



# SLOUGH BOROUGH COUNCIL

## Annual internal audit report 2019/20

17 July 2020

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.





# CONTENTS

1	The head of internal audit opinion.....	2
2	The basis of our internal audit opinion .....	6
3	Our performance .....	7
	Appendix A: Annual opinions .....	9
	Appendix B: Summary of internal audit work completed 2019/20 .....	10
	For further information contact .....	14

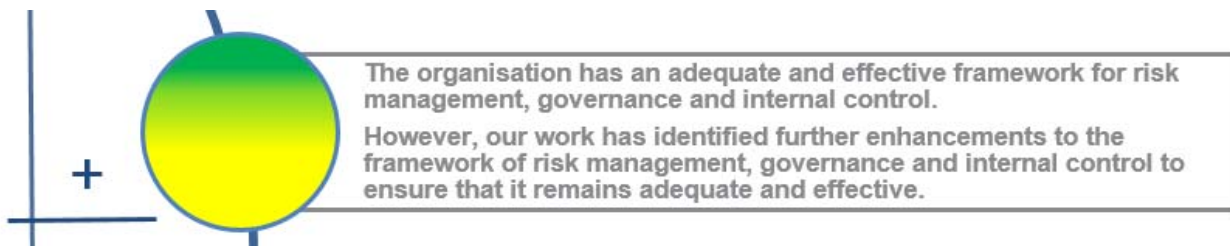
# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

## 1.1 The opinion

For the 12 months ended 31 March 2020, the head of internal audit opinion for Slough Borough Council is as follows:

### Head of internal audit opinion 2019/20



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

## 1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Council takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and

- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.
- Our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. As such our audit work and annual opinion does not reflect the situation which has arisen in the final weeks of the year. We do, however, recognise that there has been a significant impact on both the operations of the organisation and its risk profile.

### 1.3 Factors and findings which have informed our opinion

**Risk Management:** Our audit undertaken in 2019/20 concluded that the Council could take reasonable assurance over the effectiveness of systems in place for risk management and that the procedures put in place by the Council for risk management were generally well designed and effectively implemented. We found some weaknesses including the lack of an agreed risk appetite statement, which was subsequently addressed following the review and the failure to update the target implementation date of overdue actions and the quality of description, documentation and scoring of risks.

**Governance:** Our Governance audit undertaken in 2019/20 concluded that the Council could take reasonable assurance over the effectiveness of the systems in place to manage governance within the context of the committee structure. Throughout our review, we found the committee governance structure in place at the Council to mostly be functioning appropriately and working effectively with regards to the discharging of duties, assigning actions and distributing of papers. We have however identified some weaknesses including the provision of mandatory councillor training, as well as discrepancies within the terms of references, escalating activities and self-assessments of committees. We also noted issues with the information provided to employees regarding declaring interests and the recording of disclosures made by councillors within meeting minutes. Our review also noted similar findings to those identified by the Local Government Association (LGA) Peer Review of governance.

**Governance – James Elliman Homes (JEH):** Our audit identified a number of weaknesses in relation to the design and application of controls around the existing governance structure and approval processes adopted by the subsidiary. This included absence of financial procedural documentation, meaning there is no documented approval process, nor is there a scheme of delegation. Most notably, we identified that there are currently no non-financial performance reporting arrangements in place between JEH and the Council. Although an independent subsidiary, the Council retains full ownership of the company and should be receiving updates against agreed upon key performance indicators.

**Internal Control:** We have issued 34 internal audit reports for the 2019/20 financial year (including the Risk Management review and the two Governance reviews documented above). Of these, 28 were issued with assurance opinions, 4 were follow ups of progress made to implement previously agreed management actions and 2 were advisory reviews. We issued positive assurance opinions for 17 of the 28 assurance reviews. The no assurance opinion related to the following audit:

**Debtors Management** - This audit resulted in the Council being able to take **no assurance** over the effectiveness of controls in place to manage the risks associated with the area. We identified significant issues in relation to the recovery of debt, reviewing of 'parked' invoices, the ability to prepare and park invoices on Agresso and the raising of credit notes. We noted that the control framework in these areas was not robust and required improvement, with specific training needs also identified.

In addition to the above, for the following 9 audits the Council could take only **partial assurance** over the effectiveness of controls in place:

**Safety Advisory Group:** We identified several key controls which were inadequate in design to ensure that there is an effective forum in place to discuss and advise on the public safety of events. This includes the absence of Policy and Procedural guidance to affirm the SAGs position and processes. We also identified issues around the formal documentation of key processes including meetings and reviews of upcoming events. Due to the inconsistent practices adopted in these areas, were unable to confirm that the SAG was discharging its responsibilities.

**Health and Safety:** Despite noting that progress had been made at a directorate level against the management actions agreed in the 2018/19 Health and Safety review, our testing still identified a number of weaknesses around health and safety practices adopted at the Council. Most notably, we found that health and safety assessments had not been undertaken by all services within the Adult Social Care, Children's Learning and Skills and Finance and Resources directorates, and although reported that these had been completed for the Regeneration/Place and Development directorate, we were unable to confirm this for all areas. We also found poor completion levels with the Council's four mandatory health and safety training modules.

**Rent Arrears Recovery:** Our testing found issues with how the Council are chasing former tenant arrears balances. At the time of the audit, we identified £884k worth of debts which were not being systematically chased given that these were below £3k in value. Through further analysis of the aged debt profile of former tenant arrears, we noted £1,037k of outstanding former tenant arrears were outstanding, where the tenancy had ended in 2017 or earlier. Given that these debts have been outstanding for more than a year, this will impact the collectability of such debts.

**Temporary Accommodation (TA) Strategy:** 137 properties were being used by the TA team to accommodate households under a contract with RMI, however no safety assurances were sought by the team prior to the placement of households in these properties. Relevant safety documentation had not been consistently retained by the Council, including gas safety and energy performance certificates. We also identified weakness in relation to strategic monitoring and reporting of the performance of Housing Services.

**Cash Handling and Regulatory Services – Cash Handling:** For each of these two reviews, we noted the controls around cash handling to be well designed and consistently applied. We did however identify that there is a lack of awareness, communication and available guidance in relation to money laundering. For both of the reviews, we identified that a significant amount of money was received in cash by the Council with a lack of training provided on anti-money laundering processes and procedures.

**Asset Register:** Our audit identified several control gaps impacting the maintenance of the Asset Register. This included inadequate procedural guidance, the untimely update of Council records with acquisitions, disposals and transfers. The issues identified during our sample testing, such as the accurate and timely updating of asset records, were largely attributed to a lack of clarity over asset management processes across Service Lines within the Council.

**Council Tax:** Our review identified issues in relation to reconciliations. Although we found reconciliations were undertaken between Agresso and Capita for council tax payments, Direct Debit reconciliations were not always authorised within a timely manner, and variances were not resolved and communicated between arvato and the Council. The variance identified at the time of the audit between these systems was recorded as £2.5m in September 2019. Other areas for improvement included timely reviews of historic Council Tax debts and reviews of enforcement agent success rates.

**Contract Management – Everyone Active:** We concluded that the contract management currently in place for this contract were not robust and leads to a significant risk that value for money is not being realised. Issues were identified including the need to strengthen the performance management and monitoring function, improvement of the risk management arrangements for the contract and the need to strengthen the exit planning process.

It should also be noted that there were 17 audits where we concluded the Council could take positive assurance, where either a substantial (3 audits) or reasonable assurance (14 audits) could be taken. These areas are listed in full within appendix B of this report and include the following:

### **Reasonable Assurance**

- Treasury Management
- Allotments
- Fire Safety
- Risk Management
- General Ledger
- School Review - Slough Centre Nursery
- Rent Accounts
- Payroll
- Governance
- Capital Expenditure
- Budgetary Setting and Budgetary Control, including Forecasting
- Business Rates
- Creditors
- Transformation Board

### **Substantial Assurance**

- School Review - Penn Wood School
- Major Infrastructure Projects
- Housing Benefits

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

## **1.2 Topics judged relevant for consideration as part of the annual governance statement**

Although the Head of Internal Audit Opinion is an unqualified one, there were a number of areas, as detailed in section 1.3 above where only partial assurance, and one where no assurance could be taken, over the effectiveness of controls in place.

The Annual Governance Statement should therefore include appropriate detail regarding the weaknesses identified and any actions that have already been taken by the Council to address the issues identified in the following reviews:

- Debtors Management
- Health & Safety
- Safety Advisory Group
- James Elliman Homes
- Rent Arrears Recovery
- Temporary Accommodation Strategy
- Regulatory Services - Cash Handling Arrangements
- Cash Handling
- Asset Register
- Council Tax
- Contract Management - Everyone Active Leisure Contract

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2019/20. At the time of the production of this report, four assurance based reviews remain in draft, and we have been provided with assurance by management as part of the debrief meeting process that the management actions have been accepted. Please note the fieldwork for one review remains in progress and a draft report will be issued shortly.

### 2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place which is managed by the Risk and Insurance Officer. During the year progress has been reported to each Audit and Corporate Governance Committee meeting, and quarterly validation of a sample of high and medium priority actions has been undertaken by Internal Audit.

For the four reviews undertaken during the year, two reviews concluded that **reasonable progress** had been made whilst two reviews concluded that the Council had made **little progress** to address agreed actions, with a number of medium priority actions outstanding beyond their due date. A summary of the implementation rate of the actions followed up is detailed below;

Implementati on status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Completed or no longer necessary (1) + (4)
Medium	95	49	26	17	3	0	52
High	14	4	8	1	1	0	5
<b>Totals</b>	<b>109</b>	<b>53</b>	<b>34</b>	<b>18</b>	<b>4</b>	<b>0</b>	<b>57</b>

Of the 109 actions reviewed, we found that whilst 53 (49%) had been implemented, 18 actions (17%) were not implemented, including one high priority action relating to the Neighbourhood ASB enforcement audit.

### 2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

## 3 OUR PERFORMANCE

### 3.1 Wider value adding delivery

- Issued briefings relating to the sector within our progress reports presented to the Audit and Corporate Governance Committee to assist officers and committee members in being informed on the latest developments within the sector.
- Provided support to the Council in the development of its business continuity arrangements.
- Provided benchmarking within our reports where possible on the number and category of actions and assurance opinions across organisations similar to yourselves.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public sector to provide areas for consideration.
- We attend and contribute to the Risk and Audit Board meetings, helping the Council embed Risk Management, as part of this meeting we review actions taken by the Council to address risks identified within Internal Audits. This has included updating the Group on significant findings from Internal Audit work together with providing independent challenge on the content and quality of the risk registers.
- Through the use of data analytics, we were able to analyse, amongst other areas, the aged profile of the Council's former tenant arrears which has provided the Council with an appreciation of the issues they may face around the collectability of older debts and have also used data analytics where applicable through all finance work completed during 2019/20.
- Presented to the SLT on the Follow Up process in place at the Council and to support the Chief Executives drive to improve Grip and Control across the Council.

### 3.2 Conflicts of interest

We have undertaken work in the 2019/20 financial year covering the following areas;

- Business Continuity: We have continued to provide support to the Council during the year to assist in the development of its business continuity plans.
- Health and Safety: We have continued to provide support to the Council in the area of Health and Safety compliance across the organisation.
- Procurement: We have supported the Council with the provision of its procurement service.
- Software: We provide the Council with Software to assist in tracking management actions and risk management processes.

All this work was undertaken via separate letters of engagements, led by independent engagement partners and delivered by specialist staff separate from the core Internal Audit Team. We have considered as part of all of these additional engagements the safeguards required to be in place and are satisfied that these have been met.

When asked to undertake any additional roles / responsibilities outside of the internal audit programme, the Head of Internal Audit has discussed these areas with the Section 151 (S151) Officer and highlighted any potential or perceived impairment to our independence and objectivity. We have also reminded the S151 Officer of the safeguards we have put in place to limit impairments to independence and objectivity and how these continue to be managed.

### 3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).



Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

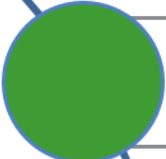
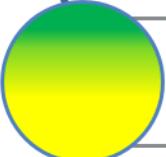
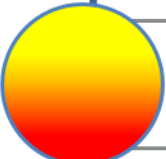
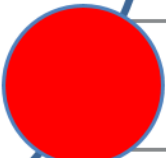
### **3.4 Quality assurance and continual improvement**

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

# APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.


Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> <li>inherent risk in the area being audited;</li> </ul>
<p>+</p>  <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	<ul style="list-style-type: none"> <li>limitations in the individual audit assignments;</li> <li>the adequacy and effectiveness of the risk management and / or governance control framework;</li> </ul>
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> <li>the impact of weakness identified;</li> <li>the level of risk exposure; and</li> </ul>
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> <li>the response to management actions raised and timeliness of actions taken.</li> </ul>

# APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/20

All the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

Assignment area	Fieldwork date/status	Opinion	Actions		
			L	M	H
Debtors Management	Final Report		2	5	1
Health & Safety	Final Report		2	3	2
Safety Advisory Group	Final Report		3	7	0
James Elliman Homes	Final Report		3	5	1
Rent Arrears Recovery	Final Report		4	4	0
Temporary Accommodation Strategy	Final Report		3	4	1
Regulatory Services - Cash Handling Arrangements	Final Report		5	0	2
Cash Handling	Final Report		1	0	2
Asset Register	Final Report		3	4	1
Council Tax	Final Report		3	1	1
Contract Management - Everyone Active Leisure Contract	Draft Report		2	11	5
Treasury Management	Final Report		6	1	0

Allotments	Final Report		7	3	0
Fire Safety	Final Report		2	3	0
Risk Management	Final Report		3	7	0
General Ledger	Final Report		5	2	0
School Reviews (Slough Centre Nursery)	Final Report		4	2	0
Rent Accounts	Final Report		1	1	0
Payroll	Final Report		3	1	0
Governance	Final Report		6	1	0
Capital Expenditure	Draft Report		5	1	0
Budgetary Setting and Budgetary Control, including Forecasting	Final Report		1	1	0
Business Rates	Draft Report		4	1	0
Creditors	Final Report		6	3	0
Transformation Board	Draft Report		6	5	0
School Reviews (Penn Wood School)	Final Report		0	0	0
Major Infrastructure Projects	Final Report		2	0	0

Housing Benefits	Final Report		2	0	0
Follow Up - Q1	Final Report	Reasonable Progress	1	2	1
Follow Up - Q2	Final Report	Little Progress	2	2	0
Follow Up - Q3	Final Report	Reasonable Progress	0	4	0
Follow Up - Q4	Final Report	Little Progress	0	4	1
Assurance Mapping	Final Report	Advisory Review	Not Applicable		
Workforce Planning	Draft Report	Advisory Review	Not Applicable		

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

	<p>Taking account of the issues identified, the board 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).</p>
	<p>Taking account of the issues identified, the board 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).</p>
	<p>Taking account of the issues identified, the board 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).</p>
	<p>Taking account of the issues identified, the board 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.</p>

# FOR FURTHER INFORMATION CONTACT

**Daniel Harris, Head of Internal Audit**

[Daniel.Harris@rsmuk.com](mailto:Daniel.Harris@rsmuk.com)

Tel: 07792 948767

**Amir Kapasi, Manager**

[Amir.Kapasi@rsmuk.com](mailto:Amir.Kapasi@rsmuk.com)

Tel: 07528 970 094

## **rsmuk.com**

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.

Our report is prepared solely for the confidential use of Slough Borough Council and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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.