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

Recommendations, good practice suggestions and notable practices identified

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

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Low priority recommendations relating to the PSIAS					
1.	The individual IA terms of reference do not include a specific statement in relation to conflicts of interest.	It is recommended that individual IA terms of reference include a specific statement in relation to conflicts of reference to greater promote objectivity, transparency and independence.	If terms of reference do not include a specific reference do not include a specific statement on conflicts of interest, there is a risk that the PSIAS (1112 and 1130) may not be fully complied with.	**LOW** ●	**Noted** Wording on the shared service's approach to managing potential conflicts of interest has now been included in the Terms of Reference template. Safeguards to ensure auditor independence and objectivity are documented in the shared service's Internal Audit (IA) Charter. Consideration is given to conflicts of interest during allocation of individual audit reviews.
2.	The IA Charter does not contain a statement which includes the board s responsibility to review and approve the appointment and removal of the HIA.	In line with PSIAS 1100, the SIAS should include in its IA Charter the Board's responsibility to review and approve the appointment and removal of the HIA.	If the Charter is not updated in accordance with the PSIAS there is a risk of non-compliance with regulatory standards which has legal, operational and reputational consequences for the IA Service.	**LOW** ●	**Noted** Consideration will be given on whether the shared service arrangement of having the Chief Executive of each Council approve the appointment and removal of the HIA is adequate. We are also seeking examples from other local authorities who have shared service arrangements on how they appoint and remove the HIA.
3.	We found that in 2017/18 (when there was a change of HIA) an EQA was neither	Whenever there is a key IA change in future it is recommended that an EQA is carried out or	If an EQA is not conducted or formally considered following a key change in the	**LOW** ●	**Noted** In 2017-18, following an external and internal recruitment process, the new HIA was appointed. The incoming

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	conducted nor formally recorded as considered. PSIAS 1312 and 2020 states that an EQA should be conducted whenever there is a key change in personnel.	formally considered and documented as such.	system of IA, there is a risk of non-compliance with the PSIAS which has potential legal, operational and reputational consequences for the SIAS.		HIA had previously been an Audit Manager within the shared service. The last EQA carried out in 2016-17 had found the service to be fully compliant with the PSIAS. As the HIA's appointment was an internal appointment within a fully compliant service, it was not considered necessary to carry out another EQA one year after the 2016-17 EQA. However, the rationale for this decision should have been documented at the time.

Going forward, whenever there is a key IA leadership change, an EQA will be carried out or formally considered. The rationale for any decision will be documented. |
| **Good practice suggestions – Internal Audit** | | | | | |
| 1. | There is no documented IA Strategy for the SIAS and it was noted that none of the stakeholders interviewed were able to articulate to us the strategy or long-term plans for the IA Service. | The SIAS should consider developing an IA Strategy that underpins the IA Annual Plan and sets out the overall IA approach and vision, aligned to the strategic objectives of both councils. | If there is no documented IA strategy in place and senior stakeholders are not aware of the IA strategy, there is a risk that some aspects of the IA approach may not align with the strategic objectives of both authorities, which could potentially have financial and | **LOW** ● | **Noted**

An Internal Audit Strategy, aligned with strategic objectives, was documented ahead of the 2022-23 year. The strategy, along with the 2022-23 Internal Audit Plan, was presented to both Councils' Corporate Boards ahead of presentation to the Audit Committees in March 2022. |

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			operational consequences for the councils.		
2.	The SIAS reports progress to the Islington senior officer board and Audit Committee on a quarterly basis, but to the Camden senior officer board and Audit Committee every 6 months.	The SIAS should consider formally reporting its progress to Camden senior officer board and Audit Committee on a quarterly basis. This reflects the pace of change in local government and provides greater oversight of the performance of the SIAS.	If IA's progress is not reported regularly to the senior officer board and Audit Committee, there is a risk that oversight of IA performance and assurance on key risks may not be provided in a timely manner, which potentially could result in key strategic decisions not being taken promptly.	LOW ●	**Noted (finding relates to Camden only)** Camden operates in a more devolved way than Islington, with Internal Audit outcomes reported to Directorate Management Teams (DMTs). Additionally, oversight of IA's performance occurs via quarterly performance reporting to the Corporate Board. Regular reporting to DMTs will continue and the need for more regular reporting to the Corporate Board will be kept under review.
3.	At Camden we found that whilst DMTs are presented with IA progress reports and the annual plan etc, the IA reports are not reviewed by the senior officer board before they go to Audit Committee as required by the PSIAS.	The Camden senior officer board including the Chief Executive should consider approving all IA reports that go to the Audit Committee.	If the IA Plan is not approved by the Chief Executive there is a risk of non-compliance with regulatory standards set out in the PSIAS which could have legal, operational and reputational consequences for the SIAS.	LOW ●	**Noted (finding relates to Camden only)** As of March 2022, in addition to presentation to DMTs, the IA plan is presented to the Corporate Board (chaired by the Chief Executive).

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4.	At Camden we found that the HIA does not formally meet the Chief Executive Officer on a regular basis.	The HIA should consider formally meeting with the Camden Chief Executive Officer on a regular (at least quarterly) basis. This is particularly good practice where the IA service is part of the Finance Directorate as is the case at both authorities.	If the HIA does not meet the Chief Executive Officer in formal 1-2-1's at each authority on a regular basis, the there is a risk that independence of the SIAS may be compromised.	**LOW** ●	**Noted (finding relates to Camden only)** The HIA has a dotted reporting line to the Chief Executive and the Chair of the Audit Committee. As well as having regular 1:1 meetings, the HIA can seek an audience with the Chief Executive whenever an issue arises or escalation is needed. Nevertheless, the frequency of 1:1 meetings will be kept under review.
5.	We found the individual IA reports issued at the end of each piece of IA work to be relatively long in section 2 (the detailed findings).	The SIAS should consider reducing the level of detail in reports in line with the good practice concept of agile auditing. This will increase the efficiency of the IA reporting process for IA staff and client managers/ audit sponsors.	If IA officers and client managers are spending a disproportionate amount of time on preparing/reading IA reports, there is a risk that resources are being used inefficiently which has financial and operational consequences for the councils.	**LOW** ●	**Noted** As part of our continuous service improvement, we have recently revisited our approach to presenting audit findings with a view to producing shorter, more succinct reports. A new reporting template has been developed to support this.
6.	Except for one IA trainee at Islington, the most junior members of staff in the SIAS are Principal Internal Auditors.	The SIAS should consider adding trainees /apprentices or more junior staff to the team to carry out some of the less complex IA work. This would be a more efficient	If senior IA staff are performing less complex IA reviews there is a risk that resources are not being used effectively, efficiently and	**LOW** ●	**Noted** As the shared service staffing model is lean (there are just three dedicated in-house auditors at each borough), a strategic decision was made to hire senior auditors to ensure that they can deliver the cross-cutting plan

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		use of IA resource and provide better succession planning within the SIAS.	economically which could have financial and operational consequences for the SIAS.		largely independently and to a high standard. The audit plan aligns with each Council's principal risk report, and the shared service also carries out advisory and reactive reviews outside the audit plan. Auditors needs to be agile and skilled enough to undertake high risk reviews in unfamiliar areas at short notice. We are considering engaging a less senior auditor to conduct establishment reviews at schools, tenant management organisations and voluntary sector organisations.
7.	The SIAS does not currently use any form of audit software package and instead places reliance on using MS Word/Excel, etc, as part of the IA process.	The SIAS should reconsider implementing an effective IA software package to help increase the efficiency of the IA processes.	If the IA Service does not use an effective audit software package there is a risk that IA resource will not be used to the optimum which has potential operational and financial consequences for the SIAS.	LOW ●	**Noted** Software was previously used by the shared service however it did not meet service needs and the software was decommissioned. Standard templates are in place across the shared service for terms of reference, working papers and reports, meaning that outputs are standardised and auditors are not consuming time creating templates. In 2022-23 we will revisit the possibility of implementing IA software, particularly in relation to follow up activity.

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8.	The amount of time spent on IA recommendation follow-ups by the SIAS is disproportionately high compared to other IA processes which we found to be lean at both authorities.	The IA follow-up process should be considered for full automation. This would eliminate the need for senior IA staff to be checking spreadsheets and sending out reminders to managers.	If SIAS staff are spending a high amount of time on follow-up work, there is a risk that resources are being used inefficiently which potentially could have financial and operational consequences for the councils.	**LOW** ●	**Noted** Work took place across 2021-22 to introduce a leaner process for follow ups. At Islington, this was coordinated through Controls Board. DMTs have also played a more active role in tracking implementation of audit actions. As noted in response to finding 7 above, we will consider software solutions to reduce the administrative burden of the follow up process for senior IA staff.
9.	The amount time spent on IT audits provided by PwC across both authorities is 60 days and we believe this coverage is very low.	The SIAS should consider increasing the volume of IT audit work at both authorities to provide a greater level of assurance in this area. This would also provide an opportunity for the SIAS to consider appointing its own in-house specialist IT Auditor.	There is a risk that the Board and Audit Committee at each authority do not get timely assurance on key IT risks facing both organisations. There is also a risk that the opportunity to develop in-house IT audit talent is missed.	**LOW** ●	**Noted** The shared service applies a two pronged approach to IT audit assurance: it conducts dedicated IT audits but also includes elements of IT assurance within non-IT audits where applicable (for example a review of a service area's processes will often include a review of access rights within key systems). The audit plan is written by mapping principal risks to IA resource (see notable practice 1 above), so we are comfortable that key IT risk areas are included on the audit plan. While IT audit resource is being kept under review, the shared service has

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					not historically engaged an in-house IT auditor for a number of reasons including: - Recruitment challenges (IT auditors are especially difficult to recruit outside the private sector); and - The co-sourced provider provides a wide range of specialist IT staff and tools, which offers greater flexibility of approach to IT auditing than would be achievable in-house.
10.	A central log of all SIAS training is not maintained.	The SIAS should consider implementing a centralised training log for all IA staff across the SIAS. This would help management take an overall view of staff training and development across the SIAS.	If a central training log is not maintained and regularly updated there is a risk that IA service may not possess the relevant skills, knowledge and experience to fulfil their roles which has operational and reputational consequences for the IA Service. There is also a risk that IA management will not have effective oversight of the overall training and	**LOW** ●	**Noted** A centralised training log will be maintained from 2022-23. There is a budget in place for staff training and staff are able to book themselves on courses as needed. Additionally, as part of the current co-sourced framework agreement, staff attend network days over the course of the year where training updates are provided on topical areas. There are mechanisms in place to ensure that managers have effective oversight of training needs as part of the 1:1 process. Training is also logged within weekly resource trackers for each staff member, providing management oversight of training.

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			development needs of the IA service.		
Good practice suggestions – Audit Committees					
1.	Audit Committee training at both authorities is not carried out on an annual basis.	Both authorities should consider implementing a programme of training for all Audit Committee members.	If the Audit Committee is not subject to an annual programme of training, there is a risk the committee will not have the up-to-date skills required for the role, including holding the SIAS to account.	**LOW** ●	**Noted** A training programme is in place across both Councils. However, historically, and in consultation with Committee Services (Camden) and Democratic Services (Islington), it was not considered necessary to deliver an annual training in the same areas repeatedly. Training is delivered when members are new and then revisited only if necessary. However going forward, the need for refresher training will be kept under review. In 2022-23, a full suite of training (Internal Audit, Anti-Fraud and Risk Management) has been planned for Camden's Audit and Corporate Governance Committee. Training for Islington's Audit Committee will be reviewed with Democratic Services.
2.	An up-to-date skills matrix for each member of the Audit	Both authorities should consider implementing a skills matrix for each Audit Committee member. These should	Without an up-to-date skills matrix completed for each Audit Committee member, the training programme	**LOW** ●	**Noted** We will work with Committee/Democratic Services in

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	Committee is not in place.	be updated on annual basis to inform the skills gaps.	may not be targeting the right areas or address the skills gaps.		2022-23 to implement a skills matrix for Audit Committee Members.
3.	A regular review of the effectiveness of each Audit Committee has not been carried out.	Both authorities should consider conducting an annual review of the effectiveness of the Audit Committee. These should be updated on annual basis to highlight any skills gaps.	If a regular review of the effectiveness of Audit Committee is not carried out there is a risk that improvements and good practice may not be identified and followed.	**LOW** ●	**Noted** We will work with Committee/Democratic Services in 2022-23 to support reviews of effectiveness of the Audit Committees in both boroughs.
4.	The Audit Committee Chairs at both councils are affiliated with a political party.	In line with best practice, it is recommended that both authorities consider appointing independent Chairs of their Audit Committees.	If the Audit Committee Chair is not independent there is a risk that the Audit Committee meetings and IA's work are not free from political motivations which has operational and reputational consequences for the councils.	**LOW** ●	**Noted** The suggestion will be kept under review.

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