

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	17 January 2024
Subject:	Update on Internal Audit
Chief Officer:	Adele Taylor – Executive Director of Finance and Commercial (S151)
Contact Officer:	Sati Seehra, Internal Audit Manager
Ward(s):	All
Exempt:	NO
Appendices:	Appendix 'A' – Overdue High Risk Audit Actions Appendix 'B' – Internal Audit Reports (Executive Summaries) Appendix 'C' – Revised Internal Audit Plan

1. Summary and Recommendations

1.1 This report sets out:

- Progress on the implementation of internal audit reports and actions for 2021/22, and 2022/23 (Appendix A) with Executive Summaries (Appendix B).
- Progress on recruitment to the Internal Audit Team and the Risk and Insurance Team.
- A revised Internal Audit Plan for the remainder of 2023/24 and an initial proposal for 2024/25 (Appendix C).

Recommendations:

The Audit and Corporate Governance Committee is recommended to:

- Approve the amended Internal Audit Plan for 2023/24 at Appendix C;
- Consider and comment on the draft Internal Audit Plan for 2024/25 and note this will be brought back to Committee in March 2024 for approval;
- Note the progress update in relation to outstanding internal audit actions.

Reasons

Internal audit is a critical function in a local authority, helping the Council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and promoting good corporate governance.

Commissioner Review

To be effective, the internal audit function must possess sufficient resources, in terms of staff numbers, skills and expertise. to accomplish its goals in relation to assurance, consulting, compliance auditing; and to carry out the internal audit plan, which has been

reviewed and approved by the committee and the committee should periodically assess this.

In providing an opinion to the Committee over the reliance which may be placed upon management's reporting, Internal Audit need to ensure the action which are reported as complete are implemented correctly, obtaining suitable evidence to confirm this and, where relevant, undertake testing to ensure it is operating effectively. It is critical not just to ensure the action is complete, but that it has effectively mitigated risk to an acceptable level with follow up audits scheduled where appropriate.

In considering material changes to the approved audit plans and deciding whether to defer an audit, consideration should be given as to whether the audit area is key to the Council achieving its ambitions, the impact of deferring, whether assurance can be delivered in an alternative way and what impact if any there will be as a collective set of actions on the Head of Internal Auditor's or Chief Internal Auditor's annual opinion.

2. Response to Internal Audit Actions

2.1 Progress continues to be made regarding completion of internal audit recommendations. All internal audit actions have been allocated to and reviewed by action owners and Executive Directors, including actions that are deemed not relevant due to changes in circumstances. Actions from previous year's audits are also reviewed to ensure they are relevant to the service area to which they have been assigned.

2.2 Evidence of actions completed is obtained and quality assured by the Internal Audit Manager and retained for use in follow up audits.

2.3 2021/22 Internal Audit Actions

A total of 37 Internal audit reports were issued in 2021/22 (29 assurance and 8 advisory). The status of audits actions for the financial year 2021/22 is as follows:

Total 21/22				
Totals	Total	High	Medium	Low
Not Due	0	0	0	0
Overdue	64	2	39	23
Complete	263	53	119	91
Not Allocated	0	0	0	0
Totals	327	55	158	114

- 327 recommendations were made in 2021/22 reports, 55 are High, 158 are medium and 114 are low rated.
- 263 actions or 80 per cent of actions due are complete (up from 229 prior month) with a further 64 actions or 20 per cent are overdue the agreed date of implementation (down from 98 prior month). 2 of these are rated high, 39 are medium and 23 low rated.

2.4 The overdue actions have been shared with each department so Department Leadership Teams can consider the current position and respond. Work will

continue with DLT's to reduce these numbers with the expectation that these should be closed off by the end of this financial year.

2.5 The Council has a collective responsibility to ensure that agreed audit recommendations have been actioned. The Council has set a target to have no high-rated actions from FY2021/22 outstanding by March 2024. This target will not be achieved as there will be one action outstanding from the GDPR Governance audit which is dependent upon the current senior management restructure being completed before action to close can be taken. The remaining action relates to Cyber Security which is expected to be completed by the end of January 2024.

2.6 **2022/23 Internal Audit Actions**

A total of 28 Internal audit reports were issued in 2022/23 (25 assurance and 3 advisory). The status of audits actions for the financial year 2022/23 is as follows:

Total 22/23				
Totals	Total	High	Medium	Low
Not Due	53	10	33	10
Overdue	66	17	32	17
Complete	106	27	52	27
Not Allocated	0	0	0	0
Totals	225	54	117	54

- 225 recommendations were made in 2022/23 reports, 54 are High, 117 are medium and 54 are low rated.
- 106 actions or 47 per cent of actions due are complete (up from 90 prior month) with a further 53 or 24 per cent of actions not yet due for completion (down from 75 prior month).
- 66 actions or 29 per cent are now overdue of the agreed date of implementation (up from 60 prior month). 17 of these are rated high, 32 are medium and 17 low rated.

2.7 The overdue actions have been shared with each department so Department Leadership Teams can consider the current position and respond. Work will continue with DLT's to reduce these numbers. However, there was a trend of the number of overdue actions increasing predominantly due to a mixture of optimistic implementation dates having been originally agreed with the previous internal audit provider by action owners, and a high turnover of staff in Directorates over the last two years that has put the focus on 'business as usual' activity.

2.8 As the Council enters Quarter 4, traditionally one of the busiest periods for reporting, the focus on overdue audit actions may become diluted due to end of year requirements, and the number of overdue actions may increase once again. The Internal Audit function will continue to work with the Directorate Leadership Teams to encourage completion of all audit actions.

2.9 The Council has a collective responsibility to ensure that agreed audit recommendations have been actioned. The Council has been set a target to

have no high-rated actions from FY2022/23 outstanding greater than 30%. The current year to date achievement is 31%. If no further outstanding or upcoming actions are closed, then Internal Audit will not achieve this target.

2.10 2023/24 Internal Audit Actions

A total of 9 Internal audit reports were issued in 2022/23 (9 assurance and 0 advisory). 7 have been finalised and 2 are still in draft.

Total 23/24				
Totals	Total	High	Medium	Low
Not Due	35	5	22	8
Overdue	9	1	3	5
Complete	15	5	8	2
Not Allocated	6	2	3	1
Totals	65	13	36	16

- 65 recommendations were made in 2023/24 reports, 13 are High, 36 are medium and 16 are low rated. 6 recommendations have not been allocated and action owner due to audit reports not having been finalised.
- 15 actions or 23 per cent of actions due are complete (up from 0 prior month) with a further 35 or 54 per cent of actions not yet due for completion (up from 14 prior month).
- 9 actions or 14 per cent are now overdue of the agreed date of implementation (up from 7 prior month). 1 of these are rated high, 3 are medium and 5 low rated.

- 2.11 4 of the overdue actions are no more than a month over their agreed implementation date, with the remaining 5 actions no more than 3 months over their agreed implementation date. 4 actions (1 High, 1 Medium and 2 Low) relate to SBC's subsidiary companies. However, the Internal Audit team are currently carrying out a follow-up audit which will include a review of both previously closed and current outstanding actions. 3 actions (1 medium and 2 Low) relate to Wexham School with supporting evidence expected before the start of the Spring term in January 2024, and 1 action (Low) relates to People (Childrens).

2.12 Governance and Monitoring of Management Actions

Outstanding internal audit actions are currently monitored on a regular basis including reporting into Corporate Leadership Team, Risk and Audit Board and the Audit and Corporate Governance Committee. Audit and Corporate Governance Committee reports include the executive summaries of all finalised audit reports undertaken by the Internal Audit team highlighting the key findings (Appendix B). However, it should be noted that certain factors may impact the governance and monitoring arrangements, namely current and future staff turnover from the impact of the senior management restructure that is underway in the Council. However, given the importance of the actions that have been identified and their contribution to strengthening the overall control framework, every effort should be made to minimise the impact of staff turnover.

3. Internal Audit Team Developments

- 3.1 The Internal Audit team had one vacancy, for a Senior Internal Auditor for which an offer has been made and will shortly have a temporary vacancy for an internal auditor. The Head of Internal Audit or Chief Internal Audit function is currently being covered by the Internal Audit Manager, whilst recruitment for the Head of Service continues.
- 3.2 The Internal Audit Manager has procured support from Azets, a professional services organisation to undertake two technical audits – the Agresso Finance system audit and the Transactional Data Quality audit. These will commence in January 2024.
- 3.3 The Risk and Insurance Manager role also needs to be recruited to. The insurance element of the role will be covered by the Risk and Insurance Officer. The Internal Audit Manager will cover the risk management aspect of the role, until a suitable candidate is appointed.
- 3.4 The lack of stability in the team risks having an impact on fulfilling the Internal Audit plan and ensuring there are the right level of skills to contribute to the overall internal control environment. Internal Audit should meet the UK Public Sector Internal Audit Standards (PSIAS). This requires a Head of Internal Audit with an effective team focused on objectively assessing the adequacy and effectiveness of governance and management of risks, championing best practice in governance and having regular and open engagement across the Council at an officer and member level. The planned recruitment will mitigate these risks.

4. Revised Internal Audit Plan

- 4.1 Due to the lack of capacity and capability within the Internal Audit function, an amended Internal Audit Plan (Appendix C) is presented that details the audits that the current Internal Audit team are proposing to complete this financial year.
- 4.2 The Internal Audit plan agreed by the Audit and Corporate Governance Committee at the 19 July 2023 meeting had 28 audits for delivery in FY2023/24. The proposed revised plan submitted to this Committee highlights 18 audits that the Internal Audit function is proposing to deliver, whilst incorporating the parallel run of the new AuditBoard application as well as recruitment to address staffing issues.
- 4.3 The following audits will not be undertaken in FY2023/24:

Directorate	Audits (merged/cancelled/deferred)	Reason
People Adults	CQC Regulatory Inspection	Corporate Improvement Scrutiny Committee has undertaken a review of the Council's inspection readiness and therefore there is no need to complete this audit.
Place and Community	Libraries	The scope of the Cash Collection and Cash Management audit has covered this area.

	Car Parks	The scope of the Cash Collection and Cash Management audit has covered this area.
Housing, Property and Planning	Assets	There is already an audit planned for the asset disposal programme. The additional audit on assets had not been scoped and in view of the work being undertaken on an Estates Strategy, it is deemed appropriate to delay this audit.
Finance, Commercial and Resources	Business Rates	FY2022/23 audit of Business Rates was finalised in May 2023 (Reasonable Progress). Agreed to undertake audit in FY2024/25.
	Procurement	There has been an external review of Strategic Commissioning and there are large scale changes in legislative framework coming into force in 2024, therefore delaying the audit will allow those changes to be introduced and embedded into practice.
	Budget Setting and Budgetary Control	FY2022/23 audit finalised in August 2023 - To allow sufficient time between audits this is deferred to 2024/25 especially given there are new processes being put into place so this will allow time to assess their effectiveness.
	Legal Services Contract	No previous audit ever undertaken, and scope would consider whether this is an audit of the function or of the effectiveness of the monitoring arrangements. This was considered to be a lower risk.
	Grants	This audit deemed less risk compared to other areas in Finance therefore deferred to FY2026/27.
Strategy and Improvement	Business Continuity and Emergency Planning	This has been deferred after discussion with the Executive Director. There is an ongoing internal review to improve BC and EP. Internal Audit were asked to allow this to be completed, and then perform the audit.
	Starters, Movers and Leavers Process	This has been deferred to FY2024/25. The Human Resources teams have identified deficiencies and are working to review current processes, make improvements and strengthen internal controls.
	Cyber Security and Cyber Risk	ITC and Digital have been working to strengthen and enhance SBC's

		<p>cyber security. This is not expected to be completed before March 2024, and due to the technical nature, may be outsourced to a third-party professional services organisation early in the new financial year.</p>
--	--	--

- 4.4 In addition, there is an indicative audit plan for FY 2024/25 for the next 3 years, which includes some audits that have been deferred from the current audit plan to the following financial year. However, it should be noted that the proposed audits are for illustration only as no discussions have been held with Executive Directors . Furthermore, no planning for the FY2024/25 can be undertaken without a review of the Directorate or Corporate Risk Registers or agreed without the approval of the Audit and Corporate Governance Committee.
- 4.5 Areas of the Council that can be audited are listed in Appendix C, together with an indicative ‘forward plan’. Members of the Committee are welcome to review and suggest any areas that they feel should be brought forward to FY2024/25 to the Chair of the Audit and Corporate Governance Committee.
- 4.6 In January 2024, the FY2024/25 audit planning process will commence with discussions with the Executive Directors. We will ascertain areas where they require assurance on governance, risk management and internal controls, formulating a high-level scope of the audits and timings through the financial year. Discussion will also be held with the Chair of the Audit and Corporate Governance Committee to receive member input into the proposed audit plan. The March 2024 Audit and Corporate Governance Committee papers will include a draft audit plan for FY2024/25 for the Committee’s approval.
- 4.7 The plan also takes into consideration the parallel running of the AuditBoard application to our current delivery of audits in progress and any additional training required for new members of the team. We are asking the Committee to consider current circumstances and accept our proposed strategy to provide audit coverage over the next 3 years.

5. Implications of the Recommendation

5.1 Financial implications

- 5.1.1 There are no direct financial implications relating to the updates to the internal audit recommendations, but completion of the actions will improve the Council’s processes including those that underpin sound financial management, governance, risk management and internal control.

5.2 Legal implications

- 5.2.1 Failure to address those risks associated with the Directions from the Department for Levelling Up, Housing and Communities will impact the ability to secure the Authority’s compliance with the requirements of Part I of Local Government Act 1999. The Council has specific legal duties in relation to certain areas, such as managing health and safety risks and civil

contingency. Effective internal audit is a key part of providing assurance on the adequacy of governance, risk management and internal control.

5.2.2 This Committee is responsible for providing an independent and high-level focus on the audit assurance and reporting arrangements that underpin good governance and financial standards. This includes overseeing internal audit. The Committee's terms of reference include making appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations, to consider reports from the head of internal audit on internal audit's performance during the year, including receiving updates on the work of internal audit setting out key findings, issues of concern and actions in hand.

5.3 **Risk management implications**

5.3.1 Having in place an adequate internal audit function is a critical responsibility of a local authority. Failure to operate an adequate internal audit function heightens the risk of poor governance, internal control, and risk management. The draft best value guidance refers to Governance as one of seven best value themes. An indicator of potential failure is having an internal audit function which does not meet the PSIAS and fails to consider identified high risks.

5.4 **Environmental implications**

5.4.1 There are no direct environmental implications in this report.

5.5 ***Equality implications***

5.5.1 *Section 149 of the Equality Act 2010 requires public bodies to have due regard to the need to:*

- eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected character.

6. Background Papers

None