

London Borough of Islington

Internal Audit 2016/17 Interim Report

January 2017



1. Purpose of this report

This report summarises the work that Internal Audit has undertaken from 1st April to 31st October 2016 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority.

2. Overview of Year to Date

From 1st April 2016 to 31st October 2016 we have issued the following (details of individual reports can be found in Service Summaries below):

- Two **Limited** Assurance reports
- One **Moderate** Assurance report
- Six management letters

We are on track to complete the audit plan as agreed by end March 2017. Deferrals may need to be made to accommodate high priority/urgent pieces of work as necessary; these will, however, be discussed and agreed with management.

3. Update on progress on implementation of previous years' recommendations

The following areas were reported in the 2015/16 Annual Report as either:

- assurance had not increased from limited to moderate on follow up; or
- high priority recommendations were still outstanding on follow up.

The current status is detailed below:

Department	Audit Title	Original Assurance Rating	Revised Assurance Rating	Outstanding Recommendations
E&R	Planning/S106/ Building Control	Limited	Limited	Follow up of reports originally issued in 2011/12. Originally 31 recommendations were made, of which 15 were high priority, 13 medium and 3 low. All three areas remain limited, with the following remaining outstanding: 5 high priority recommendations; 2 medium priority; 2 low priority. The outstanding recommendations relate to, or are associated with, the M3 system in place preventing adequate management information allowing effectiveness in the process and monitoring of planning/building control applications. Internal Audit understands that management have put manual work-arounds in place to counteract the issues with M3 and mitigate the risks. The effectiveness of these controls have not yet been independently verified by Internal Audit.

4. Update on progress on implementation of 2015/16 recommendations (as at 31st October 2016)

Department	2015/16 Audit Title	Original Assurance Rating	Revised Assurance Rating	Direction of Assurance	Position as at 31 st October 2016
Cross-Cutting	Sunnyside (INTERIM)	No	Indicative of Limited	↑	The original audit was completed in December 2015. A follow up exercise was completed in July 2016 and it was identified that three recommendations (one critical, one high and one medium) have not been implemented, three recommendations (one critical and two high) have been partially implemented and four recommendations (one critical, one high and two medium) have been fully implemented. The outstanding recommendations relate to financial management, expenditure, governance arrangements and policies and procedures. This audit originally attracted a 'no assurance' rating. As a result of the rate of implementation of recommendations, the level is now indicative of 'limited' assurance, which suggests that the control environment, in relation to the specific areas covered by this audit, has slightly improved on follow up, however, there remain some areas of weakness which require addressing in order for the control environment to be assessed as adequate. A further follow up has been scheduled for January 2017.
E&R	Vehicle Maintenance and Fleet Management (INTERIM)	n/a - Management Letter (indicative of no assurance)	Indicative of limited assurance	↑	Management letter originally issued in August 2015 highlighted that there remain several outstanding recommendations following the 2013/14 Internal Audit review of Council Fleet Management and the wider review of vehicle maintenance raised a further nine high risk issues. An interim follow up review completed in May 2016 identified that from the total of eleven recommendations for Fleet Management, two recommendations (including one high priority) have been fully implemented, one medium recommendation has not been implemented and six recommendations (including one high priority) have been partially implemented. For Vehicle Maintenance, the review has identified that from a total of nine high priority recommendations, one has been fully implemented, one has not been implemented and seven recommendations have been partially implemented. This audit originally attracted a 'No' assurance rating. Internal Audit acknowledges actions already implemented and on-going efforts to implement those actions remaining outstanding. As a result of the rate of implementation of recommendations, the assurance level at the interim stage of the audit is indicative of 'limited' assurance. This suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up. A final follow up will be undertaken in February 2017.
HASS	Harry Weston TMO	No	Moderate	↑	The original audit was completed in June 2015. A follow up exercise was undertaken in May 2016 and it was confirmed that twelve recommendations (including all four high priority) have been fully implemented, two medium recommendations were outstanding and one recommendation had been superseded. As a result of the rate of implementation of recommendations, the level is now indicative of a ' moderate ' assurance rating, which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up.

Department	2015/16 Audit Title	Original Assurance Rating	Revised Assurance Rating	Direction of Assurance	Position as at 31 st October 2016
Children's	Canonbury School	No	Moderate	↑	The original audit was completed in October 2015. A follow up exercise was completed in May 2016 and it was noted that 17 recommendations have been fully implemented and one recommendation (High Priority) has been partially implemented. It should be noted that despite the recommendation not being fully implemented, the School has made significant progress towards implementing this recommendation and improving the controls and processes. As a result of the rate of implementation of recommendations, the level is now indicative of 'moderate' assurance , which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up. We believe the school should be commended for the prompt and thorough response to a challenging audit report.
Children's	The Factory Children Centre	No	Moderate	↑	The original audit was completed in November 2015. A follow up exercise was undertaken in June 2016 and highlighted that sixteen recommendations (including the one critical and eleven high priority recommendations) have now been fully implemented and three recommendations (one high and two medium priority) have been partially implemented. As a result of the rate of implementation of recommendations, the level is now indicative of 'moderate' assurance , which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up. A further follow up will be completed in January 2017.
HASS	Leaseholder service & Major Works charges - Direct Services	Moderate	Moderate	n/a	In the previous report four medium priority recommendations were made. Our follow up audit revealed that two recommendations have been fully implemented, one recommendation has been partially implemented; and one recommendation has not been implemented.
E&R	Vehicle Procurement Investigation	n/a - Management Letter	n/a - Management Letter	n/a	In the previous report five recommendations (four medium and one low priority) were made. Our follow up audit revealed that four recommendations have been fully implemented and one recommendation (medium priority) has been partially implemented.

5. Service Summaries: Reports Issued 1st April – 31st October 2016

5.1. Cross-Cutting/Corporate Reviews

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Box (addition to plan)	n/a – management letter	The Council commissioned a piece of work to review the security arrangements of the Box application. It is understood that the proposed future rollout of O365 will largely supersede the recommendations made in relation to Box.

b) Work in Progress as at 31st October 2016

Audit ref	Audit title	Status
CC15_3	Cross-Council Savings	Final Report due January 2017

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
CC16_4	Information Governance – General Data Protection Regulation
CC16_2	Cyber Security

Reviews of Voluntary Organisations and Resident Impact Statements postponed to April 2017 as agreed with management.

5.2. Environment and Regeneration

a) Work in Progress as at 31st October 2016

Audit ref	Audit title	Status
ER16_1	Commercial Waste	Final Report due February 2017

b) Work scheduled 1st November to 31st March

Audit ref	Audit title
ER16_2	Transforming Street Scene
ER16_3	Street Trading

a) Follow Ups scheduled 1st November to 31st March

2015/16 Audit title	Original Assurance Rating
Operational Business Continuity (cross-cutting)	Limited
Anti-Social Behaviour (cross-cutting)	Limited
SES Agency	Limited
Open Spaces/Parks Management	Moderate
E&R Purchase Orders	n/a - Management Letter
High Rise Insulation Project	n/a - Management Letter
Transport Infrastructure Code	n/a - Management Letter
iCo – Trading Company	n/a - Management Letter

Plus the final follow ups for: Vehicle Maintenance and Fleet Management and; Sunnyside will be completed in Q3/4 as outlined above.

5.3. Housing and Adult Social Services

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Islington Law Centre (addition to plan)	Limited	High priority findings related to financial management, separation of duties, and financial procedures.

b) Work in Progress as at 31st October 2016

Audit ref	Audit title	Status
HASS16_3_2	TMO: Arch Elm	Final Report due January 2017
Addition to Plan	TMO IT Arrangements	Final Report due January 2017

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
HASS16_1	Care Homes
HASS16_3_3	TMO: Dixon Clarke
HASS16_3_4	TMO: Charteris
HASS16_3_5	TMO: Hornsey Lane

Review of Responsive Repairs cancelled at management request

5.4. Children's Services

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
School Audit: The Bridge	Limited	Three high priority recommendations were identified relating to HR and Payroll.
Hornsey Road Children's Centre	Moderate	The audit highlighted five medium risk issues, including budgetary control, income and expenditure statements, purchasing, arrears and risk register.
Stronger Families - September 2016	n/a - management letter	Management letter issued; assurance statement not created. All claims must be approved by the Council's Internal Audit team prior to the closing date of each claim window. Internal Audit was satisfied that the proposed claim for September 2016 was accurate based on the sample testing performed and the provisional number of claims identified.

b) Work in Progress as at 31st October 2016

Audit ref	Audit title	Status
CS16_4	Education Health Care Plans	Final Report November 2016
CS16_6	Foster Care & Adoption Payments	Draft Report due December 2016
CS15_1_3	St Aloysius	Final Report due December 2016
Addition to Plan	East West Nursery	Final Report due December 2016

c) **Work scheduled 1st November to 31st March**

Audit ref	Audit title
CS16_3	Personal Budgets (follow up to 2015/16 No Assurance report)
CS16_1_1	School: St John's Highbury Vale
CS16_1_2	School: St Jude's & St Paul's
CS16_1_3	School: St Mark's
CS16_1_4	School: Hanover
CS16_1_5	School: St John Evangelist
CS16_1_6	School: Laycock
CS16_1_7	School: Central Foundation

Further certifications for the Stronger Families grant will also take place in line with submission periods.

5.5. Finance and Resources

a) **Reports finalised**

Report Title	Assurance Rating	Key issues arising
Abacus/Controcc - Phase 1	n/a - management letter	Management letter issued; assurance statement not created. Review of processes and controls in place within the ContrOCC application following migration from Abacus. No issues noted with the setup of roles and responsibilities in ControCC. In previous reports relating to the Abacus application, five recommendations (three medium and two low) were made. It was noted that three recommendations have now been fully implemented and two recommendations have been partially implemented. A second phase of work will be completed in January 2017 to test whether controls are operating effectively.

Report Title	Assurance Rating	Key issues arising
Supplier Bank Detail Amendments (addition to plan)	n/a – management letter	Following an attempted mandate fraud, the Investigations team carried out an immediate investigation into the fraud and Internal Audit also reviewed the controls around supplier bank detail amendments, in line with the recent Continuous Auditing outcome and a follow up of a management letter issued in August 2015 relating to the same area. Investigations presented their findings in a separate management letter. Internal Audit raised two high priority recommendations relating to establishing the veracity of supplier details and documenting procedures.
DBS Checks (addition to plan)	n/a - management letter	High priority findings related to the definition and communication of roles and responsibilities; setting of formal protocols; and the management of DBS renewals for agency staff.

a) Work in Progress as at 31st October 2016

Audit ref	Audit title	Status
CE16_3	Gifts and Hospitality	Final Report due February 2017
Addition to Plan	IT 3 rd Party Arrangements	Final Report due January 2017

b) Work scheduled 1st November to 31st March

Audit ref	Audit title
FR16_3	Abacus/Controcc - Phase 2
FR16_1	Continuous Auditing/Key Financial Systems
CE16_1	Payroll