

APPENDIX 1 – 2020-21 INTERNAL AUDIT ANNUAL REPORT

Internal Audit Annual Report Audit Committee 25th January 2021

Introduction: This Appendix gives summary details of the 2020-21 audit plan that was agreed by Audit Committee in May 2020. It shows the indicative scope as well as the completion status of each individual project. It is included to provide Audit Committee with assurance that the audit plan – which is the key vehicle for providing the Council with independent assurance – is being effectively delivered.

* Denotes a principal risk

1.1 AUDITS BROUGHT FORWARD FROM 2019/20

Number	Audit title	Indicative scope	Days	Status – November 2020
HASS19-6	Housing Revenue Account (HRA)	The purpose of this review is to assess the adequacy of the design and operation of controls in place for management and ongoing monitoring the HRA's financial viability, in order to ensure that the HRA meets the Council's strategic and corporate objectives, complies with relevant legislation and provides value-for-money to residents.	20	Completed. Moderate assurance.
HASS19-5	Voluntary Sector Organisation (VSO) - Disability Action in Islington	Risk-based review of VSO monitoring arrangements. To include a visit to one VSO.	15	Completed – management letter issued. Five high priority findings were raised, details of which can be seen at Appendix 2.
AD19-02	Conewood Children's Centre	This additional review was undertaken at management's request.	15	Completed – management letter issued. Five high priority findings were raised, details of which can be seen at Appendix 2.

1.2 CORPORATE / CROSS-CUTTING

Number	Audit title	Indicative scope	Days	Status – November 2020
CC20-1	Landlord Duty of Care *	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 include progress towards implementation of recommendations arising following the Grenfell review.	20	It was agreed that the focus of this audit would be lift repairs, maintenance and capital replacements within the Council's residential buildings. Fieldwork is underway and will complete in November 2020, with a draft report scheduled for December 2020.
CC20-2	Change Programme Delivery *	Assurance surrounding key actions to mitigate this principal risk. Scope to include deep-dive into a sample of key projects/work-streams.	20	<p>Completed – management letter issued.</p> <p>The 2019/20 Project Management Office (PMO) audit (CC19-2) was deferred to 2020/21 due to Covid-19. It reviewed the redesign of the Council's PMO and conducted project health checks across a sample of three programmes (as agreed by Corporate Delivery Board in summer 2020).</p> <p>The following high priority findings were raised, details of which can be seen at Appendix 2:</p> <ul style="list-style-type: none"> • PMO redesign – four high priority findings; • People: Adult Social Care transformation – six high priority findings; • Housing: PFI 2 – one high priority finding; • Environment and Regeneration: Fleet Electrification – six high priority findings.
CC20-3	Financial Strategy *	Risk based review of key programme objectives. Scope to include assurance surrounding the mitigation actions recorded against this principal risk.	20	<p>Terms of reference have been drafted for this review, which will look at the design and operation of programme controls in place for delivering required savings in accordance with planned targets, focusing on:</p> <ul style="list-style-type: none"> • Strong governance and reporting; • Clear scope; and • Smart financing.

Number	Audit title	Indicative scope	Days	Status – November 2020
				Fieldwork is scheduled for December 2020 and January 2021.
CC20-4	Capital programmes *	Risk based review with a focus on funding and approval of spend. Scope to include governance and financial monitoring arrangements, including deep-dive into a sample of key projects.	20	<p>Terms of reference have been drafted for this review, which will assess the design and effectiveness of controls to ensure that capital programmes are approved in line with the Council's strategy and subsequently monitored to provide assurance that they are being delivered within funding and expenditure expectations. A sample of two capital programmes has been identified. The review will look at the following areas:</p> <ul style="list-style-type: none"> • Roles and responsibilities; • Programme approval; • Programme management; • Management information; and • Monitoring and reporting. <p>Fieldwork is scheduled for December 2020 and January 2021.</p>
CC20-5	Information Governance *	Scope to be refined in-year to focus on high risk areas.	10	Given the high level of audit activity in this area over recent years and the satisfactory levels of assurance obtained, work in this area will be limited to an extended follow up of CC18-5 – Records Management. An interim update was received in Summer 2020 and fieldwork is scheduled for Q4 20/21.
CC20-6	Contract Management *	On-going programme of assurance against this area of key risk. To include follow up of previous audit recommendations.	20	Audit fieldwork is underway and three contracts have been selected for review with a particular focus on social value. Fieldwork will complete and a draft report will be produced in December 2020.
CC20-7	Commercial Property	Risk based review to ensure that the Council fulfils its statutory and legislative duties as a responsible landlord, and to maximise the generation and collection of income.	-	Deferred to 21/22 based on discussion with Community Wealth Building Leadership Group (CWBLG) on 8 th July 2020 as this area was no longer a principal risk within the revised Principal Risk Report which was taken to that meeting. CWBLG advised that inclusion on 21/22 plan would be helpful as post-Covid recovery will be key in this area.

Number	Audit title	Indicative scope	Days	Status – November 2020
CC20-8	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks.	20	This exercise takes place annually as part of the formulation of the next year's audit plan. The exercise is due to be undertaken late Q3 ahead of DMT visits in Q4 to agree the 21/22 audit plan ahead of Audit Committee approving the plan in March 2021.
CC20-9	Fraud support	Internal Audit input into the reactive investigations to be undertaken in-year.	20	Internal Audit have already provided a significant amount of fraud support during the Covid emergency period in April and May 2020. However the team remain available to support reactive investigations where control advice is needed.
CC20-10	Annual Governance Statement (AGS) and audit plan production	Preparation of the Council's Annual Governance Statement and audit plan.	10	<p>The AGS is produced in Q1 of each year covering the preceding year. The 2019-20 AGS was taken to Audit Committee in September 2020.</p> <p>The annual audit plan is produced late Q3 and agreed by DMTs/CMB in Q4 ahead of Audit Committee in March 2021 (see CC20-8 above).</p>
CC20-11	Follow ups	Follow up of recommendations made in 19-20.	100	<p>Follow ups are a key indicator of the value of Internal Audit, and provide assurance that audit recommendations have in fact enhanced the control environment. Internal Audit have invested additional time in follow ups in 2020/21 to ensure that more in-depth review and a greater depth of testing is possible, and to ensure that the quality of follow up work is not negatively affected by the challenges of remote working. The team focused its efforts over Summer 2020 on follow up activity to ensure that meaningful assurance could still be obtained at a time when the core audit plan was disrupted because of the unavailability of key officers due to the Council's Covid-19 response.</p> <p>The total follow up budget for 2020-21 has increased to 241 days, of which:</p> <ul style="list-style-type: none"> - 118 days have been delivered to date

Number	Audit title	Indicative scope	Days	Status – November 2020
				<p>- 54 days are scheduled using existing in-house staff and our co-sourced audit partner</p> <p>- 26 days are provisionally scheduled for a new Principal Auditor</p> <p>- 43 days will be delivered in early Q1 21/22.</p>

1.3 RESOURCES

Number	Audit title	Indicative scope	Days	Status – November 2020
FR20-1	Continuous Audit Monitoring (CAM)	Review of 5 key financial systems in line with the rolling CAM plan.	50	<p>The CAM budget for 20/21 has been allocated to a deep dive control design assessment of four key financial areas:</p> <ul style="list-style-type: none"> - Accounts payable/outflows - Payroll and staff expenses - Income - VAT <p>The purpose of this review is to:</p> <ul style="list-style-type: none"> • Understand the financial risks that exist in key areas of the finance service and across the Council as a whole; • Identify the controls mitigating these risks and ownership of controls; • Assess the design and strength of these controls; and • Strengthen the financial control environment to enable process improvement. <p>Terms of reference have been agreed and fieldwork is scheduled to start in December 2020.</p>

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				A follow up of 19/20 CAM recommendations is planned for Q4 20/21.
FR20-3	IT Application Reviews	Key controls testing, including a deep-dive into one IT application. Focus on key controls and risks related to availability, integrity, confidentiality and accountability.	20	The focus of this review will be the Civica Payments system (CivicaPay), which is an integrated payment solution that allows the Council to process payments online, over the phone, or via third party channels such as AllPay and Barclays. Terms of reference have been agreed and fieldwork is underway.
FR20-4	IT Audit Reviews	IT audit reviews to be undertaken focussing on high risk areas. To include extended follow-up of Cyber Security and Technology Debt reviews undertaken in 2019-20.		IT audit reviews will consist of extended follow ups of three 19/20 audits: <ul style="list-style-type: none"> - Cyber Security - Symology - Technology Debt The follow up of Technology Debt is underway. The other two follow ups are scheduled to start in January 2021, as the due date for a number of recommendations is 31 December 2020.
FR20-5	Use of Agency & Consultancy staff	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	Terms of reference have been agreed and fieldwork is underway. Due to resource pressures in the audited team, fieldwork is scheduled to complete in January 2021.

1.4 PEOPLE

Ref	Audit title	Indicative scope	Days	Status – November 2020
PE20-1	Youth Offending/ Youth Crime *	Extended follow-up review of 2019-20 review in this area (currently being undertaken in Q4 19-20). Programme review of the governance arrangements in place surrounding the Council's strategy to tackling	20	The 2019/20 audit of the same area (PS19-2) was deferred to 2020/21 due to Covid-19. Fieldwork has concluded and findings have been discussed with management. A report is

Ref	Audit title	Indicative scope	Days	Status – November 2020
		youth offending/youth crime. Scope to provide assurance surrounding controls and mitigating actions included against this principal risk.		being drafted and formal management responses will be sought.
PE20-2*	Safeguarding Adults *	Risk based review focussing on the controls in place to support the identification and management of this area of Principal Risk, including arrangements for responding to safeguarding concerns regarding Modern Day Slavery and homeless people. Scope to be refined in year.	15	Terms of reference are being drafted and fieldwork is scheduled to start in January 2021.
PE20-3	Social Care Provider Failure *	Extended follow-up of the review undertaken in this area in 2016-17. Scope to include arrangements for identifying, preventing and responding to potential provider failure incidents within the Social Care market.	10	Fieldwork is underway and is scheduled to complete in December 2020.
PS20-4	High Needs/Special Educational Needs (SEN) Children's Placements	Carried forward from 2019-20. Risk based review of the controls in place surrounding high-needs children's placements. Scope to include monitoring and reporting of high cost care placements / packages.	-	Deferred to 21/22 based on discussion with People Directorate Management Team on 7 th July 2020, as this area was no longer a principal risk within the revised Principal Risk Report which was taken to that meeting. Resource has been reallocated to follow up work in 20/21.
PS20-5	Better Care Fund *	Cross cutting review across Children's and Adults including pooled budget arrangements.	-	Deferred to 21/22 based on discussion with People Directorate Management Team on 7 th July 2020, as this area was no longer a principal risk within the revised Principal Risk Report which was taken to that meeting. Resource has been reallocated to follow up work in 20/21.
PS20-6	School – establishment reviews	Risk based review of 7 schools/children's centres	56	Six schools have been identified for audit, with one slot held as contingency to respond to any emergency requests. Fieldwork is underway on four school audits: <ul style="list-style-type: none"> • Robert Blair Primary School; • Blessed Sacrament Roman Catholic Primary School; • Sacred Heart Catholic Primary School; and • Gillespie Primary School.

Ref	Audit title	Indicative scope	Days	Status – November 2020
				Two further school audits are scheduled for Q4: <ul style="list-style-type: none"> St Luke's Church of England Primary School Moreland Primary School
PS20-7	Domestic Violence *	Risk based review of the effectiveness of the controls in place to mitigate the key risks surrounding intervention and support services, safeguarding, relationships with key partners and intelligence gathering (including trend analysis and early identification and intervention).	15	Terms of reference have been drafted for this review. While it was initially planned as a Q2 audit, it has been moved to Q4 so that two audits of the same area aren't taking place concurrently (Domestic Violence and Youth Crime sit within the same team). Fieldwork is now scheduled for January 2021.

1.5 ENVIRONMENT AND REGENERATION

Ref	Audit title	Indicative scope	Days	Status – September 2020
ER20-1	CCTV Project *	Continuation of risk and control design support to the CCTV Project Board.	-	Deferred to 21/22 based on discussion with Environment and Regeneration Leadership Team (ERLT) on 2 nd July 2020 as this area was no longer a principal risk within the revised Principal Risk Report which was taken to that meeting. ERLT asked for this budget to be utilised on assurance surrounding Commercial Waste (see AD20-2 below for details).
ER20-3	Parking Services	Carried forward from 2019-20. Risk based review of the effectiveness of the governance arrangements in place surrounding the interpretation, monitoring and compliance with legislative requirements. Scope to focus on a sample of key projects in this area, including HGV and School street initiatives.	20	The 2019/20 audit of the same area (ER19-2) was deferred to 2020/21 due to Covid-19. Completed – Limited assurance. Four high priority findings were raised, details of which can be seen at Appendix 2.
ER20-3	Building Control	Risk based review to ensure that Council is fulfilling its statutory responsibilities for building owners and developers carry out work that complies with the Building Act and Building Regulations legislation.	-	Deferred to 21/22 based on discussion with Environment and Regeneration Leadership Team (ERLT) on 2 nd July 2020 as this area was no longer a principal risk within the revised

Ref	Audit title	Indicative scope	Days	Status – September 2020
				Principal Risk Report which was taken to that meeting. Resource has been reallocated to follow up work in 20/21.
ER20-4	Business Continuity Planning *	Risk based review surrounding the governance and monitoring arrangements for the Council's Business Continuity Planning framework, including alignment and coordination with IT Disaster Recovery Plans. Scope to include follow-up of recommendations raised within the 2019-20 Emergency Planning review.	10	During Internal Audit visit to Environment and Regeneration Leadership Team (ERLT) on 2 nd July 2020 scope was agreed to include a lessons learned exercise, as many business continuity plans had been tested in practice due to Covid-19. Fieldwork is scheduled to take place in Q4 20/21.

1.6 HOUSING

Ref	Audit title	Indicative scope	Days	Status – September 2020
HOU20-1	HomeBuild Programme	On-going programme of assurance against this area of Principal Risk. Risk based review focussing on key programme objectives. Scope to also include a follow-up of the recommendations raised within the 2019-20 review (currently in progress).	20	The 2019/20 audit of the same area (HASS19-1) was deferred due to Covid-19. Completed – Moderate assurance. One high priority finding was raised, details of which can be seen at Appendix 2.
HOU20-2	Tenancy Management Organisations (TMO)	Risk based review of four TMOs. On conclusion of 2020-21 TMO work, a 'common findings/lessons to be learned' paper will be produced for sharing across all TMOs	15	A significant exercise has taken place between September and November 2020, comparing the roles and responsibilities of the TMO management team with those of Internal Audit to ensure that there is no unnecessary duplication of assurance effort across the teams. Emerging from this exercise, a streamlined Terms of Reference has been prepared and issued to the TMO team. An updated work programme has been developed to streamline and focus testing on the key risk areas within the ToR. Fieldwork on an initial TMO will take place in December 2020. Risk management support has also been provided to the TMO team.

Ref	Audit title	Indicative scope	Days	Status – September 2020
HOU20-3	Voluntary Sector Organisation	Risk based review of two VSOs (to be confirmed and scoped in year).	15	Some 2020/21 budget has been used to carry out extended supplementary testing on Disability Action in Islington, which was audited as part of the 2019/20 plan. Discussions have been held with the Head of Communities, who confirmed that risk assessments have been carried out (Internal Audit provided input into the design of these assessments in previous years). These risk assessments have not identified VSOs which currently require audit. As such, the remaining budget will be held in Q4 20/21 to carry out a responsive VSO audit if issues arise which warrant IA involvement, or alternatively for investigation support in this area.
HOU20-4	Right-to-Buy	Risk based review of arrangements for processing and managing Right-to-Buy applications in accordance with legislative requirements. Scope to include fraud prevention/detection measures.	-	Deferred to 21/22 based on discussion with Housing Management Team (HMT) on 30 th June 2020 as this area was no longer a principal risk within the revised Principal Risk Report which was taken to that meeting. Resource has been reallocated to follow up work in 20/21.
HOU20-5	Health and Safety*	Risk based review of key risk area (scope to be agreed in year)	15	Preliminary discussions took place about this audit during scoping for the Landlord Duty of Care audit, with asbestos identified as a potential focus area for the work. Scoping is underway, and audit fieldwork will begin in February 2021.

1.7 ADDITIONAL REVIEWS

Two additional reviews (AD20-1 and AD20-2) have been requested in the 2020/21 year to date (with a combined audit budget of 20 days).

Ref	Audit title	Indicative scope	Days	Status – September 2020
AD20-1	Stronger Families	Added to the audit plan when the Troubled Families Programme was extended for an additional year to March 2021. Audit review and sign off of compliance with requirements within Memorandum of Understanding between the Council and MHCLG.	5	At the request of the auditee, this audit will now take place in Q4 20/21, due to Stronger Families checks being delayed by additional reporting required of the performance team as a result of COVID.

Ref	Audit title	Indicative scope	Days	Status – September 2020
AD20-2	Commercial Waste Recovery Plan	Added to the audit plan in response to emerging Covid-19 risks. The audit will provide support for the Commercial Waste post-Covid recovery plan.	15	Fieldwork has concluded and the drafting of the report is underway. A draft report will be distributed by December 2020.

1.8 AUDIT PLAN COMPLETION STATISTICS (as at 30th November 2020)

Audit status	Number of reviews
Total number of reviews included on the audit plan (see 1.1 to 1.7 above including six schools reviews under PS20-6).	35
Audits deferred to 21/22 (based on summer 2020 discussions with Departmental Management Teams) as resource was better utilised in other areas: <ul style="list-style-type: none"> 1. CC20-7 – Commercial Property; 2. PS20-4 – High Needs/SEN Children’s Placements; 3. PS20-5 – Better Care Fund; 4. ER20-1 – CCTV Project; 5. ER20-3 – Building Control; and 6. HOU20-4 – Right to Buy. 	6
Remaining audits due for completion as part of the 2020-21 plan	29
Audits completed (management responses have been received and reports have been issued in final)	6
Audits in progress (including reviews that are at draft report stage and awaiting finalisation of management responses)	16
Audits scheduled for Q4 (scoping is in progress and fieldwork is scheduled for Q4)	7

1.9 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