



AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting which will be held in Committee Room 1, Islington Town Hall, Upper Street, N1 2UD on **13 September 2022 at 7.00 pm.**

Enquiries to : Mary Green
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Despatched : 5 September 2022

Membership

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

Alan Begg (Independent Member)
Alan Finch (Independent Member)

Substitute Members

Councillor Satnam Gill OBE
Councillor Angelo Weekes

Quorum: is 3 Councillors



A.	Formal Matters	Page
1.	Apologies for absence	
2.	Declaration of substitute members	
3.	Declarations of interest	
	<p>If you have a Disclosable Pecuniary Interest* in an item of business:</p> <ul style="list-style-type: none"> ▪ 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. <p>In both the above cases, you must leave the room without participating in discussion of the item.</p> <p>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.</p> <p>*(a) Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.</p> <p>(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.</p> <p>(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.</p> <p>(d) Land - Any beneficial interest in land which is within the council's area.</p> <p>(e) Licences - Any licence to occupy land in the council's area for a month or longer.</p> <p>(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.</p> <p>(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.</p> <p>This applies to all members present at the meeting.</p>	
4.	Minutes of previous meeting	1 - 6
5.	Appointments to Pensions Board	7 - 10
6.	Review of Audit Committee Terms of Reference	11 - 18

B.	Items for Decision	Page
1.	Risk Deep-Dive: Volatility in the energy market	19 - 24
2.	Internal Audit Annual Report 2021-22	25 - 72
3.	Annual Fraud report 21/22	73 - 76
4.	Bi-annual Whistleblowing monitoring report – 1st March 2022 to 31st July 2022	77 - 80
5.	Settlement protocol: employment disputes	81 - 100

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.	Annual Fraud report 21/22 - exempt appendix	101 - 110
2.	Bi-annual Whistleblowing monitoring report – 1st March 2022 to 31st July 2022 - exempt item	111 - 120

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
15 November 2022

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 13 June 2022

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held in Committee Room 4, Town Hall, Upper Street, N1 2UD on 13 June 2022 at 7.00 pm.

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

Independent Alan Begg and Alan Finch
 Members:

Councillor: Diarmaid Ward

Councillor Nick Wayne in the Chair

1 APOLOGIES FOR ABSENCE (Item A1)

None.

2 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

3 DECLARATIONS OF INTEREST (Item A3)

None.

4 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 22 March 2022 be confirmed as a correct record and the Chair be authorised to sign them.

5 (A) ARRANGEMENTS FOR AUDIT COMMITTEE 2022/23 AND (B) APPOINTMENTS TO PENSIONS SUB-COMTEE, BOARD AND PERSONNEL SUB-COMTEE (Item A5)

RESOLVED:

(a) That 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 to the report of the Director of Law and Governance and Monitoring Officer, be noted.

Pensions Sub-Committee

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

(i) That the following members be appointed to the Pensions Sub-Committee for the municipal year 2022/2023, or until successors are appointed:

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

(ii) That Councillor Paul Convery be appointed as Chair and Councillor Diarmaid Ward be appointed as Vice-Chair of the Pensions Sub-Committee for the municipal year 2022/2023, or until successors are appointed.

Personnel Sub-Committee

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

(i) That the following members be appointed to the Personnel Sub-Committee for the municipal year 2022/2023, or until successors are appointed:

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

(ii) That Councillor Anjna Khurana be appointed Chair of the Personnel Sub-Committee for the municipal year 2022/23, or until a successor is appointed.

Pensions Board

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

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

ii) 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.

(*N.B. – nominations were being sought)

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

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

v) That there was an employer representative vacancy and a substitute pensioner member representative vacancy.

vi) George Sharkey, GMB, as a member representative on the Pensions Board for a three year term, with effect from 25 May 2021.

b) That Councillor David Poyser be appointed as a member and Chair of the Pensions Board.

6 RISK MANAGEMENT STRATEGY AND FRAMEWORK (Item B1)

Members suggested that the new Risk Management Strategy and Framework should be widely publicised amongst staff, particularly staff at more junior levels. Training in how to flag a risk would be covered in training for Members.

It was noted that the Auditors had recommended that the Principal Risk Report should be shared with the Executive and/or the Policy and Performance Scrutiny Committee.

RESOLVED:

That the revised risk management strategy and framework attached to the report of the Corporate Director of Resources be noted.

7 PRINCIPAL RISK REPORT 2022 (Item B2)

Members considered ways of monitoring individual risks and agreed that, while regularity of this report may be varied, there be an opportunity for a departmental lead to attend Audit Committee to discuss the risk with Members. The Chair undertook to speak to the Chair of the Policy and Performance Scrutiny Committee to discuss this approach to ensure that there would be no duplication in work. For the September Audit Committee, the risk to be considered would be the cost of living and its effect on residents and the local economy.

RESOLVED:

(a) That the contents of the report of the Corporate Director of Resources, detailing the position on the current risks facing the Council, be noted.

(b) That, for the future, there be a slot on the agenda for a lead officer of a principal risk to attend the Committee to participate in discussion with Members of the Committee.

(c) That it be noted that the risk to be considered at the September Audit Committee will be "be the cost of living and its effect on residents and the local economy".

8 INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA) (Item B3)

Members stated that the areas of good practice in the report were impressive and reassuring and gave them confidence.

With regard to paragraphs X11 and X111, relating to Audit Committee, it was noted that a training programme was being put in place for Islington councillors.

RESOLVED:

That the outcome of the External Quality Assessment at Appendix A and the corresponding action plan at Appendix B of the report of the Corporate Director of Resources be noted.

9 WHISTLEBLOWING POLICY (Item B4)

Members thanked officers for their work on the revised Whistleblowing Policy.

It was suggested that, in order for Councillors to be aware of and to comply with the Policy, a guidance note be sent to Councillors, reviewed by the Leader of the Council and the Chair of the Audit Committee, advising them of procedures on receipt of a referral relating to a whistleblowing complaint.

RESOLVED:

That the revised Whistleblowing Policy and Procedure, attached at Appendix A to the report of the Corporate Director of Resources, be approved.

10 CYBER DEFENCE ASSURANCE FOR THE LONDON BOROUGH OF ISLINGTON (Item B5)

In response to a question about staffing resources in Digital Services, the Director of Digital Services reported that it was proving very difficult to recruit to certain posts, such as project managers and architect posts and that specialist skills were generally in short supply.

RESOLVED:

That the report of the Corporate Director of Resources, detailing the current position on the Council's cybersecurity assurance programme and the ongoing audits and activity, be noted.

11 EXTERNAL AUDITOR REPORTS (Item B6)

Ade Oyerinde and Jo Taylor, from Grant Thornton, made presentations to the Committee on their Annual Audit Report for the year ending 31 March 2021 and the audit plan for the external audit of the Council and the Pension Fund for 2021/22.

Following discussion, Members came to the view that it would be useful for the Council to take a fresh approach to budget setting, perhaps by taking a look back over the previous four years as part of a thematic analysis to ascertain which savings had been effective and which had not, rather than the current "line by line" budget monitoring approach.

In addition, Members were keen that all learning from the Bunhill II project be captured and applied to future projects as appropriate.

RESOLVED:

(a) That it be noted that the total anticipated fees for the external audits of the Council and Pension Fund for the year ending 31 March 2022 was £290,237.

(b) That the contents of the Audit Plan for the Council and Pension Fund Accounts for the year ending 31st March 2022 and attached to the report of the Corporate Director of Resources be noted.

(c) That the contents of the Annual Audit Report 2020/21, also attached to the report of the Corporate Director of Resources, be noted.

(d) That representatives from Grant Thornton be thanked for their work on the audits and for their attendance at this meeting.

12 CYBER SECURITY UPDATE - EXEMPT APPENDIX (Item F1)

Noted.

The meeting ended at 9.20 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 September 2022

Ward(s): None

Subject: Appointments to the Pensions Board

1. Synopsis

- 1.1 In accordance with its Terms of Reference, the Audit Committee is responsible for the appointment of members to the Pensions Board.
- 1.2 The terms of office of both Mike Calvert, a scheme member representative, and Maggie Elliott, an employer representative on the Pensions Board, recently expired.

Following consultation, both have expressed a wish to be re-appointed to the Board, in their former positions.

2. Recommendation

- 2.1 To appoint Mike Calvert as a scheme member representative and Maggie Elliott as an employer representative to the Pensions Board , each for a period of three years.

3. Background

- 3.1 The terms of office of both Mike Calvert and Maggie Elliott as members of the Pensions Board have expired. In accordance with the Board's Terms of Reference, Board members may be re-appointed to the Board and, following consultation, both have expressed a wish to be re-appointed.

- 3.2 To ensure continuation of membership in equal numbers for the employer and member representatives and to achieve rolling reappointment to maintain knowledge and experience on the Board, it is recommended that each be appointed for a period of three years.

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

To ensure full membership of the Pensions Board to enable it to conduct its business.

Background papers: None

Final report clearance:

Signed by:

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

Director of Law and Governance and Monitoring Officer

Date: 16 August 2022

Report Author: Mary Green, Democratic Services Officer

Tel: 0207 527 3005

Email: mary.green@islington.gov.uk

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Resources Directorate
Town Hall, Upper Street
London, N1 2UD

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 September 2022

Ward(s): N/A

Subject: Review of the Audit Committee Terms of Reference

1. Synopsis

- 1.1. The Terms of Reference of the Audit Committee are set out in the Council's Constitution and govern which matters are within the remit of the committee. It is best practice for terms of reference to be routinely reviewed to ensure that they are fit for purpose and compliant with the latest guidance.
- 1.2. This report proposes amendments to the Terms of Reference. The current terms of reference have been reviewed against the suggested Terms of Reference in the CIPFA document '*Practical Guidance for Local Authorities and Police (2018 edition)*', best practice from other London authorities, and have also been discussed with the Chair and senior officers in the Resources directorate.
- 1.3. The Committee is invited to consider the proposed amendments to the Terms of Reference. Subject to any comments from the Committee, the Terms of Reference will be submitted to a future Council meeting for formal approval.
- 1.4. It is proposed that the Terms of Reference of the committee's Sub-Committees are also reviewed. Any amendments will be discussed with the Chairs of the Sub-Committees and Chair of the Audit Committee and submitted to a future meeting for consideration.

2. Recommendations

- 2.1. To consider the proposed amendments to the Audit Committee Terms of Reference;
- 2.2. To note that any proposed amendments require formal approval at a future Council meeting;
- 2.3. To delegate authority to the Chair to finalise the proposed amendments prior to submission to Council for approval;
- 2.4. To note that the committee's future work plan will be reviewed by officers and the Chair to ensure that all aspects of the Terms of Reference are appropriately represented;
- 2.5. To note that the Terms of Reference of the Pensions Sub-Committee and Personnel Sub-Committee will also be reviewed and submitted to a future meeting for consideration.

3. Background

- 3.1. The proposed amendments to the Terms of Reference are set out at Appendix A. Proposed additions are indicated in green and underlined; proposed deletions are red and crossed-out.
- 3.2. Subject to the amendments being approved, the Council's Constitution will be reviewed to ensure that all references to the Audit Committee are updated accordingly.

4. Implications

4.1. Financial Implications

- 4.1.1. There are no direct financial implications associated with the proposed amendments. The revised Terms of Reference will support the Audit Committee in having effective oversight of the Council's financial governance.

4.2. Legal Implications

- 4.2.1. The proposed amendments to the terms of reference are lawful and have been made with reference to CIPFA guidance.

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

4.3.1. There are no direct Environmental Implications associated with the proposed amendments.

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. This report focuses on governance matters and the recommendations do not have direct impacts on residents.

5. Conclusion and reasons for recommendations

5.1. The Committee is invited to consider the proposed amendments to the Terms of Reference, prior to submission to Council for approval.

Appendices:

- Appendix A – Proposed Amendments to the Terms of Reference

Background papers:

- None.

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 31 August 2022

Report Author: Jonathan Moore, Committee Services Manager

Email: democracy@islington.gov.uk

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

Email: peter.fehler@islington.gov.uk

APPENDIX A – PROPOSED AMENDMENTS TO THE TERMS OF REFERENCE

AUDIT AND GOVERNANCE 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. Independent members may vote on the 'Monitoring Functions' listed in the Terms of Reference.

Quorum

- The quorum shall be three members not including Independent members.

Statement of Purpose

1. Our audit committee is a key component of Islington Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit and Governance Committee is to provide assurance to members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
3. The Audit and Governance Committee will aid the achievement of the Council's goals and objectives through the effective oversight of the council's corporate governance arrangements.

~~Audit Committee (Advisory) functions~~

Monitoring Functions

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

4. 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;
5. 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;

6. Reports dealing with the management, performance and value for money of the providers of internal and external audit services;
7. A report from internal audit on agreed recommendations not implemented within a reasonable timescale;
8. The appointment of the Council's external auditor;
9. Work to be commissioned from internal and external audit;
10. Specific internal and external audit reports as requested;
11. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies;
12. The external quality assessment of internal audit that takes place at least once every five years;
13. 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;_
14. The arrangements to secure value for money in procurement and commissioning and to review assurances and assessments on the effectiveness of these arrangements;
15. To review the governance and assurance arrangements for formal partnership agreements, where this is not reserved for another body;
16. Any issue referred to it by the Council, Executive, Policy and Performance Scrutiny Committee or the Chief Executive relating to the audit or governance of the council's affairs;
17. The Council's arrangements for corporate governance and risk management and recommend necessary actions to ensure compliance with the good governance framework, including the ethical framework, Local Code of Corporate Governance, and best practice;
18. The effectiveness of the council's frameworks for programme governance and associated project management;
19. The production and content of the authority's Annual Governance Statement;
20. The assessment of fraud risks and potential harm to the council from fraud and corruption, and to consider strategies and actions to reduce such risks including a proactive fraud detection strategy;
21. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations;

22. 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;

~~23. To note any termination of employment where the total payment including pension strain, discretionary redundancy payments and statutory redundancy payments exceeds £100,000 in total;~~

23. To approve any payment on termination of employment where the total payment including pension strain, discretionary redundancy payments and statutory redundancy payments exceeds £100,000 in total and the payment is not covered by the statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England.

(note: an amendment will also be required to the Terms of Reference of the Personnel Sub-Committee)

24. 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

25. 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;

26. To adopt the authority's Annual Governance Statement;

27. To agree the Internal Audit Charter and Internal Audit Plan;

28. 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

29. 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;~~

(note: It is proposed for this section to be incorporated into the Personnel Sub-Committee Terms of Reference)

30. To appoint a Pensions Sub-Committee;

31. To ensure that the Chair of the Audit and Governance Committee has appropriate access to the Head of Internal Audit on matters within the committee's terms of reference;

~~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.~~

~~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.~~

32. To make appointments to Outside Bodies (e.g. partnership boards and local charitable and community organisations) between council meetings ~~to those outside bodies and panels appointed to by the Council~~ under Part 3 paragraph 7.2.

33. To determine the following 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;
- iii. other matters referred to the Committee by the Head of Electoral Services.

34. To regulate matters affecting members, including remuneration, expenditure and training and to promote high standards of conduct amongst members.

35. To receive an annual report on the Council's usage of its powers under the Regulation of Investigatory Powers Act (RIPA);

36. ~~To recommend to Council~~ To consider matters related to the introduction, amendment or revocation of byelaws and to make recommendations on byelaws for Council to formally approve, as required;

37. To take decisions on any matter within the terms of reference ~~of any of its sub-committees~~ of the Pensions Sub-Committee or the Personnel Sub-Committee where the ~~proper officer~~ Monitoring Officer considers that it is necessary and reasonable to do so.

~~38. 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.~~

Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Environment

Meeting of: Audit Committee

Date: 13 September 2022

Ward(s): All

Subject: Risk Deep-Dive: Volatility in the energy market

1. Synopsis

- 1.1. In accordance with its Terms of Reference, the Audit Committee (the Committee) is required to consider the Council's arrangements for corporate governance and risk management.
- 1.2. The Committee agreed at its meeting in June to conduct regular deep-dives on individual Principal Risks. The purpose of the deep-dive is for the Committee to obtain a deeper understanding of the chosen risk area, develop insight into risk controls and the action plan, and to get the opportunity to discuss the risk directly with the risk lead.

2. Recommendations

- 2.1. The Committee is asked to note the risk management strategy for the Principal Risk 'Volatility in the energy market'.

3. Background

3.1 Risk context

While the domestic energy market has price caps, the industrial and commercial market in which the council buys its energy does not. Energy is traded on a futures market basis and prices are constantly changing, based on global supply/demand positions and a plethora of other market drivers. As there are no price caps, the council's only method of alleviating higher prices is through the timing of its purchasing and the periods it purchases for.

- 3.2 The council purchases its energy directly from the market via a contract with SSE. Prior to the current energy contract being awarded in 2020, a procurement strategy was approved by Executive in January 2019, which considered the options of continuing to buy directly (via a contract) or to purchase energy via a Public Buying Organisation (PBO).
- 3.3 It was decided to continue buying in-house due to a range of factors, including the flexibility this offered and the lack of control over timing of purchasing and fees that using a PBO would incur.
- 3.4 The council went on to procure an energy supply contract with SSE for the 2020–2024 period. The contract was not for supply at a specified price but allows the council to purchase through SSE via trades at the time of its choosing. The council can purchase an entire year's supply in a single trade but can also purchase for longer or shorter periods.
- 3.5 In normal years the council would make a trade for a full year ahead at some point prior to the start of the financial year to give budget certainty, with the aim being to purchase during a dip in prices.
- 3.6 This strategy worked well for several years in a relatively stable energy market, with the council obtaining highly competitive prices. A recent benchmarking exercise with a PBO confirmed that the council obtained significantly lower prices for the first two years of its SSE contract; in 2020/21 and 2021/22 the council secured commodity prices 20% cheaper for gas and 10-12% cheaper for electricity.
- 3.7 However, consistently increasing prices from April 2021 and then significant volatility from September 2021 onwards meant that the council's usual approach of waiting for prices to fall/dip before buying was not possible prior to the start of the 2022/23 financial year (the council has to purchase energy in advance of a period starting or it will go onto default rates, which are much higher).
- 3.8 As a result, the Energy Risk Management Committee made the decision to purchase for shorter periods with the expectation that prices would come down for the remainder of the year. The energy for Q1 was purchased in late March. Prices did then come down and the energy for Q2 was purchased during a dip in prices during June, at which point commodity prices were around 30% lower than the Q1 purchase. The prices obtained during this dip were the lowest prices available at any point between March and the start of Q2.
- 3.9 However, a significant increase in Q3 and Q4 prices during June and July while the council's new risk management strategy was being agreed, led to the prices being obtained for these quarters in early August being far higher than Q1 (more than double for electricity and slightly less than double for gas). The combined set of purchasing decisions mean that costs across the entire energy portfolio (council, Housing, schools, leisure centres and streetlighting) are expected to rise from £8.8m in 2021/22 to £39m in 2022/23, should consumption remain the same.

Area	2021/22	2022/23	Increase
HRA	£4,352,367	£21,094,280	£16,741,913
GLL	£703,156	£2,890,061	£2,186,905
Schools	£1,538,456	£6,575,501	£5,037,045

Area	2021/22	2022/23	Increase
Council	£1,628,299	£6,439,699	£4,811,400
Streetlighting	£620,269	£2,394,238	£1,773,969
Total	£8,842,547	£39,393,778	£30,551,231

3.10 Mitigation strategy

Work has been carried out to mitigate costs for both this and future years. The first priority was to fix our prices and reduce costs for 2022/23, while the second is to reduce our exposure to future price rises from 2023/24 onwards.

3.11 A major part of the first priority was to improve our trading strategy. An energy consultancy firm was appointed to advise the council on its energy purchasing. The consultants produced a risk management strategy following a workshop with key representatives from the Finance and Energy teams. Under this strategy, the consultants make recommendations of when to make trades in order to hedge against potential future increases, and to take advantage of rises and falls in the markets (the council can sell purchases back during rises to create a surplus to use when prices fall and reduce the net price paid). Under this strategy, the Q3 and Q4 energy was purchased at the start of August to guard against continue price rises. Market prices are monitored daily. While energy has now been purchased for the full financial year, there is a possibility to reduce the Q3 and Q4 costs through trades, should market movements be amenable. The possibility of joining a PBO mid-year and accessing pre-bought prices for Q3 and Q4 had been explored, but was not possible due to the notice required and lack of capacity within the PBO.

3.12 Reducing energy consumption was the other main aspect of the first priority. At the start of the year, webinars were held for site managers (council buildings and schools) to provide information on how to reduce energy use. For the forthcoming winter, the council has started working to urgently reduce its energy consumption. Several methods for reducing costs are being taken forward:

- The Energy Services team is working with building managers to review the operation of plant rooms to seek to reduce energy consumption.
- The Corporate Landlord Service is taking various steps to reduce energy consumption from heating, lighting and electronic equipment, including reconsidering council building operating hours.
- Housing is reviewing opportunities to reduce gas consumption in communal boiler plantrooms.
- Highways is continuing LED lighting replacement and considering other options to reduce energy consumption from street lighting.
- An Energy Reduction Programme Manager is to be appointed to oversee the work across all four areas and report on the savings being achieved, as well as looking at any other ways in which there is the potential to reduce energy consumption across the organisation (including the council's vehicle fleet) and schools.

3.13 The second priority is to mitigating costs for 2023/24. Following a recommendation in the June Executive report, the possibility of joining a Public Buying Organisation (which bought further in advance before the large price rises) was investigated. One PBO the council approached had sufficient capacity in its already-purchased volumes for 2023/24 for the council to join at rates significantly below current market levels. This would put the council in the same position costs-wise as other local authorities who purchase through PBOs.

Discussions have also been held with SSE on a mutual early termination of contract. The Executive has provisionally approved proposals to proceed with the mutual termination and join the PBO for up to two years.

- 3.14 Should termination not be possible, it is likely that the council will need to start hedging for 2023/24 based on advice from the consultants.
- 3.15 The existing supply contracts end in March 2024 and officers have begun to look at post-2024 options. This includes the option of a Power Purchase Agreement, where the council will purchase energy from a renewable energy generator at a fixed rate for a long period. A procurement strategy for the next set of contracts will come to Executive for approval when appropriate.
- 3.16 **Risk trend**
The risk exposure is currently increasing as prices for 2023/24 have consistently risen since mid-June. The actions set out in paragraphs 3.13 and 3.14 are aimed at mitigating this.

4. Implications

4.1. Financial Implications

- 4.1.1. There are no financial implications arising from this report. The financial implications of the risk are accounted for within the Council's financial management arrangements.

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 risk management strategy for the Principal Risk 'Volatility in the energy market'.

Appendices:

- Appendix 1 – Risk on a Page: Volatility in the energy market

Final report clearance:

Signed by:

Corporate Director of Environment

Date:

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Appendix 1: Risk on a page – Volatility in the Energy Market (Extract from Principal Report June 2022)

Risk Information	Risk Scores	Existing Controls			
Risk Title – Volatility in the energy market					
<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">Weekly meetings of the Energy Risk Management Committee (ERMC) to review current market and take informed decisions on energy purchasing.A temporary weekly Energy Steering Group has been created, attended by service and corporate directors and finance and energy teams.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.Electricity purchase on a quarterly basisGas purchased on a monthly basisApproval 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.Provisional purchasing strategy for the remainder of 2022/23.Sessions run by the Energy Services team to provide advice for site managers of both council buildings and schools on energy efficiency.Annual monitoring and targeting visits and reports produced by Energy Services teamDevelop communications plan to encourage staff to minimise energy use in Council buildings.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

Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13th September 2022

Ward(s): All

Subject: Internal Audit Annual Report 2021-22

1. Synopsis

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

2. Recommendations

- 2.1. To note the report.

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 2021-22 Internal Audit Plan was approved by Audit Committee in May 2021. This report presents the outcomes of the delivery of the 2021-22 audit plan.

- 3.3. The work of Internal Audit largely focuses on key risks identified within the Council's Principal Risk Report. Delivery of the annual audit plan provides assurance on the actions being taken to mitigate principal risks.

4. Role of Internal Audit

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

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

- 5.1 The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is devised. The council's robust processes to identify and articulate Principal Risks provide a solid foundation for the audit plan. The council's Principal Risk Report is mapped to internal audit activity over a rolling three year period. This approach provides assurance that actions designed to mitigate key risks are being implemented effectively. It also provides the council and other stakeholders with assurance that audit resource is correctly targeted to mitigate risks.
- 5.2 A number of other sources of information were used when drafting the audit plan. These included CIPFA good governance guidelines, audit plans of other local authorities, and intelligence from previous audit and anti-fraud activity.

- 5.3 In addition to risk based audits, a rolling cycle of reviews provides continued assurance on the council's key financial systems. The audit plan also looks at areas where senior management have asked for independent assurance.
- 5.4 A concerted effort is made to ensure that the plan is resident focussed. Where audit reviews do not directly address resident facing areas, they aim to provide assurance on overall governance arrangements. These reviews demonstrate that Islington is in a position to deliver its desired outcomes for residents.
- 5.5 Throughout the year, where required, the plan was flexed to respond to emerging risks. This flexibility allowed the team to provide proactive advice on risk and control as needed.

6. Internal Audit outcomes

- 6.1. Internal Audit has received positive management responses to final audit reports and the recommendations made to address risks identified at audit.
- 6.2. Internal Audit routinely conduct follow up reviews to assess the level of implementation of audit recommendations. Where implementation of recommendations is prolonged, Internal Audit may provide support to auditees in-year. See **Section 8** of this report for further information on follow up activity.
- 6.3. This report details the outcomes of the 2021-22 audit plan at **Appendix 1**. Summary details of high priority recommendations not previously reported to the Audit Committee have been included in **Appendix 2**. Follow up activity undertaken in 2021-22 is summarised in **Appendix 3** of this report.

7. Internal Audit assurance opinions

- 7.1. On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within **Appendix 1** of this report.
- 7.2. There are four possible assurance opinions that can be provided:

No Assurance

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

Limited Assurance

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

Moderate Assurance

An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical



recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.

Substantial Assurance

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

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

8. Follow up activity

- 8.1. Internal Audit recommendations arising from planned audit work are followed up to ensure that they have been implemented. We report levels of implementation to the Audit Committee bi-annually. Follow up activity undertaken in 2021-22 is summarised in **Appendix 3** of this report.
- 8.2. The service built on the enhanced monitoring and reporting of open audit recommendations introduced in 2020-21. Controls Board continues to meet six-weekly and tracks implementation of audit recommendations. Periodic reports are presented through Controls Board to Directorate Management Team representatives, summarising all open audit recommendations per directorate. These reports identify where audit recommendations remain open after their agreed implementation date.
- 8.3. In 2021-22, we started to report all open audit recommendations to CMB on a quarterly basis, which has galvanised clearance of aged audit recommendations and has significantly reduced the number of open recommendations.
- 8.4. A substantial number of open audit recommendations were closed in this period, reflecting a significant improvement in directorate-level engagement with audit recommendations as a result of this work. Some aged recommendations remain open and these continue to be followed up.
- 8.5. Auditees may be invited to attend Audit Committee if a low level of implementation of audit recommendations is noted.

9. Internal Audit team capacity

- 9.1. Between August 2021 and July 2022, the team operated with a vacancy of one full time auditor, reducing the team's capacity to deliver all planned audits within the financial year.
- 9.2. To mitigate the impact of this vacancy, the Audit Manager performed additional operational work on the follow up audit plan, grant certifications and ad hoc requests for risk and control advice. An agency auditor was also used to assist with follow up reviews.

10. Quality Assurance and Improvement Programme

- 10.1. One of the core principles of the PSIAS is quality assurance and continuous improvement. The PSIAS require the Head of Internal Audit (HIA) to maintain a quality assurance and improvement programme (QAIP) covering all internal audit activity.
- 10.2. The Internal Audit service has developed a QAIP. It is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
- Performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics);
 - Performs its work in accordance with the CIPFA Statement on the role of the Head of Internal Audit;
 - Operates in an effective and efficient manner;
 - Is perceived by stakeholders as adding value and continually improving its operations; and
 - Undertakes both periodic and ongoing internal assessments, and commissions an external assessment at least once every five years.

Internal assessments

- 10.3. In accordance with the PSIAS, internal quality and performance assessments are undertaken through ongoing and periodic reviews.
- 10.4. Ongoing assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include:
- Management supervision of audit activity;
 - The application of a consistent audit methodology across audits;
 - Regular one-to-ones between audit management and auditors to review and monitor performance; and
 - The review and approval of all outputs by the Audit Manager and Head of Internal Audit (HIA).
- 10.5. Regular assessments are undertaken during the year to measure the impact of the annual audit plan. Biannual progress reports presented to the Audit Committee summarise progress against the annual plan and key outcomes of audit activity. Feedback from the Audit Committee is used to identify areas in which the service can add further value.
- 10.6. A Controls Board facilitates an ongoing dialogue between Internal Audit and Directorate Management Teams about recommendations arising from internal audit work. The Director of Finance chairs the Controls Board and its members include Internal Audit and representatives from all directorates. Periodic summaries of open audit recommendations are presented to Controls Board by both Internal Audit and directorate representatives. These reflect outcomes of follow-up activity.
- 10.7. An annual assessment and assurance mapping exercise is undertaken in drafting the annual audit plan (see **Section 5** above).
- 10.8. Other periodic assessments include (but are not limited to):
- Annual self-assessments to ensure conformance with the PSIAS;

- Regular feedback from senior management, including the Director of Finance and S151 Officer; and
- Benchmarking with other London Borough internal audit services, through the Cross Council Assurance Service and London Audit Group.

External Quality Assessment

- 10.9. The PSIAS requires that an external quality assessment (EQA) is undertaken at least once every five years. This is designed to ensure continued application of the professional standards.
- 10.10. The EQA for the Camden and Islington shared Internal Audit service took place in Quarters 2 and 3 of 2021-22 and reported in Quarter 4. The full outcome of the EQA, including the assessor's report, was reported to the Audit Committee in June 2022.
- 10.11. 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.
- 10.12. The summary assessment of compliance against the PSIAS demonstrated that the Internal Audit service is generally compliant with **every** standard.
- 10.13. Three low risk recommendations were made relating to the PSIAS. No high or medium risk recommendations were made. A further fourteen low priority good practice suggestions were raised, ten related to Internal Audit and four related to the Camden and Islington Audit Committees. Good practice suggestions are suggestions only, and each Council can take a view on whether it wishes to implement them.
- 10.14. Two areas of notable practice were highlighted, where activity 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.
- 10.15. Overall the assessors concluded 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 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.

Continuous training and development

- 10.16. A key aspect of the QAIP is the continuous training and development of the Internal Audit team. While Internal Audit team members are qualified, knowledge and skills need to remain up to date. Therefore time for training activity is incorporated into the resourcing calculation when the annual audit plan is drafted.

10.17. Ongoing training takes place in largely three forms:

- External training offered by external organisations (e.g. CIPFA and the Institute of Internal Auditors). A training budget is held that allows each auditors to attend at least one course per annum;
- Cross Council Assurance Service networking days. These take place approximately once every quarter and cover topical areas and best practice; and
- In-house training via induction, daily working with peers and audit management. A varied workplan is in place for each auditor to ensure breadth of experience. All auditors liaise and cross-work with the Investigations and Risk Management teams.

Head of Internal Audit Opinion for 2021-22

10.18. The PSIAS requires the HIA to provide an annual opinion. This can be used by the organisation to inform its annual governance statement.

10.19. The PSIAS, and CIPFA's guidance on the 'Role of the Head of Internal Audit in Public Service Organisations' require that the HIA's overall opinion is objective. It should be supported by sufficient, reliable, relevant and useful information and evidence. The HIA opinion should also take into account the strategies, objectives and risks of the Council. It should consider the expectations of senior management and stakeholders, internal audit work and other sources of assurance.

10.20. The following four ratings and definitions have been devised to assist with forming and articulating the HIA annual opinion:

No Assurance	There are fundamental weaknesses within the Council's systems of internal control, risk management and governance, which jeopardise the achievement of key objectives.
Limited Assurance	The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are limited. There are a number of significant weaknesses that may put the achievement of key objectives at risk.
Moderate Assurance	The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required.
Substantial Assurance	The overall arrangements for the Council's systems of internal control, risk management and governance are sound. Any improvement or enhancement recommended relates to best practice only.

10.21. The HIA annual opinion for 2021-22 is:

Moderate Assurance	The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required.
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- 10.22. In summary, it is the HIA's opinion that and overall rating of Moderate assurance is appropriate. Although high risk rated recommendations were made in individual audit reviews, these were broadly isolated to specific systems or processes. None of the individual audit reviews had an overall classification of critical risk. This opinion is consistent with the previous year.

Basis of the HIA opinion

- 10.23. The HIA opinion is supported by the delivery of the 2021-22 audit plan. It identified no overall critical concerns in respect of the council's internal control, risk management or governance arrangements. Weaknesses identified during individual audits were not significant, in aggregate, to the Council's governance arrangements and systems of internal control.
- 10.24. As detailed in **Section 5** above, a comprehensive approach was followed in drafting the 2021-22 audit plan. This ensured that the plan was resident focussed and aligned to the council's Principal Risk Report. It focused on providing assurance regarding the key aspects of the Council's internal control framework.
- 10.25. Delivery of the plan has seen:
- Seven audit projects which provided assurance on the effectiveness of controls and mitigating actions relating to the council's principal risks;
 - Three projects focussed on the effectiveness and robustness of the Council's core financial controls;
 - Fourteen projects focussed on establishments (schools and children's centres, Tenant Management Organisations and voluntary sector organisations);
 - One project focussed on an area in which senior management asked for independent assurance in-year;
 - Six grant claim assurance reviews;
 - Eight extended follow ups focussing on areas of principal risk; and
 - 51 standard follow ups of previous audits.
- 10.26. Of 39 audit projects completed, three (two principal risk audits and one schools establishment audit) attracted No Assurance ratings:
- Health and Safety – Asbestos Management;
 - Use of Contingent Workers; and
 - Laycock Primary School.
- 10.27. Five projects (three schools establishment audits, one TMO establishment audit and two principal risk audits) attracted Limited Assurance ratings:
- Access Controls and Rights;
 - Local Business Resilience;
 - Braithwaite House Tenant Management Organisation;
 - Vittoria Primary School;
 - Newington Green Primary School; and
 - Samuel Rhodes Primary School.
- 10.28. Two schools reports have been issued and schools have stated that they intend to provide further audit evidence. As such, a final rating has not yet been assigned:

- St John's Highbury Vale Primary School; and
 - Duncombe Primary School.
- 10.29. Three TMO reports have been issued but are awaiting an initial management response. As such, a final rating has not yet been assigned:
- Holbrook Co-operative;
 - Miranda Estate Management Organisation; and
 - Spa Green Tenant Management Organisation.
- 10.30. The remainder of the reviews attracted a Moderate Assurance rating or an advisory management letter.
- 10.31. Of the eight extended follow ups completed, in six cases all agreed actions were implemented and in two cases a good rate of implementation was noted.
- 10.32. Of the 51 standard follow ups completed:
- 23 showed that all agreed actions were implemented;
 - 21 showed a good rate of implementation of audit recommendations;
 - Three showed a reasonable rate of implementation of audit recommendations; and
 - Four showed a limited rate of implementation of audit recommendations.
- 10.33. In addition to the outcomes of the 2021-22 audit plan, in reaching the HIA opinion, the following factors were also considered:
- The Council's risk awareness and risk culture has further matured in 2021-22. There was a continued awareness of principal risks and a good level of implementation of actions designed to mitigate principal risks;
 - The immediate risk arising from the pandemic reduced in 2021-22, as reflected in the Principal Risk Report. Internal Audit continued to include any new risks arising from the pandemic through individual reviews on the 2021-22 audit plan;
 - There is a willingness on the part of management to proactively seek Internal Audit advice in relation to risk and control design outside of delivery of the audit plan. This has been evidenced by the reviews the senior leadership and service management have requested outside of the 2021-22 audit plan;
 - The HIA opinion is also supported and informed by the wider sources of assurance listed within the draft Annual Governance Statement for 2021-22.
- 10.34. The HIA is satisfied that work undertaken during 2021-22 has enabled an opinion of Moderate Assurance to be formed.

11. Conclusion

- 11.1 Audit Committee is asked to note the report and appendices.

12. Implications

- 12.1. **Financial Implications**

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

12.2. Legal Implications

12.2.1. There are no legal implications arising from this report.

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

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

12.4. Equalities Impact Assessment

12.4.1. 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.

12.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

13. Conclusion and reasons for recommendations

13.1. Audit Committee is asked to note the delivery of the audit plan at Appendices 1 to 3.

Appendices:

- Appendix 1 provides an update on outcomes of delivery of the 2021-22 audit plan.
- Appendix 2 summarises high priority recommendations arising from audit reviews finalised since last reported to the Audit Committee in January 2022.
- Appendix 3 details the results of the follow up of previous audit recommendations.

Final report clearance:

Signed by: Dave Hodgkinson

Corporate Director of Resources

Date: 19th August 2022

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REPORT ENDS

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Appendix 1: delivery of the 2021-22 audit plan

1. Synopsis

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

2. Detailed 2021-22 audit plan update

(* denotes an area of principal risk)

2.1. Audits brought forward from 2020-21

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
HOU20-5	Health and safety – asbestos management*	Risk based review of key Health and Safety risk area.	15	Completed. 5 high priority findings were raised, details of which were reported to the Audit Committee in January 2022.	No assurance
FR20-5	Use of contingent workers*	Risk based review of key controls regarding the use of agency and consultancy staff. Scope to include controls surrounding approval, extension, vetting and financial monitoring.	20	Completed. 8 high priority findings were raised, details of which can be seen at Appendix 2. This review, carried out in Q3 2021-22,	No assurance

				looked at controls in place relating to the council's managed service provider of agency staff. In February 2022 the council moved to a new provider. Follow up work will focus on whether controls relating to the new provider are operating effectively.	
PS20-6-3	Schools establishment review – Moreland Primary School	Risk based review of Moreland Primary School.	10	Completed. No high priority findings were identified.	Moderate assurance
PS20-6-6	Schools establishment review – St Luke's Church of England Primary School	Risk based review of St Luke's Church of England Primary School.	10	Completed. No high priority findings were identified.	Substantial assurance
CC20-1	Landlord duty of care – lifts*	On-going programme of assurance against this area of Principal Risk. Cross-cutting review of the Council's arrangements for ensuring compliance with health and safety requirements across its property portfolio. Scope to focus on	20	As at the last update to the Audit Committee in January 2022, a need for additional audit work to cover off areas of	n/a – deferred to 2022-23 audit plan.

		lift maintenance and replacement within the Council's housing stock.		key risk was identified. This additional work commenced in early Q2 2022-23 and will report in late Q2 2022-23.	
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2.2. Corporate/cross-cutting

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
CC21-1	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks. This will support the activity of the Council's risk management function.	20	This took place in late Q3 and early Q4 to inform the 2022-23 audit plan approved by Audit Committee in March 2022.	n/a – assurance mapping exercise
CC21-2	Serious fraudulent activity *	Internal Audit input into reactive investigations to be undertaken in-year. This will support the activity of the Council's corporate investigations team as needed.	20	Members of the Internal Audit team provided ongoing input into reactive investigations throughout the year to support the Corporate Investigations team.	n/a – input into reactive investigations
CC21-3	Annual Governance Statement and	Preparation of the Council's Annual Governance Statement and audit plan.	10	The Internal Audit team provided support to the new owners of the Annual	n/a – input into Annual Governance

	audit plan production			Governance Statement. Audit planning took place in late Q3 and early Q4 alongside the assurance mapping exercise (see CC21-1 above).	Statement and audit planning
CC21-4	Controls Board	Internal Audit input into Controls Board workplan and support for directorate representatives.	25	The Internal Audit team serviced Controls Board and provided support for directorate representatives around follow up activity.	n/a – input into Controls Board workplan
FWU21-5	Programme Management Office (PMO) *	Extended follow up of audit recommendations arising from the 2020-21 review of PMO (CC20-2 – management letter with 17 high priority findings across four audit areas). The audit scope looked at the redesign of the Council's Programme Management Office (PMO) and conducted project health checks across a sample of three programmes (one each in Housing, Environment and Regeneration and People).	20	An extended follow up audit was completed. <ul style="list-style-type: none"> • 42/50 (84%) recommendations have been implemented; • 5/50 (10%) recommendations (relating to three high priority and two medium priority findings) have been partially implemented; and 	A good rate of implementation was noted (see ratings key in Appendix 3 for an explanation of ratings assigned to extended follow ups)

				<ul style="list-style-type: none"> 3/50 (6%) recommendations (relating to one high priority finding and one medium priority finding) have not been implemented. Revised target dates have been agreed for all open recommendations, which will be followed up as they fall due. 	
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2.3. Resources

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
FR21-1-1	Key financial systems – accounts payable	Review of key financial systems. We created an in-depth map of key financial controls in four areas (accounts payable, income, treasury and payroll) during 2020-21 (FR20-1). We then assessed whether the design of controls is theoretically sufficient to mitigate risks. Work in 2021-22 will include an update of this control design assessment to ensure that the KFS controls map for these areas remains current. The map will inform the choice of	14	Completed. Two high priority findings were raised, details of which can be seen at Appendix 2.	Moderate assurance
FR21-1-2	Key financial systems – income		14	This audit was deferred in-year at the request of management due to staffing pressures at	n/a – deferred to 2022-23 audit plan as agreed by the Audit Committee in March 2022.

		controls we target in 2021-22 to test whether they are operating effectively. The KFS review areas for 2021-22 will also include Pensions.		auditee level. The audit was scoped in Q4 2021-22 and fieldwork will begin in Q2 2022-23.	
FR21-1-3	Key financial systems – treasury		14	Completed. One high priority finding was raised, details of which can be seen at Appendix 2.	Moderate assurance
FR21-1-4	Key financial systems – payroll		14	Completed. No high priority findings were identified.	Moderate assurance
FR21-1-5	Key financial systems – pensions		14	This audit was deferred in-year at the request of management due to additional pressures at auditee level, including the triennial valuation process. The audit was scoped in Q4 2021-22 and fieldwork will begin in Q2 2022-23.	n/a – deferred to 2022-23 audit plan as agreed by the Audit Committee in March 2022.
FR21-2	Access controls and rights *	An extended audit into access controls and rights for key business applications and processes, based on data security risks identified around the appropriateness of the approvals process.	30	Completed. Three high priority findings were raised, details of which can be seen at Appendix 2.	Limited assurance

FR21-3	Business transformation – technology needs within Children’s Services *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	A draft report has been shared with management, and a management response is awaited. A completion date of September 2022 is anticipated.	To be confirmed once management have responded
FR21-4-1	Covid-19 grant certification * - Arts Council Culture Recovery Fund	Ad hoc reviews of Covid-related grants to verify that they are being administered in accordance with grant conditions.	20	A compliance opinion was provided on the return for the Arts Council Culture Recovery Fund grant.	Compliance opinion issued
FR21-4-2	Covid-19 grant certification * - Sales, Fees and Charges – Lost Income.			A compliance opinion was provided on the return for the Sales, Fees and Charges – Lost Income grant.	Compliance opinion issued
FR21-5	Challenging Inequality programme *	A risk based review of the Challenging Inequality programme to verify that the framework's design supports the Council's ambition to meet the Equalities Gold Standard. The audit will provide assurance against the diversity and inclusion and the social inequalities principal risks.	20	Completed. One high priority finding was raised, details of which can be seen at Appendix 2.	Moderate assurance
FWU21-27	Gifts and hospitality and declarations of interest *	Extended follow up of audit recommendations arising from the 2017-18 review of Gifts and hospitality and declarations of interest (CC17-	6	An extended follow up audit was completed. All twelve recommendations	Agreed actions have been fully implemented

		<p>10 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Policy and guidance; • Register of declarations of interest; • Gifts and hospitality register; • Contract standing orders and documentation (consultants); and <p>Contract standing orders and documentation (agency staff).</p>		have been implemented.	
FWU21-34	Right to work vetting arrangements *	<p>Extended follow up of audit recommendations arising from the 2019-20 review of Right to work vetting arrangements (FR19-2 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Visa end dates; • Right to work status of agency staff; • Policies and protocols; • HR risk register; and <p>EU exit preparation – agency and Council.</p>	8	An extended follow up audit was completed. All fourteen recommendations have been implemented.	Agreed actions have been fully implemented

2.4. Adult Social Care

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
FWU 21-14	Safeguarding adults – governance	<p>Extended follow up of audit recommendations arising from the 2020-21 review of Safeguarding adults (PS20-2 - No assurance). Audit findings related to:</p>	8	An extended follow up audit was completed. All eleven recommendations	Agreed actions have been fully implemented

	and records management *	<ul style="list-style-type: none"> • Evidence of case management and approval (critical priority); • Timeliness of case management activity; • Retention of evidence to support case closure; and • Updating the information sharing agreement. 		have been implemented.	
FWU21-31	Direct payments *	<p>Extended follow up of audit recommendations arising from the 2019-20 review of Direct payments (PS19-5 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Transfers from pre-paid cards • Ordering pre-paid cards • Financial monitoring • Governance arrangements – risk-based reviews of spend • Direct payment agreements • Deceased individuals 	7	An extended follow up audit was completed. All eleven recommendations have been implemented.	Agreed actions have been fully implemented

2.5. Children's Services

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
PS21-1	High needs/SEN children's placements *	Brought forward from 2020-21 plan. Risk based review of controls in place around high-needs/SEN children's placements. Scope to	20	Completed. No high priority findings were identified.	Moderate assurance

		include monitoring and reporting of high cost care placements / packages.			
PS21-2-1	Schools establishment review – St John's Highbury Vale Primary School	Risk based review of seven schools/children's centres. These reviews do not directly align to a principal risk, and are part a rolling programme of assurance for schools which operates on a cyclical basis. The programme assesses the effectiveness of school governance mechanisms and financial practices.	12	Completed. A draft report has been shared with management, who have stated that they intend to provide further audit evidence. A completion date of September 2022 is anticipated.	To be confirmed once management have provided additional evidence
PS21-2-2	Schools establishment review – Vittoria Primary School		12	Completed. High priority findings were raised in two audit areas, details of which can be seen at Appendix 2.	Limited assurance
PS21-2-3	Schools establishment review - Newington Green Primary School		12	Completed. High priority findings were raised in three audit areas, details of which can be seen at Appendix 2.	Limited assurance
PS21-2-4	Schools establishment review – Duncombe Primary School		12	Completed. A draft report has been shared with management, who have stated that they intend to provide	To be confirmed once management have provided additional evidence

				further audit evidence. A completion date of September 2022 is anticipated.	
PS21-2-5	Schools establishment review - Pooles Park Primary School		12	This audit was deferred to the 2022-23 audit plan due to a timing clash with the school's Ofsted inspection.	n/a – deferred to 2022-23 audit plan.
PS21-2-6	Schools establishment review - Samuel Rhodes Primary School		12	Completed. High priority findings were raised in four audit areas, details of which can be seen at Appendix 2.	No assurance
PS21-2-7	Schools establishment review – Laycock Primary School		12	Completed. Nine high priority findings were raised, details of which can be seen at Appendix 2.	No assurance
PS21-3	Supporting Families	Audit review and sign off of compliance with requirements from the Memorandum of Understanding between the Council and the Department for Levelling Up, Housing and Communities.	10	Completed. No high priority findings were identified.	n/a – a management letter was issued

2.6. Environment

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
FWU21-6	Parking services *	<p>Extended follow up of audit recommendations arising from the 2020-21 review of Parking Services (ER20-3 – Limited assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Debt recovery process • Cancelled Penalty Charge Notices (PCNs) • Spot checks on enforcement decisions • Contract management of debt enforcement agents • Governance arrangements – roles and responsibilities • Policies and procedures • Risk management • Oversight of written off PCNs • Appeal response times • Reconciliations 	13	<p>An extended follow up audit was completed.</p> <ul style="list-style-type: none"> • 13/17 (76%) recommendations have been implemented; and • 4/17 (24%) recommendations (relating to four high priority findings) have been partially implemented. <p>Revised target dates have been agreed for all open recommendations, which will be followed up as they fall due.</p>	A good rate of implementation was noted (see ratings key in Appendix 3 for an explanation of ratings assigned to extended follow ups)

2.7. Homes and Neighbourhoods

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
HOU21-1	Tenant Management Organisation	<p>A review of Council processes for monitoring TMO activity and governance arrangements. This will take into account whether monitoring</p>	16	This audit has been deferred at the request of the service area.	n/a – deferred to 2022-23 audit plan as agreed by the

	(TMO) monitoring arrangements *	activity is sufficient in light of the increased responsibilities for councils introduced in the 2021 Housing White Paper.		Significant changes are planned in the approach to monitoring TMO activity over the coming months, therefore a review of existing arrangements is likely to identify known issues. Internal Audit has held a risk based discussion with the service area and it was agreed that the audit would be deferred to 2022-23 to allow time for revised practice to be implemented. Internal Audit will also remain available throughout this period to provide advice on risk and control as needed.	Audit Committee in March 2022
HOU21-2-1	Tenant Management Organisation (TMO) establishment review - Braithwaite	Risk based review of five TMOs. These reviews are part a rolling programme of assurance for TMOs which operates on a cyclical basis. The programme assesses the effectiveness of governance mechanisms and financial practices.	11	Completed. Four high priority findings were raised, details of which can be seen at Appendix 2.	Limited assurance

HOU21-2-2	Tenant Management Organisation (TMO) establishment review - Blackstock		11	Completed. One high priority finding was raised, details of which can be seen at Appendix 2.	Moderate assurance
HOU21-2-3	Tenant Management Organisation (TMO) establishment review - Spa Green		11	A draft report has been shared with management, and a management response is awaited. A completion date of September 2022 is anticipated.	To be confirmed once management have responded
HOU21-2-4	Tenant Management Organisation (TMO) establishment review - Holbrook		11	A draft report has been shared with management, and a management response is awaited. A completion date of September 2022 is anticipated.	To be confirmed once management have responded
HOU21-2-5	Tenant Management Organisation (TMO) establishment review - Miranda		11	A draft report has been shared with management, and a management response is awaited. A completion date of	To be confirmed once management have responded

				September 2022 is anticipated.	
HOU21-3	Voluntary Sector Organisation (VSO) – Highbury Roundhouse	Risk based review of one VSO. These reviews do not directly align to a principal risk, and are part a rolling programme of assurance for VSOs which operates on a cyclical basis.	20	Completed. Advisory review, with no assurance rating assigned.	Advisory review, with no assurance rating assigned.
FWU21-24	HomeBuild *	<p>Extended follow up on audit recommendations arising from the 2020-21 review of HomeBuild (HOU20-1 – Moderate assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Financial governance • Risk management • Change control • Quality management 	7	Extended follow up completed. All nine recommendations have been implemented.	Agreed actions have been fully implemented

2.8. Community Wealth Building

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
CWB21-1	Local business resilience *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	Completed. Three high priority findings were raised, details of which can be seen at Appendix 2.	Limited assurance
CWB21-2	Financial resilience of residents *	A risk based review to provide assurance against this area of principal risk. The scope will be refined/agreed in year.	20	This audit was deferred in-year due to the vacancy within	n/a – deferred to 2022-23 audit plan as agreed by the

				the Internal Audit team.	Audit Committee in March 2022.
FWU21-33	S106 *	<p>Extended follow up of audit recommendations arising from the 2019-20 review of S106 (ER19-4 – Moderate assurance). Audit findings related to:</p> <ul style="list-style-type: none"> • Evidence of approval • Policies and procedures • Borough Investment Panel terms of reference • Expenditure of funding allocation 	7	Extended follow up completed. All four recommendations have been implemented.	Agreed actions have been fully implemented

2.9. Public Health

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
PH21-1	Health and social care integration and Covid-19 outbreak control *	A Public Health audit is carried out annually to provide assurance against this area of principal risk. Responsibility for carrying out these audits alternates between the Internal Audit teams at Islington and Camden. The audit will provide assurance against the Health and Social Care Integration and the Covid-19 Outbreak Control principal risks by assessing public health performance relating to Covid-19.	20	There were delays in agreeing the scope for this audit which meant that fieldwork could not begin until Q1 2022-23. Fieldwork is underway and outcomes will be reported in Q2 2022-23.	n/a – fieldwork is underway

2.10. Additional reviews





Four additional reviews were requested in 2021/22, with a combined audit budget of 40 days.

Ref	Audit title	Indicative scope	Planned days	Status	Assurance rating
AD21-1	HIV Pre-Exposure Prophylaxis (PrEP) grant 2020-21	Review of compliance with grant conditions for this grant from the Department of Health and Social Care.	5	Complete. A grant compliance opinion was provided by Internal Audit.	n/a - compliance opinion issued
AD21-2	Supplier Bank Amendments	100% review of supplier bank amendments across a three month period to verify whether processes have been followed and assess whether controls in place in this area are sufficient to mitigate fraud risks.	25	Completed. Six high priority findings were raised, details of which were reported to Audit Committee in January 2022.	n/a - management letter issued
AD21-3	Green Homes grant – project closure	Review of compliance with grant conditions for this grant from the Department for Business, Energy and Industrial Strategy	5	Complete. A grant compliance opinion was provided by Internal Audit.	n/a - compliance opinion issued
AD21-4	Social Housing De-carbonisation Fund grant return	Review of accuracy of grant return for this grant from the Department for Business, Energy and Industrial Strategy.	5	Complete. A grant compliance opinion was provided by Internal Audit.	n/a - compliance opinion issued

3. Audit plan completion statistics

Audit status		Number of reviews
Total number of reviews included on the original audit plan (see sections 2.1-2.9 above for breakdown)		42
Reviews added in year (see section 2.10 above for breakdown)		4
Total reviews on audit plan		46
Audits deferred to 2022-23 plan: <i>Deferred to respond to business need:</i> <ol style="list-style-type: none"> 1. Tenant Management Organisation (TMO) monitoring arrangements 2. Schools establishment review - Pooles Park Primary School 3. Key financial systems – income 4. Key financial systems – pensions <i>Deferred due to vacancy within Internal Audit team:</i> <ol style="list-style-type: none"> 5. Landlord duty of care – lifts 6. Financial resilience of residents 		6
Remaining audits due for completion as part of the 2021-22 plan		40
Audits completed to reporting stage:		39 (98%)
<i>Audits completed and report issued in final</i>	26 (65%)	
<i>Audits completed and awaiting final management response</i>	13 (33%)	
Audits in progress:		1 (2%)
1. Health and social care integration and Covid-19 outbreak control		

4. Basis of our opinion and assurance statements

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

APPENDIX ENDS

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Appendix 2: high priority recommendations

1. Synopsis

- 1.1. This Appendix summarises high priority recommendations arising from audit reviews since our last update to Committee in January 2022. It provides an overview of findings in areas where control weaknesses have been identified that present a high risk to specific service objectives.
- 1.2. Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

2. Summaries of high priority findings

2.1. Core audits

Reference	Audit Title
FR20-5	Use of Contingent Workers
<p>Please note that the original audit primarily looked at controls in place relating to the managed service provider (MSP) that the council used for agency staff until February 2022. The follow up audit is looking at the same controls relating to the council's new MSP. The extended follow up of this audit is currently concluding. Internal Audit have had excellent engagement from officers charged with implementing the audit recommendations, which were incorporated in the launch of the new contract and agency management system. We will be able to report a good level of implementation once we receive responses to the draft report which has been issued to officers with final responses due by 16 September 2022. A verbal update on residual risk will be provided to Audit Committee. High priority findings reported as part of the original audit, relating to the previous MSP, were as follows:</p> <ol style="list-style-type: none"> 1. The control environment was not clearly defined and documented. Policies and procedures relating to the use of contingent workers were unclear and incomplete. 	

Reference	Audit Title
FR20-5	Use of Contingent Workers
<ol style="list-style-type: none"> 2. Systems and data were not sufficient to fully support effective monitoring and oversight of contingent staffing numbers and expenditure. 3. Some invoice and payment controls for workers sourced through the council's key provider of agency staff were not clearly defined, and underlying cost components are not always visible to those approving payments. 4. There was no mechanism to prevent manager approval of timesheets which contain hours that have not yet been worked. Guidance for staff did not prohibit early timesheet approval; 5. Some of the controls in place for monitoring, managing and extending the duration of assignments managed by the council's key provider of agency staff did not effectively support the council's principles for the use of agency workers. 6. Pay arrangements for breaks for assignments managed by the council's key provider of agency staff were not clearly defined. Testing indicated that workers are paid for breaks in some service areas but not others. 7. Oversight over review and approval processes for engaging contingent workers was not consistent. 8. Extensions to engagements not arranged through the council's key provider of agency staff were not always sufficiently visible to support trend and cost monitoring. 	

Reference	Audit Title
FR21-2	Access controls and rights
<ol style="list-style-type: none"> 1. Access request tickets do not use clearly defined roles and access levels. Access to some systems is not consistently subject to robust approval processes. 2. Access to systems is not consistently removed/amended when users move roles. Changes in access levels are not subject to robust approval processes. 3. Access to systems and the Active Directory is not consistently removed on a timely basis when users leave. 	

Reference	Audit Title
FR21-3	Business transformation – technology needs within Children’s Services
1. The draft Education Strategy has not had input from Digital Services and is not clearly linked to the technology roadmap.	

Reference	Audit Title
FR21-5	Challenging Inequality Programme
1. The programme’s aims and some anticipated outputs have been documented. However, quantifiable programme benefits and mechanisms for managing and monitoring them have not yet been clearly defined. This may mean that the council is not able to meaningfully measure and report on the impact of the programme for residents and staff.	

Reference	Audit Title
CWB21-1	Local business resilience
<ol style="list-style-type: none"> 1. Data on local businesses is fragmented across council services and systems, meaning that there is not a single source of the truth for local business information. Data quality and completeness issues were noted in some systems. These issues may reduce the council’s ability to effectively target support to the business community, and lead to significant administrative costs when processing this data. 2. Data capture and storage arrangements are not currently robustly designed to support effective use of data. Data held on some businesses is too cursory to provide meaningful insight and target support towards businesses which need it. 3. Formal data sharing mechanisms are not in place between some council services and areas. Businesses have not historically been asked to consent to data sharing between council services. This can mean that where one service area holds robust data on businesses (e.g. business rates data), this information can not be used to support work carried out by other service areas. 	

2.2. Key Financial Systems audits

Reference	Audit Title
FR21-1-1	Key Financial Systems (KFS) – Accounts Payable
	<ol style="list-style-type: none"> 1. Separation of duties for initiation and approval of payments could not be demonstrated in all instances. 2. A small number of individuals are able to authorise supplier data changes initiated by themselves, although mitigating controls are in place to reduce the risk associated with this.

Reference	Audit Title
FR21-1-3	Key Financial Systems (KFS) – Treasury
	<ol style="list-style-type: none"> 1. While access to online banking services is appropriately authorised, regular reviews of ongoing appropriateness of access are not undertaken.

2.3. Establishment audits

Reference	Audit Title
PS21-2-2	Schools establishment review – Vittoria Primary School
	<ol style="list-style-type: none"> 1. Purchasing and expenditure: purchase orders are not consistently in place for transactions. Payment limits are not consistently complied with. 2. Income charging and banking: bank reconciliations, debt monitoring and recovery activities are not consistently carried out.

Reference	Audit Title
PS21-2-3	Schools establishment review - Newington Green Primary School
<ol style="list-style-type: none"> 1. Purchasing and expenditure: purchase orders are not consistently in place for transactions and some approvals exceeded delegated limits. 2. HR and payroll: vetting of staff and contractors is not consistent. 3. Lettings: some hirers of school premises were not vetted. 	

Reference	Audit Title
PS21-2-6	Schools establishment review – Samuel Rhodes Primary School
<ol style="list-style-type: none"> 1. Financial management: the school entered an unauthorised overdraft twice in year. 2. Purchasing and expenditure: purchase orders are not consistently in place for transactions. 3. Income charging and banking: discrepancies between bank records and the school's financial records were not fully identified through bank reconciliations. Debt monitoring and recovery activities are not consistently carried out. 4. Contracts and leases: contracts were not recorded in a contracts register and procurement rules were not consistently followed. 	

Reference	Audit Title
PS21-2-7	Schools establishment review – Laycock Primary School
<ol style="list-style-type: none"> 1. Financial management: financial outturns significantly differed from budgets. Financial regulations were incomplete. 2. Contracts and leases: contracts are not recorded in a contracts register and procurement rules were not consistently followed. 	

Reference	Audit Title
PS21-2-7	Schools establishment review – Laycock Primary School
	<ol style="list-style-type: none"> 3. Income charging and banking: invoices were not raised in a timely manner. Income records are not clearly maintained. 4. Lettings: contractual and insurance documentation is not in place for some lettings and records of usage of premises are not maintained. 5. HR and payroll: vetting of staff and contractors is not consistent. 6. Asset management: assets are not effectively documented and monitored. 7. Data protection: data protection policies and business continuity arrangements are not documented. 8. Purchasing and expenditure: purchase orders are not consistently in place for transactions. 9. Governance: financial regulations are out of date and incomplete.

Reference	Audit Title
HOU21-2-1	Tenant Management Organisation (TMO) establishment review - Braithwaite
	<ol style="list-style-type: none"> 1. Key policies and procedures were not up to date. Some policies and procedures were not in place or were not fit for purpose. 2. Purchasing approval controls did not consistently operate effectively. Some purchases had no supporting documentation. 3. The bank account entered unauthorised overdraft twice in a two month period; and 4. Debt monitoring controls were not operating effectively and repayment arrangements were not formally documented.

Reference	Audit Title
HOU21-2-2	Tenant Management Organisation (TMO) establishment review - Blackstock
1. Some purchase orders were raised retrospectively.	

APPENDIX ENDS

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Appendix 3: Follow up outcomes

1. Synopsis

- 1.1. This Appendix summarises the results of audit follow up work. It provides an indication of the level of implementation of audit recommendations by management.

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

- 2.1. This table sets out the rate of implementation of recommendations which have passed their target implementation date.

2.2. **Implementation rating key:**

Fully implemented = 100% of recommendations have been closed

Good = progress has been made on 80%+ of recommendations

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

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

Follow up underway = evidence has been received and is currently being assessed by Internal Audit

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
1	CC17-10	Gifts and Hospitality and Declarations of Interest (extended follow up – see Appendix 1 for outcomes)	Limited	Agreed actions have been fully implemented
2	CC18-5	Information Governance	Moderate	Agreed actions have been fully implemented
3	CC18-6	Technology Debt Management	Management letter issued	Good. Further follow up activity is planned in Q2 2022-23.

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
4	CC19-1	Landlord Duty of Care – Fire Risk Assessments	Management letter issued	Good. Further follow up activity is underway.
5	CC19-4	Cyber Security	Limited	Good. Further follow up activity is planned in Q2 and Q3 2022-23.
6	CC20-2	Programme Management Office (extended follow up – see Appendix 1 for outcomes)	Management letter issued	Good. Further follow up activity is planned in Q2 and Q3 2022-23.
7	CC20-3-1	Financial Strategy / Covid Financial Impact - Adult Social Care Transformation *	Moderate	Good. Further follow up activity is planned in Q2 2022-23.
8	CC20-4	Capital programmes *	Moderate	Reasonable. Further follow up activity is planned in Q3 2022-23.
9	CC20-6	Contract Management 2020-21	Limited	Agreed actions have been fully implemented
10	FR18-1	Payroll	Limited	Good. Further follow up activity is planned in Q2 2022-23.
11	FR18-5	Capital expenditure	Moderate	Good. Further follow up activity is underway.
12	FR19-1-1	Continuous Audit Monitoring (CAM) – Accounts Payable	Limited	Agreed actions have been fully implemented
13	FR19-1-2	Continuous Audit Monitoring (CAM) – Cash	Limited	Agreed actions have been fully implemented

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
14	FR19-1-3	Continuous Audit Monitoring (CAM) – Treasury	Limited	Agreed actions have been fully implemented
15	FR19-2	Right to Work Vetting Arrangements (extended follow up – see Appendix 1 for outcomes)	Limited	Agreed actions have been fully implemented
16	FR20-2	IT application review – CivicaPay	Moderate	Agreed actions have been fully implemented
17	FR20-5	Use of Contingent Staff	No assurance	Good. Further follow up activity is underway.
18	AD21-2	Supplier bank amendments	Management letter issued	Good. Further follow up activity is underway.
19	HASS16-1	Adult Social Care Provider Failure	No assurance	Agreed actions have been fully implemented
20	HASS18-2	Mental Health Safeguarding Processes*	Management letter issued	Good. Further follow up activity is planned in Q3 2022-23.
21	PS19-5	Direct Payments (extended follow up – see Appendix 1 for outcomes)	Limited	Agreed actions have been fully implemented
22	PS20-2	Safeguarding Adults (extended follow up – see Appendix 1 for outcomes)	No assurance	Agreed actions have been fully implemented
23	CS17-2	SEN transport	No assurance	Good. Further follow up activity is underway.

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
24	CS18-3	Schools Financial Monitoring	Management letter issued	Agreed actions have been fully implemented
25	CS18-6-2	School - St John Evangelist	Moderate	Good. Further follow up activity is planned in Q3 2022-23.
26	CS18-6-3	School - Highbury Quadrant	Moderate	Good. Further follow up activity is planned in Q3 2022-23.
27	CS18-6-5	School - Rotherfield	Moderate	Agreed actions have been fully implemented
28	CS18-6-6	School - Holloway (Beacon High)	No assurance	Good. Further follow up activity is planned in Q3 2022-23.
29	CS18-6-7	School – Winton	Moderate	Agreed actions have been fully implemented
30	PS19-1	Placement Commissioning 16-17 year olds*	Limited	Agreed actions have been fully implemented
31	AD19-2	Conewood Children's Centre	Management letter issued	Good. Further follow up activity is planned in Q3 2022-23.
32	PS20-1	Youth Offending/ Youth Crime *	Moderate	Agreed actions have been fully implemented
33	PS20-6-3	School - Moreland	Moderate	Agreed actions have been fully implemented

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
34	PS20-6-4	School - Robert Blair School	Moderate	Good. Further follow up activity is planned in Q3 2022-23.
35	PS20-6-5	School - Sacred Heart RC	Moderate	Good. Further follow up activity is planned in Q3 2022-23.
36	PS20-6-6	School - St Lukes CE	Substantial	Agreed actions have been fully implemented
37	PS20-7	Domestic violence *	Moderate	Reasonable. Further follow up activity is planned in Q2 2022-23.
38	ER18-1	Blue Badge	Moderate	Agreed actions have been fully implemented
39	ER18-5	Greenspace Income	Limited	Limited. Further follow up activity is planned in Q3 2022-23.
40	ER19-3	Emergency planning	Moderate	Agreed actions have been fully implemented
41	ER19-4	S106 (extended follow up – see Appendix 1 for outcomes)	Moderate	Agreed actions have been fully implemented
42	ER20-3	Parking Services (extended follow up – see Appendix 1 for outcomes)	Limited	Good. Further follow up activity is planned in Q2 2022-23.
43	ER20-4	Business Continuity Planning *	Management letter issued	Agreed actions have been fully implemented

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
44	AD20-2	Commercial Waste recovery plan	Management letter issued	Good. Further follow up activity is planned in Q2 2022-23.
45	AD20-3	People Friendly Streets	Management letter issued	Good. Further follow up activity is planned in Q2 2022-23.
46	HASS18-6	Voluntary Sector Organisation – Hilldrop	Limited	Agreed actions have been fully implemented
47	HASS19-5	Voluntary Sector Organisation – Disability Action in Islington	Management letter issued	Agreed actions have been fully implemented
48	HASS17-2	Annual Service Charges	Limited	Agreed actions have been fully implemented
49	HASS18-3	Rent Income and Recovery*	Moderate	Agreed actions have been fully implemented
50	HASS18-4	Housing Voids	Moderate	Reasonable. Further follow up activity is planned in Q2 2022-23.
51	HASS18-5-1	TMO - Quaker Court	No assurance	Good. Further follow up activity is planned in Q2 2022-23.
52	HASS18-5-2	TMO - Gambier House	Limited	Agreed actions have been fully implemented
53	HASS18-5-3	TMO - Redbrick	No assurance	Agreed actions have been fully implemented

Number	Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
54	HASS19-2-1	TMO - Newbery House	No assurance	Limited. Further follow up activity is planned in Q2 2022-23.
55	HASS19-2-4	TMO - Arch Elm	No assurance	Good Further follow up activity is planned in Q2 2022-23.
56	HASS19-6	Housing Revenue Account (HRA)	Moderate	Limited. Further follow up activity is underway.
57	HOU20-1	HomeBuild (extended follow up – see Appendix 1 for outcomes)	Moderate	Agreed actions have been fully implemented
58	HOU20-3	Health and Safety - Asbestos	No assurance	Follow up activity is underway and due to complete in Q2 2022-23
59	PH18-1	Public Health	Moderate	Limited. Further follow up activity is planned in Q2 2022-23.

(* denotes an area of principal risk)

- 2.3. Internal Audit aims to follow up all recommendations in the quarter after they fall due. **100%** of open audit recommendations where responsibility for follow up and closure sits with Internal Audit were followed up in 2021-22.
- 2.4. Where responsibility for follow up and closure of recommendations sits with Directorate Management Teams in line with the council's Audit Methodology, follow up activity has been monitored by Internal Audit through Controls Board.
- 2.5. Where necessary, delays in implementation of recommendations and lack of engagement with follow up requests have been escalated to Corporate Directors.

APPENDIX ENDS

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Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13th September 2022

Ward(s): All

Part of the report is not for publication because it contains exempt information under Schedule 12A of the Local Government Act 1972, Paragraphs 1, 2, 7 Schedule 12A of the Local Government Act 1972, namely: Information relating to an individual. Information which is likely to reveal the identity of an individual and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

Subject: Annual Fraud Report – 2021-22

1. Synopsis

- 1.1. This report is intended to support Audit Committee in obtaining assurance that the Council has a sound framework of governance, risk management, and internal control. It does this by providing an update surrounding the Council's counter fraud activity for the 2021-22 year.
- 1.2. As in previous years, update on the work undertaken by Internal Audit (Investigations) and Housing Investigations. Parking Investigations have also provided input on their counter fraud activity for the previous year. The report covers the period 1st April 2021 to 31st March 2022. In the interest of timely reporting to Committee, information relating to Internal Audit (Investigations) has been extended to cover the period up to 31st July 2022.

2. Recommendations

- 2.1. To note the report.

3. Background

- 3.1. The Local Government Transparency Code 2015 (published by the Department for Communities and Local Government – now the Ministry for Housing, Communities and Local Government) requires local authorities to publish details of their counter fraud activity.
- 3.2. The report summaries the work that has been taken by Internal Audit (Investigations), Housing Investigation and the Parking Investigation teams.

4. Implications

4.1. Financial Implications

- 4.1.1. The programme of work has been met from within the existing Internal Audit (Investigations) budget. The financial implications of individual investigations 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 investigations.

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 impact on residents.

5. Conclusion and reasons for recommendations

- 5.1. To note the details of the counter-fraud activity carried out by Internal Audit (Investigations), Housing Investigations and Parking Investigations.

Appendices:

- Appendix A – Annual Fraud Report – 2021-22 (Exempt – not for publication)

Final report clearance:

Signed by: Dave Hodgkinson

Corporate Director of Resources

Date: 19th August 2022

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REPORT ENDS

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Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13th September 2022

Ward(s): All

Part of the report is not for publication because it contains exempt information under Schedule 12A of the Local Government Act 1972, Paragraphs 1, 2, 7 Schedule 12A of the Local Government Act 1972, namely: Information relating to an individual. Information which is likely to reveal the identity of an individual and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution.

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

Subject: Bi-Annual Whistleblowing Monitoring Report – 1st March 2022 to 31st July 2022

1. Synopsis

- 1.1. This report seeks to provide assurance that whistleblowing arrangements are in place and operating effectively, and that investigating fraud is an integral part of the Council's Anti-Fraud Strategy. The Council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management. Whistleblowing arrangements are a key element of the Council's overall governance arrangements. It is the mechanism to "empower the honest majority" in the fight against fraud and corruption and is an integral part of the Council's Anti-Fraud Strategy.
- 1.2. Whistleblowing allows employees, members, contractors and others, to raise concerns surrounding potential fraud and corruption. There are separate reporting mechanisms for adult and child protection allegations. The Whistleblowing Policy

was reviewed and updated in June 2022 in line with good practice. Whistleblowing information is located within the Human Resources policies and procedures section of the Council's intranet. Audit Committee receive bi-annual whistleblowing monitoring reports. The last update, covering the period to 28th February 2022, was presented to Audit Committee in March 2022. This report provides details of referrals made between 1st March 2022 and 31st July 2022, as well as providing an update on cases that were open at the time of the last report to Committee.

2. Recommendations

- 2.1. To note the report.

3. Background

- 3.1. Effective whistleblowing arrangements are a key element of effective governance arrangements within the Council.

4. Implications

4.1. Financial Implications

- 4.1.1. The programme of work has been met from within the existing Internal Audit (Investigations) budget. The financial implications of individual investigations 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 investigations.

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 impact on residents.

5. Conclusion and reasons for recommendations

- 5.1. To note the details of the bi-annual whistleblowing monitoring arrangements.

Appendices:

- Appendix A – Whistleblowing Monitoring Report (Exempt – not for publication)

Final report clearance:

Signed by: Dave Hodgkinson

Corporate Director of Resources

Date: 19th August 2022

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REPORT ENDS

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Resources
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 September 2022

Ward(s): N/A

Subject: Settlement Protocol: Employment Disputes

1. Synopsis

- 1.1. On 12 May 2022 the Government published *Statutory Guidance on the making and disclosure of Special Severance Payments by local authorities in England* ("the Guidance"). The Guidance sets out that Special Severance Payments should only be made in exceptional circumstances and local authority employers must ensure that their Special Severance Payments arrangements are fair, proportionate, lawful and provide value for money for the taxpayer.
- 1.2. In line with legal obligations as well as good practice, the Council seeks to continually review its policies and procedures to ensure that they fit for purpose.
- 1.3. The introduction of a Settlement Protocol: Employment Disputes would implement the new Government Guidance and in its current form, apply to all settlement payments whether involving termination of employment or not. The Protocol sets out an authorisation process for all settlement payments, and the additional requirements for Special Severance Payments set out in the Government Guidance.

2. Recommendations

- 2.1. Audit Committee is asked to:
 - 1. note the *Statutory Guidance on the making and disclosure of Special Severance Payments by local authorities in England*,
 - 2. approve the Council's Settlement Protocol: Employment Disputes.

3. Background

- 3.1. The Council look to manage employment disputes with use of their internal policies and procedures and to defend claims where there is a legally defensible basis upon which to do so.
- 3.2. There is a need in certain circumstances for the Council to settle employment disputes by way of making a settlement payment.
- 3.3. The Government Guidance supports the making of settlement payments in exceptional circumstances for disputes involving a termination of employment and sets out an expected scheme of authorisation.
- 3.4. Additionally and outside of the guidance, not all employment disputes result in a termination of employment. To ensure a robust and consistent approach to settlement payments, it is proposed that the same general process as set out in the Government Guidance is adopted for all settlement payments and as set out in the protocol.
- 3.5. The protocol would require the provision and consideration of both HR advice and Legal advice before a settlement could be pursued, and include powers of intervention by the Corporate Director of Resources should the proposed course of action be considered contrary to the Council's best interests.

4. Implications

4.1. Financial Implications

- 4.1.1 The Council does not budget for settlement payments specifically and therefore any agreed exit costs must be met within service budgets. The changes proposed do not directly present a change in financial costs for the Council. The duty to secure value for money endures.
- 4.1.2 Any changes to the authority levels should be reflected within the Councils Scheme of Authorisation.

4.2. Legal Implications

- 4.2.1 Under s.3 of the Local Government Act 1999, the Council has a best value duty whereby it must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 4.2.2 The Council must secure value for money in spending decisions.
- 4.2.3 The Government Guidance: *Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England* forms part of the best value regime.
- 4.2.4 Whilst the Guidance provides specifically to special severance payments, the best value duty also applies to settlement payments paid in employment disputes not within this definition.

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

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

4.4. 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 recommendations in this report do not have direct impact on residents.

5. Conclusion and reasons for recommendations

- 5.1. The report is submitted to update members and to provide assurance that in the exceptional circumstances where it is decided that a Settlement Payment should be paid, that the arrangements continue to be fair, proportionate, lawful and

provide value for money for the taxpayer and in the case of Special Severance Payments accord with the latest government guidance.

Appendices:

- Appendix 1: [Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/statutory-guidance-on-the-making-and-disclosure-of-special-severance-payments-by-local-authorities-in-england.pdf)
- Appendix 2: Draft Settlement Protocol: Employment Disputes

Background papers:

Signed by:

Corporate Director of Resources

Date: 01 September 2022

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[Home](#) > [Special Severance Payments](#)

- [Department for Levelling Up, Housing & Communities](#) (<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>)

Statutory guidance

Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England

Published 12 May 2022

Applies to England

Contents

1. [Introduction](#)
2. [What is a special severance payment?](#)
3. [Considerations for local authorities on potential Special Severance Payments](#)
4. [Exceptional circumstances in which it may be appropriate to consider making Special Severance Payments](#)
5. [Accountability and disclosure](#)
6. [List of bodies this guidance applies to](#)



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1. Introduction

1.1 Most public sector workers enjoy statutory and contractual redundancy or severance terms that are significantly better than the minimum statutory redundancy entitlement and are often higher than the value of redundancy or severance payments made in the private sector. The government is of the view that paying additional, discretionary sums on top of these entitlements (“special severance payments”) do not usually provide good value for money or offer fairness to the taxpayers who fund them and so, should only be considered in exceptional cases.

1.2 This guidance forms part of the best value regime for local authorities in England. The best value duty, as set out in [section 3 of the Local Government Act 1999](#) (<https://www.legislation.gov.uk/ukpga/1999/27/section/3>) (“the 1999 Act”), provides that “A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. The best value duty is relevant to local authority duties to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services (including adult social care and children’s services) and secure value for money in spending decisions. This will include decisions to make Special Severance Payments.

1.3 Authorities subject to the best value duty (termed “best value authorities”) are defined in section 1 of the 1999 Act. [A list of these bodies can be found at the end of this guidance.](#)

1.4 This guidance also sets out the government’s position on the use of Special Severance Payments made by local authorities.

1.5 This guidance is issued under section 26 of the 1999 Act, the purpose of which is to:

- set out the government’s view that Special Severance Payments do not usually represent value for money and should only be considered in exceptional circumstances
- set out the criteria employers should consider in the exceptional circumstances in which it may be appropriate to make a Special Severance Payment
- give examples of the exceptional circumstances in which Special Severance Payments may be appropriate
- clarify the disclosure and reporting requirements for Special Severance Payments

1.6 Severance payments can be an important mechanism to allow employers to reform and react to new circumstances in the workplace, but employers have a responsibility to ensure that Special Severance Payments are only made when there is a clear, evidenced justification for doing so. They should also ensure that all relevant internal policies and procedures have been followed and all alternative actions have been fully explored and documented.

1.7 In the exceptional circumstances where it is decided that a Special Severance Payment should be paid, it is the responsibility of individual employers to ensure their Special Severance Payments arrangements are fair, proportionate, lawful and provide value for money for the taxpayer.

2. What is a special severance payment?

2.1 In the context of this guidance, Special Severance Payments are payments made to employees, officeholders, workers, contractors, and others outside of statutory, contractual or other requirements when leaving employment in public service. Employers may sometimes consider making such a payment in situations where the individual concerned resigns, is dismissed, or agrees a termination of contract. Which types of payments are Special Severance Payments will vary according to an employee's particular circumstances, and therefore the examples below are illustrative only.

2.2 It is established case-law^{[\[footnote 1\]](#)} that such payments, where in accordance with legislation, may only be made where there is a convincing case that they are in the interests of taxpayers. Local authorities may not be generous at the expense of taxpayers and must genuinely consider payments to be in the public interest. In taking decisions elected members must make all proper enquiries and consider all available material that can help in coming to a decision.

2.3 The following types of payments are likely to constitute Special Severance Payments:

- a) any payments reached under a settlement agreement between the employer and employee to discontinue legal proceedings without admission of fault
- b) the value of any employee benefits or allowances which are allowed to continue beyond the employee's agreed exit date
- c) write-offs of any outstanding loans
- d) any honorarium payments
- e) any hardship payments
- f) any payments to employees for retraining related to their termination of employment

2.4 The following types of payments may constitute Special Severance Payments, depending on the terms of the individual's contract, relevant statutory provisions, any non-statutory applicable schemes and other relevant terms and conditions:

- a) pay or compensation in lieu of notice where the amount of the payment is not greater than the salary due in the period of notice set out in the employee's contract
- b) pension strain payments arising from employer discretions to enhance standard pension benefits (for example under Regulation 30(5) where the employer has waived the reduction under Regulation 30(8) or because of the award of additional pension under Regulation 31)

2.5 The following do not constitute Special Severance Payments:

- a) statutory redundancy payments
- b) contractual redundancy payments, whether applicable to voluntary or compulsory redundancy, and whether agreed by collective agreement or otherwise
- c) severance payments made in accordance with that local authority's policy adopted pursuant to Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006
- d) a strain cost paid to the relevant LGPS administering authority under LGPS Regulation 68(2) which results from a LGPS member's retirement benefits becoming immediately payable without reduction under Regulation 30(7), or under Regulation 30(6) where the employer has waived the reduction under Regulation 30(8)
- e) payment for untaken annual leave

- f) payments ordered by a court or tribunal or agreed as part of a judicial or non-judicial mediation
- g) payments made as part of the ACAS Early Conciliation process
- h) payments made to compensate for injury or death of the worker
- i) payments made in consequence of the award of ill-health retirement benefits under Regulation 35 of the LGPS Regulations

3. Considerations for local authorities on potential Special Severance Payments

3.1 This chapter provides guidance on relevant considerations for English local authorities in relation to making Special Severance Payments.

3.2 Local authorities must comply with the duty of Best Value explained in the introduction. In considering whether it is appropriate to make a Special Severance Payment, the government expects local authorities to consider whether such a payment would be a proper use of public money. Local authorities should also monitor and review their policies on the award of special severance payments to ensure that they are also consistent with their Public Sector Equality Duty under the Equality Act 2010.

Economy

3.3 Local authorities should be able to demonstrate their economic rationale behind proposed Special Severance Payments including consideration of:

- Whether there is any feasible possibility of exiting the individual at a lower cost. Only where there is no such possibility should a Special Severance Payment be considered
- How the exit payment will be perceived by the public and whether it is in line with the duty to manage taxpayers' money appropriately
- What alternative use could be made of that expenditure. All Special Severance Payments necessarily reduce the funds that would otherwise be available to deliver important public services
- The setting of any potential precedent (e.g. where a Special Severance Payment is made to certain employees and not others)
- Evidence for additionality i.e. that those offered Special Severance Payments would not have been willing, under any circumstances, to leave with their statutory and contractual benefits alone

Efficiency and effectiveness

3.4 In considering the impact of Special Severance Payments on efficiency and effectiveness, local authorities should:

- Seek legal advice on the prospects of successfully defending an Employment Tribunal claim (or claim to any other court or tribunal with jurisdiction), if an employee were to take a legal route to appeal any grounds of their employment being terminated. The chance of success and the costs likely to be incurred should be noted and weighed up against the costs of making a Special Severance Payment

- Ensure that these payments are not used to avoid management action, disciplinary processes, unwelcome publicity or avoidance of embarrassment
- Consider aligning with private sector practice, where payments are typically less generous. This is important given the added duty in the public sector to prudently manage taxpayers' money
- Manage conflicts of interest to ensure that individuals who are the subject of complaints play absolutely no role in deciding whether those complaints should be settled by making an award to the complainant from public funds

4. Exceptional circumstances in which it may be appropriate to consider making Special Severance Payments

4.1 There may be exceptional circumstances where the existing statutory or contractual entitlements, or both, are insufficient to facilitate an exit or to offer sufficient compensation for loss of employment or office. This can apply to office holders as well as staff. These circumstances, which we expect to be exceptional and provide value for money, may be taken into account by local authorities in deciding whether or not to make a Special Severance Payment.

4.2 Authorities may consider a Special Severance Payment in order to set aside what would otherwise be a reduction in entitlement caused by a break in continuity of service (e.g. where a member of staff has taken a break in service to accompany their spouse on military service overseas). Authorities may also consider that a Special Severance Payment is appropriate in circumstances where, to help recruitment and retention, it has resolved to recognise for severance payment calculation purposes past service with another non-Modification Order employer (such as service with the NHS prior to the transfer of public health functions to local government)^{[\[footnote 2\]](#)}.

4.3 Authorities may also consider a Special Severance Payment in order to settle disputes, where it can be properly demonstrated that other routes have been thoroughly explored and excluded. After receiving appropriate professional advice, it may then possibly be concluded that a special severance payment is the most suitable option and prudent use of public money.

4.4 Those approving a Special Severance Payment related to a settlement agreement should be provided with appropriate evidence that attempts were made to resolve disputes before they escalated to a legal claim. They should also bear in mind that even if the cost of defeating an apparently frivolous or vexatious claims will exceed the likely cost of that settlement to the employer, it may still be desirable to take the case to formal proceedings. This is because successfully defending such cases will discourage future frivolous or vexatious claims and demonstrate that the local authority does not reward such claims.

5. Accountability and disclosure

Accountability

5.1 The government expects that any Special Severance payments should be approved according to the following process:

- payments of £100,000 and above must be approved by a vote of full council, as set out in the Localism Act 2011
- payments of £20,000 and above, but below £100,000, must be personally approved and signed off by the Head of Paid Service, with a clear record of the Leader's approval and that of any others who have signed off the payment

- payments below £20,000 must be approved according to the local authority's scheme of delegation. It is expected that local authorities should publish their policy and process for approving these payments

5.2 Where the proposed payment is to the Head of Paid Service, to avoid a conflict of interest it is expected that the payment should be approved by a panel including at least two independent persons. A system of legal duties also requires elected members to spend public money with regularity and propriety. Under section 151 of the Local Government Act 1972, "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers (the section 151 officer or Chief Finance Officer) has responsibility for the administration of those affairs". The section 151 officer has an important role in holding local authorities to account and has duties to alert elected members and the auditor in the case of unlawful expenditure.

5.3 This role is complemented and reinforced by authorities' duty under section 5 of the Local Government and Housing Act 1989 to appoint a Monitoring Officer, who must report to the local authority when any proposal, decision or omission is likely to lead to contravention of any enactment, rule of law or statutory code.

5.4 As part of their duties, an authority's s151 Officer, and where appropriate, the Monitoring Officer, should take a close interest in and be able to justify any special severance payments that are made by that authority and in particular any payments made that are not consistent with the content of this guidance.

Disclosure

5.5 Clear and transparent reporting on exit payments is essential to make available better data on the number and level of exit payments made in local government. The availability of data on exit payments in the public domain by local authorities enables local accountability as well as effective management of public money and public confidence. In 2015, the Local Government Transparency Code was issued to increase democratic accountability through open access to information^{[\[footnote 3\]](#)}. This sets a requirement for local authorities to publish, under the Account and Audit Regulations 2015:

- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000
- details of remuneration and job title of certain senior employees whose salary is at least £50,000, and
- employees whose salaries are £150,000 or more must also be identified by name

In addition to this requirement, local authorities must publish, for all employees whose salary exceeds £50,000, a list of responsibilities (for example, the services and functions they are responsible for, budget held and number of staff) and details of bonuses and benefits-in-kind.

5.6 DLUHC has initiated a new annual collection of data on exit payments (initially collecting data from 2014 – 2021) and the results will be published into official statistics and made available on the gov.uk website, subject to any necessary anonymisation or redaction to comply with data protection law. This data will help others to assess the number and level of exit payments made in local government.

5.7 Section 38 of the Localism Act 2011 requires the local authority to produce and publish a pay policy statement, which must include the authority's policies on termination payments. Further guidance on the requirements of the Localism Act 2011 has been issued^{[\[footnote 4\]](#)}.

5.8 In addition, Regulation 60 of the Local Government Pension Scheme Regulations 2013 requires local authorities to prepare a statement of its policy in relation to the exercise of the discretion to enhance pension benefits under Regulations 16(2)(e) and 16(4)(d) (funding of additional pension), Regulation 30(6) (flexible retirement), Regulation 30(8) (waiving of actuarial reduction); and Regulation 31 (award of additional pension).

5.9 Regulation 10 of the Accounts and Audit Regulations 2015 require authorities to publish an annual statement of accounts, governance statement and narrative statement. As well as following existing guidance^[footnote 5] on reporting exit payments, local authorities should also disclose in their annual accounts all severance payments, pension fund strain costs and other special severance payments made in consequence of termination of employment or loss of office (but excluding payments on death or ill-health retirement). Apart from where otherwise required by law, reporting may be anonymised to comply with data protection requirements.

List of bodies this guidance applies to

- An English local authority, including:
 - a county council in England, a district council or a London borough council
 - the Council of the Isles of Scilly
 - the Common Council of the City of London in its capacity as a local authority
 - the Greater London Authority so far as it exercises its functions through the Mayor
- A National Park authority for a National Park in England
- The Broads Authority
- The Common Council of the City of London in its capacity as a police authority
- A fire and rescue authority constituted by a scheme under [section 2 of the Fire and Rescue Services Act 2004](https://www.legislation.gov.uk/ukpga/2004/21/section/2) (<https://www.legislation.gov.uk/ukpga/2004/21/section/2>) or a scheme to which section 4 of that Act applies, and a metropolitan county fire and rescue authority in England
- The London Fire Commissioner
- An authority established under [section 10 of the Local Government Act 1985 \(waste disposal authorities\)](https://www.legislation.gov.uk/ukpga/1985/51/section/10) (<https://www.legislation.gov.uk/ukpga/1985/51/section/10>)
- An Integrated Transport Authority for an integrated transport area in England
- An economic prosperity board established under [section 88 of the Local Democracy, Economic Development and Construction Act 2009](https://www.legislation.gov.uk/ukpga/2009/20/section/88) (<https://www.legislation.gov.uk/ukpga/2009/20/section/88>)
- A combined authority established under [section 103 of that Act](https://www.legislation.gov.uk/ukpga/2009/20/section/103) (<https://www.legislation.gov.uk/ukpga/2009/20/section/103>)
- A sub-national transport body established under [section 102E of the Local Transport Act 2008](https://www.legislation.gov.uk/ukpga/2008/26/section/102E) (<https://www.legislation.gov.uk/ukpga/2008/26/section/102E>)
- Transport for London

1. In Re Hurle-Hobbs's Decision (1944) 1 All E.R. 249. ↵
2. Under the Employment Rights Act 1996 employees need two years service with their current or an "associated employer" to qualify for a redundancy payment. The purpose of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999, as amended, is to provide a statutory list of 'associated employers' for the purposes of redundancy payments. The list set out in the Order includes all local authorities as well as various other, but not all, other local public service providers. ↵
3. [Local government transparency code 2015](https://www.gov.uk/government/publications/local-government-transparency-code-2015) (<https://www.gov.uk/government/publications/local-government-transparency-code-2015>). ↵

4. [Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011](https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-supplementary-guidance) (<https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-supplementary-guidance>). ↩
 5. CIPFA, Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. ↩
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Employment Disputes and Litigation

Settlement Protocol

Corporate Law, Law and Governance
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Version 1

Definitions

“Settlement Payments”	are sums paid to employees on termination of their employment or when settling a potential claim and might include damages for wrongful dismissal, alleged unfair dismissal or compensation for discrimination, as well as for redundancy payments, payments into and out of pensions, notice pay and ex gratia payments. These payments are generally made under a settlement agreement whereby an employee waives their right to bring employment claims in return for an agreed sum, or compensation.
“Special Severance Payments”	are a subgroup of settlement payments set out in statutory guidance. They are settlement payments which include the termination of employment and to which the requirements of the statutory guidance apply.

1. Introduction

- 1.1 This Protocol is to assist officers of the Council in relation to settlement of employment disputes by way of a settlement payment. It sets out when a settlement payment would be appropriate and the process to be followed.
- 1.2 The Protocol applies to all employment disputes where a settlement payment beyond statutory and contractual entitlements is being considered. It includes matters at all stages including prior to and during ACAS Early Conciliation, claims in the Employment Tribunal and/or Courts and where the settlement relates to a termination of employment and where it does not.
- 1.3 The nature of employment disputes can require time sensitive negotiations. It is imperative that where settlement of a dispute is being considered that this Protocol is enacted expeditiously.

2. Background

- 2.1 Councils may consider making settlement payments in order to settle disputes where it can be properly demonstrated that other routes have been thoroughly explored and excluded. After receiving appropriate professional advice from HR, Legal Services and Finance, it may be concluded that a settlement payment is the most suitable option and prudent use of public money.
- 2.2 The Council is under a duty to secure economy, efficiency and effectiveness in its use of resources.
- 2.3 On 12 May 2022 the Government published *Statutory Guidance on the making and disclosure of Special Severance Payments by local authorities in England* (“the Guidance”). The Guidance sets out that Special Severance Payments should only be made in exceptional circumstances and local authority employers must ensure that their Special Severance Payments arrangements are fair, proportionate, lawful and provide value for money for the taxpayer. The Council applies this principle to all settlement payments whether involving termination of employment or not.

3. The Protocol

- 3.1 The Council’s approach is to manage employment disputes with use of the Council’s internal policies and procedures, to defend claims, where there is a legally defensible basis on which to do so, and not to make settlement payments to resolve disputes except in exceptional circumstances.
- 3.2 Central to this approach is a desire to discourage futile or vexatious claims and to demonstrate that such claims will not be rewarded. The cost of defending a matter compared to a potentially lower cost of settling a matter should not normally be the sole basis of pursuing resolution through a settlement payment.
- 3.3 Where (on completion of the below pro forma) there is a clear, evidenced justification for doing so, consideration of settlement of claims by way of a settlement payment may be appropriate.
- 3.4 A settlement payment should only be considered after attempts have been made to resolve the dispute using internal processes or in the case of a proposed termination of employment, where existing contractual entitlements are insufficient to facilitate an exit.
- 3.5 Additionally a settlement payment can only be made where it is considered the most suitable option and a prudent use of public money.
- 3.6 The Protocol does not apply where the settlement payment comprises solely of payments due under statute or a contract (for example – statutory and contractual redundancy payments, and outstanding annual leave), or where the settlement is non-

monetary (for example – an agreed reference only).

4. Procedure

- 4.1 Where a settlement payment is being considered to resolve a dispute, the relevant Service must complete the pro forma at the Appendix. The Appendix adopts the format of the pro forma for HM Treasury Approval for Special Severance Payments. This is to be used whether the proposed settlement payment relates to an exit from employment or not, as in both cases it will consider and document the appropriateness of a settlement payment.
- 4.2 In completing the pro forma, advice from HR and Legal Services should be recorded.
- 4.3 Settlement discussions generally should not commence until the necessary authority has been obtained. Any discussion which does commence prior to the necessary authority being obtained needs to be caveated with reference to the need for approval before finalising any agreement. The required authority to proceed with settlement discussions is set out in section 5.

5 Authorisation

- 5.1 For all settlement proposals, advice from the Employment Relations Team and Legal Services is required prior to seeking Service Director approval.
- 5.2 Where the proposed settlement payment is below £20,000, written approval from the Service Director is required.
- 5.3 Where the proposed settlement payment is £20,000 or above, in addition to the above steps within sections 5.1 and 5.2, written approval from the Director of HR (or relevant authorised officer in their absence), the Monitoring Officer (or relevant authorised officer in their absence) and either the Corporate Director of Resources or the Director of Finance (or relevant authorised officer in their absence) is required.
- 5.4 If the Corporate Director or Service Director either seeks to pursue a settlement or seeks not to pursue a settlement contrary to the advice from HR and/or Legal Services, Legal Service will refer the matter to the Corporate Director of Resources (or relevant authorised officer in their absence).
- 5.5 Where the matter is referred to the Corporate Director of Resources under paragraph 5.4, the Corporate Director of Resources, the Director of HR, the Director of Finance and the Monitoring Officer (or relevant authorised officers in their absence), will make a decision as to whether or not to pursue a settlement, and such decision will supersede any decision made by the Corporate Director or Service Director.

- 5.6 Additionally, in accordance with the Government Guidance, if the settlement payment is a Special Severance Payment as defined within the statutory guidance, and is not exempt (see 5.8 below for exempt payments), the following further approval is required:
- payments of £100,000 and above must be approved by a vote of full council, as set out in the Localism Act 2011
 - payments of £20,000 and above, but below £100,000, must be personally approved and signed off by the Head of Paid Service, with a clear record of the Leader's approval and that of any others who have signed off the payment
 - payments below £20,000 must be approved according to the local authority's scheme of delegation.

Where the discretionary payment to an officer on termination of employment exceeds £100,000 in total but does not qualify as a Special Severance Payment, approval is by the Personnel Sub-Committee. (In accordance with the Personnel Sub-Committee's Terms of Reference, discretionary payments exclude statutory entitlements and pension strain).

- 5.7 Where the dispute involves multiple individuals, in the event that the proposed settlement payments to all individuals involved in the dispute is in aggregate £100,000 or above then, in addition to the individual authorisations set out in the preceding subparagraphs of Paragraph 5, the total settlement sum must also be approved by the Corporate Director of Resources or the Deputy S151 Officer.

- 5.8 For the purposes of 5.6 the exempt circumstances where the approval in this paragraph is not required are:
- statutory redundancy payments
 - payments in lieu of notice where permitted under the employment contract and where the payment is made with good reason in accordance with best value
 - contractual redundancy payments, whether applicable to voluntary or compulsory redundancy, and whether agreed by collective agreement or otherwise
 - severance payments made in accordance with that local authority's policy adopted pursuant to Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006
 - a strain cost paid to the relevant LGPS administering authority under LGPS Regulation 68(2) which results from a LGPS member's retirement benefits becoming immediately payable without reduction under Regulation 30(7), or under Regulation 30(6) where the employer has waived the reduction under Regulation 30(8)
 - payment for untaken annual leave
 - payments ordered by a court or tribunal or agreed as part of a judicial or non-judicial mediation
 - payments made as part of the ACAS Early Conciliation process
 - payments made to compensate for injury or death of the worker
 - payments made in consequence of the award of ill-health retirement benefits under Regulation 35 of the LGPS Regulations.

Appendix

Proforma for Approval for Settlement Payments and Special Severance Payments

This template is to be used for all proposed settlement of employment disputes and special severance cases to be submitted for approval. When completing this template, officers must have regard to the [Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK \(www.gov.uk\)](http://www.gov.uk) and advice from HR and Legal Service must be sought and included.

Business Case	
Service and Directorate	
Named Officer	
Date case is submitted	
Date decision is needed and why	
<p>Approval Sought –</p> <p>Service Director</p> <p>Where the settlement payment is £20,000 or above –</p> <p>Director of HR</p> <p>Corporate Director of Resources or Director of Finance</p> <p>Additionally where the settlement qualifies as a Special Severance Payment in statutory guidance-</p> <p><i>[Payments below £20,000 require approval as set out in the Directorate's scheme of authorisation.</i></p> <p><i>Payments between £20,000 and above, but below £100,000 require chief executive personal approval with a clear record of the leader's approval.</i></p> <p><i>Payments of £100,000 and above require approval by a vote of full Council and require a separate report]</i></p>	

Circumstances of the Case
<p>Overview of the Case</p> <p><i>A brief case history, with key dates, summarising how the situation has come about.</i></p>
<p>Terms of employment</p> <p><i>What are individual's terms of employment (length of service, current salary, contractual notice period, type of contract (e.g. fixed term, part time)?</i></p>
<p>Breakdown of proposed settlement payment</p> <p><i>Please list each type of payment separately e.g. Statutory redundancy, pay in lieu of notice, Special Severance Payment</i></p>
<p>Proposed ways of proceeding</p> <p><i>What is the individual's contractual entitlement, and why do you propose to make a Settlement Payment? What is the scope for reference to tribunal Other options considered?</i></p>
Financial Considerations
<p>The value for money consideration underlying the proposed settlement payment</p> <p><i>Set out breakdown of costs, including legal costs; potential tribunal awards. Highlight any efficiency savings from workplace reform and/or any associated repercussive risks e.g. conduct issues to the delivery of the organisation's objectives. Provide rationale for proposed level of settlement (with pay comparison i.e. x months' pay / y% of salary); costs of alternative options, and why a proposed</i></p>

settlement offers best (include best value for money) solution. When considering vfm, non-financial costs (i.e. effect on staff morale, achievement of business objectives) can also be considered.

Non- Financial Considerations

Performance management

Specify if performance has been an issue for the individual. Provide details of performance management procedures followed if applicable.

Management procedures

Specify measures taken to prevent the exit, including efforts to perform reasonable adjustments, resolve grievances or redeploy.

Repercussive risk

Lessons learnt from this case

Explain what lessons have been learned and how management systems have been/will be improved to avoid future occurrences of similar cases.

Wider impact and potential precedents

Explain whether this case might have an impact on or set a precedent for other existing or future cases, both within own organisation, and for other public sector bodies.

HR Advice

Any other useful information

Legal Advice to be provided in a separate attachment marked: Confidential and subject to Legal Professional Privilege.

(incl. summary of the legal assessment of the chances of winning or losing the case, potential consequences)?

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of the Local Government Act 1972.

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