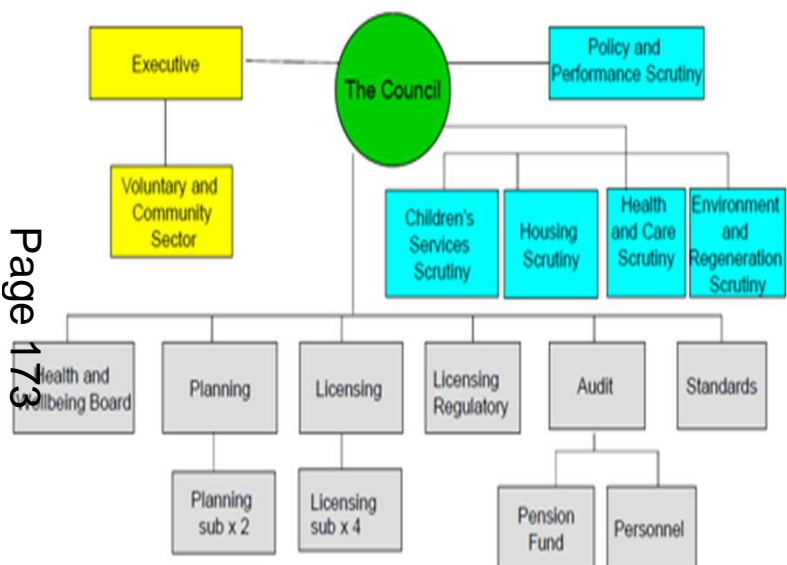
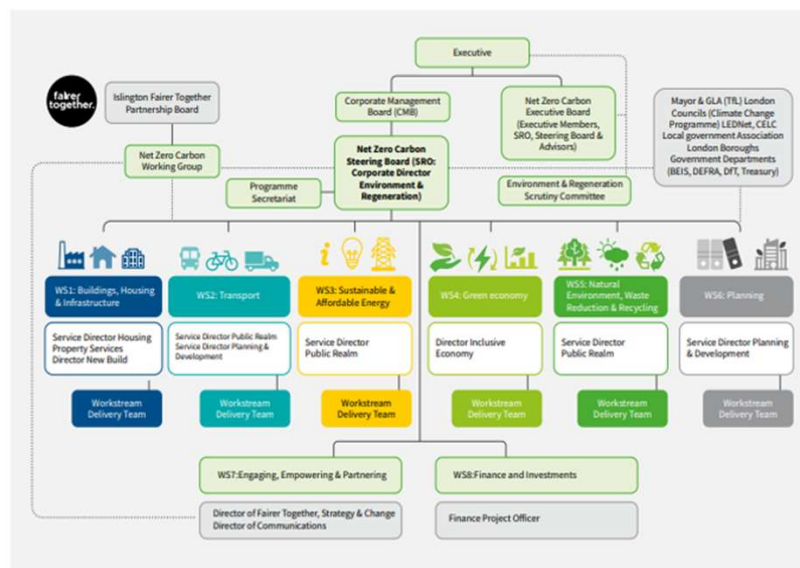


Figure 3 - Vision 2030 Governance Map



Page 173

Improvement recommendation



Governance

Recommendation 4 Consideration should be given to widening the use of the Principal Risk Register.

Why/impact

Whilst the Principal Risk Report is comprehensive and driven bottom-up - prepared at Directorate Management Team level and reported up to the Audit Committee and Audit Committee (Advisory) - there may be scope for widening its' use. Under current arrangements, the Principal Risk Report is not routinely included within papers to the Executive Committee or the Policy and Performance Scrutiny Committee, although these are the two most senior decision-making and scrutiny member groups within the Council. We also note that the bottom-up approach could narrow the range of risks included on the Report. For example, during the Islington Together Festival in October 2021, Islington Council opened a new, Green, Community Municipal Investment platform to the public. No formal risk register was opened at directorate level for this scheme because consultation and due diligence indicated little financial risk. Wider risks may still have been useful to capture and monitor at Committee level.

Auditor judgement

Benefits and insights of the Principal Risk Register may not be optimised under current arrangements.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation 4 (Continued) Consideration should be given to widening the use of the Principal Risk Register.

Summary findings The Principal Risk Report is not routinely included within papers to the Executive Committee or the Policy and Performance Scrutiny Committee. The bottom-up approach could narrow the range of risks included on the Report.

Management comment Reporting - Our Constitution names the Audit Committee as the responsible body for monitoring risk management activity and recommending actions. However we will consider whether the annual Principal Risk Report should be reported elsewhere clearly and solely for information. Bottom up approach – while we apply a bottom up approach, the presentation of the annual Principal Risk Report to the Corporate Management Board, ahead of noting by the Audit Committee, ensures that senior management input into risks is obtained. Overall, in devising the Principal Risk Report, we have opted for a bottom up approach as that allows for a broader range of risks to be considered for inclusion in the Principal Risk Report. Our risk management framework specifies the threshold for escalation of risks from service and directorate level risk registers to the Principal Risk Report. In terms of this specific example, the project may not have met the threshold to be reported at Principal Risk Report level.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation 5 Consideration should be given to including Mid-Year and Year-End Treasury Outturn Reports within information presented to Executive and Policy and Performance Scrutiny Committee.

Why/impact Financial Monitoring reports for review of outturn against the budget are prepared on a monthly basis and presented to the Executive Committee and the Policy and Performance Scrutiny Committee throughout the year. Treasury Mid-Year and Year-End Outturn reports are not included within papers to the Executive Committee and Policy and Procedures Scrutiny Committee. They are reviewed at officer level and any matters for decision coming out of that review are covered in papers to the Committees.

Auditor judgement For completeness of information supporting decisions, full reports (or links to them) should be provided.

Summary findings Financial information to the Executive Committee and Policy and Procedures Scrutiny Committee could be enhanced.

Management comment Agreed. The annual 2021 and mid term report to Sept21 will be presented to relevant committees



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

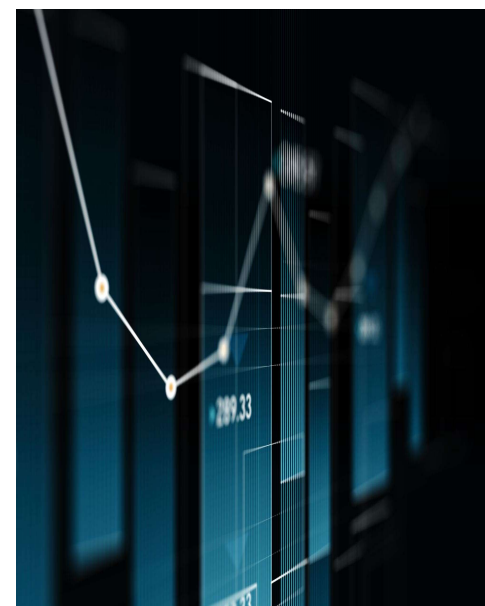
Recommendation 6 Consideration should be given to including an overview of senior officer groups within the Constitution or other staff guidance. An example at workstream level that could be considered is the Vision 2030 Governance Map.

Why/impact Key senior officer groups include the Corporate Management Board, the Strategic Transformation Board, the Project Management Office, the Senior Leadership Forum, the Change Board, the Internal Controls Board, the Good Governance Group and the Strategy Board. Some memberships and functions and skills overlap between groups and there is at present no single Structure Chart mapping the roles and responsibilities of the various senior officer groups.

Auditor judgement Roles and responsibilities of the key officer groups may not be fully understood across the Council. This could lead to duplication or gaps in reporting and activities. Where the Committees have skills and experience to offer Members and staff, if these are not widely known and understood, their offering may not be fully optimised.

Summary findings There may be scope for improving clarity around officer group roles and responsibilities and for improving the signposting of the skills and functions they can offer other groups within the Council.

Management comment The groups mentioned are all non-decision making groups. They do make recommendations and, if a decision is needed, the requirements of the constitution are followed. This could mean a report to a Member Committee or a formal officer decision being taken. However, there are some officer groups where it would be helpful to understand their inter-relationships and their terms of reference, such as in the capital management field. But we would need to agree which groups are included and which are excluded from the map. We would also need to agree where this would sit, probably on the intranet but not in the constitution.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation 7 Consideration should be given to shortening the cycle over which the Pension Fund is included within the Internal Audit Programme of Work.

Why/impact Islington Council is an administering Authority for the Local Government Pension Scheme. Internal Audit review controls over the pension fund on a cyclical basis. Although the next review is planned for 2021-22, we note that the last review was in 2015. This means a gap of some six or seven years. Given the high-profile nature of pensions and the very high values of transactions that flow through them (for example £28.9M contribution to be paid in in 2021-22), a shorter cycle may give more regular assurance.

Auditor judgement Given the profile and value of pensions, an internal audit of the pension fund every three to five years would give stronger assurance than every six to seven years.

Summary findings Internal Audit Programme of Work for 2021-22 and/ or 2022-23 could be enhanced by including Pension Fund accounting systems and controls.

Management comment Agreed



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

Islington Council has in place a performance management framework to support delivery of services and priorities. Performance indicators track progress against outcome areas in the council's Corporate Plan. Performance is monitored by officers through Departmental Management Teams. Within every directorate, Corporate Directorate Delivery Boards deliver performance and change and report into the central Corporate Management Board and, where applicable, the Programme Management Office and the Strategic Transformation Board. Performance is monitored by members through five Scrutiny Committees – with the Policy and Performance Scrutiny Committee overseeing the Scrutiny timetable, topics and findings as a whole, alongside scrutinising Well Run Council objectives and reviewing Financial Management. For 2020-21, the Policy and Performance Scrutiny Committee also received regular updates on Covid-19.

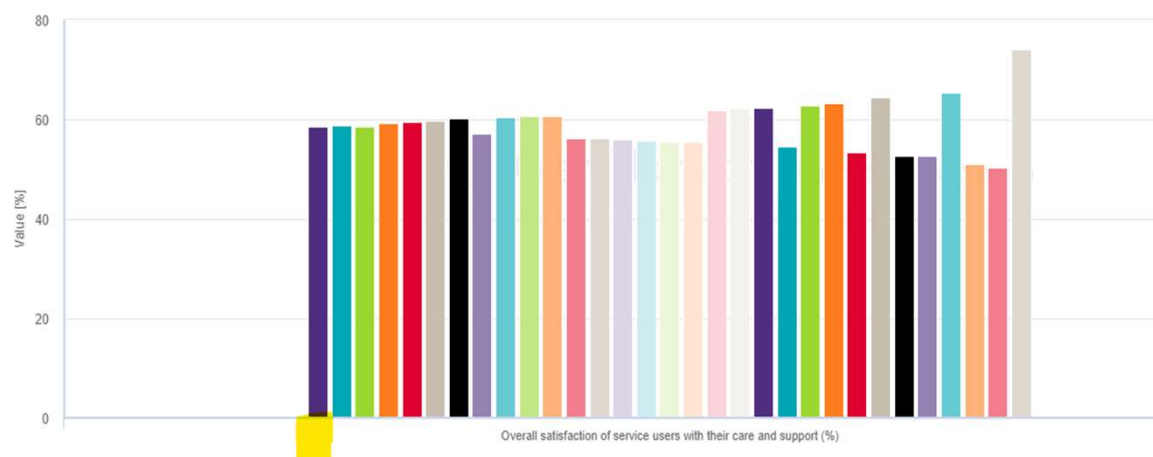
Service Evaluation

The People Directorate is responsible for Children and Adult services. Children's Services were judged outstanding by Ofsted in March 2020. For Adult Services, we benchmarked service user satisfaction against other London Boroughs and found Islington Council's performance to be in the middle range (18/32. See Figure 4). Accountability, scrutiny, leadership and management of Children and Adult Services is provided through the five Scrutiny Committees and also through a series of Boards, including the Corporate Parenting Board, the Health and Wellbeing Board, the Children and Families Board and the Safeguarding Adults Partnership Board.

Where there are contractual agreements to deliver agreed services, the contracts and budgets are managed, monitored and evaluated by the relevant department with the Corporate Director having overall responsibility.

Improving economy, efficiency and effectiveness

Figure 4 - Proportion of service users overall satisfied with their care and support. Proportion of respondents in Personal Social Services Adult Social Care Survey (ASCS) Question 1 who said they were satisfied with their care and support (%). Source: Adult Social Care Outcomes Framework, published by NHS Digital 26th March 2021. 2019-20 values. Responses sought for 32 London Boroughs:



**Islington ranked 18 / 32
London Boroughs.**

Islington (far left/ highlighted): 58.70%

**Highest responding
London Borough: 74.1%**

**Lowest responding
London Borough: 50.3%**

Improving economy, efficiency and effectiveness



Partnership working

Islington Council works closely with a range of partners through the Islington Partnership Board (IPB). The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangements for cross-cutting challenges. Except where it is a mandatory requirement (e.g. Children's Trust Boards), most of the Council's partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is usually the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.

One very significant area of formal external partnership to emerge in recent years surrounds the Green agenda.

Islington Council is pioneering the use of energy from transport (London Underground) to power heating for homes and residential properties. A distributed heat network has been developed in the Bunhill ward, with heat from London Underground being used for Phase II (currently undergoing testing - with a view to moving to full operation from July 2022). The ambition is to generate tens of thousands of carbon savings; a 10% reduction in heating bills to social housing tenants; and net revenue income to Islington Council of at least £90,000 per annum from 2024.

Phase I and Phase II of the Bunhill network are currently operated by different partners. Both contracts will be due for renewal or re-tendering / re-procurement within the next two years. For the period after 2024, Islington Council's indicative Capital Programme includes a budget of £19M to fund up to 15 other heat networks across the Borough.

Bunhill Phase II scope, costings, timeline for delivery, and partnership management arrangements all changed significantly over the life of the project. Technical requirements were significantly higher than had been expected - with the contractor submitting 190 "relevant matters" supporting specification change requests over the life of the project. This was in part a reflection of the newness of the technology, something that had never been tried in the UK before. The scope of the project also expanded as new commercial opportunities for the network were identified as the project progressed. Two possible new users of the Bunhill network have been estimated by management as likely to move net income per annum from around £90,000 per annum to around £248,000 per annum now that capacity and connectivity has been built-in to work with them.

Notwithstanding the overspend causes above, we note that the original estimated cost of £4.6M to deliver Bunhill II quadrupled over its' life. The latest estimate is £16.3M. The full value of the expected overrun was reported to the Executive Committee in November 2019. Increases in estimate had been monitored at officer level until the upper value was established. Internal Audit audited budgets and overruns in detail in May 2020 and an independent consultancy has been brought in to manage the contractual relationship.

As Bunhill Phase II moves out of the defects period and into full operation, it will be important to conduct an early cost benefit review to support decision-making around future heat projects. Whilst future procurement and developments in other wards may not be as technologically challenging as harnessing energy from London Underground for the first time, they will still be high value, technically advanced, complex and of critical support to the Council's Green Agenda. It will be important from the outset to focus on the scope of future heat network projects and on establishing effective change and cost control mechanisms, including reporting on change and cost control to Members in advance of decision-making. An improvement recommendation has been raised on this point on Pages 27 - 28 of this report.

Improving economy, efficiency and effectiveness



Procurement

The Procurement Strategy for 2020-27 notes that the Council spends around £650million with almost 6,000 providers per annum and that about half is directly commissioned by the Council and can be used to contribute to community wealth building. The Strategy lists its objectives as active leadership; progressive supply partnerships; and delivering community benefits.

In-house delivery is shown as the Council's referred option where "reasonable", for "better control of services, more flexibility around how we want to deliver services, and better protection for those delivering our key services". Procuring from local key partners ("Anchor institutions") is shown as the next preference.

The Procurement Strategy is underpinned by more detailed Procurement Rules – the most recent version being May 2021 Rules, for which updates were presented to Council in September 2021 with a view to reflecting changes to the Constitution and to the Strategic Council Plan.

Islington Council's Procurement Rules set out the role of the Commissioning and Procurement Board; legal and financial and supplier roles and responsibilities; processes for supply chain assurance; and administrative processes – from quotations and tenders through to negotiation, awards and contract management.

Tender and procurement processes are typically managed in-house, as are the ongoing contracts once awarded. As previously noted, the Bunhill II contractor is currently managed for the Council by an external consultant but we note that in other areas of significant capital spend, housing for example, in-house management of contracts is more common. Within new housing, we reviewed tenders that were a mix of arrangements – including single stage and multi-stage procurements being overseen by the in-house team.

Conclusion

We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks, although we have noted observations around the Bunhill II project, where new technology was harnessed in the UK for the first time and lessons from the past may help inform future similar projects. An improvement recommendation is on Pages 27 – 28 of this report.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation 8 As Bunhill Phase II moves out of the defects period and into full operation, it will be important to conduct an early cost benefit review to support decision-making around future heat projects. It will be important from the outset to focus on the scope of future heat network projects and on establishing effective change and cost control mechanisms, including reporting on change and cost control to Members in advance of decision-making.

Why/impact Bunhill Phase II scope, costings, timeline for delivery, and partnership management arrangements all changed significantly over the life of the project. Costs and timelines increased significantly. The original estimated cost of £4M to deliver the project quadrupled over its' life – overruns were monitored at project level as they built-up but only flagged at Corporate Management Board level once the full extent of additional expected costs could be quantified.

Auditor judgement Future heat contract procurement and developments in other wards may not be as technologically challenging as harnessing energy from London Underground for the first time, but they will still be high value; technically advanced; complex; and of critical support to the Council's Green Agenda. It will be important from the outset to focus on the scope of future heat network projects.

For all projects, not just heat, effective scoping and early discussion of overruns and changes to scope help management to maximise efficiency.

Summary findings Cost benefits analysis and lessons learnt from heat network projects to date will help maximise the benefits of any future projects going forward.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation 8 (Continued)

As Bunhill Phase II moves out of the defects period and into full operation, it will be important to conduct an early cost benefit review to support decision-making around future heat projects. It will be important from the outset to focus on the scope of future heat network projects and on establishing effective change and cost control mechanisms, including reporting on change and cost control to Members in advance of decision-making.

Summary findings

Cost benefits analysis and lessons learnt from heat network projects to date will help maximise the benefits of any future projects going forward.

Management comment

The project has been undertaken for environmental reasons rather than financial reasons. A cost benefit analysis would not be useful. In addition, the project team and especially the finance rep, identified very early on an overspend was likely. However, senior management (CMB members) at the time wanted to quantify that in detail and assess how much additional funding would be required in total before reporting to Members. This led to the illusion that the overspend was not known about early enough. A lessons learned session has been undertaken within the department.



The range of recommendations that external auditors can make is explained in Appendix B.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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Financial sustainability

The impact of Covid-19 has cut across the Council, impacting both income in the collection rates of housing rents, Council Tax and Business Rates, and General Fund "overspends", most notably driven by lost commercial income.

The 2020-21 Covid-19 related overspend by the Council was £36.491M, of which some £23M related to lost parking, leisure and commercial income in the Environment and Regeneration Directorate.

Adult Social Care Services incurred Covid related overspends of £2.954M in 2020-21 and Children, Employment and Skills incurred overspend of £3.604M, of which some £2M comprised lost revenue from nurseries, libraries and arts facilities. As Figures 5 and 6 show, Islington Council has the highest proportion of working age adults of all London Boroughs and the densest population of all Boroughs. Those at work tend not to be clustered in vulnerable occupations. The make-up of Islington's losses, with a high proportion being lost leisure related revenue, reflects this.

The overspend was offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and some areas of covid related underspend. The Council maintained a good oversight of its Covid-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny through the monthly Budget Management reports to the Corporate Management Board, the Executive Committee and the Policy and Performance Scrutiny Committee.

Month 5 Forecasts for 2021-22 shows that a further covid-19 related overspend of £18.931M is expected for 2021-22. It is noticeable that forecast overspends on Children's and Adult Services are similar to 2020-21 (£3.6M and £2.9M respectively) but the impact on Environmental Services is forecast to fall back down to £8.304M.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

The Executive Committee and the Policy and Performance Scrutiny Committee maintained a keen interest in the Council's response to the pandemic.

Internal Audit resources were redeployed in the first quarter of 2020-21 to support arrangements for managing the pandemic. A small section of Internal Audit work was deferred to 2021-22 as a result, but no planned work on critical financial systems was impacted. Internal Audit, reporting to the newly established Internal Controls Board, followed-up and closed more than 200 Open Actions between January 2021 and November 2021 and completed:

- 15 audit projects providing assurance on the effectiveness of controls and mitigating actions relating to principal risks;
- Two projects focused on the effectiveness and robustness of the Council's core financial controls;
- Nine projects focused on establishments (schools and children's centres, Tenant Management Organisations and voluntary sector organisations);
- Two projects focused on key risks facing local government and areas in which senior management asked for independent assurance; and
- Five extended follow ups focusing on areas of principal risk.

Improving economy, efficiency and effectiveness

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working continued throughout the pandemic but continuity of service was maintained. The Council maintained its Corporate KPI reporting arrangements through the individual Scrutiny Committees, with the Policy and Performance Scrutiny Committee receiving performance reports on a rolling basis. However, high level Covid-19 updates were provided to the Policy and Performance Scrutiny Committee at every meeting through the year.

Covid-19 did lead to slippage in the Capital Programme for 2020-21 – capital expenditure of £111.475M was delivered against a budget of £127.943M as construction activity paused during the pandemic. From Period 8 of 2020-21, capital monitoring and reporting maximize to Corporate Management Board and the Executive Committee was enhanced to include spend to date, plus reason for forecast variance and confidence in forecast.

The root cause of overruns on the highest profile capital project of recent years (Bunhill II) was assessed as having its' origin in changes to scope and changes to assumptions around technology rather than the pandemic.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.

COVID-19 arrangements

Figure 5 – ONS 2020-21 Mid Year Estimate of number of people per square kilometre – higher figure indicates higher covid-19 vulnerability. 2020 data, Islington ranked 1/32. 2020 values. Responses sought for 32 London Boroughs:

Islington ranked 1 / 32

London Boroughs.

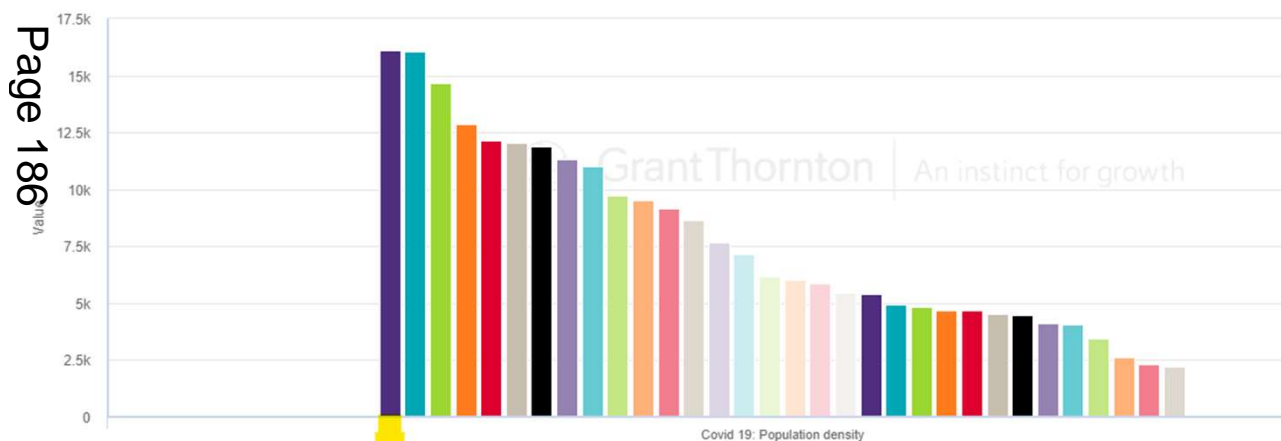
Islington (far left/ highlighted): 16,097

Highest responding

London Borough: 16,097

Lowest responding

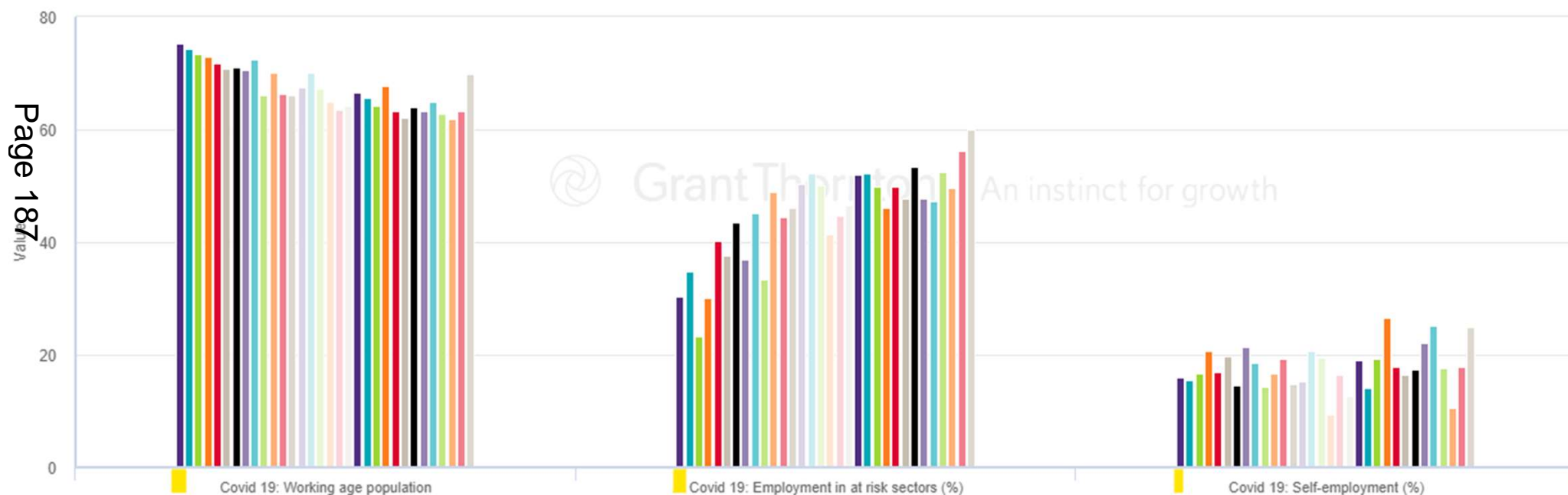
London Borough: 2,205



COVID-19 arrangements

Figure 6 –

- i. ONS Mid Year Estimate 2020-21 – Number of residents aged 16 to 64 as a percentage of the population. Higher the number, the lower the covid vulnerability. **Islington value in 2020 on left hand bar/ highlighted: 75.26.**
- ii. Business Register and Employment Survey, Measure of output losses by business sector in second quarter of 2020-21. Lower the number, lower the vulnerability. **Islington value in 2020 on left hand bar/ highlighted: 30.32.**
- iii. Annual Population Survey 30 June 2020 Proportion in employment aged 16-64 who are self-employed. A higher figure indicates greater vulnerability. **Islington value in 2020 on left hand bar/ highlighted: 16.**



Opinion on the financial statements



Audit opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 02 February 2022.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report, Appendix C.

Preparation of the accounts

We received the draft Pension Fund accounts on the 6th July 2021 and the full draft financial statements on the 15th July 2021, two weeks later than agreed with management. We experienced delays in receiving key working papers and timely responses to audit queries, which resulted in delays in us being able to select samples to test. This combined with a number of adjustments identified to the accounts and a number of significant matters discussed with management has led to delays in the audit timeframe.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This work has not yet commenced as the group audit instructions are yet to be issued by the NAO. Once these instructions are provided, we will agree with management an appropriate timeframe to carry out this work.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

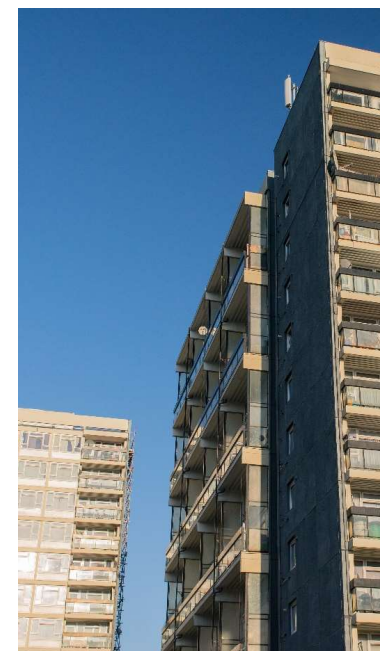
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS p. 12 - 14 Governance p. 18 - 22 3Es p. 27 - 28



Islington Council and Islington Council Pension Fund Audit Plan

Year ending 31 March 2022

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

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Key matters

Factors

Our response

Recovery from the pandemic

The Covid-19 pandemic has had an unprecedented impact on the Council's operations, significantly increasing the scale of the work as well as creating challenges in how the council meets these demands. The Council also notes that the pandemic has created opportunities to work differently with communities, partner organisations and to build back differently to realise the council's future ambitions. The Council has continued to deliver its critical services - keeping schools open for children of key workers and vulnerable families, working with care homes, allowing parks and public spaces to remain open and ensuring bin collections and recycling continue as usual.

Although the measures the government has put in place over the pandemic have now ceased, the demand for critical services and the new responsibilities that the pandemic has brought continue. The Council has used the challenges caused by the pandemic as an opportunity to streamline decision making, make transactional work more automated, improve the efficiency of processes and increase overall productivity.

The Council has focused on tracking these improvements and identifying any further efficiencies that could be made. The Council also recognised this as an opportunity to change how it delivers services and for different departments, communities and partner organisations to work in collaboration to build back differently to achieve their future ambitions.

Green Agenda

The Council has continued its focus on Environmental services during the year. This has been demonstrated in a number of schemes and partnership working the Council has been involved within in the year, such as:

- The Council launched its Green Bond scheme in October, which enables residents to invest in future Council plans to fund projects relating to recycling, solar panels and electric vehicle charging stations.
- Working with Camden Council, Islington has continued working on its Parks Health project which was launched in May 2019. This project has enabled the Council to improve the quality and accessibility of parks and green spaces and to residents and create opportunities for all residents in the area as part of their "universal offer".
- The Council has continued to develop its Net Zero Carbon strategy and has undertaken a recent review of this in relation to its Waste management service. This centred around how to increase engagement in relation with regards to food waste collections, increase recycling rates and to reduce the incineration of waste by the North London Waste Authority.

- We will consider your arrangements for managing and reporting your resources as part of our work in completing our Value for Money work.
- We will follow up our Value for Money findings reported within the 2021-22 Auditor's Annual Report.

Key matters

Factors

Finances

The 2021/22 financial position was set based on a savings plan of £25.3m. 2021/22 has continued to be a challenging year for all public sector bodies as they continue to react to the demands of the pandemic. At Month 9 the Council is reporting a general fund budget pressure of £24.29m for the year, which is largely due to adverse movements in the Adult and Social Services directorate. However once the allocation of available Covid-19 funding and contingency budgets are considered the net overspend is £0.6m. In relation to the Housing Revenue Account at month 9, the Council is forecasting an in year deficit of £9.3m that largely relates to capital financing.

With uncertainty around future funding settlements and no future expectancy of additional Covid financing the medium term and long term financial position remains uncertain.

Pension Fund

Following the Russian invasion of Ukraine that has led to the UK Government sanctions Local Government Pension Scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by the Russian Prime Minister has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

McCloud

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes. The McCloud remedy will be implemented in two phases that will impact the 2022-23 financial year.

Our response

- We will consider your arrangements for managing and reporting your financial sustainability as part of our work in completing our Value for Money work.
- We will review your level of pension fund exposure in Russian and Belarus including the balances of valuation to ensure they are not materially misstated.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee and Audit Committee (Advisory)); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee and Audit Committee (Advisory) of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Council

- The risk that the valuation of land and buildings including Council Dwellings in the accounts is materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.
- The risk that the valuation of the Private Finance Initiative (PFI) is materially misstated.

Pension Fund

- The risk of management override of controls.
- The risk that the valuation of level 3 investments and direct property investments in the accounts is materially misstated

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

Materiality

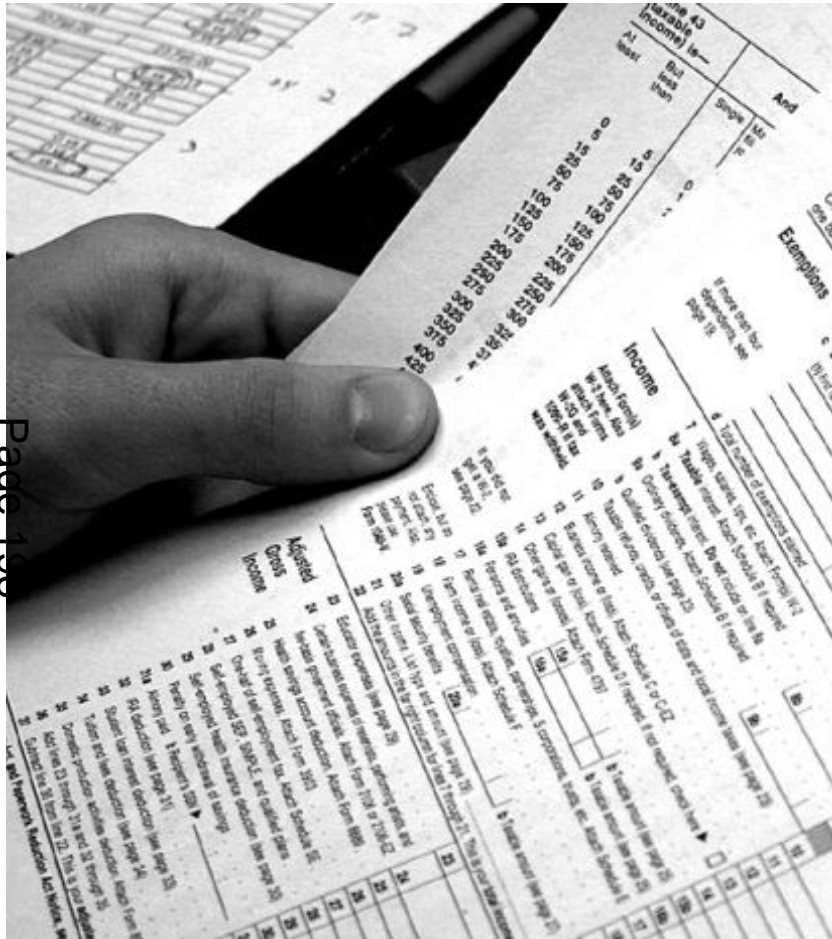
Council

We have determined planning materiality to be £15.3m for the Council (PY £15.3m), which equates to approximately 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.765m (PY £0.765m).

Pension Fund

We have determined materiality at the planning stage of our audit to be £16.6m (PY £16m) for the Pension Fund, which equates to approximately 1% of the 2020/21 net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.83m (PY £0.8m).

Introduction and headlines cont.



Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following areas of focus for our value for money assessment:

- The Council's arrangements for reporting on the delivery of savings programmes.
- The Council's arrangements for setting, monitoring and delivering the Medium Term Financial plan including your reserves strategy and capital programme.
- The Council's arrangements for risk management
- The Council's arrangements for performance monitoring and reporting including the subsidiaries.
- Lessons learnt from Bunhill and other improvement recommendations made in the Annual Audit report.

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place between July to November 2022. Our key deliverables are this joint Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £252,429 (PY: £285,000) for the Council and £37,808 (PY: £54,000) for the Pension Fund, subject to the Council and Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

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

Significant risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£960million in the Council's balance sheet at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
Valuation of land and buildings including Council dwellings	Council	<p>The Council revalues its land and buildings and Council Dwellings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.5 billion) and the sensitivity of this estimate to changes in key assumptions. Management has engaged the services of a valuer to estimate the current value as at 31 March 2021.</p> <p>We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • assess the value of a sample of assets in relation to market rates for comparable properties; • test a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Significant risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the Private Finance Initiative (PFI)	Council	<p>The Council has six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, or a Street Lighting scheme and a Care Homes scheme.</p> <p>The total liability relating to these schemes on the balance sheet was £95.7m as at the 31 March 2021.</p> <p>As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> review your PFI models and assumptions contained therein. compare your PFI models to previous year to identify any changes. review and test the output produced by your PFI models to generate the financial balances within the financial statements. ensure the PFI disclosures are consistent with the Internal accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.
Valuation of Level 3 Investments	Pension Fund	<p>The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£110 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate management's processes for valuing Level 3 investments; review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; independently request year-end confirmations from investment managers and the custodian; for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of non-pay operating expenditure and associated short-term creditors	Council	<p>Non-pay expenditure on goods and services represents a significant percentage of the Council's gross operating expenditure. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenditure and associated short-term creditors as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set; gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and obtain and test a listing of non-pay payments made in April and May 2022 to ensure that they have been charged to the appropriate year.
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council	<p>Infrastructure assets includes roads, highways, streetlighting and coastal assets. Each year the Council spends circa £6.4m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £129.3m which is over 8 times materiality.</p> <p>In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <ol style="list-style-type: none"> The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. <p>For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <ul style="list-style-type: none"> reconcile the Fixed Asset Register to the Financial statements using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets obtain assurance that the UEL applied to Infrastructure assets is reasonable document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated

Other risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	Council and Pension Fund	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets. Having considered the risk factors relevant to Surrey County Council and Surrey Pension fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 7.</p>	<p>We will:</p> <ul style="list-style-type: none"> obtain an understanding of the design effectiveness of controls relating to operating expenditure. perform testing over post year end transactions to assess completeness of expenditure recognition. test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.
Contributions	Pension Fund	<p>Contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of contributions for appropriateness; gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; agree changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports; test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension Fund	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; test a sample of lump sums and associated individual pensions in payment by reference to member files; and test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Other risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 2 Investments	Pension Fund	<p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; independently request year-end confirmations from investment managers and custodian; and review investment manager service auditor report on design effectiveness of internal controls.
Actuarial Present Value of Promised Retirement Benefits	Pension Fund	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£2.6 billion) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; test the consistency of disclosures with the actuarial report from the actuary; and undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

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

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- how management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- how the entity's risk management process identifies and addresses risks relating to accounting estimates;
- the entity's information system as it relates to accounting estimates;
- the entity's control activities in relation to accounting estimates; and
- how management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee and Audit Committee (Advisory) members:

- understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- valuations of land and buildings, council dwellings and investment properties
- depreciation
- year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- credit loss and impairment allowances
- valuation of defined benefit net pension fund liabilities
- fair value estimates
- PFI finance lease liabilities
- minimum revenue provisions.

Pension Fund

- valuation of Level 2 and 3 investments
- valuation of the Present Value of Future Retirement Benefits

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- all accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- there are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

how management understands the degree of estimation uncertainty related to each accounting estimate; and

how management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- what the assumptions and uncertainties are;
- how sensitive the assets and liabilities are to those assumptions, and why;
- the expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have shared a questionnaire with Management to obtain their responses over these accounting estimates. This document will be presented to the Committee for consideration and approval by those charged with governance once we have received these responses.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work - Council

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- we read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- we carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- we carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- we consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; or
 - issuing an advisory notice under section 29 of the Act
- we certify completion of our audit.

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Other work – Pension Fund

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- we read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- we consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - issuing an advisory notice under Section 29 of the Act.
- we carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

Council

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £15.3m for Council (PY £15.3m), which equates to approximately 1.5% of the Council's prior year gross expenditure for the year.

Pension Fund

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16.6m (PY £16m) for the Pension Fund, which equates to approximately 1% of the Pension Fund's prior year net assets.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

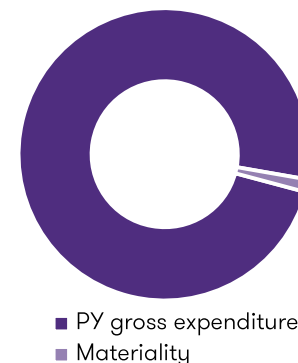
Matters we will report to the Audit Committee and Audit Committee (Advisory)

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee and audit Committee (Advisory) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.765m (PY £0.765m). For the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.83m (PY £0.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee and audit Committee (Advisory) to assist it in fulfilling its governance responsibilities.

Council prior year gross expenditure

£1,022m Council



Materiality

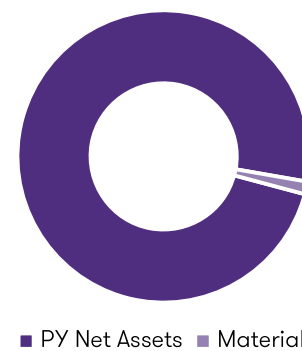
£15.3m Council
Council financial statements materiality
(PY: £15.3m)

£0.765m Council

Council misstatements reported to the Audit Committee and Audit Committee (Advisory)
(PY: £0.765m)

Pension Fund prior year net assets

£1,664m



Materiality

£16.6m
Pension Fund financial statements materiality
(PY: £16.6m)

£0.83m

Pension Fund misstatements reported to the Audit Committee and Audit Committee (Advisory)
(PY: £0.8m)

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

Whilst our planning assessment did not identify any significant weaknesses in arrangements at this stage, we have highlighted further key areas of focus that are listed below. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Key areas of focus

Our risk assessment procedures regarding the Council's arrangements to secure value for money have not identified any risks of significant weaknesses in arrangements. Our work will focus on the arrangements in each of the following areas:

- The Council's arrangements for reporting on the delivery of savings programmes.
- The Council's arrangements for setting, monitoring and delivering the Medium Term Financial plan including your reserves strategy and capital programme.
- The Council's arrangements for risk management
- The Council's arrangements for performance monitoring and reporting including the subsidiaries.
- Lessons learnt from Bunhill and other improvement recommendations made in the Annual Audit report.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Planning and risk assessment

Interim audit
March 2022

Audit Committee and Audit Committee (Advisory)
June 2022

Audit Plan

Year end audit
July to November 2022

Audit Committee and Audit Committee (Advisory)
November 2022

Audit Findings Report

Audit opinion

Audit Committee and Audit Committee (Advisory)
February 2023

Auditor's Annual Report

Paul Grady, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Committee and Audit Committee Advisory, the Chief Executive and the Chief Financial Officer. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Ade Oyerinde, Senior Manager

Ade is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee and Audit Committee Advisory, CFO and finance team. Ade will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Ade will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Nick Halliwell, Manager

Nick will support Ade in his work to ensure the early delivery of audit testing and lead on a number of complex accounting issues. Nick will perform first reviews of the team's work. In addition, Nick will also liaise with key members of the finance team to ensure audit testing and reviews are conducted on a timely basis.

Hammad Ahmad Incharge

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

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement.
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing. These reports should be cleansed so that reversing transactions are removed.
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- the Council's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used
- respond promptly and adequately to audit queries.



Audit fees

In 2018, PSAA awarded a contract of audit for London Borough of Islington to begin with effect from 2018/19. The 2021/22 scale fee published is £162,179 for the Council audit and £16,170 for the Pension Fund. There have been a number of on-going and new developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 14-15 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in the audit fee. Our proposed work and fee for 2021/22 is set out below. This has yet to be agreed with PSAA.

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	Actual Fee 2020/21	Proposed fee 2021/22
Council Audit	*£285,000	£252,429
Pension Fund	**£54,000	£37,808
Total audit fees (excluding VAT)	£339,000	£290,237

- * 2020/21 fee is inclusive of £53,421 fee overrun subject to PSAA approval
- ** 2020/21 fee is inclusive of £21,000 fee overrun subject to PSAA approval

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

One of the services provided are subject to contingent fees.

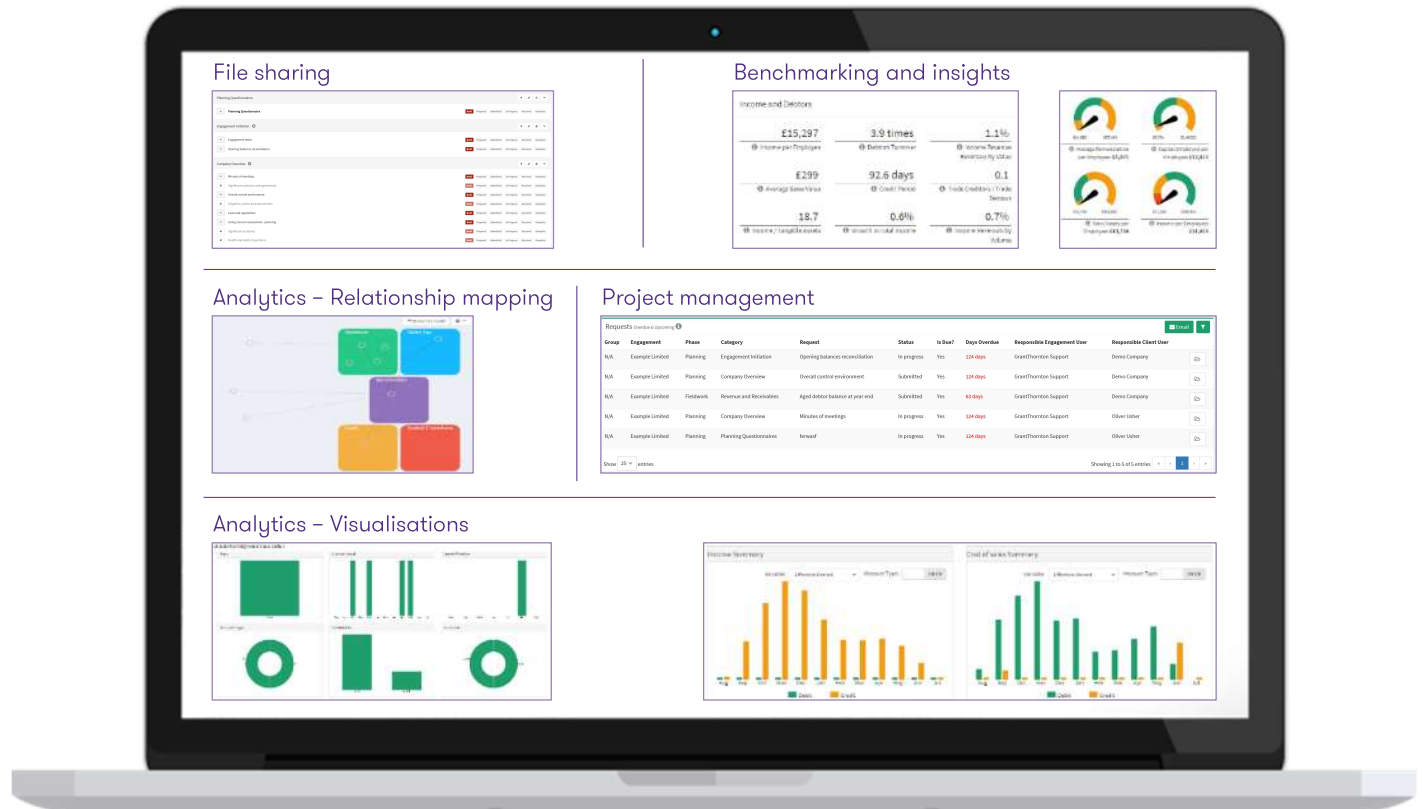
There are no non-audit related services provided during the year.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teacher's Pension Return	7,500	For these three audit-related services, we consider that the following perceived threats may apply:	The level of recurring fees taken on their own are not significant in comparison to the confirmed scale fee for the audit of £162,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors mitigate the perceived self-interest threat to an acceptable level. Our team have no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Housing Benefits subsidy	28,000	<ul style="list-style-type: none"> Self-Interest (because these are recurring fees) 	
Certification of Housing Capital Receipts	5,000	<ul style="list-style-type: none"> Self Review Management 	

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations Council

We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in 11 recommendations being reported in our 2020/21 Audit Findings Report. We have followed up on the implementation of our recommendations outstanding from 2019/20 Audit Findings report and await management's updated comments.

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>Use of M10 Actuary report, rather than the most up to date version</p> <p>Management used the month 10 actuary report when producing the Pension liability note. This meant that the updated actuaries report showed an understatement of the net liability of £13,419k.</p> <p>Using M10 actuary reports for such a significant estimate creates the risk of material movements in the balance. It also creates the risk management are not fully informed of the latest position on the pension fund when making decisions in relation to the management of the Pension liability.</p> <p>Recommendation</p> <p>Management should ensure the latest actuary report is used when producing the pension note and liability within the accounts.</p>	<p>M12 data will be used in our final accounts.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Uncleansed Transaction Listings provided for Audit</p> <p>Within our working paper requirements agreed with management, contains the requirement for cleansed transaction listings. This is key for our audit as without cleansed listings in which reversing entries are removed we have to select significantly larger sample sizes. This has an impact on the amount of auditor and management time spent in testing and responding to these requests and it also caused delays in us sending out samples for the audit. We estimate this issue has increased our sample sizes by up to 50% in some parts of the audit.</p> <p>This issue has the potential to create additional costs to the Council due to increased audit time, as well as creating additional pressure on the Council's finance team.</p> <p>Recommendation</p> <p>Management should ensure transaction listings are reviewed and cleansed prior to the audit starting.</p>	<p>Management will seek to eradicate as many duplicate transactions as possible ahead of the start of the audit.</p>	<p>We will report on progress following the conclusion of the 2021/22 audit in the Audit Findings Report</p>
<p>PFI- use of latest RPI Index in PFI Model</p> <p>When calculating the estimate for the PFI liability for the year, the Council use a PFI model which has key data inputs. One of these inputs is the RPI value for which the Council has used historic data that is a from the 31 March 2020.</p> <p>The Council note that if there were a material difference between it and the value at the year end they would update the accounts and do this as the information does not become available until the end of April for the year end. We note that within the current accounts the difference in the RPI was so negligible it did not impact the 31 March 2021 year end balance.</p> <p>Recommendation</p> <p>Management should consistently apply the most up to date figures for key inputs within PFI models.</p>	<p>Management will use the latest available data as the key inputs within the PFI model used for the final version of the accounts.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>

Appendix 1: Continued

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>De Minimis Accrual Level</p> <p>The Council for both capital has a de minimis level of £10k for revenue accruals and £50k for capital accruals. The audit team notes that this is a high de minimis level to set. In addition the decisions in relation to applying this is left to management discretion, which creates the risk of inconsistencies in the treatment between departments and financial years.</p> <p>Recommendation</p> <ul style="list-style-type: none"> Management's discretion should be removed when determining if an accrual should be raised– we do not deem this appropriate as this could be used to manipulate the financial position of a particular service area. The policy and de minimis level should be consistent and not be subject to discretion. An appropriate threshold should be set, with sufficient audit evidence to verify why this threshold has been chosen and in addition how this threshold will not lead to material differences within the accounts 	<p>The Council will review the impact of its policy to ensure it does not create a material error.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Disclosures</p> <p>Our work identified a number of disclosure errors within the draft accounts (refer Appendix C). In addition to this we found a number of minor disclosure adjustments across a large number of the notes to the accounts.</p> <p>Recommendation</p> <p>Further strengthen the quality review arrangements of the draft financial statements to improve quality of reporting and minimise the disclosure errors.</p>	<p>The Council has made arrangements for enhanced quality review of the draft accounts.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Contingent Liabilities and Provisions</p> <p>Within the Contingent liabilities and provisions note the Council's working papers do not clearly set out the justification and accounting treatment and basis of each item. This lead to the audit team having to discuss with legal the treatment of the items, who advise the finance team on these items. This creates the risk that without the finance team formally reviewing each item that items could be incorrectly treated within the accounts.</p> <p>Recommendation</p> <p>Management should ensure all provisions and contingent liabilities treatment and the basis for the treatment are clearly set out and reviewed on a regular basis.</p>	<p>The Contingent Liabilities and Provisions notes will be enhanced to incorporate this recommendation.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Related Parties</p> <p>Our review of the Council's Related Parties note identified the Council had not clearly established if each related party disclosed met the requirements of 3.9.27 of the Code. From our review of the register of interest we noted it does not obtain sufficient detail, for management to make this judgement. Therefore there is a risk that the related parties note is overstated with interests disclosed that do not meet the Code requirements.</p> <p>Recommendation</p> <p>Management should review the register of interests form and the process for producing the related parties note, to ensure each disclosure meets the requirements set out in 3.9.27 of the CIPFA Code. In addition, the note should provide evidence of managements judgement of this.</p>	<p>The Related Parties note and working paper will be enhanced to incorporate this recommendation.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>

Appendix 1: Continued

Issue and risk previously communicated

Inadequate oversight around generic users across in scope applications and database

Our Specialist IT team undertook a review of the Council's IT system and identified one high priority control finding. This related to there not being controls in place to monitor the usage of and continued need to retain active generic accounts within Civica Pay, Cedar and Resource Link SQL database.

We identified the following :

- Civica Pay: generic id (civica.admin) remained active yet it was uncertain whether this account was still required
- Resource Link SQL: database: the default system administration account (SA) and payroll processing (Ibibacsip) remained active with no monitoring of the activity undertaken.
- Cedar: generic user IDs(SUPPORT2 ,SUPPORT3 and TSO61) remained active yet the account was no longer used.
- Furthermore, no password reset controls were configured to enforce the periodic rotation of passwords.

Recommendation:

- Generic accounts should be removed with individuals assigned their own uniquely identifiable user accounts to ensure accountability for actions performed.
- Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded.
- For accounts assigned to IT support partners, the Council should confirm how they obtain assurance over appropriate IT controls being operated by these third-party service organisations.
- Management should consider implementing Single Sign-On and Multifactor Authentication mechanisms for the in-scope applications.

This also relates to the Pension Fund as well as the Council.

Council's Update on actions taken to address the issue

Auditor Assessment

Resource link - The SA and Ibibacsip accounts are service accounts and not generic accounts. These are not used by individuals to sign into the Resource Link database. The passwords are not publicised and are held in a password vault, which is accessible by the SQL DBA. The SA account is used to run background processes on the HR-RL-SQL-L-V1 database instance on which the Resource Link database resides.

The Ibibacsip account does not access the Resource Link database and is used by the SMARTERPAY application. SQL Management Studio does not keep a record of historical logs, these are generated on the fly and display current logins. It may be possible to enable auditing tools on the database to capture this information, but this will have a detrimental effect on the performance of databases and associated applications will be moving to a cloud version of Resource Link. As part of this migration, Zellis will be responsible for the database administration.

Civica Pay - Generic accounts have been removed a part of a previous audit for CIVICAWS\Admin.

Cedar - Support2 and 3 have been disabled. User TSO61 is used by a QED Mapping and not an individual, this cannot be disabled as it would stop processing.

Updates are currently being reviewed by our specialist IT team.

Appendix 1: Continued

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>PPE Disposal- identified in 2019/20, this issue was found to still exist as part of our testing in 2020/21</p> <p>Our sample testing of Property Plant and Equipment disposals identified a number of Council dwellings (892k), land and building (£3.2m) and equipment (539k vehicles) that should have been written out of the balance sheet in earlier years but had only been written out this year following a review of the asset register.</p> <p>If assets remain on the balance sheet in excess of true disposal.</p> <p>Following this finding management undertook a further review of assets held. This review identified several assets that the Council did not have ownership off, as is disclosed on page xx, significant matters discussed with management. In addition to this we identified an asset had been written off due to historical records of the asset meaning the Council could not identify if it existed.</p> <p>Management should ensure they continue to carry out more regular existence review of assets held on the balance sheet to gain assurance that those assets are owned by the Council and in use. In addition, we note management should ensure records kept of assets capitalised enable them to clearly identify the asset.</p>	<p>Management have strengthened its processes in relation to existence testing.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Aged and short term debtors- identified in 2019/20</p> <p>We note from our debtor sample testing instances of old debtor as well as old credit balance dating back more than six years old. Analysis of your aged debtor balance indicate these immaterial historical balances date back to 1999. These balances were correctly provided for.</p> <p>We identified that there were still a number of old debtors within parking debtors for which the same issue remained.</p>	<p>Appropriate action will be taken in relation to aged debts.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Journals - identified in 2019/20</p> <p>Our testing of journals identified three manual journals posted by system administrators with super user rights.</p> <p>To ensure separation of duties, we would typically expect such journals to be posted by the finance team and system administrations not undertake finance operational tasks.</p> <p>Journal testing during 2020/21 identified further examples of manual journals posted by system administrators with super user rights. Recommendation not yet addressed.</p>	<p>Manual journals are processed in conjunction with finance staff.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>
<p>Cash and bank (third party cash) - identified in 2019/20</p> <p>Our sample testing of third party cash identified one account where evidence of the closing bank statement that corroborates payments in year had not been retained. The bank account has since been closed.</p> <p>In our testing of third party bank accounts we identified one bank account that could not be agreed back to a historic bank statement that dated back to 2016. The balance of which was £1,009,425, although we gained comfort over this balance via alternative procedures this illustrates that this finding still impacted the current year audit.</p> <p>Due to this the recommendation that third party bank statements are retained still stands, as the issue continues to impact the current year's audit.</p>	<p>Bank statements are now retained as recommended.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>

Appendix 1: Continued

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>PPE Asset Under construction (AUC)- issue identified in 2019/20 audit.</p> <p>Our sample testing identified £2m of AUC incorrectly recognised against assets completed in 2018/19 rather than 2019/20. The error had no impact on the reported class of asset.</p> <p>We identified that management should ensure the records for this asset are updated.</p> <p>Auditor evaluation</p> <p>In our testing of Reclassifications of Assets Under Construction in 2020/21 it was identified that in our sample of 5 an asset valued £2,252k should have been reclassified in the previous financial year. The impact of this was that depreciation was undercharged on the asset in the 2021 financial year. It also creates the risk that Assets under construction may be overstated and operational assets understated.</p> <p>From our work we are satisfied this error is not material but note as the Council increase their capital programme in future years this could present a greater risk of material misstatement. Management should ensure that as assets are brought into use that this is captured in a timely manner to ensure they are correctly recorded in the right financial year.</p>	<p>Management have processes to ensure assets brought in to use are captured in a timely manner and reported accordingly.</p>	<p>We will comment by exception in the Audit Findings Report - closed</p>

Appendix 2: Progress against prior year audit recommendations pension fund

We identified the following issues in our 2020/21 audit of the Pension Fund's financial statements, which resulted in 5 recommendations being reported in our 2020/21 Audit Findings Report. The table below details the Council's progress with implementing the recommendations.

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p data-bbox="98 496 1128 520">Scope of Custodian's Valuation and Management understanding the Custodian report fully</p> <p data-bbox="98 539 674 563">From our audit work we identified the following issues:</p> <ul data-bbox="98 576 1308 655" style="list-style-type: none"> • The custodian had not independently valued £1,378m of the investments instead relying on the Fund managers market pricing. This lead to additional audit work as we were unable to place sufficient reliance on the custodians work due to this. <p data-bbox="98 675 1285 754">Management had restated the accounts based on the classifications for the Investments provided by the custodian. However when this was discussed with the custodian it became clear they had not considered the principles set out in IFRS9 when setting these classifications.</p> <p data-bbox="98 774 1335 911">The above issues both highlight control weaknesses in relation to the communication with the custodian and in setting out the scope of the work. This has lead to significantly more work by both the auditors and management to complete work on Investments, as well as material adjustments to the classifications within the financial instruments note. The above also creates a risk that the custodian does not provide management with an independent view of the Pension fund's investment and provide a third party perspective on fund managers performance.</p> <p data-bbox="98 930 293 954">Recommendation</p> <ul data-bbox="98 967 1335 1158" style="list-style-type: none"> • Management should consider the scope of the work sent out to the custodian and ensure they instruct them to value all Investments independently of the Fund manager. • Management should also consider in their instructions requesting the custodian to classify assets in line with IFRS 9's fair value hierarchy in their reports. • Management working papers should detail their judgements and challenges around the hierarchy of Investments provided independently by their fund managers and custodian. 	<p data-bbox="1368 496 1850 552">Progress will be reported in our Audit Findings Report</p>	
<p data-bbox="98 1193 775 1217">No Specific Internal Audit Review of Pension Fund since 2015</p> <p data-bbox="98 1236 1335 1374">Within our review of the Pension Fund's control environment we identified that the Internal Audit team had not carried out any specific procedures on the Pension Fund since 2015. Although we understand a review is planned next year and that a cyclical approach is applied to the Pension Fund, this is a large gap in procedures taking place and creates the risk that issues within the control environment of the Pension Fund could be left undetected for several years.</p> <p data-bbox="98 1393 293 1417">Recommendation</p> <p data-bbox="98 1430 1218 1453">Management should consider the regularity of the work carried out by Internal Audit on the Pension Fund.</p>	<p data-bbox="1368 1193 1850 1249">Progress will be reported in our Audit Findings Report</p>	

Appendix 2: Continued

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>Disclosures- issue identified in 2019/20</p> <p>Our work identified a number of minor trivial disclosure errors within the draft accounts. In addition to this we found a number of minor disclosure adjustments across a large number of the notes to the accounts.</p> <p>Recommendation</p> <p>Further strengthen the quality review arrangements of the draft financial statements to improve quality of reporting and minimise the disclosure errors.</p>	<p>Progress will be reported in our Audit Findings Report</p>	
<p>Pension fund L1, L2 and L3 investments- identified in 2019/20</p> <p>In assessing the classification between level 1 and 2 investments, you reclassified L1 pooled funds to L2. We note some number of funds within your pooled funds are actively traded and should be classified as L1. In our audit testing of this note we identified significant issues within the classification, that were more significant than in the prior year. This has led to a material change in the classification of level 1, level 2 and level 3 Investment in the financial instruments note. We have identified that management should improve the quality of their working papers in this area, clearly documenting their judgements of this note to avoid similar issues in future years.</p> <p>Due to the more significant issues identified in this financial year we have judged this deficiency to be a medium risk going forwards.</p>	<p>Progress will be reported in our Audit Findings Report</p>	
<p>Journals- identified in 2019/20</p> <p>Our testing of journals identified three manual journals posted by system administrators with super user rights. To ensure separation of duties, we would typically expect such journals to be posted by the finance team and system administrations not undertake finance operational tasks.</p> <p>Journal testing during 2019/20 identified further examples of manual journals posted by system administrators with super user rights. Recommendation not yet addressed.</p>	<p>Progress will be reported in our Audit Findings Report</p>	
<p>Pension fund L1, L2 and L3 investments- identified in 2019/20</p> <p>In assessing the classification between level 1 and 2 investments, you reclassified L1 pooled funds to L2. We note some number of funds within your pooled funds are actively traded and should be classified as L1. In our audit testing of this note we identified significant issues within the classification, that were more significant than in the prior year. This has led to a material change in the classification of level 1, level 2 and level 3 Investment in the financial instruments note. We have identified that management should improve the quality of their working papers in this area, clearly documenting their judgements of this note to avoid similar issues in future years.</p> <p>Due to the more significant issues identified in this financial year we have judged this deficiency to be a medium risk going forwards.</p>	<p>Progress will be reported in our Audit Findings Report</p>	



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