Appendix 4: External Quality Assessment recommendations

1.   Synopsis

1.1.   This Appendix summarises the actions taken to implement the recommendations, good practice suggestions and notable practices identified by the External Quality Assessment undertaken in 2021/22. A joint shared service response with Camden has been provided.

2.   Progress summary

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
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	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).	n/a – notable practice, no action required.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	across both councils and a clear link between the strategic objectives of each authority, the PRR and the SIAS IA Plan.					
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).	n/a – notable practice, no action required.
Low priority recommendations relating to the PSIAS						
1.	The individual IA terms of reference do not include a specific	It is recommended that individual IA terms of reference include a specific statement in	If terms of reference do not include a specific reference do	Low ●	**Noted** Wording on the shared service's approach to managing potential conflicts of interest has now been	**Completed** The shared service terms of reference template has been updated to include a

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	statement in relation to conflicts of interest.	relation to conflicts of reference to greater promote objectivity, transparency and independence.	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.		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.	statement in relation to conflicts of interest.
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.	**Completed** The recommendation was considered however current arrangements were retained given the shared service arrangement.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
3.	We found that in 2017/18 (when there was a change of HIA) an EQA was neither 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.	Whenever there is a key IA change in future it is recommended that an EQA is carried out or formally considered and documented as such.	If an EQA is not conducted or formally considered following a key change in the system of IA, there is a risk of non-compliance with the PSIAS which has potential legal, operational and reputational consequences for the SIAS.	Low ●	**Noted** In 2017-18, following an external and internal recruitment process, the new HIA was appointed. The incoming 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.	n/a – this action is not needed unless there is a change in key personnel.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
Good practice suggestions – Internal Audit						
1.	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.	**Completed** Camden - existing arrangements were reviewed and were considered appropriate given the following arrangements in place: - As part of the Council's performance management arrangements, Internal Audit reports performance indicators in relation to the timeliness of follow up reviews on a quarterly basis; - Follow up outcomes are shared with

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
						Directorate Management Teams (DMTs) in-year; - Internal Audit maintains on-going communication with DMTs and CMT as required. Islington – not applicable.
2.	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	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	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).	**Completed** Camden – Since March 2022, in addition to presentation to DMTs, the IA plan is presented to the Corporate Board (chaired by the Chief Executive). Islington – not applicable.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	required by the PSIAS.		reputational consequences for the SIAS.			
3.	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.	**Completed** Camden – The existing arrangements (as detailed in the management response column) were reviewed and considered appropriate. Islington – not applicable.
4.	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	If IA officers and client managers are spending a disproportionate amount of time on preparing/reading IA reports, there is a risk that resources	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.	**Ongoing – this area is being kept under review** Islington – the length of audit reports has been reduced through more concise writing. Summary sections have been introduced to meet

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
		client managers/ audit sponsors.	are being used inefficiently which has financial and operational consequences for the councils.			the needs of stakeholders who need an overview, while retaining some detail to support the auditee's understanding of findings. For establishment audits (schools and tenant management organisations), only brief summary findings are now produced, which has reduced report lengths. Camden – amendments have been made to reduce report lengths as practicable. Overall, the need for succinct reporting continues to be balanced against the auditee's need for more detail to understand the findings.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
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 use of IA resource and provide better succession planning within the SIAS.	If senior IA staff are performing less complex IA reviews there is a risk that resources are not being used effectively, efficiently and economically which could have financial and operational consequences for the SIAS.	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 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.	**Ongoing – this area is being kept under review** As outlined in the management response, the service model includes senior auditors who work independently. Budget pressures have meant that additional funding for an establishments auditor is not feasible currently. However this area is being kept under review.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
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.	**Ongoing – this area is being kept under review in relation to follow up software** Follow up software has been trialled and demos have been jointly considered by both boroughs. The shared service is seeking a cost effective follow up solution that will deliver meaningful results while retaining the current customer focus. Hence any decisions made will need deliberation and consideration.
8.	The amount of time spent on IA recommendation follow-ups by the SIAS is disproportionately high compared to	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	If SIAS staff are spending a high amount of time on follow-up work, there is a risk that resources are being used	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	**Ongoing – this area is being kept under review** The shared service is keen to ensure that the current levels of customer

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	other IA processes which we found to be lean at both authorities.	sending out reminders to managers.	inefficiently which potentially could have financial and operational consequences for the councils.		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.	focus are retained, while balancing against the need for more effective follow up processes. Islington - leaner follow up approaches have been implemented, allowing more time for follow up of high priority recommendations and recommendations from 'no' and 'limited' assurance reviews. Camden – low priority recommendations are not followed up and are subject to self-certification by the auditee. DMT's also play a role in galvanising implementation of recommendations.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
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 not historically engaged an in-house IT auditor for a number of reasons including: - Recruitment challenges (IT auditors are especially difficult	**Ongoing – this area is being kept under review** Arrangements in place (as outlined in the management response column) are working in practice. However in 23-24 we are seeking to strengthen our in-house IT capability via training of in-house auditors.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
					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	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	**Completed** Islington – a staff training log for in-house training is maintained through the council's HR portal. Camden – the learning and development portal captures online training courses which forms the majority of training undertaken. Additionally, a manual log is held centrally for team

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
			Service. There is also a risk that IA management will not have effective oversight of the overall training and development needs of the IA service.		process. Training is also logged within weekly resource trackers for each staff member, providing management oversight of training.	members to record training undertaken outside of the portal.

Good practice suggestions – Audit Committees

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
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	**Completed** Internal Audit arranged for CIPFA to train both Councils' Audit Committees separately in 22/23. Refresher training will also be kept under review.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
					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 Committee is not in place. | Both authorities should consider implementing a skills matrix for each Audit Committee member. These should be updated on annual basis to inform the skills gaps. | Without an up-to-date skills matrix completed for each Audit Committee member, the training programme may not be targeting the right areas or address the skills gaps. | Low 🟢 | **Noted**

We will work with Committee/Democratic Services in 2022-23 to implement a skills matrix for Audit Committee Members. | **In progress**

Following the CIPFA training arranged in 22/23 (see above) a skills matrix will be considered once the lessons learnt from the training have had the opportunity to embed and the review of effectiveness is completed.

Both Councils also have two independent |

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
						members on their Audit Committees, resulting in increased support and guidance for members and an enhancement of the effectiveness of the Committees through the specialist skills of independent 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.	**In progress** Camden – a review of effectiveness, facilitated by CIPFA, is planned for Q4 23-24. Islington – the Committee was trained in late 22/23 and a review of effectiveness will be considered towards the end of 23/24.
4.	The Audit Committee Chairs at both	In line with best practice, it is recommended that	If the Audit Committee Chair is not	Low ●	**Noted**	**Completed** The suggestion was considered however

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	councils are affiliated with a political party.	both authorities consider appointing independent Chairs of their Audit Committees.	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.		The suggestion will be kept under review.	current arrangements are considered apt and are working effectively.

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.**