



Report of: Interim Director of Finance and Property (S151 Officer)

Meeting of	Date	Ward(s)
Audit Committee	2 nd September 2019	All

Delete as appropriate		Non-exempt
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SUBJECT: Internal Audit Annual Report – 2018/19

1. Synopsis

- 1.1 The provision of a continuous internal audit service provides independent and objective assurance on the control environment that supports the delivery of the Council's objectives.
- 1.2 This report is intended to support the Audit Committee in obtaining assurance surrounding the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2. Recommendation

- 1.3 To note the report.

3. Background

- 1.4 The 2018-19 Internal Audit Plan was approved by the Audit Committee in March 2018.
- 1.5 The Internal Audit plan is developed using a risk-based approach. Internal Audit provide assurance on the actions to mitigate key potential risks through delivery of the audit plan.

- 1.6 The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner (currently PwC). This report presents a summary of the work that Internal Audit has undertaken during the 2018-19 financial year.
- 1.7 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provide an annual audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2016-17 and 2017-18 was Moderate Assurance.
- 1.8 While it should be noted that assurance could never be absolute, the work undertaken during 2018-19, including follow up activity, has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2019, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-ups in 2019/20. The Council's risk management framework has also been further embedded in 2018-19; and outcomes from risk management activity has informed the overall assurance framework. Further detail on Internal Audit outputs is provided in this report.
- 1.9 The report details the outcomes of delivery of the 2018/19 audit plan at Appendices 1-2, and outcomes of follow up audits in Appendix 3. The report also identifies and gives more detail on those areas where the overall assurance statements were less than 'moderate' at Appendix 2.
- 1.10 Internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. These statements are indicators of the assurance we can give at the time of the audit and may reflect control design or compliance issues. In 2018/19, we are pleased to report a positive response to all final audit reports, with audit recommendations being accepted by management, and evidence of implementation on follow up.
- 1.11 Outcomes of follow up activity in 2018/19 is detailed at Appendix 3. Follow up audits on all recommendations arising from our work in 2018/19 will be conducted in 2019/20.

4. Implications

4.1. Financial implications

The programme of work has been met from within the existing Internal Audit budget. The financial implications of individual audit recommendations are met by local budgets.

4.2. Legal Implications

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

4.3. **Environmental implications**

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

4.4. **Resident Impact Assessment**

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

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

5. **Reason for recommendations**

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

Appendices:

Appendix 1 – 2018-19 Internal Audit Plan update

Appendix 2 – High priority recommendations

Appendix 3 – Follow Up Outcomes

Final report clearance:

Signed by:

Annabel Scholes

Date: 21/8/19

Annabel Scholes – Interim Director of Finance
and Property (S151 Officer)

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