



SLOUGH BOROUGH COUNCIL

Annual internal audit report 2015/2016

31 May 2016





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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 2016, the Head of Internal Audit Opinion for Slough Borough Council is as follows:

Head of internal audit opinion 2015/2016

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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

1.2 Scope 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 and Corporate Governance committee, which should provide a reasonable level of assurance, subject to the inherent limitations described 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). It should be noted however that our audit of risk management was only able to provide partial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied. The reason for this opinion was due to weakness in the quality of recording of risks on the Corporate and Directorate Risk Registers together with the identification and reporting on assurances that risks are effectively managed.

1.3 Factors and findings which have informed our opinion

Of the 31 reports where a formal opinion has been provided, we have provided substantial (green) assurance in five cases and a reasonable (amber green) assurance level in a further 15 reports. These audits included Budget Setting including Savings Plan Development, Better Care Fund, Commissioning (Voluntary and Community Sector), Recruitment, Budgetary Control and Financial Reporting, Payroll, Capital Expenditure, Governance, Implementation of the Care Action and Five Year Plan Outcomes together with five schools. This demonstrates that there a number of key areas of the Council's business where controls were found to be operating effectively.

Our final review for 2015/16 remains in progress (IT Strategy) and our final annual opinion will be subject to the outcome of that review. However we are not aware of any significant issues which have arisen during our fieldwork which would adversely affect our annual opinion, and whilst there are some areas for improvement, these do not represent significant control weaknesses that would negatively impact of overall control opinion.

There were however two audits where we issued a no assurance (RED) opinion:

Matrix – Management of Agency Staff (RED): The Council did not have in place an effective system for the approval of usage of agency workers together with the management of agency contracts. The Council may not therefore be able to ensure that approved agency workers are only used where appropriate, that contracts are being effectively managed and value for money is being achieved. *(report still in draft)*

Hire of Council Buildings (RED): We identified issues with a lack of an adequate policy framework to govern the hiring of Council buildings and the non-application of certain charging policies.

In addition to the above, the following reports were issued with a partial (AMBER RED) assurance opinion. While these are partial assurance opinions they are classified as positive opinions though some areas of significant control weakness requiring improvement were identified as detailed below

Adult Safeguarding: Inaccuracies were identified as part of audit testing on data entered on to the Liquid Logic Integrated Adult Services (IAS) system together with the case monitoring spreadsheet and as a result it was not possible to provide assurance that effective systems were in place to monitor the progression of adult safeguarding cases. In addition, testing also identified a number of policies and procedures used by the Council were in need of updating.

Data Migration (ERP): Evidence was not provided in all instances to demonstrate that key tasks had been completed in accordance with the project plan relating to data migration prior to go live. As such we were unable to provide assurance that these actions had been completed.

Risk Management: As detailed within section 1.2 above, we were only able to provide partial assurance over the effectiveness of controls in place over the Council's Risk Management system due to weaknesses identified in the processes for the documentation of risk and the mechanisms in place for gaining assurance over the management of these risks. *(report still in draft)*

Business Continuity and IT Disaster Recovery: An updated IT based contingency recovery planning framework had not been introduced in line with the implementation of the new IT DR infrastructure. In particular, an updated business impact analysis and systems recovery prioritisation schedule had not been developed and introduced. The Council may not therefore be aware of the impact of an IT system failure on the conduct of business and to ensure systems are recovered in order of priority. *(report still in draft)*

Asset Register: Weaknesses were identified in the approval and recording of asset addition and disposals/transfers on the asset register, together with an asset verification exercise not being undertaken. As a result, assurance could not be provided that information held on the asset register was accurate. *(report still in draft)*

Creditors: Verification checks were not being undertaken to confirm the validity of changes to the Supplier Masterfile together with limited use being made of the purchase order system to raise orders to ensure that adequate budget was available prior to expenditure being committed. *(report still in draft)*

Treasury Management: We identified a lack of timely bank account reconciliations, together with an investigation of differences between the bank statements and cash book. Further improvements were required in relation to the Councils cash flow forecasts. *(report still in draft)*

Cash Handling: Weaknesses were identified in the way that cash is managed and recorded at a number of different sites.

Income and Debtors: Prompt action had not been taken to address weaknesses in the amounts of car parking income banked against amounts recorded on banking sheets and bank statements. *(report still in draft)*

Chalvey Early Years Centre: The school had not obtained the required number of quotes for a sample of purchases together with the asset register not being maintained. As a result the school may not be ensuring value for money is obtained for their purchases together with accurately maintaining a record of all assets held.

In addition to the above we also undertook a number of advisory reviews, for example contract audit reviews and SFVS where no formal assurance opinions were given. However, a number of management actions have been agreed to address some of the issues identified within these reviews. In addition, we have also undertaken follow up work to provide assurance that internal audit actions are being implemented and further detail on this is provided in 2.2 below. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

Whilst no significant control weaknesses were identified as part of our Internal Audit work during 2015/16 we would expect the Council to consider in the formulation of the 2015/16 AGS, the internal control weaknesses identified along with the improvements undertaken in the year in relation to our risk management, Matrix – management of agency staff, adult safeguarding and the asset register. We have highlighted to the Council as part of our work to support the preparation of the AGS those areas which require inclusion within this document.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

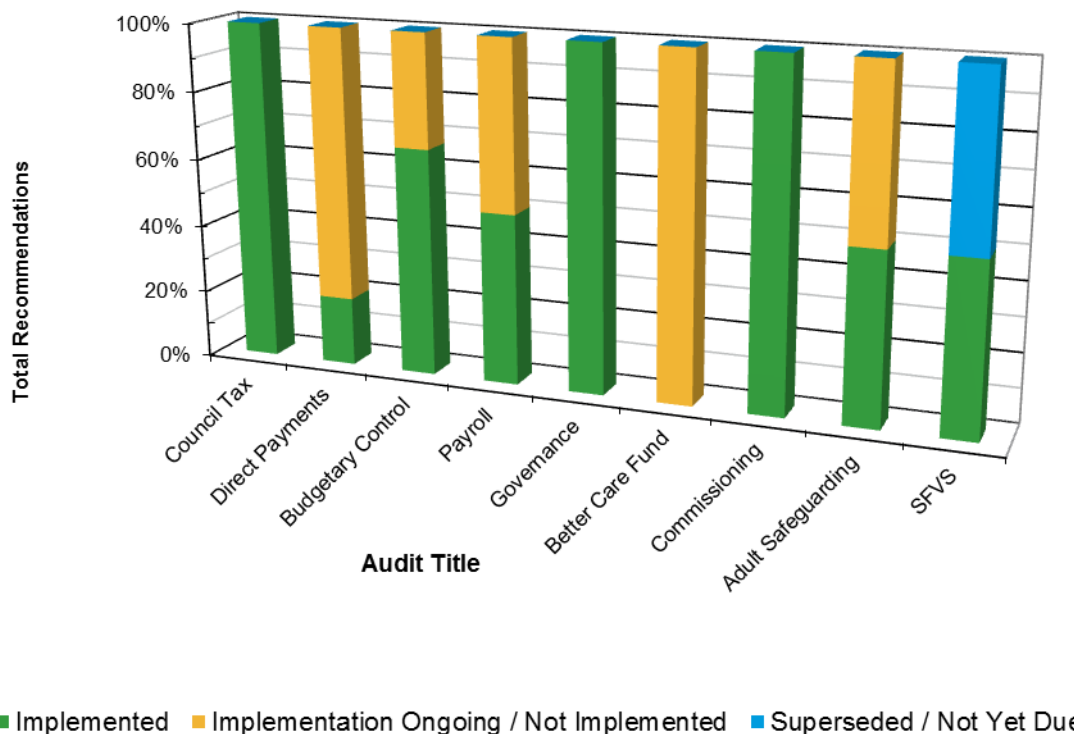
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit findings

Management have agreed actions to address all of the findings reported by the internal audit service during 2015/2016. At the time of the production of this report 16 reports remained at the draft stage, although we have been provided with verbal assurance as part of the debrief meeting process that the findings from our audits have been accepted. Whilst the finalisation of draft reports by the Council has improved in comparison to previous years there is a need to ensure that all draft reports are responded to in a timely manner to enable their finalisation and provide comfort that actions have been assigned to relevant officers and will be implemented within an acceptable timeline.

2.2 Implementation of internal audit recommendations

Our follow up of the actions agreed to address internal audit findings from the audits below (selected for review as the due dates for these actions had all passed) showed that the organisation had made **little progress** in implementing the agreed actions.



Although 14 of the 25 original management actions had been fully implemented (56% of total) 2 high priority actions remained outstanding at the time of our audit and 44% of the actions reviewed (which related to high and medium priority weaknesses) had not been fully implemented. Of particular concern was the Better Care Fund, where none of the actions had been implemented by their planned due date.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers. In addition, we have also agreed with the Council not to provide assurance over Children's Services: it was agreed with the Council that assurance would not be provided on this area due to the transfer of this service into a new organisation (Slough Children's Services Trust) from the 1st October 2015;

3 OUR PERFORMANCE

3.1 Wider value adding delivery

As part of our client service commitment, during 2015/16 we issued 6 news bulletins to our local authority clients which provided a summary of Local Government issues identified within the sector across our wider client base and shared a number of these with the Council.

We have attended meetings of the Risk Management Group to provide continued challenge and assistance in the development of the Council's risk management processes. We have worked with the Risk and Insurance Officer to improve the format and description of risks documented with the Corporate Risk Register. As part of this group, senior management represented by Assistant Directors within the Council are briefed on the key issues within final reports where only partial or no assurance can be provided.

The Head of Internal Audit has continued to meet with the Assistant Director, Finance and Audit regularly throughout the year, and the Chief Executive on a quarterly basis to ensure that they are kept apprised of the key issues emerging from our audits and from issues identified in our wider local government and public sector client base, together with progress in the delivery of the audit plan.

As part of the implementation of Agresso, we have attended project board meetings for the ERP project, providing a 'critical friend' presence together with undertaking an audit on the data migration arrangements prior to the project go-live.

We are undertaking an advisory review of contract management within the Council to provide options as to the future shape of contract management within the organisation. This review is being undertaken by our contract management specialists. As part of the above work, we have provided contract management workshops to specific projects such as the RMI project in relation to how to manage contracts which are currently in the process of being re-procured.

We have continued to attend Directorate SMT meetings on quarterly basis to ensure that they are kept apprised of current Internal Audit findings, together with planned reviews in the future. Together with the Risk and Insurance Officer for the Council, a summary of outstanding recommendations from previous audits are also reviewed at each of these meetings, along with the relevant Directorate Risk Register.

We have attended each meeting of the Berkshire Audit Group to ensure that we are kept informed of local issues within other Councils that may impact on our audit plan.

3.2 Conflicts of interest

Our Fraud Solutions team have undertaken some work on behalf of the Council during 2015/16. This work has been undertaken under a separate letter of engagement and has been subject to independent quality assurance processes through our fraud solutions team. Furthermore our Contract Risk team have also undertaken an open book review, this was also subject to the same safeguards noted above.

We (RSM) do not consider that any of the above work would lead us to declare any conflict of interests as all of this work carried out under separate engagement letters, teams and engagement partners.

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 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 “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

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.

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

The organisation has an adequate and effective framework for risk management, governance and internal control.

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.


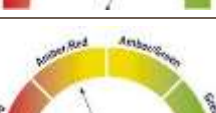
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.


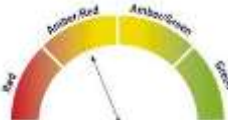
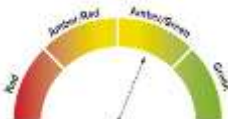
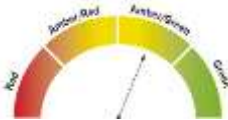
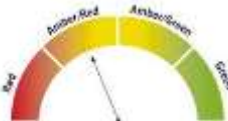
The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016




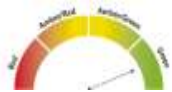
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Troubled Families (May Submission) (1.15/16)	Jane Morton, Head of Service, Early Help	Advisory		-	
Penwood Primary and Nursery School (2.15/16)	Krutika Pau – Interim Director, Children’s Services		0	0	2
Budget Setting including Savings Plan Development (3.15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	0	1
Employment Tax Follow Up (4.15/16)	Joseph Holmes - Assistant Director, Finance and Audit	Reasonable Progress		-	
Chalvey Early Years Centre (5.15/16)	Krutika Pau – Interim Director, Children’s Services		1	4	3
Better Care Fund (6.15/16)	Alan Sinclair - Interim Director of Adult Social Care		0	3	3
Matrix – Management of Agency Staff (7.15/16) (Draft)	Ruth Bagley - Chief Executive		3	6	5
Schools Financial Value Standard (8.15/16)	Joseph Holmes - Assistant Director, Finance and Audit	Advisory	0	4	1
Hire of Council Buildings (9.15/16)	Roger Parkin - Strategic Director, Customer and Community Services		3	9	0
Pippins School (10.15/16)	Krutika Pau - Interim Director, Children’s Services		0	2	3

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Adult Safeguarding (11.15/16)	Alan Sinclair - Acting Director of Adult Social Services		2	2	4
Commissioning (Voluntary and Community Sector) (12.15/16)	Alan Sinclair - Acting Director, Adult Social Care		0	3	2
Recruitment (13.15/16)	Christina Hefferon – Assistant Director, OD/HR		0	2	2
Council Tax (14 15/16)	Joseph Holmes – Assistant Director, Finance and Audit		0	1	0
Cheque Payments (15.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit	Advisory	0	1	2
Wexham School (16.15/16) (Draft)	Krutika Pau - Interim Director, Children's Services / Lawrence Smith - Headteacher		1	1	1
Data Migration (17.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		2	1	2
Slough Centre Nursery (18 15/16)	Krutika Pau - Interim Director, Children's Services		0	2	4
Creditors (19.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit		1	2	1
Treasury Management (20.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit		1	1	2
Housing Benefits (21.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		0	1	1

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Cash Handling (22.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		1	3	1
Business Rates (23.15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	0
Schools Thematic Review (24. 15/16)	Krutika Pau - Interim Director, Children's Services / Joseph Holmes - Assistant Director, Finance & Audit	Advisory	1	3	2
Budgetary Control and Financial Reporting (25. 15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	1
Payroll (26. 15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	0
Risk Management (27. 15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	8	3
Rent Accounts (28.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	2
Asset Register (29.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	6	3
Capital Expenditure (30.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	3	3
General Ledger (31.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Implementation of the Care Act (32.15/16)	Alan Sinclair - Acting Director, Adult Social Care		0	2	1
Five Year Plan Outcomes (33.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	3
Business Continuity & IT Disaster Recovery (34.15/16) (Draft)	Simon Pallett, IT Service Delivery Manager		1	4	0
Follow Up (35.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit	Little Progress		-	
Khalsa Primary School (36.15/16) (Draft)	Krutika Pau - Interim Director, Children's Services / Raminder Vig - Headteacher		0	2	5
Governance (37.15/16) (Draft)	Ruth Bagley, Chief Executive		0	2	3
Income and Debtors Management (38.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		1	2	3

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

None	Partial	Reasonable	Substantial
			
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.	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	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	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

Urgent action is needed to strengthen the control framework to manage the identified risk(s).

framework to manage the identified risk(s).

addressed in order to ensure that the control framework is effective in managing the identified risk(s).

effectively.

FOR FURTHER INFORMATION CONTACT

Daniel Harris

RSM Risk Assurance Services LLP

The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, Buckinghamshire, MK9 1BP

T: +44 (0)1908 687800 | **W:** www.rsmuk.com

Daniel.Harris@rsmuk.com

rsmuk.com

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