SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

For the Audit and Corporate Governance
Committee meeting on 5th March 2020

RSM

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

This report provides a summary update on progress against the remaining reports from the 2018/19 internal audit plan and the 2019/20 plan (approved by the Audit and Corporate Governance Committee on 7th March 2019). The report is based on the position as at the 20th February 2020.

2018/19 Internal Audit Plan

We have finalised the one remaining 2018/19 report since the previous Audit and Corporate Governance Committee meeting held in December 2019.

- Housing Revenue Account - **Partial assurance**

A summary of the high and medium actions is provided below in the appendices.

2019/20 Internal Audit Plan

We have also finalised **nine** 2019/20 reports since the previous Audit and Corporate Governance Committee meeting held in December 2019:

- Asset Register – **Partial Assurance**
- Cash Handling – **Partial Assurance**
- Follow Up Q2 **– Little Progress**
- General Ledger – **Reasonable Assurance**
- Rent Accounts – **Reasonable Assurance**
- Schools Audits (Slough Centre Nursery)– **Reasonable Assurance**
- Treasury Management **– Reasonable Assurance**
- Housing Benefits **– Substantial Assurance**
- Payroll **– Reasonable Assurance**

The exec summary findings from the three negative opinions (2 partial assurances and 1 little progress follow up) documented above are discussed in more detail below in Appendix A.

In addition, we have issued the following **six** reports in draft as part of the Internal Audit Plan for 2019/20:

- Workforce Planning (issued 19th September 2019) - Advisory
- Capital Expenditure (issued 15th January 2020) – Reasonable Assurance
- Creditors (Issued 11th February 2020) – Reasonable Assurance
- Council Tax (Issued 17th February 20202) – Reasonable Assurance
- Assurance Map (Issued 19th February 2020) – Advisory
- Follow Up (Issued 10th February 2020) – Reasonable Progress
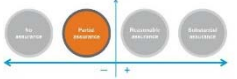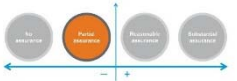
2   SUMMARY OF PROGRESS TO DATE

Reports shown in bold have been finalised. The table below is a summarised version of the audits reported to this committee and the remaining audits to be delivered.

Executive summaries and action plans from any negative assurance reports finalised since the previous meeting are appended to the bottom of this progress report.

2018/19 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions L	M	H
Housing Revenue Account	**Q4**	**Final Report**	**23 May 2019**	**13 December 2019**		0	2	1

2019/20 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions L	M	H
Health & Safety	**Q2**	**Final Report**	**11th September 2019**	**31st October 2019**		2	3	2
Safety Advisory Group	**Q2**	**Final Report**	**18th September 2019**	**31st October 2019**		3	7	0
James Elliman Homes	**Q1**	**Final Report**	**6th September 2019**	**13th November 2019**		3	5	1
Rent Arrears Recovery	**Q2**	**Final Report**	**16th August 2019**	**17th September 2019**		4	4	0
Temporary Accommodation Strategy	**Q2**	**Final Report**	**4th September 2019**	**2nd October 2019**		3	4	1

Audit	Quarter	Stage	Start Date	Report Date	Assurance			
Regulatory Services - Cash Handling Arrangements	Q2	Final Report	2nd August 2019	28th August 2019	Partial assurance	5	0	2
Cash Handling	Q3	Final Report	15th January 2020	27th January 2020	Partial assurance	1	0	2
Asset Register	Q3	Final Report	7th January 2020	5th February 2020	Partial assurance	3	4	1
Treasury Management	Q3	Final Report	10th February 2020	11th February 2020	Reasonable assurance	6	1	0
Allotments	Q1	Final Report	14th June 2019	15th August 2019	Reasonable assurance	7	3	0
Fire Safety	Q1	Final Report	16th August 2019	17th September 2019	Reasonable assurance	2	3	0
Risk Management	Q2	Final Report	14th October 2019	31st October 2019	Reasonable assurance	3	7	0
General Ledger	Q3	Final Report	29th November 2019	27th January 2020	Reasonable assurance	5	2	0
School Reviews (Slough Centre Nursery)	Q1	Final Report	27th June 2019	27th January 2020	Reasonable assurance	4	2	0
Rent Accounts	Q3	Final Report	7th January 2020	10th January 2020	Reasonable assurance	1	1	0
Payroll	Q4	Final Report	20th January 2020	20th February 2020	Reasonable assurance	3	1	0
School Reviews (Penn Wood School)	Q1	Final Report	27th June 2019	8th July 2019	Substantial assurance	0	0	0
Major Infrastructure Projects	Q2	Final Report	17th September 2019	19th September 2019	Substantial assurance	2	0	0

Housing Benefits	**Q3**	**Final Report**	**16th January 2019**	**17th February 2020**		**2**	**0**	**0**
Follow Up - Q1	**Q1**	**Final Report**	**10th July 2019**	**29th July 2019**	**Reasonable Progress**	**1**	**2**	**1**
Follow Up - Q2	**Q2**	**Final Report**	**16th January 2020**	**10th February 2020**	**Little Progress**	**2**	**2**	**-**
Workforce Planning	Q2	Draft Report	19th September 2019					
Capital Expenditure	Q3	Draft Report	15th January 2020					
Creditors	Q3	Draft Report	11th February 2020					
Council Tax	Q3	Draft Report	17th February 2020					
Assurance Mapping	Q3	Draft Report	19th February 2020					
Follow Up - Q3	Q4	Draft Report	10th February 2020					
Budgetary Setting and Budgetary Control, including Forecasting	Q3	In QA						
Debtors Management	Q4	In QA						
Emergency Planning / BCP Support (Advisory)	Q3	In Progress						
Business Rates	Q3	In progress						
Review of Futures Transformation Programme	Q4	In Progress						
Governance	Q4	28/02/2020						

Matrix	Q4	20/04/2020
Follow Up - Q4	Q4	23/03/2020
Heathrow Strategic Planning Group (HSPG)	Q4	30/03/2020
Contract Management - Everyone Active Leisure Contract	Q4	30/03/2020

3   OTHER MATTERS

3.1 Changes to the 2019/20 audit plan

Auditable area	Reason for change
Continuing HealthCare	At the request of client, we have pushed back the timing of this audit and will form part of the 2020/21.

3.2 Impact of our work to date on the 2019/20 year end opinion

The Committee should note that any negative assurance opinions ('No Assurance' or 'Partial Assurance' opinions, or poor or little progress on follow ups) will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Where we have issued any negative opinions, i.e. 'no assurance' (red), 'partial assurance' (amber / red) or 'little or poor' progress follow up reports, these opinions will impact our 2019/20 Head of Internal Audit Opinion for the Council. To date, we have issued eight final reports over which the Council can take only 'partial' assurance and another negative opinion relating to the Q2 follow up (Little Progress).

These opinions will all impact our year end opinion but will not at this stage result in a qualification to the opinion. We will continue to update the Section151 Officer, Chief Executive and Audit and Governance Committee Chair in relation to any further impact to the year-end opinion.

3.3 Information and briefings

The following items were highlighted as part of our information briefings since the last Audit and Corporate Governance Committee in December 2019.

Boost to successful government rough sleeping programme

Robert Jenrick, Housing Secretary, has announced that councils will receive a share of £112m as part of the Rough Sleeping Initiative to help get people off the streets and into safe accommodation. This funding is a 30 per cent increase this year and will be used by local authorities, charities and other organisations to fund up to 6,000 bed spaces and 2,500 support staff across the country. The funding will be used by councils to:

- create street-based services including outreach teams who will locate and support rough sleepers directly on the streets and offer them access to services;
- set up housing support providing stable, affordable accommodation and intensive wrap-around support to help people who are sleeping rough recover from complex issues and sustain their tenancies; and
- introduce specialist support workers including Rough Sleeping Coordinators, navigators, and specialist health and care staff.

Queen's Speech

In the Queen's Speech it was noted that 'new measures will be brought forward to protect tenants and to improve building safety.' In addition, there will be measures 'to support home ownership, including by making homes available at a discount for local first-time buyers.' The government will also renew the Affordable Homes Programme and bring forward a social housing white paper. This will 'set out further measures to empower tenants and support the continued supply of social homes. This will include measures to provide greater redress, better regulation and improve the quality of social housing.'

There will also be a new law requiring schools, the police, councils and health authorities to work together to prevent serious crime.

Biggest spending increase for councils in a decade

Local authorities will receive a share of £49.1bn to help them deliver essential services to local communities. The provisional financial statement includes an additional £1.5bn for social care, rewards for building new homes and support for rural areas. The Local Government Secretary stated, 'this government is committed to unleashing the huge potential of this country, and we are giving communities the funding that they need to thrive, support the most vulnerable in our society and also protect the vital services that we all rely on.'

New action to eliminate homelessness and rough sleeping

Boris Johnson, Prime Minister, has committed more than £260m for local authorities to support people who are homeless or at risk of losing their homes. The funding will allow councils to deliver the best services for local needs, helping those experiencing homelessness in their area to improve their lives and get back on their feet. The Prime Minister has also confirmed an additional £3m as part of the Cold Weather Fund, bringing the total to £13m, to increase support available for rough sleepers during the winter period.

New funding to crackdown on criminal landlords

The Housing Secretary, has announced that over 100 local authorities have been awarded a share of over £4m 'to crack down on criminal landlords and letting agents.' Councils will use the new funding to take enforcement actions against these landlords and advise tenants of their housing rights. The grants will support a range of projects to allow councils to make the best use of these powers. This will include 'trialling innovative ideas, sharing best practice and targeted enforcement' where it is known that landlords are avoiding their responsibilities.

Local authority new build programmes and lifting the Housing Revenue Account borrowing caps

The Chartered Institute of Housing, National Federation of ALMOs and the Association of Retained Council Housing have published a report assessing the impact of lifting the borrowing caps that restricted council house-building, judges whether Treasury projections are likely to be met and sets out the constraints which councils still face in building the homes that local communities need. The report asked different-sized councils across England what was still stopping them building the homes their local communities need.

Local areas get breakdown in first stage of £14bn funding boost

The Department for Education (DfE) has informed councils on how much additional funding they will receive this year from its multi-billion-pound investment in primary and secondary education. The DfE has published a breakdown of exactly how much money is being allocated to local authorities in England next year (2020-21) based on the latest pupil numbers.

APPENDIX A: KEY FINDINGS FROM FINALISED 2018/19 AND 2019/20 INTERNAL AUDIT WORK (HIGH AND MEDIUM PRIORITY MANAGEMENT ACTIONS ONLY WHERE PARTIAL OR NO ASSURANCE REPORTS HAVE BEEN ISSUED)

			1 High
Housing Revenue Account 40.18/19			**2 Medium**
			0 Low

We identified the following issues which resulted in one high priority and two medium priority management actions being agreed:

Service Charges

Service Charge Apportionment Calculation

Cabinet and Full Council approve any increases to service charges in January, prior to the next financial year. Each year, the previous charges are rolled forward into the next year, subject to the percentage amendment. Through review of the corresponding minutes, we found that charges were to be increased by 2.4 per cent for the 2019/20 year.

We were unable to identify the source calculations as to how charges were first apportioned for properties. We did obtain a spreadsheet used to calculate the caretaking service charges for 2013/14, however this did not depict any apportionment, instead dividing the total cost by the number of units. The Rent Standard (2015) published by the Homes & Communities Agency states that providers must be able to inform tenants how service charges are set and charged. The Council is currently unable to supply apportionment methods and therefore do not comply with this standard. There is a risk that, if requested, the Council are unable to supply tenants with apportionment methods and calculations.

Service Charge Apportionment Method

Guidance published by the Royal Institution of Chartered Surveyors (RICS) Service Charge Code working group states that using rateable values (R.V.) as a process to calculate service charge apportionment is no longer recommended and should be updated to another recognised method. Through our review of ten leasehold properties, we identified that four of these had been apportioned as per the R.V. method, whilst the Council also administered 'flats per block' and 'number of bedrooms' apportionments. There is therefore a risk that there is no consistency of apportioning methods applied across all Council properties.

Fairness of Service Charges

We selected a sample of nine comparable leasehold and tenancy properties to determine the fairness of service charges. We obtained the corresponding estate service (SCHCES), heating and lighting (SCHHAL) and health and safety (SCHCHS) charges and found that of the 27 comparisons, in 19 instances tenancy properties paid more than leaseholders per year, with a maximum variance of £201.51. Leaseholders paid more than tenancy properties in the remaining eight cases, with a variance high of £96.94. If service charges are not fairly apportioned, there is an increased likelihood of dissatisfaction and dispute from residents and in turn, potential negative implications for Council reputation.

Service Charges Module

In 2013, the Council undertook an exercise to review and revise the apportionment and calculation of service charges for both tenancies and leaseholds, with an aim to provide a consistent and fair approach to service charge distribution. The result of this was the 'Service Charge Module,' a solution which could be uploaded onto the Capita Housing system to automatically assign appropriate apportionments and charges. The final implementation of this has been paused, owing to Housing Services' decision to review the Capita system, on which the module would be platformed. If there is no further progression of this module, the identified risks of the unknown basis for service charge basis, out-dated calculation methods and unfair apportionments would still exist. **(High)**

HRA Business Plan

The priorities for service delivery and investment in HRA resources over the next 30 years are outlined within the Council's HRA Business Plan. It was agreed by Cabinet on 16 April 2018 to update the Plan to include the HRA Asset Management Strategy, however the latest document version does not make this reference. Through further review of the Cabinet meeting minutes, we were unable to confirm whether this action had been undertaken. Without adequate review and update of the Plan, there is a risk that current policies are not reflected and so there is a potential inability to deliver corporate priorities. **(Medium)**

Responsibilities for the management of the HRA

A restructure process in November 2018 divided the responsibilities for the management of the HRA between two service lines. Strategic Housing Services was updated to Housing (People) Services, tasked with the HRA plan, budget planning and monitoring. Neighbourhoods became the Housing Developments and Contracts team, focussing on the HRA Asset Management Strategy, developments on HRA land and general HRA repair, maintenance and investment activities.

We obtained the relevant service lead job descriptions and noted that these had been reviewed to include the updated HRA responsibilities. However, through review of the Slough/ Osborne RMI contract, we noted that the areas of responsibility as well as authority and limitations for representatives were not stated. Without this, individuals may not be adequately aware of their remit in relation to HRA related RMI activities. **(Medium)**

1	The Council will ensure that a review of the HRA Business Plan is undertaken to review current practices, including reference to the HRA Asset Management Strategy. Following review, the business plan will be presented to Cabinet for formal review and approval	Medium	31st March 2020	Colin Moone - Service Lead Housing (People) Services
2	This issue had previously been identified as part of the 2018/19 IA review of Contract Management - Osborne. Further to this a management action was agreed to address this issue. For further detail, please refer to the 2018/19 IA report for Contract Management - Osborne.	Medium	30th April 2020	John Griffiths - Service Lead Housing Development and Contracts
3	Upon review of the Capita system, the Council will continue with the implementation of the Service Charge Module, ensuring apportionments are administered in a consistent and fair manner.	High	29th February 2020	Colin Moone Service Lead – Housing (People) Services

Follow Up Q2 14.19/20	Poor Progress	0 High
		2 Medium
		2 Low

Taking account of the issues identified in our opinion Slough Borough Council has demonstrated **little progress** in implementing agreed management actions.

We identified the following issues which resulted in one high priority and two medium priority management actions being agreed:

Agresso HR – Self Service (37.18/19) – Expense Claims

We selected a sample of five expenses incurred since April 2019 from an Agresso generated report, with claims ranging from £188 to £1,330. Our sample included two claims for mileage.

Through testing, we confirmed the following for each:

- A case resources ID was detailed;
- A transaction number had been assigned;
- The claim had been approved by an appropriate manager via the workflow; and
- The workflow approval came prior to the payroll payment.

We did find that the expense explanation 'Various Car Journeys' was not adequate in one instance relating to a mileage claim, however this was accompanied by a monthly mileage spreadsheet which did detail individual journeys.

Although there was evidence to confirm expenses on the Agresso system for three of our sample, we were unable to obtain the receipts for the remaining two, despite both of these being approved:

- £1,330 mileage claim; and
- £188 train fare claim.

We confirmed that June, November 2018 and April 2019 reminders had been sent to staff via all staff email with regards to the submission of expenses, however these did not specifically detail the requirement for staff to upload receipts and for managers to ensure these are attached before approval.

Our testing has demonstrated that employees are continuing to fail to upload receipts relating to expense claims and that managers are failing to ensure these are present when approving these. Without ensuring receipts are evidenced and subject to scrutiny, there is an increased potential for inappropriate or inaccurate claims to be approved and paid out by the Council. Discussion with the Risk and Insurance Officer noted that the introduction of spot checks in this regard may prove problematic with potential issues surrounding responsibility and accountability, however our findings have confirmed that secondary controls such as this are required to ensure the robustness of the process. **(Medium)**

Agresso HR – Self Service (37.18/19) – Return to Work

We selected a sample of five instances of sickness absence occurring since April 2019 from an Agresso generated report, with absence periods ranging from one to 11 days.

Through testing we noted the following for each:

- A case resources ID was detailed;
- The start and end dates of the absence had been input onto Agresso by the relevant managers; and
- The absence reason was suitable and corresponded to the drop-down options on the system.

We found that the return to work form and interview process had been completed in a timely manner for one of our sample, with final sign off by the Service Lead for Finance occurring five working days following the employee's return. The Council's target for timeliness is seven calendar days.

For two cases this process was not completed in a timely manner, taking 16 and 208 working days from the return date. Further testing identified that these delays were caused by employees not submitting the form for approval, with management signing off within one day of receiving these. We also noted that forms/interviews process had not been completed for the remaining two cases despite employees returning in April and August 2019.

Sickness absence training was provided to managers in July, reflected by our finding that management processed return to work requests within one day of receiving these for our sample. We also confirmed that the requirements for managers and staff in relation to sickness absence had been communicated via all staff emails in June, July (twice) and December 2018 and September 2019.

Although there is currently no automatic prompt for returning employees to complete return to work forms, discussion with the Agresso consultant suggested that it may be possible to implement this. Despite this, our testing has demonstrated that the return to work process are not being completed in a timely manner by returning employees. Without ensuring compliance with this, the Council cannot be assured that employees are fit to return to work and are unable to identify any additional support that may be required at the point of return. **(Medium)**

1	The Council will forward an all staff email covering the following: - The requirement for all expense claims to be supported with receipt evidence; - The requirement for all receipts to be uploaded with submitted expense claims; - The requirement for manager to ensure that relevant receipts have been attached to expense claims prior to granting approval; and - The declaration that expenses will not be approved with receipts unless adequate reason has been offered and authorised by management. The Council will also explore the possibility of implementing a system of spot checks to confirm the correct processing of expenses.	Medium	31st March 2020	Surjit Nagra - Service Lead, People
2	The Council will forward an all staff email covering the following: - The requirement for all employees returning from sickness absences to submit return to work forms for management approval; and - The requirement for management to approve these forms in a timely manner and conduct return to work interviews. The Council will also explore the possibility of adding a prompt to the Agresso system which alerts employees of the requirement to complete return to work forms whenever managers have inserted absence return dates, as well as implementing a system of spot checks in this regard	Medium	31st March 2020	Surjit Nagra - Service Lead, People

Cash Handling 18.19/20		**2 High** **0 Medium** **1 Low**

We noted the following issues, resulting in two high and three medium priority management actions:

Policy and Procedural Guidance:

Our review found the cash office maintained several procedural documents, including:

- Petty Cash and Department for Working Pensions Balancing and Reclaim procedure;
- Cash Office Procedures for Cashiers; and
- Reconciliations and Banking – Cash Office procedure.

Although we found that these provided detailed step-by-step guidance in relation to cash handling process, we noted they provided no guidance around money laundering checks. Our testing found that although the Council maintains a money laundering policy within the Constitution, the policy was not clearly communicated to staff via the Council's intranet. We also noted through discussion with three members of staff present at the cashiers office that they were unaware of this policy.

Failure to adequately inform and guide staff tasked with handling cash of money laundering procedures, reporting processes and potential money laundering examples increases the risk of money laundering practices occurring within the Council. In addition to this, the Council would be failing in its duty as outlined in the Terrorism Act (2000) and Proceeds of Crime Act (2002) which place the responsibility on organisations (in this case the Council) to identify acts of money laundering and not become party to these. **(High)**

Money Laundering Training:

The Constitution outlines the Council's obligation to provide money laundering training to all employees who handle cash as part of their job role. We

identified that there is currently an optional 'Money Laundering' module within the 'Fraud Prevention' e-Learning training available to staff.

We identified through review that the module's contents did not adequately cover the expected actions in relation to money laundering. Furthermore,

we found that none of our sample of ten Regulatory Services staff members tasked with cash handling had completed the training. There is a risk that money laundering activities are not identified and therefore go unchallenged by receiving staff without appropriate training in this respect. **(High)**

1	The Council will ensure that all relevant staff members handling cash as part of their respective job roles are made aware of the Money Laundering Policy in place and have read and understood the following: - The Council's cash payment threshold for potential money laundering activities (one payment of £1,000 or £10,000 in smaller payments);	High	30th April 2020	Barry Stratfull – Service Lead – Finance

| 2 | The Council will ensure that the 'Money Laundering' training module is updated to include the processes and procedures expected in instances of potential money laundering activities. Following this, the Council will ensure that relevant staff members handling cash as part of their respective job roles are required to complete the 'Money Laundering' module as part of ongoing training. | High | 30th April 2020 | Hansa Benewara – Financial Investigator |

- The Council's obligations with respect to money laundering; and
- The process for reporting and investigating potential money laundering activities

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Asset Register 18.19/20

1 High

4 Medium

3 Low

We identified the following weaknesses which resulted in one high priority and four medium priority management actions being agreed:

Physical Asset Verification

Following discussions with both the Principle Asset Manager, we found that no physical verifications had been conducted for this financial year. This had been raised in the 2016/17, 2017/18 and 2018/19 reviews and a management action had been agreed to ensure that this verification process was implemented.

We also noted across clients of a similar size (typically NHS organisations) that asset verification exercises are considered as 'common practice' and performed as a means of providing first line assurances around the accuracy of the Council's asset register. Given that we have identified the same issues as part of our previous three reviews, we have increased the priority of the management action to a high. If physical verifications are not undertaken and documented, there is a risk that discrepancies between the asset register and physical assets may arise, thus leading to potential inaccuracies of the asset register. **(High)**

Asset Management Property Records Procedure

Our review of the Asset Management Property Records Procedure found the processes for managing the Council's property records had been detailed. However, we found the management action agreed as part of the 2016/17, 2017/18 and 2018/19 audits of the asset register for the inclusion of other teams' responsibilities, such as Finance and Legal remained incomplete.

Our testing also found that the procedure had yet to be reviewed by the Capital Strategy Board and had not been disseminated to the teams involved in the asset management process. Failing to update and review procedural documents increases the risk that contents are not reflective of current practice and that outdated information is made available to staff. This may lead to inconsistent practices being adopted by staff. **(Medium)**

New Assets

From a list provided by the Group Accountant-Corporate (Capital, Treasury & SUR), we noted eight assets (with a total value of £49.3m) had been acquired by the Council during 2019/20, all being strategic acquisitions. In all of these cases, we found the Asset Management Team had not been notified of the acquisition. This meant that the Terrier, SADIE Spreadsheet and CIPFA Asset Register had not been updated. The Principle Asset Manager advised that for strategic acquisitions, alternative solicitors to HB Law (whom are used for conveyancing of acquired assets) are utilised for such transactions.

Given that the responsibilities of other teams and departments are not documented and made available, the solicitors would not be aware of the requirement to notify the Asset Management Team of the acquisition. This issue reaffirms the need for a defined council wide asset management process to be documented and distributed to all relevant teams and parties.

If asset records are not updated on an ongoing basis throughout the year, there is a risk of inaccurate information (for example, through loss of key documentation) being used by management which could lead to inaccurate financial statements. **(Medium)**

Disposed and Transferred Assets

Using the notification email of disposed and transferred assets sent to the Asset Management Team, we selected a sample of 10. For this sample, we had noted asset management records were inconsistently completed, which included five records not updated on the Terrier, and six records not updated on the CIPFA Asset Register. We subsequently identified that management spot checks over the amendment of asset records have not been completed due to prioritisation of other work. Should the detective control of the spot checks have been employed, these incomplete asset records may have been identified.

Failure to update the Asset Register, may result to disposed assets showing on the asset register as current assets. This may lead to incorrect management information and reporting (including the Councils financial statements). **(Medium)**

Reconciliations between the Asset Register, Property Management Systems and Legal Records

Through discussions with the Principle Asset Manager and Service Lead for Finance, we found that a direct reconciliation is not undertaken between the asset register, property management system and legal records. We were informed by the Principle Asset Manager that there are no further reconciliations currently completed, however reconciliations between Land Registry and Terrier records as well as Legal Notices and the Asset Register could be performed to help detect any inaccuracies within the Councils' asset records.

If reconciliations between asset data and systems are not undertaken as to ensure data accuracy, there is an increased risk that errors in data quality will not be identified, leading to inaccuracies in financial reporting. **(Medium)**

| 1 | The Principle Asset Manager will undertake a review of the current Asset Management Procedure to determine the responsibilities of all involved departments and staff.

The procedure will be updated to outline:

• How to identify assets;
• Responsibility of staff in reporting new assets and disposals to the Finance team, the Legal team and the Asset Management team;
• Documentation to be held for assets owned by the Council;
• Timeliness and responsibility of reconciliations between the asset values in the asset register and the general ledger;
• Timeliness and responsibilities for all involved teams within the asset revaluation process and updating of results; | Medium | 31st May 2020 | Stuart Aislabie – Principle Asset Manager |

|				
	• The process for disposals and acquisitions of assets; and • The requirement for the Principal Asset Manager to oversee the preparation and implementation of a physical asset inspection process which will allow the Council to take assurances on the integrity of asset details maintained in asset managed records. Once reviewed, the procedure will be approved by the Capital Strategy Board and communicated across all service lines			
2	The Principle Asset Manager will produce a work programme to ensure that all updates to assets are brought up to date. Following this, the Principal Asset Manager together with the Service Lead for Finance to ensure that the Terrier system and CIPFA asset register are updated with details of all new assets acquired by the Council as they occur.	Medium	31st May 2020	Stuart Aislabie – Principle Asset Manager
3	The Principle Asset Manager will liaise with ICT to identify any issues affecting the performance of the Terrier System, in order to assure all updated records are recorded accurately. Further, the Principle Asset Manager will ensure that, in line with the Asset Management Property Records Procedure, spot checks are undertaken and documented, to ensure all records are updated on the Terrier System and CIPFA Asset Register.	Medium	31st May 2020	Stuart Aislabie – Principle Asset Manager
4	The Principal Asset Manager will oversee the preparation and implementation of a periodic asset verification exercise which will allow the Council to take assurances on the existence of asset details maintained in asset managed records. This will include working with other Council departments who currently maintain council properties and land.	High	30th June 2020	Stuart Aislabie – Principle Asset Manager
5	The Principle Asset Manager will ensure a reconciliation programme is created and undertaken, including • The reconciliation between the Land Registry and the Terrier System; and • Legal notices and the Asset Register.	Medium	30th June 2020	Stuart Aislabie – Principle Asset Manager

APPENDIX B: 2019/20 ASSURANCE OPINIONS

We are constantly developing and evolving the methods used to provide assurance to our clients. As part of this, we have refreshed our opinion levels in line with the graphics below.

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:
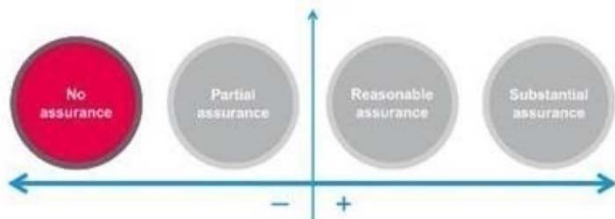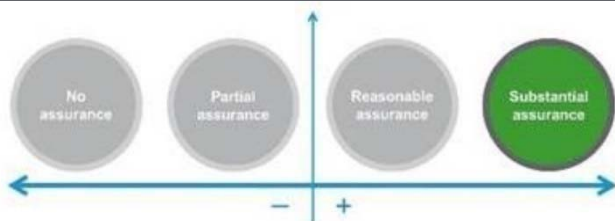

Taking account of the issues identified, the Council **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.
Urgent action is needed to strengthen the control framework to manage the identified risk(s).
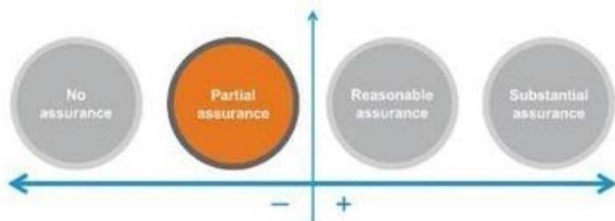
Taking account of the issues identified, the Council can take **partial assurance** that the controls to manage this risk are suitably designed and consistently applied.
Action is needed to strengthen the control framework to manage the identified risk(s).
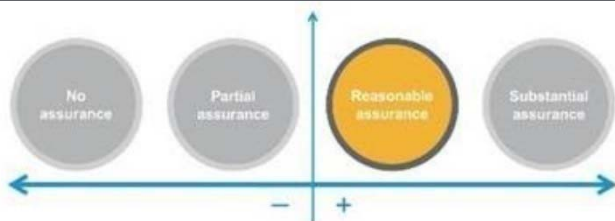
Taking account of the issues identified, the Council can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied.
However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).

Taking account of the issues identified, the Council can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

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