



SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

For the Audit and Corporate Governance
Committee meeting on 21st September 2017

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1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit Committee on 16th March 2017. This report provides a summary update on progress against that plan and any remaining audits within the 2016/17 plan as at the 5th September 2017.

2016/17 Internal Audit Plan

The Council have finalised 2 reports since the previous Audit and Corporate Governance Committee meeting held on 26th July 2017. These are in the following areas:

- Payroll
- Debtors Management

Both of these reports received a 'reasonable assurance' opinion. In addition to the above, the following two reports issued as part of the 2016/17 plan currently remain in draft and are in the process of being finalised:

- Follow Up – sponsor is liaising with the Risk and Insurance Officer to complete.
- Follow Up of Financial Controls – sponsor is liaising with the Risk and Insurance Officer to complete.

2017/18 Internal Audit Plan

The Council have finalised two 2017/18 reports since the previous Audit and Corporate Governance Committee meeting held on 26th July 2017. These are in the following areas:

- Management of Housing Stock
- Gas Servicing

The Management of Housing Stock review delivered a 'partial assurance' opinion. A summary of the review and Medium and High priority management actions, along with implementation dates and owners has been included within Appendix A below.

The Gas Servicing review concluded with a 'reasonable assurance' opinion.

In addition to the above, the following reports have been issued in draft and we are awaiting responses by management before they are finalised, however we recognise that delays with finalising schools related reports have been affected by the summer holiday.

- Chalvey Early Years Centre
- Management of the Pupil Premium
- Special Educational Needs (SEN) Funding
- Neighbourhood Anti-Social Behaviour (ASB) Enforcement
- Follow Up - Q1

The following audits are in varying stages of progress;

- Budgetary Control
- Delayed Transfers of Care
- Amey Contract Management – we have completed the initial fieldwork for this audit, although are awaiting responses to queries raised with Amey to enable the audit to be completed. We have escalated this to the S151 Officer and are meeting with him on the 11 September to agree a way forward.


- New Facilities Contract
- Business Continuity – we are supporting the Council in the production of their business continuity plans.
- Risk Management – we are assisting the Trust in reviewing the Corporate Risk Register
- Data Flow Mapping – we are assisting the Council in the completion of their data flow mapping exercises.


2 SUMMARY OF PROGRESS TO DATE

Reports shown in bold have been finalised.

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

2017/18 Internal Audit Plan (includes draft opinions)

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
Iqra School	April 2017	Final Report	2nd June 2017	7th June 2017		1	0	0
Lea Nursery School	April 2017	Final Report	2nd June 2017	23rd June 2017		10	3	0
Holy Family Catholic School	April 2017	Final Report	8th June 2017	11th July 2017		4	3	0
Schools Financial Value Standard (SFVS)	May 2017	Final Report	23rd June 2017	3rd July 2017	Advisory	3	3	0
Management of Housing Stock	May 2017	Final Report	23rd June 2017	21st August 2017		2	3	1
Gas Safety	June 2017	Final Report	11th July 2017	21st August 2017		4	3	0
Chalvey Early Years Centre	April 2017	Draft Report	13th July 2017			1	4	0
Management of the Pupil Premium	May 2017	Draft Report	24th July 2017			0	4	0
SEN Funding	June 2017	Draft Report	4th August 2017			2	1	0

Follow Up Q1	June 2017	Draft Report	16 th August 2017	Little progress in implementing agreed actions			
Neighbourhood ASB Enforcement	June 2017	Draft Report	15 th August 2017		2	4	1
Amey Contract Management	May 2017	In progress					
Budgetary Control	July 2017	In QA					
Educational Welfare Service*	August 2017	Delay requested					
Information Governance*	August 2017	Delay requested to 7 November 2017					
Business Continuity Advisory Support	September 2017	Fieldwork In progress					
	September 2017	Fieldwork In progress					
Delayed Transfers of Care							
	September 2017	Fieldwork In progress					
New Facilities Contract							
	September 2017	Commencing 18 September 2017					
Council Tax							
	September 2017	Commencing 25 September 2017					
Five Year Plan - Performance Reporting							
	September 2017	Scope to be issued					
Equal Pay Review / Gender Pay Reporting Gap							
	September 2017	In progress					
Data Flow Mapping							
	October 2017	Commencing 9 October 2017					
Follow Up Q2							
	October 2017	Commencing 10 October 2017					
Housing Regulations							
	October 2017	Commencing 19 October 2017					
Capital Expenditure							
	October 2017	Commencing 30 October 2017					
Debtors							

Rent Accounts	November 2017	Commencing 13 November 2017
Fixed Penalty Enforcement*	November 2017	Commencing 27 November 2017
Creditors	November 2017	Commencing 20 November 2017
Adult Social Care Supervision	November 2017	Commencing 7 November 2017
General Data Protection Regulations Readiness	November 2017	Commencing 4 December 2017
Governance	November 2017	Commencing 27 November 2017
Cash Management & Collection / Treasury Management	December 2017	Commencing 4 December 2017
Assets	December 2017	Commencing 4 December 2017
Follow Up Q3	December 2017	Commencing 4 December 2017
Payroll	December 2017	Commencing 11 December 2017
Business Rates	December 2017	Scope agreed
General Ledger	December 2017	Commencing 18 December 2017
Voids*	January 2018	Commencing 5 January 2018
Follow Up Q4	March 2018	Commencing 29 January 2018
Staff Establishment Changes	March 2018	Commencing 5 March 2018
Annual Governance Statement	March 2018	TBC

* Please note change from agreed plan, see details below.

3 OTHER MATTERS

3.1 Changes to the 2017/18 audit plan

Auditable area	Reason for change
Voids	Audit delayed to Q4 (initially agreed to be undertaken in Quarter 2) at the request of the Head of Neighbourhood Services, as a new contractor will be in post from December 1 st , and the review would be better placed in January 2018 to provide assurance over the arrangements for voids with the new contractor.
Educational Welfare Service	This audit was initially agreed to be undertaken in Quarter 2, but has been delayed at the request of the Strategic Director, Children, Skills and Learning, as the service has only recently been brought back in house from Mott Macdonald (Cambridge Education).
Fixed Penalty Notices	This audit was due to be undertaken in Quarter 2, but has been delayed at the request of the Head of Neighbourhood Services, as the 2016/17 report was only recently finalised, and Housing are in the process of implementing the actions.
Information Governance	This audit was due to be undertaken in Quarter 2, but has been delayed at the request of the Assistant Director, Finance and Audit, as the Council were still in progress of implementing actions from the previous review in 2016/17.

3.2 Impact of our work to date on year end opinion

The assurances given in our audit assignments are included within our Annual Assurance Report. In particular, the Committee should note that any negative assurance opinions ('No Assurance' or 'Partial Assurance' opinions) will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Where we have issued 'no assurance' (red) and 'partial assurance' (amber / red) reports, these opinions will impact our 2017/18 Head of Internal Audit Opinion for the Council. We have issued one final report to date that will impact our year end opinion on Management of Housing Stock (Partial Assurance) and may need to be considered in the Annual Governance Statement although this report in isolation will not lead to a qualified Head of Internal Audit Opinion.

We have continued and will continue to keep the Section 151 Officer, CMT and Audit and Corporate Governance Committee updated over the coming months on the outcome of our remaining 2017/18 work.

We have also agreed a number of areas where negative assurance opinions have been issued in 2016/17, where we can provide further support and advice to the Council to ensure that these weaknesses are addressed in a timely manner. These details are included below.

3.3 Added value work

Area of work	How this has added value
Risk Management Support	We are providing the Council with support to embed and re-establish effective risk management processes to aid in the achievement of the Council's objectives. The support is being provided currently.
Business Continuity Support	Following a negative assurance opinion in 2016/17, we have agreed to provide support to the Council in improving its processes in relation to Business Continuity and the scope of the work is currently in progress.
Data Flow Mapping	Following a negative assurance opinion in 2016/17, we are providing the Council with support to map their flows of data, to aid in the Council's management and security of data. A scope of work has been agreed with the Council and work is underway. A number of workshops have been held already with further workshops planned, with the focus of these workshops being to assist the Council in understanding and mapping their data flows.

3.4 Information and briefings

The following items were highlighted as part of our information briefings since the last Audit and Corporate Governance Committee in July 2017:

Government must help improve quality

The Local Government Association (LGA) has called on the government to 'help councils build a new generation of high quality, genuinely affordable and additional homes, supported by adequate infrastructure and services.' Analysis by the LGA found that the average new home would need to last 2,000 years if the 'sluggish' rate of house building and replacement continues.

Shared replacements

Inside Housing reports that the government is considering plans from a group of councils to allow them to spend right to buy receipts on purchasing properties for shared ownership.

Homelessness reduction

Marcus Jones, Parliamentary Under Secretary of State (Minister for Local Government) has written to local authority chief executives, confirming the government's intentions for introducing the Homelessness Reduction Act 2017. Mr Jones confirms the government's intention to commence the Act in April 2018, whilst also stating his hope that local authorities have begun their planning processes to ensure the requirements of the Act are implemented. Mr Jones also stated the government's intention to award the allocations of a £61m fund for helping local authorities meet the terms of the Act in winter 2017/18, with allocations announced this autumn.

Managing property investment

What does the Chartered Institute for Public Finance & Accountancy (CIPFA) think of local authorities managing property investment risk? Chris Brain, Senior Advisor for CIPFA Property has given his view stating that ‘there is nothing wrong with local authorities making property investment acquisitions. It is about taking measured and proportionate risks and never shirking on the right due diligence.’

Publishing fire information proactively

Elizabeth Denham, Information Commissioner at the Information Commissioner’s Office (ICO) has taken to her blog to encourage the proactive disclosure of fire safety information by public bodies. Writing about the role her organisation and public bodies have in the wake of the Grenfell Tower incident, Ms Denham writes ‘people in parts of the country are looking for reassurance of appropriate fire safety measures to prevent further tragedies elsewhere. Others are looking for essential information to hold organisations to account as well as gaining a fuller understanding of the issues surrounding fire safety and decision-making related to social housing.’

Benefit cap statistics

The outcomes of the government’s benefits cap have been laid bare for the first time with the publication of household quarterly statistics by the Department for Work and Pensions. Terrie Alafat, Chief Executive of the Chartered Institute for Housing warned that the benefit cap could make homelessness ‘even worse.’

Housing Infrastructure Fund

The Department for Communities and Local Government has published a guide to the Housing Infrastructure Fund. The £2.3bn fund will be allocated to local authorities on a competitive basis, to be used for infrastructure to support up to 100,000 new homes. The fund is divided into two parts.

- Marginal viability funding: to support housing sites being held back due to the high costs of putting the infrastructure in place and building homes. For such developments, the government will provide the ‘final, or missing, piece of infrastructure funding to get additional sites allocated or exiting sites unblocked quickly.’
- Forward funding: to support a small number of strategic and high impact infrastructure projects. For such developments, the government ‘may put in the first amount of funding, which then gives the market confidence to provide further investment.’

The fund is available from 2017/18 to 2020/21. Information on who can bid for each fund, eligibility, what needs to be demonstrated and the application timeline is provided in the guide.

Housing advisers

The Local Government Association has developed a housing advisors programme to support local authorities who are looking to innovate in the aim of meeting the housing needs of their communities. The programme funds an independent adviser who will offer bespoke expert support to local authorities undertaking a specific project that works towards delivering homes, reducing homelessness, or generating savings or revenues. The programme is now open for bids from local authorities, who have until 12 September to submit their applications.

Combined authorities progress

Combined authorities need to show that they can 'drive economic growth and contribute to public sector reform' according to the National Audit Office (NAO). Some of the findings by the NAO research team included:

- evidence that investment, decision-making and oversight is linked to improved local economic outcomes is 'mixed and inconclusive';
- the combined authorities that are in place have a variety of different powers, for instance the most prevalent, Greater Manchester, has absorbed control over a number of offices such as Police and Crime Commissioner, and fire and rescue, whereas others are only focused on transport issues;
- many authorities have been unable to agree deals to form combined authorities; and
- a conclusion that central government should review periodically all frameworks and guidance in place for combined authorities.

Finance and arrangements beyond 2020

The Local Government Association (LGA) has issued a briefing on local government finance and arrangements beyond the year 2020. The briefing sends a clear message to central government to 'address the overall funding gap of £5.8bn facing local government by the end of the decade,' and continues the calls for full retention of business rates and for extra revenue from this to be 'used to ensure that existing council services are properly funded.'

The LGA has also launched a new campaign entitled 'growing places' which seeks to set out how local government can meet challenges in a 'changing world' and what steps are needed for this challenge to be overcome.

Safety checks


The aftermath of the Grenfell Tower tragedy continues to be felt across the sector. The government has written to all local authority and housing association chief executives to identify whether any of their new or refurbished buildings have panels with cladding made of a particular type of Aluminium Composite Material. A number of interim measures have been issued for organisations that have buildings clad with hazardous material, including:

- the immediate notification of the fire and rescue services;
- that all measures in the action plan of a fire and risk assessment have been completed;
- engagement with residents to ensure they fully understand emergency fire procedures, particularly the 'stay put' order, with all notices checked to be accurate;
- checking the vicinity of cladding including balconies for combustible materials;
- checking all flat entrance doors and escape corridor doors are fire-resisting; and
- checking smoke control and fire detection systems are operating correctly.

Secure email guidance

The Local Government Association has published a resource for local authorities to support the use of secure email across the sector. Remarking on the sometimes confusing arrangements in receiving and sending secure information, it is hoped this is new guidance will help councils identify their options by citing examples of councils that have already dealt with the implementation of email systems to meet required standards.

APPENDIX A: KEY FINDINGS FROM FINALISED 2017/18 INTERNAL AUDIT WORK (HIGH AND MEDIUM PRIORITY MANAGEMENT ACTIONS ONLY WHERE PARTIAL OR NO ASSURANCE REPORTS HAVE BEEN ISSUED)

Management of Housing Stock (4.17/18) – PARTIAL ASSURANCE		2 - Low 3 - Medium 1 - High
<p>We identified issues which led to the agreement of the following one High and three Medium priority actions:</p> <p>Document storage on DIP</p> <p>Of a sample of 10 mutual exchanges/transfers selected for review, the documentation could not be located on DIP for four of the cases, while only the application form could be located for two cases. For the remaining four cases, the Deed of Assignment could not be located.</p> <p>There were also issues locating documentation for two of our seven mutual exchange/transfer refusal cases sampled, while documentation could also not be located for three of our nine succession cases.</p> <p>Inability to locate documents on DIP is an issue we have raised previously as part of our Rent Accounts audits undertaken in 2014/15, 2015/16 and 2016/17 in relation to tenancy agreements. We were advised by one of the Tenancy Team Leaders that there was no procedure in place to track the completion of scanning and correct indexing of files by the DIP section. Once scanned and indexed, the DIP section destroys the documentation.</p> <p>However, without such tracking and a requirement for the originator to confirm the documentation has been successfully scanned and indexed prior to being destroyed, there is a risk that key documentation will not be retained, which could have legal implications in the event of a dispute or should the Council wish to take enforcement action. Considering that this is not a new issue for the Council and action does not appear to have been taken to address this, a High priority management action has been agreed in relation to this, and relies on a procedure being developed by Housing and agreed with arvato.</p> <p>Tenancy Strategy and Policy 2013-2018</p> <p>Although we confirmed it covered in sufficient detail the areas required by the Localism Act 2011, we noted the Tenancy Strategy and Policy still made reference to the Sustainable Community Strategy and the Corporate Plan, which have since been replaced by the Five-Year Plan.</p> <p>Without an up-to-date strategy, there is a risk that the Council's housing stock will not be managed in a way that is in line with the Council's strategic priorities. The availability of the current version, which is not up-to-date, to the general public on the Council's website also poses reputational risks to the Council as a member of the public could question why it refers to the Sustainable Community Strategy and Corporate Plan rather than the Five-Year Plan. A medium priority management action has been agreed to address this.</p> <p>Mutual Exchanges/Transfers</p> <p>For the four cases we were able to review, although we confirmed these had been processed in line with procedures, we found three of the cases had breached the 42 days' statutory deadline, while for the remaining case, the application form on DIP was missing the signature page and had not been date-stamped so we were unable to assess the timeliness of the decision.</p>		

Where the deadline is missed, the Council cannot refuse the application which impacts the Council's ability to effectively manage its housing stock as the mutual exchange/transfer may not be in the Council's interests. We have agreed a **medium** priority management action in relation to this.

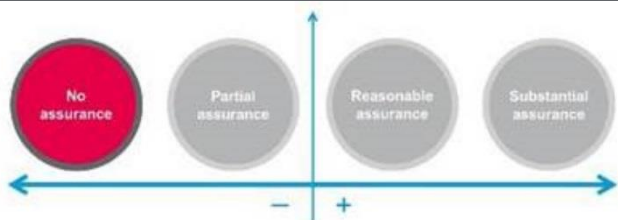
A **medium** priority management action has also been agreed with regards to logging all cases on CSM so these can be tracked and managed in the event of staff absence. Of the 34 mutual exchanges/transfers completed in 2016/17, we found only 16 had a corresponding case logged on CSM. There is an increased risk of non-compliance with the 42 day statutory deadline if staff do not log cases on CSM, as open cases held up by staff absence or where the deadline has been missed or is approaching may not be flagged for action.

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	<p>The Tenancy Strategy and Policy will be reviewed and updated to ensure it is aligned to the strategic priorities set out within the Five Year Plan.</p> <p>The strategy will then be issued to CMT and Cabinet for approval, and subject to the required consultation.</p> <p>Once finalised, it will be updated on the Council website and then</p>	Medium	31 March 2018	<p>John Griffiths - Head of Neighbourhood Services</p> <p>Colin Moone – Head of Strategic Housing</p>
2	<p>The requirement to log all mutual exchange/transfer cases on CSM will be reinforced to all Neighbourhood Services staff and this will be monitored to ensure compliance</p>	Medium	Immediate	Kamal Lallian – Neighbourhood Business Services Manager
3	<p>A procedure to track the completion of scanning and correct indexing of files by the DIP section will be produced by Housing and agreed with arvato.</p> <p>This will include a requirement for the originator to confirm the documentation has been successfully scanned and indexed prior to being destroyed.</p>	High	31 December 2017	Kamal Lallian - Neighbourhood Business Services Manager
4	<p>The Tenancy Management Policy and Fact Sheet 9 (Mutual Exchange/Transfer) will be updated to include;</p> <ul style="list-style-type: none"> • A requirement to set submission deadlines when requesting information from the tenant or external landlords; • The timescales to be given; and • Refusal as the consequence for missing the deadline. <p>Once approved, this will then be communicated to relevant staff and implemented to ensure effective management of applications, with compliance will be monitored as a KPI.</p>	Medium	31 March 2018	Tony Turnbull - Neighbourhood Manager

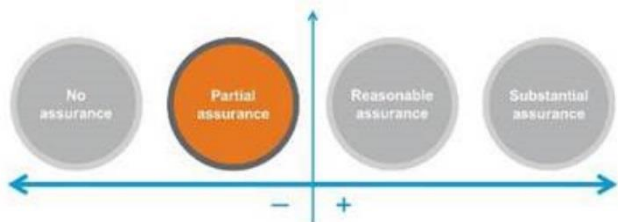
2017/18 ASSURANCE OPINIONS

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.

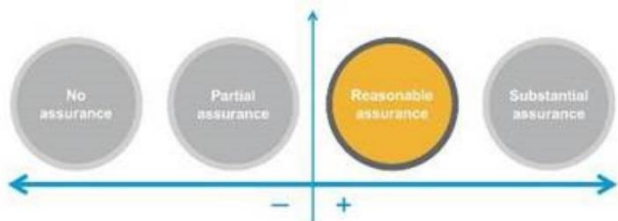
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:



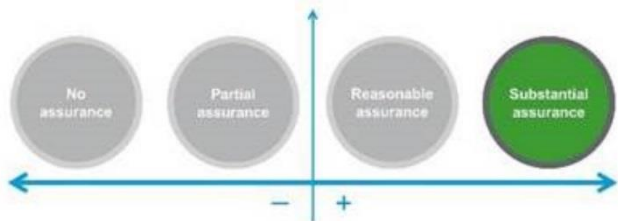
Taking account of the issues identified, the Council **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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.

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