



SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

For the Audit and Corporate Governance
Committee meeting on 3 August 2020

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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 and 2020/21 plans. The report is based on the position as at the 17th July 2020.

2019/20 Internal Audit Plan

We have also finalised **eight** 2019/20 reports since the previous Audit and Corporate Governance Committee meeting held in March 2020:

- Follow Up Q4 – **Little Progress**
- Assurance Map – **Advisory**
- Budget Setting and Budgetary Control (Including Forecasting) – **Reasonable Assurance**
- Governance – **Reasonable Assurance**
- Creditors – **Reasonable Assurance**
- Debtors Management – **No Assurance**
- Follow up Q3 – **Reasonable Progress**
- Council Tax – **Partial Assurance**

The exec summary findings from the three negative opinions (one no assurance, one partial assurance and one little progress) documented above are discussed in more detail below in Appendix A. In addition, we have issued the following **four** reports in draft as part of the Internal Audit Plan for 2019/20:

- Business Rates – Reasonable Assurance
- Everyone Active Contract Management Review – Partial Assurance
- Capital Expenditure - Reasonable Assurance
- Transformation Programme – Reasonable Assurance

2020/21 Internal Audit Plan

The Internal Audit Plan for 2020/21 was approved by the Audit and Corporate Governance Committee on 5th March 2020. This report also provides a summary update on progress against the plan as at 16 July 2020. Four reports have been issued in draft as part of the 2020/21 plan:

- Cippenham Nursery School
- Conflicts of Interest
- Follow Up Q1
- Whistleblowing

2 SUMMARY OF PROGRESS TO DATE

Reports shown in bold have been finalised. The table below is a summarised version of the remaining 2019/20 audits that have been issued in either draft or final (**bold**) since the last committee meeting. All 2019/20 audits have now been completed and only four remain in draft.

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

2019/20 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
Debtors Management	Q4	Final Report	22nd April 2020	28th April 2020		2	5	1
Council Tax	Q3	Final Report	17th February 2020	4th March 2020		3	1	1
Creditors	Q3	Final Report	11th February 2020	1st May 2020		6	3	-
Budgetary Setting and Budgetary Control, including Forecasting	Q3	Final Report	13TH March 2020	6th May 2020		1	1	-
Governance	Q4	Final Report	27th April 2020	6th May 2020		6	1	0
Follow Up - Q3	Q4	Final Report	10th February 2020	6th March 2020	Reasonable Progress	-	4	-

Follow Up - Q4	Q4	Final Report	7 th May 2020	25 th June 2020	Little Progress	2	2	1
Assurance Mapping	Q3	Final Report	19 th February 2020	6 th May 2020	Advisory	-	-	-
Capital Expenditure	Q3	Draft Report	15 th January 2020					
Business Rates	Q3	Draft Report	13 th May 2020					
Contract Management - Everyone Active Leisure Contract (Advisory)	Q4	Draft Report	16 th April 2020					
Review of Futures Transformation Programme	Q4	Draft Report	17 th July 2020					

2020/21 Internal Audit Plan

Assignment area	Timing (Quarter)	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
Follow Up Q1	Q1	Draft Issued	9 th July 2020					
Cippenham Nursery School	Q1	Draft Issued	13 th July 2020					
Conflicts of Interest	Q1	Draft Issued	9 th July 2020					
Whistleblowing	Q1	Draft Issued	14 th July 2020					
Grants	Q1	Fieldwork complete - In QA						

Risk Management	Q1	Fieldwork complete - In QA
Section 106 Funds	Q2	Fieldwork complete - In QA
Planning Application Response Times	Q3	Fieldwork complete - In QA
Safety Advisory Group	Q2	In progress
Follow Up Q2	Q2	In progress
Business Continuity and Emergency Planning	Q2	In Progress
Parish Council Governance*	Q2	Cancelled by Director of Finance and Resources
Cyber Security	Q2	
Council Buy Backs	Q2	
Capital Expenditure	Q2	
Business Rates	Q2	
Adult Social Care Practice	Q2	
Mental Health Provision	Q2	
Governance	Q2	
Rent Arrears Recovery	Q2	



James Elliman Homes	Q3
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Planning Performance Agreements	Q3
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Council Tax	Q3
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Housing Benefits	Q3
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Social Lettings Team	Q3
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Creditors	Q3
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Asset Management	Q3
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Cash Collection and Management	Q3
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Rent Accounts	Q3
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Payroll	Q3
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General Ledger	Q3
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Debtors	Q3
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Off Payroll Working (IR35)	Q3
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Transformation Programme Follow Up	Q3
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Corporate Health and Safety	Q4
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Continuing Health care	Q4
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Follow Up Q3

Q4

Treasury Management

Q4

Temporary Accommodation and
Homelessness

Q4

Follow Up Q4

Q4

Schools

Various dates throughout the year



3 OTHER MATTERS

3.1 Impact of our work on the 2019/20 and 2020/21 year end opinions

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.

2019/20 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 nine final reports over which the Council can take only 'partial' assurance, one report (debtors) where the Council can take no assurance and another two negative opinions relating to the Q2 and Q4 follow ups (Little Progress).

The negative opinions have all impacted our 2019/20 year end opinion but this has not resulted in a qualification to that opinion. The annual internal audit report (and opinion) is a separate agenda item on the August 2020 agenda.

2020/21 Opinion

We will provide further updates throughout the year. We have only issued four draft reports and it is too early to comment on any potential impact on year end opinions. We will continue to update the Section 151 Officer, Chief Executive and Audit and Governance Committee Chair in relation to any further impact to the year-end opinion throughout the year.


3.2 Client briefings

Helping our internal audit clients on the road to recovery

We have recently issued a communication to all of our clients which has also been attached as a separate item to this paper which outlines our steps, as your internal audit provider, in relation to continued service delivery.

The spread of the COVID-19 coronavirus continues to dominate the news, with major implications for public health, the NHS and local authorities. It is also causing economic disruption across the globe and turbulence on the markets. As you would expect we are monitoring developments closely for both our people's safety and our clients' understandable requirements for safe but effective ongoing service delivery as far as practicable. We have, as you expect, put in place sensible measures to ensure that not only is RSM Risk Assurance Services well prepared, but that we are agile and able to respond to changing work environments as our clients make the first early steps towards some form of recovery.

Our briefing provides you with reassurance in respect of our actions as a firm and our proposed solutions. We wanted to reassure you that in respect of the spread of COVID-19 outbreak we are focused on three key areas:

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- the health and welfare of our clients and staff;
 - our ability to continue to support clients in all scenarios; and,
 - of course, the delivery of our planned audit reviews and annual opinions.

We have issued the following client briefings since the last Joint Audit Committee:

- Covid-19 Fraud Risks
- Internal Audit Update
- Cyber risk
- Alert - COVID-19 email scams

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

Follow Up Q4 30.19/20	Little Progress	<p>1 High</p> <p>2 Medium</p> <p>0 Low</p>
<p>Taking account of the issues identified in our opinion Slough Borough Council has demonstrated little progress in implementing agreed management actions.</p> <p>We identified the following issues which resulted in one high priority and two medium priority management actions being agreed:</p> <p>James Elliman Homes (8.19/20) – Reporting</p> <p>We were advised by the Commercial Companies Manager that CMT are yet to agree the frequency with which updates from JEH are reported. The Commercial Companies Manager advised that the company are currently in the process of reviewing the relationship between the Council and commercial companies and this includes considering the frequency of reports and the submission of business plans.</p> <p>Whilst updates around JEH are not provided to the Council (for example, via CMT) there is a risk that without sufficient reporting of JEH activity into an SBC forum, the Council may have insufficient oversight into the position of its subsidiary and is therefore unable to scrutinise its performance (High).</p> <p>Neighbourhood ASB Enforcement (11.17/18) – Policy and Procedure</p> <p>We obtained an email, evidencing the ASB Co-Ordinator had shared a copy of the ASB Policy along with the associated fact sheets in September 2017 (following completion of our initial audit) with the Council's Neighbourhood Managers. We were however advised by the ASB Coordinator that staff were not required to confirm that they have read and will comply with the policy.</p> <p>We were also advised that there has not been any training provided to staff regarding the application of the policy, however the intention is for training to be made available to officers in the future. The Neighbourhood Manager advised that these have not been put in place owing to a potential restructuring in the department in June 2020.</p> <p>There is therefore a risk that staff are not fully aware of their responsibilities in relation to ASB cases. This may lead to inconsistent and/or inadequate responses to ASB cases, and the Council being unable to demonstrate that ASB cases are being given due attention. (Medium)</p>		

Neighbourhood ASB Enforcement (11.17/18) – Use of Flare

Through review of Fact Sheet Six, we identified that a total of 15 different types of cases should be recorded on Flare to categorise the case. Types of cases include Noise, Harassment and Vandalism.

We obtained a report from Flare detailing all ASB cases reported between April 2019 and March 2020 and noted that a total of 168 different types of case had been utilised. Through our review, we noted a number of these related to similar types of case but had been categorised as different types. For example, there were six different types of dog related types. As per Fact Sheet Six, these cases should be categorised under pets/ animals.

The Enforcement and ASB Transition Co-ordinator advised that the Flare system enables those with access to add different types, however there is no vetting system to ensure that these new codes are checked and approved before adding to the system. The Enforcement and ASB Transition Co-ordinator subsequently advised that Council staff are currently unable to remove types from Flare, meaning that the number of types continues to grow.

The lack of consistent recording of categories and types for ASB cases in line with the categories and types defined within the Fact Sheet, restricts the Council's ability to effectively monitor and analyse trends in ASB activity and performance and to benchmark it against other organisations. **(Medium)**

1	The Council will consider the reporting requirements expected of James Elliman Homes as part of a reporting review.	High	31 st August 2020	Colin Moone - Service Lead Strategic Housing Services
2	The Policy and Fact Sheets will be re-circulated to all relevant staff, and they will be required to confirm that they have read and will comply with it.	Medium	31 st January 2021	Michelle Isabelle - Enforcement and ASB Transition Co-ordinator
3	A reminder will be sent to all users of Flare advising them to not add new ASB Categories to the system. The Council will investigate with the Capita Support Team how ASB case types can be removed from the Flare system. Following this, the types of Flare will be reviewed and updated to ensure these are aligned and reflect the categories and types defined within Fact Sheet 6 - ASB Case Management Systems.	Medium	30 st October 2020	Ian Blake – Neighbourhood Manager



Debtors 28.19/20		<p>1 High</p> <p>5 Medium</p> <p>2 Low</p>
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We identified the following weaknesses, resulting in one high and five medium priority management actions being agreed:

Debtor Training



The completion of the 'Customer and Sales' training module available to staff via the Learning Pool platform is not currently monitored given the inaccuracies of reporting from the platform and the pending transition onto Cornerstone. It is expected by the Council that the provision of training on Cornerstone will inform and guide all staff on finance-based Agresso functions. Our subsequent sample testing identified issues in relation to the raising of credit notes, where two of our sample of 20 were first rejected as no invoice number had been input and supporting documentation had not been uploaded in 19 cases and inappropriate parking/unparking of invoices.

A further review of all credit notes processed also found that 153 of these (20 per cent) had been raised based on descriptions including the terms 'duplicate', 'error', 'incorrect', 'invalid' and 'overcharged'. Each of these findings reflect a training need for staff in relation to accounts receivable function without such there is a risk of continued inappropriate action in this area. **(Medium)**

Customer Credit Notes



For a sample of 20 credit notes processed in the current financial year, we confirmed that these had been accurately processed with regards to value and a segregation of duties was maintained between raising and approving, which was done so in-line with expenditure limits. However, supporting documentation had been attached to only one of the sampled credit notes. Without ensuring supporting evidence is uploaded when raising credit notes there is a risk that these are inappropriately approved which may lead to a loss of income for the Council. **(Medium)**

Agresso Debt Reminders



For a sample of 20 current aged debts, we identified 21 instances whereby debt reminders had not been sent in a timely manner - 11 first reminders had not been sent within 14 days of due date (spanning from 22 to 92 days) and 10 second reminders had not been sent within seven days of the first reminder (spanning from one to 29 days). We were unable to confirm the reasons for these, however we were advised reasons could include the inappropriate parking of invoices (as further expanded upon below) and failure to transfer cash from the Icon system, where given that cash transfers have not been confirmed, reminders are not sent to ensure inappropriate chasing does not occur. Without ensuring that the debt reminders function is working consistently, there is a risk that reminders are not sent in a timely manner, decreasing the likelihood of debt recovery. **(Medium)**



Debt Recovery Policy

For testing of 20 current aged debts we found that no consistent debt recovery procedure was followed after sending reminders. We were informed by the Service Lead Finance, that although a Debt Recovery Policy had been drafted, this had not been finalised and work had started over. Without a defined process for debt recovery, there is an increased risk of inconsistent debt chasing which decreases the likelihood of debt recovery. **(Medium)**

Parking of Invoices on Agresso



For a sample of ten parked invoices, we noted two instances where no explanations as to why amounts had been parked had been uploaded onto the system. Another instance found that although payments were being made, as the invoices had been parked these were not applied to the customer's balance and debt was still showing as outstanding (and therefore incorrectly appeared to be an amount owed to the Council). Our testing of aged debt also identified issues whereby invoices had been parked and were therefore not sent timely debt reminders, and where invoices had been incorrectly unparked and would be sent reminders despite regular payments being received. Failing to ensure robust controls are in place for parked invoices increases the likelihood of inaccurate parking and unparking of debt. This in turn can lead to a lack of chasing, reducing the likelihood of recovery or inappropriate chasing which may lead to reputational damage. **(Medium)**

Parked Debt Analysis



We reviewed the current level of parked debt in comparison to the past two years (2017/18 and 2018/19). Although levels have decreased from those identified last year, from £4,725,100 to £4,268,156, parked debt remains high with the average value of a parked invoice £1,000. No review of parked invoices has occurred and the ability for all staff to park/unpark amounts increases the likelihood that inappropriate amounts have been parked. This increases the risk that the Council is not pursuing debt recovery action and increases the risk that debts will not be recovered. Parked debt amounts may also result in inaccuracies when calculating collection rates, given that these are not considered. **(High)**

1	<p>All finance-based training, including the 'Customer and Sales' and 'Requisitioner' modules, will be reviewed and updated prior to transitioning onto the Cornerstone platform to reflect current practice and expectations.</p> <p>Following this, the Council will ensure that all staff using the Agresso self-service finance functions undertake relevant training, with completion rates reported at an appropriate forum.</p> <p>Exception reports of staff who have not completed the training will be forwarded onto managers with an instruction for relevant staff to complete the trainings.</p>	Medium	31 st December 2020	Barry Stratfull – Service Lead, Finance
2	<p>The Council will ensure a reminder is issued to staff and managers outlining the following requirements:</p> <ul style="list-style-type: none"> • For all staff to add supporting documentation on Agresso when raising credit notes; and 	Medium	30 th June 2020	Barry Stratfull – Service Lead, Finance

	<ul style="list-style-type: none"> • For all managers approving credit notes to ensure such documentation has been uploaded prior to approval. 			
3	<p>The Agresso Support team will investigate the underlying cause of the failures to post cash from the Icon system and pick up all relevant invoices for reminders.</p> <p>The outcomes will be used to correct the systems and provide assurance that all appropriate reminders are issued to debtors.</p>	Medium	30 th June 2020	Barry Stratfull – Service Lead, Finance
4	<p>The Council will produce an Accounts Receivable Debt Recovery Policy, covering the following:</p> <ul style="list-style-type: none"> • Systematic recovery actions; • Timeframes for actions; and • Exceptions to the policy, including social care cases and how these are approached. <p>The policy will be subject to formal review and disseminated to relevant staff, including the Accounts Receivable team.</p> <p>The Council will explore the feasibility of inputting the recovery actions and timeframes as agreed in the policy onto the Agresso system to allow for invoice flagging and automatic alerts.</p>	Medium	31 st October 2020	Eugene Spellman – Head of Transactional Finance
5	<p>The Council will explore the possibility of adding approval requirements to the Agresso system when parking and unparking invoices.</p> <p>In lieu of this, access to park invoices will be the sole responsibility of the Accounts Receivable team. Staff requiring invoices to be parked will contact the team and a decision will be made as to whether this is a valid request or if additional information/approval is required.</p>	Medium	31 st October 2020	Eugene Spellman – Head of Transactional Finance
6	<p>The Council will complete a full review of parked invoices, validating the reasons for parking amounts.</p> <p>Where debts have been incorrectly parked, these will be subject to recovery action as per the Debt Management Policy (please see action six).</p> <p>The outcome of the review will be reported to the Service Lead Finance and escalated as appropriate.</p>	High	31 st October 2020	Eugene Spellman – Head of Transactional Finance



Council Tax 25.19/20		<p>1 High</p> <p>1 Medium</p> <p>3 Low</p>
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We identified the following weaknesses, which resulted in one High and one Medium priority management action:

Reconciliations



During review of monthly reconciliations undertaken between Academy and Agresso, we found a current year to date discrepancy of £2,516,195, as of September 2019. We found that the discrepancy was in relation to Direct Debits not being posted within Agresso, however since the movement of staff from arvato back into the Council, were being investigated by the Finance Team. We were advised by the Head of Revenues that this difference had been identified in the prior year and had been rolled forward to the current financial year.

If all unreconciling items are not investigated in a timely manner, there is a risk that either council records will not accurately reflect collected income, and all income received may not be appropriately coded within Agresso. This may limit the accuracy of the Councils reporting. **(High)**

Debt Management – Council Tax Arrears



During our sample testing of the debt management process, we were advised by the Revenues Manager that two of our sample (of 20) related to arrears accumulated historically (both cases had built up these debts from 1997). Due to the length of time these arrears cases have been active, we were unable to confirm why no action had been taken. We were further advised by the Revenues Manager that the Academy system does not detail all information relating to historical cases, owing to this not being transferred to Academy during its implementation. We also found that due to their age, if no liability had been obtained, no further action could currently be taken to recover this debt.

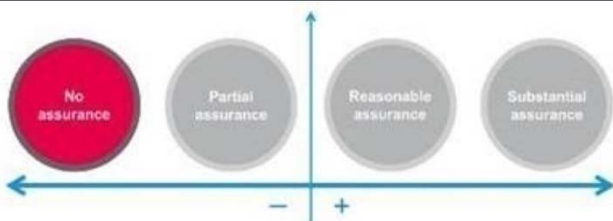
If all information relating to aged debts is not readily available and reviewed, there may be increased difficulty of identifying and escalating debts in a timely manner, thus potentially affecting the overall recovery of Council Tax debts. **(Medium)**

1	The Revenues Manager will undertake a review of current Council Tax arrears cases in order to identify cases where debts cannot be chased. These cases will be recommended for write off.	Medium	30 th September 2020	Vijay McGuire Service Lead – Customer and Communications
2	The Council will undertake an investigation into the £2,516,195 unreconciled difference identified via the Council Tax Direct Debit reconciliations, in order to identify reasoning for this. The Council will also ensure that all variances are completed and investigated within a timely manner and completed reconciliations are shared with Finance.	High	30 th September 2020	Vijay McGuire Service Lead – Customer and Communications

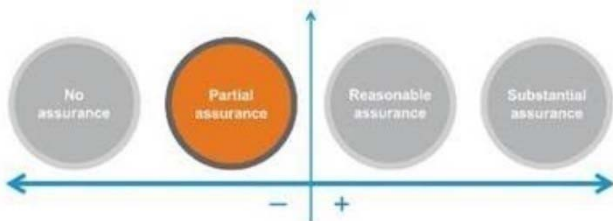
APPENDIX B: 2020/21 ASSURANCE OPINIONS

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.

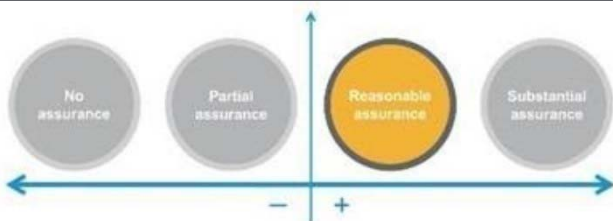
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:



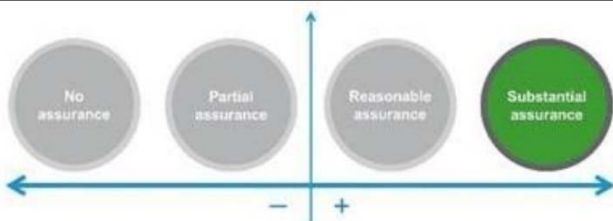
Taking account of the issues identified, the Council **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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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