

## **Audit and Corporate Governance Committee – Meeting held on Tuesday, 14th March, 2023.**

**Present:-** Councillors Kelly (Chair), Brooker (Vice-Chair), Ali and Carter

**Apologies for Absence:-** Councillors Grewal and Gill and co-opted member Naira Bukhari

### **PART 1**

#### **45. Declarations of Interest**

Councillor Brooker declared that that he was a member of the Task and Finish Group looking at the Slough Children First Business Plan, Chair of the Finance Committee at Ryvers Primary School and Council appointee to the Foster Panel.

#### **46. Minutes of the Meetings held on 14th December 2022, 18th January 2023 and 22nd February 2023**

**Resolved** - That the minutes of the meetings held on 14<sup>th</sup> December 2022, 18<sup>th</sup> January 2023 and 22<sup>nd</sup> February 2023 be approved as a correct record.

#### **47. Action Progress Reports**

**Resolved** - That details of the Action Progress Reports be noted.

#### **48. Internal Audit Action Tracking Report - Quarter 4 2022/23**

The Committee received details of the report which set out progress on recruitment to a new in-house Internal Audit Team and arrangements for 2023/24, completion of Internal Audit actions for years prior to 2021/22, progress on the implementation of internal audit reports and actions for 2021/22 and 2022/23; and actions being taken by the Corporate Leadership Team and Department Leadership Teams to respond to internal audit reports and outstanding actions.

Members were reminded that the recruitment of an in-house internal audit team was one of the recommendations of the reports by CIPFA and DLUHC in October 2021. The recruitment of a new in-house team was part of the wider Finance and Commercial Services restructure and recruitment had been successful at the senior level with offers made and accepted for the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance, Internal Audit Manager and Senior Auditor. It was anticipated that an in house internal audit team would result in the strengthening of internal controls and the control environment.

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Good progress continued to be made with regard to completion of internal recommendations, with only 3 actions from a total of 257 pre 2021/22 audit actions outstanding (2 medium rated, 1 low rated) and all internal audit reports from 2021/22 had been finalised allowing completion of the Head of Internal Audit Annual Opinion for 2021/22 as reported to the last meeting.

A number of Members expressed concern with regard to the number of 2021/22 high rated actions that remained outstanding, stating that realistic and achievable timescales for implementation of them should be put in place. Referring specifically to temporary accommodation, a Member questioned why an upto date Housing Strategy and Homelessness Strategy was not in place given that the target date was September 2022. Challenges to recruit and retain staff in the housing team had impeded the completion of a number of the actions and a revised target date of 31 December 2023 was in place to have the revised strategy completed. It was noted that the Assistant Director, Housing, be invited to attend the July Committee meeting to discuss implementation of actions as set out in the report, including progress on developing a strategy to identify households which are no longer owed a duty to be accommodated under the Housing Act 1996.

**Resolved** – That details of the report be noted and in particular

- progress on recruiting to an in-house team with key members of the new in-house team being on boarded during February to April 2023.
- progress with development of the 2023/24 Internal Audit Plan
- the reduction in outstanding actions pre 2021/22 to 3, 2 medium and 1 low priority actions
- the completion of all outstanding reports for 2021/22 and the issuing of a 'Negative' Annual Head of Internal Audit Opinion as discussed at the last meeting of the Committee
- the progress on completing responses to the outstanding 2022/23 internal audit report
- the progress to the completion of outstanding high rated actions as detailed in Appendix A which now number 10 for actions reported in 2021/22.
- that a detailed review of all outstanding recommendations continues to be carried out in order to further cleanse the data, the output from which has been shared with the new Departmental Leadership teams for actioning overdue and other outstanding actions

### **49. Risk Management Update - Quarter 4 2022/23**

The Committee received the Risk Management Update Quarter 4 2022/23 report with details of each of the risks as set out in the Corporate Risk Register (CRR). A review had been undertaken of the description of all risks, the consequences, current controls, actions and inherent risk score with the assistance of risk owners and action owners.

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A Member commented that the CRR should also be used as a tool for anticipating and or identifying any areas of potential forthcoming issues posing a risk to the authority and referred specifically to the organisation's IT capabilities in delivering services. The Executive Director, Strategy and Improvement assured the Committee that Digital Strategy was a key focus area for the authority but whilst resourcing this area remained challenging, the team was in dialogue with other areas of the council with a view to bringing skills together. Members were informed that the full ICT & Digital Strategy was currently under review and scheduled for consideration by Cabinet in March 2023. It was emphasised that delivery of a robust strategy that aligned to the corporate plan would unlock inefficiencies and provide better customer service and service outcomes and that this would remain a key risk area for 2023/24.

Referring to the CRR and Risk 12 - governance and financial implications of the council companies - a Member asked for confirmation that no further loans were being provided to SUR and the Director of Finance stated that no active loans were being given but confirmation on this would be provided.

A Member suggested that the impact of increase in food costs also be included as part of the analysis of Risk 4 – Impact of Cost of Living Crisis and it was noted that this would be looked at.

### **Resolved -**

- a) That revisions to the risk register be noted.
- b) To note the recruitment of the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance who will be responsible for developing and taking forward the risk management strategy

## **50. Counter Fraud Policy**

The Head of Financial Governance and Internal Audit reminded Members that overseeing the arrangements for Counter Fraud and Corruption was one of the responsibilities of the Committee as set out in its Terms of Reference.

Following a senior leadership and finance department restructure in August 2022, the Counter Fraud team now reported into the Finance and Commercial Directorate. It was noted that the Annual Counter Fraud report has not been presented to the Committee since 2018 and that an Annual Counter Fraud report would be brought to the July 2023 meeting of the Committee which would set out its activity during the year and in previous years.

A summary of the counter fraud team activity 2020/21 to 2022/23 was provided as set in the report. Members welcomed the report, stating that it was crucial in highlighting the important work being carried out to combat fraud. It was requested that future reports to include information relating to New Homes Bonus (empty properties initiative) activity for 22/23 and details

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of fraudulent activity in areas relating to housing tenancy/sub-letting, council tax reduction, single person tax, business rates and COVID grants fraud.

### **Resolved -**

- a) That the Corporate Fraud policy and related documents and the intention to review these during 2023 be noted.
- b) That the range of work undertaken by the Corporate Fraud team in recent years and the level of actual and notional savings arising from its activity be noted.
- c) That it be noted future work will be directly related to the risks identified from departments and learning from elsewhere.

## **51. Slough Children First Governance Review - Update on Progress**

The Committee received a report that summarised the progress made on the recommended actions contained in the governance review of Slough Children First (SCF).

The report was introduced by the Principal Lawyer on behalf of the Council. Members noted the context of the governance arrangements of the company, including the DfE Direction to the Council, and the importance of ensuring good practice was followed in relation to the management of such a local authority owned company. In line with the request from the Committee both the Chair and Chief Executive of Slough Children First were present to comment on the report and answer questions from members.

The governance review of the company had been completed in the Summer of 2022 and the report updated on progress made since. An update on the recommended actions was detailed in Appendix 1 to the report. There had been an improvement in the RAG ratings of actions in the review with the number of 'red' rated actions reducing from 11 in September 2022 to 5 by February 2023, and the number rated 'green' rising from 14 to 18 over the same period. The outstanding 'red' risks related to the lack of an up-to-date business plan, financial management, closure of accounts and grip and lack of progress on evidencing internal schemes of delegation.

It was highlighted that the SCF Board were fully committed and engaged with this process and regular meetings took place between the Council and the Chair and non-executive directors of SCF to review progress. A new permanent Chief Executive of SCF, who was also director of children's services for the Council, had recently been appointed. The business plan was undergoing further development and was expected to be presented to Cabinet in the Summer of 2023.

There was now regular reporting in place to Members via quarterly reports to the Committee, several reports to Cabinet over the past year, a scrutiny task and finish group and widening of the remit of the Cabinet sub-committee to include company governance. The Chair of SCF reiterated the company's

readiness to work very closely with the Council. He commented that since the company had been established in April 2021 a new board had been put in place and a skills audit was being carried out. A new Council representative on the board was welcomed. The agreement of the business plan was a key priority to help put the company on a sound financial footing and help the company focus on its key priority of delivering improved services and outcomes for children and young people in Slough.

Members of the committee recognised and supported the improvements that had been made in several areas but commented that it had been hoped that the business planning process had been completed more quickly and there were concerns that key recommendations such as value for money and KPIs remained 'amber' in the RAG rating. Business plans, performance indicators and value for money were the basis of a well-run company and needed to be quickly addressed to enable the company to improve the services to and experiences of children in Slough. The Chair of SCF responded that the business planning process had been challenging given the need to align the priorities of the company with the Council's difficult financial position but that progress was being made. It was noted that the DfE Commissioner was chairing a new 'Getting to Good' Board and received regular performance scorecards. Assurance was provided that children's needs were central to the approach being taken, with the business plan seeking to put in place the resources to support that priority.

In view of the financial pressures on the company leading to the contract sum rising by £4.6m to £36.1m in 2023/24, councillors asked about the position of the loan made by the Council to the company that was repayable at the end of the contract term. The Executive Director Finance & Commercial stated that it was assumed in the Council's financial plans that the loan would be repaid in circa 5 years as part of the Capitalisation Direction, but that would be dependent on a significant amount of work in the company over the coming year on its budget and financial management. The Chair of SCF highlighted the huge pressures faced by children's services but stated the company's commitment to value for money and its awareness of the obligation to repay the loan to the Council.

Members also asked about training and development for SCF board members and the recent Ofsted inspection. The SCF Chief Executive stated that the Ofsted report would be published by the end of the week and it would be circulated to the Committee.

**Resolved** – That the progress set out in the report and Appendix 1 be noted.

### 52. Internal Audit Progress Report

The Head of Internal Audit, Daniel Harris of RSM presented the Internal Audit Progress Report to 14th March 2023.

Members were updated on the progress of the handover between RSM and the Council's new internal audit team. It was noted that RSM would report on

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matters relating to the 2022/23 internal audit plan and matters on the 2023/24 plan reported by the Council's new team led by Head of Internal Audit, Tariq Mansour.

The one remaining final report from the 2021/22 Internal Audit Plan had now been issued and the opinions from that review had previously been reported to the Committee. In relation to the 2022/23 plan, eight further final reports had been issued since the last report in January 2023. Five of these reports had 'negative' opinions which would impact on the year end opinion for 2022/23. A further nine reviews had been issued in draft and were subject to discussions with management before they were finalised. Several other reviews were in progress.

A total of twelve final reports had been issued so far in 2022/23 and ten of those were likely to impact on the end of year opinion. The Head of Internal report stated therefore that it was likely that another qualified opinion would be issued for 2022/23.

A number of changes to the Internal Audit Plan for 2022/23 had been made since the last meeting in agreement with the Executive Director Finance & Commercial. These included deferring the Cyber Essentials and Assets reviews to 2023/24 and delaying the start of the Rent Accounts review, although it would still contribute to the 2022/23 opinion.

Members asked a number of questions about the key findings for finalised audits in Appendix A.

In relation to the housing benefits audit which highlighted an accumulated aged debt of £14.1m from 1997 to 2022, a Member asked how realistic it was to recover such historic aged debt and the point at which the line should be drawn if it could not be collected. The Executive Director Finance & Commercial described the work that was being done in the Revenues & Benefits service to review aged debt and highlighted that the recent report to Cabinet included some write off requests where it was considered the debt was unrecoverable.

The General Ledger audit had resulted in 8 high, 4 medium and 2 low recommendations and a Member asked how this compared to previous audits. Mr Harris stated that the General Ledger was now audited annually and he could provide the committee with the comparison figures for the 2021/22 compared to 2022/23.

The IT, Business Continuity and Disaster Recovery follow up opinion had concluded 'Little Progress' had been made and Members queried why this was the case. Mr Harris explained the finding was specific to progress against the recommendations in the original audit in 2021/22 rather than of IT more generally.

The advisory report on the Governance of Council Subsidiary Companies was reviewed and concern was raised by a Member about the potential substantial

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risk that the SLAs for James Elliman Homes (JEH) and GRE5 had not been signed by representatives of the both parties. It was responded that since the audit had been finalised management had updated that the JEH SLA had been signed in August 2022 and the GRE5 SLA had been updated and would be signed by the end of 2022/23. Members expressed dissatisfaction that the GRE5 SLA had apparently been unsigned since 2018, although it was recognised that it had recently been updated and would be signed shortly.

The Health & Safety follow up report showed 'Little Progress' and Members asked management for an update about the non-completion of health and safety training. The Executive Director Finance & Commercial stated that monthly compliance reports were now provided to Executive Directors and the up-to-date figure of compliance could be provided to Members after the meeting.

The Workforce Recruitment and Retention audit had identified 1 high, 5 medium and 5 low priority recommendations. Members expressed concern at the conclusion that there was "no formally agreed or monitored approach for performance management" and there was no retention policy agreed. The Committee agreed that an update would be provided on the position following the meeting. Members also asked questions about panel training, recruitment policy and exit interviews which were responded to by the Executive Director Strategy & Improvement.

At the conclusion of discussion and question the report was noted.

**Resolved –** That the Internal Audit Progress Report be noted.

### **53. Internal Audit Plan 2023/24**

The Head of Internal Audit, Mr Harris introduced the draft Internal Audit Plan 2023/24 which RSM had been asked by the Council to produce ahead of the handover to the new internal audit team.

The report set out the range of factors that informed the content of the proposed schedule of internal audits for the coming year, including discussions with management, risk registers and prior year coverage where issues had been identified for follow up. Appendix B included audit coverage and opinions going back to 2018/19 and indicative audits for future years so the Committee could review the proposals for 2023/24 in context. It was noted that the incoming internal audit team were likely to bring further iterations of the plan to the committee during the year as their audit priorities emerged and the Council's risk register was reviewed. The incoming Head of Internal Audit, Mr Mansour confirmed the draft was a good plan and would be reviewed throughout the year.

The Internal Audit Charter was set out in Appendix C and it was part of the Committee's terms of reference to approve it each year.

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Councillors asked a number of questions about the robustness of the new internal audit arrangements put in place by the Council so that Members could be assured that internal audit would be able to effectively carry out its important role within the authority. Mr Harris and Mr Mansour stated that a handover process was in place and on track for the new team to take responsibility for delivery of the function from 1<sup>st</sup> April 2023. The Monitoring Officer reminded the Committee that the responsibility for the internal audit function was and remained with the Section 151 Officer.

In relation to the draft plan, a Member asked whether the leaseholder charges audit would include engagement with leaseholders to ensure their views on whether they received value for money were taken into account. It was responded that the audit had not yet been scoped therefore there was the opportunity for such a request to be considered.

At the conclusion of the discussion the draft internal audit plan was approved. Members thanked the outgoing internal audit team led by Mr Harris for their work for the Council and their contributions to the Committee over the years.

**Resolved –** That the Internal Audit Plan 2023/24 be approved.

### **54. Members Attendance Record**

**Resolved** - That details of the Members Attendance Record be noted.

### **55. Vote of Thanks**

The Chair placed on record thanks to the Executive Director Finance and his team for all their work and efforts in assisting the authority on its financial recovery and wished them well for the future.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.07 pm)