



## SLOUGH BOROUGH COUNCIL

### Internal Audit Progress Report

For the Audit and Corporate Governance  
Committee meeting on 14<sup>th</sup> December 2017

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

# 1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit Committee on 16<sup>th</sup> 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 24<sup>th</sup> November 2017.

## 2016/17 Internal Audit Plan

The following two reports issued as part of the 2016/17 plan remain in draft and are still 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 ten 2017/18 reports since the previous Audit and Corporate Governance Committee meeting held in October 2017. These are in the following areas:

- Neighbourhood Anti-Social Behaviour (ASB) Enforcement
- Delayed Transfers of Care (DTC)
- Business Rates
- Five Year Plan Performance Reporting
- Management of the Pupil Premium
- Capital Expenditure
- Housing Benefits
- Housing Regulation
- New Facilities Contract
- Special Educational Needs Funding

The Neighbourhood ASB Enforcement 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.

Two of the reports above (Special Educational Needs Funding and Business Rates) delivered a '**substantial**' assurance opinion, while the remaining seven reports listed above delivered '**reasonable**' assurance opinions.

In addition to the above, the following reports have been issued in draft and we are awaiting responses by management before they are finalised:

- Chalvey Early Years Centre
- Follow Up - Q1

## 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
Follow Up Q1	June 2017	Draft Report	16 <sup>th</sup> August 2017		Little progress in implementing agreed actions			
Chalvey Early Years Centre	April 2017	Draft Report	13 <sup>th</sup> July 2017			1	4	0
<b>Neighbourhood ASB Enforcement</b>	<b>June 2017</b>	<b>Final Report</b>	<b>15<sup>th</sup> August 2017</b>	<b>13<sup>th</sup> October 2017</b>		2	4	1
Management of Housing Stock	May 2017	Final Report	23 <sup>rd</sup> June 2017	21 <sup>st</sup> August 2017		2	3	1
Lea Nursery School	April 2017	Final Report	2 <sup>nd</sup> June 2017	23 <sup>rd</sup> June 2017		10	3	0
Holy Family Catholic School	April 2017	Final Report	8 <sup>th</sup> June 2017	11 <sup>th</sup> July 2017		4	3	0
Gas Safety	June 2017	Final Report	11 <sup>th</sup> July 2017	21 <sup>st</sup> August 2017		4	3	0
Management of the Pupil Premium	May 2017	Final Report	24 <sup>th</sup> July 2017	15 <sup>th</sup> November 2017		0	4	0
Delayed Transfers of Care	September 2017	Final Report	19 <sup>th</sup> October 2017	27 <sup>th</sup> October 2017		1	2	0

<b>New Facilities Contract</b>	<b>September 2017</b>	<b>Final Report</b>	<b>19<sup>th</sup> November 2017</b>	<b>23<sup>rd</sup> November 2017</b>		<b>0</b>	<b>3</b>	<b>0</b>
<b>Five Year Plan - Performance Reporting</b>	<b>September 2017</b>	<b>Final Report</b>	<b>7<sup>th</sup> November 2017</b>	<b>15<sup>th</sup> November 2017</b>		<b>3</b>	<b>1</b>	<b>0</b>
<b>Housing Regulations</b>	<b>October 2017</b>	<b>Final Report</b>	<b>16<sup>th</sup> November 2017</b>	<b>24<sup>th</sup> November 2017</b>		<b>5</b>	<b>3</b>	<b>0</b>
<b>Capital Expenditure</b>	<b>October 2017</b>	<b>Final Report</b>	<b>15<sup>th</sup> November 2017</b>	<b>22<sup>nd</sup> November 2017</b>		<b>5</b>	<b>2</b>	<b>0</b>
<b>SEN Funding</b>	<b>June 2017</b>	<b>Final Report</b>	<b>4<sup>th</sup> August 2017</b>	<b>23<sup>rd</sup> November 2017</b>		<b>2</b>	<b>1</b>	<b>0</b>
<b>Business Rates</b>	<b>December 2017</b>	<b>Final Report</b>	<b>7<sup>th</sup> November 2017</b>	<b>9<sup>th</sup> November 2017</b>		<b>1</b>	<b>0</b>	<b>0</b>
<b>Iqra School</b>	<b>April 2017</b>	<b>Final Report</b>	<b>2<sup>nd</sup> June 2017</b>	<b>7<sup>th</sup> June 2017</b>		<b>1</b>	<b>0</b>	<b>0</b>
<b>Schools Financial Value Standard (SFVS)</b>	<b>May 2017</b>	<b>Final Report</b>	<b>23<sup>rd</sup> June 2017</b>	<b>3<sup>rd</sup> July 2017</b>	<b>Advisory</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>AMEY Contract Management</b>	<b>May 2017</b>	<b>Final Report</b>	<b>23<sup>rd</sup> October 2017</b>	<b>14<sup>th</sup> November 2017</b>	<b>Advisory</b>		<b>-</b>	
Budgetary Control	July 2017	In QA						
Information Governance*	August 2017	In QA						
Council Tax	September 2017	In QA						
Follow Up Q2	October 2017	In QA						
Debtors	November 2017	In QA						
Rent Accounts	November 2017	In QA						
Data Flow Mapping	September 2017	Fieldwork in progress						
Creditors	November 2017	Fieldwork in Progress						

Equal Pay Review / Gender Pay Reporting Gap	September 2017	Fieldwork in progress
Business Continuity Advisory Support	September 2017	Fieldwork In progress
Fixed Penalty Enforcement*	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
General Ledger	December 2017	Commencing 18 December 2017
Voids*	January 2018	Commencing 5 January 2018
Follow Up Q4	March 2018	Commencing 29 January 2018
General Data Protection Regulations Readiness	November 2017	Commencing 4 December 2017
Staff Establishment Changes	March 2018	Commencing 5 March 2018
Governance	November 2017	Commencing Q4
Adult Social Care Supervision	December 2017	Commencing Q4
Educational Welfare Service*	August 2017	Change requested by Director of Finance and Resources
Annual Governance Statement	March 2018	Commencing March 3018

\* 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 <sup>st</sup> , and the review would be better placed to be undertaken in January 2018 to provide assurance over the arrangements for voids with the new contractor.
Educational Welfare Service	<p>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).</p> <p>Subsequently, we have been asked by the Director of Finance and Resources to review the area for Procurement Cards in replacement of this audit.</p>
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 two final reports to date that will impact our year end opinion on Management of Housing Stock and Neighbourhood ASB Enforcement (Partial Assurance) and these may need to be considered in the Annual Governance Statement. However, these reports in isolation will not lead to a qualified Head of Internal Audit Opinion.

In addition, it should be noted by the Committee that while the review of AMEY contract management was conducted on an advisory basis, the review identified discrepancies between the published RPIx and what has been used by AMEY Plc for indexing the contract value up to 2010, and this has resulted in a potential overcharge to the Council by AMEY Plc of **£2,019,566** on the non-highways part of the contract. Subject to legal advice, the Council should endeavour to recover this over-charge.

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 were issued in 2016/17, but where we have provided further support and advice to the Council to help address these weaknesses 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 October 2017:

#### Funding for supported housing

Following the announcement by the Prime Minister that the Local Housing Allowance cap will not apply to supported housing or the wider social housing sector, proposals for a flexible funding approach for the supported housing sector have been published.

In providing details Minister of State for Local Government, Marcus Jones, [announced](#):

- a system that leaves funding for housing costs for long-term and sheltered housing services in the benefits system;
- a 'sheltered rent' for sheltered and extra care housing to keep rent and service charges at an appropriate level;
- a new timetable, with the system starting from 2020;
- housing costs for short-term services to be paid through local councils; and
- measures to ring-fence local funding and ensure local authorities assess local need.



## Homelessness

The National Audit Office (NAO) has published a report on the issue of homelessness. The NAO identified that 'homelessness has increased across all measures since 2010, with many local authorities now seeing it as a risk to their financial sustainability.' In its findings on the response of local government, the NAO found:

- local authorities' ability to respond to increased homelessness was limited by the lack of options available to them to house homeless families;
- that local authorities had increased spending on homeless measures, whilst simultaneously reducing spending on prevention measures; and
- 'nearly a third' of homeless households were placed in temporary accommodation outside of the local authority where the initial registration took place.

Also of note in the NAO's report is the section on the Homelessness Reduction Act 2017; the legislation that places new statutory requirements on local authorities. The NAO cited statistics from the Department for Communities and Local Government which estimate the new duties will lead to: a 7 per cent increase in applications for homelessness assistance; a 15 per cent fall in households that qualify for temporary accommodation; and a 36 per cent increase in cases of homelessness prevention or relief.

[Read more](#)

## Stalling devolution

'Devolution deadlock' is squashing the potential for economic growth and new jobs according to the Local Government Association (LGA). The LGA expressed its concern that no new devolution deals have been announced for 18 months despite much interest, and have called on the government to 'urgently publish' its annual devolution report.

[Read more](#)

## Unable to meet demand?

Half of councils across England could be unable to meet the rising demand for secondary school places within the next five years per new statistics published by the Local Government Association (LGA). The LGA conducted analysis of Department for Education figures, with a warning that 125,000 children 'face missing out on a secondary school place by 2022/23.'

[Read more](#)

## Autumn Budget

The Autumn Budget included a number of announcements of relevance to local government, such as developments within the Northern Powerhouse and a second devolution deal for the West Midlands. As predicted, housing was a key item on the agenda. Changes to Universal Credit and the government's housing investment measures. However, it was confirmed there is to be a 100 per cent council tax premium on empty properties and a review into delays in permitted housing development. Local authorities will be expected to bring forward 20 per cent of their housing supply as small sites, in order to speed up the delivery of new homes and to support

increased competition. Further measures to combat homelessness were also announced and the government confirmed that 'where measures are essential to make a building fire safe... [it] will make sure that current restrictions on the use of local authority financial resources will not prevent them going ahead.'

[Read more](#)

## £1.7bn for city growth

The prime minister has revealed that cities will benefit from a £1.7bn pot to improve transport links and local growth. The West Midlands is to receive £250m of the Transforming Cities fund, which will allow a major development of the Midland Metro to go ahead. It was also announced that UK spending on research and development will increase. The government announced that it would put £2.3bn extra spending within this area in 2021-22, which will raise total public investment to £12.5bn in that year. The measures form part of the government's industrial strategy.

[Read more](#)


## Analysis of housing revenue account headroom

The Association of Retained Council Housing (ARCH), in partnership with the National Federation of ALMO's (NFA) commissioned Savills to undertake an analysis of the extent of, and trends in, unutilised borrowing headroom within Housing Revenue Accounts in England. Key outcomes include:

- nearly half of all authorities were within 10 per cent of their Debt Cap and nearly 90 per cent (139 out of 158) of authorities were within 20 per cent of their Debt Cap;
- the total headroom below Debt Cap on 31 March 2015 was £3.162bn which represented an increase on 31 March 2014 of £29m;
- 62 per cent of headroom (£1.96bn) was in authorities within 20 per cent of their Debt Cap;
- 83 per cent of authorities were continuing to operate their business plan at or close to the Debt Cap (within 20 per cent) by 2016;
- 60 per cent of headroom - or the equivalent of 15,000 new homes on a £ for £ borrow-to-invest basis - sits in authorities within 20 per cent of their Debt Cap; and
- evidence suggests that only a small number are actively repaying debt as a policy objective

[Read more](#)

# 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)

<b>Neighbourhood Anti-Social Behaviour (ASB) Enforcement (11.17/18) – PARTIAL ASSURANCE</b>		<b>2 - Low</b> <b>4 - Medium</b> <b>1 - High</b>
<p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> <li>• <b>Compliance with Policy and Procedures</b></li> </ul> <p>Although we noted that a Neighbourhood Services ASB Policy had been developed, with detailed supporting fact sheets covering the processes to follow in managing ASB cases, we identified through our testing and discussions with Team Leaders and the ASB Coordinator that there were inconsistencies between current operational practice and the ASB Policy, and forms/templates prescribed within the policy were not being utilised.</p> <p>There is therefore a risk of inconsistent and/or inadequate responses to ASB cases, and the Council being unable to demonstrate that ASB cases are being given due attention. <b>(Medium)</b></p> <p>We also identified a lack of consistent recording of categories and types for ASB cases across both the Flare and Capita systems, which restricts the Council's ability to effectively monitor and analyse its overall ASB activity and performance and to benchmark it against other organisations, for instance, through the annual HouseMark ASB Benchmarking report. <b>(Medium)</b></p> <p>As highlighted above, our sample testing of cases across the two systems identified inconsistencies and inadequacies with regards to the application of the ASB Policy. We have agreed a further one <b>High</b> and two <b>Medium</b> priority management actions in relation to the following:</p> <ul style="list-style-type: none"> <li>• <b>Accurate recording of the date of notification on Flare (Medium)</b></li> </ul> <p>Of the 10 Flare cases tested, we identified four cases where the date of notification recorded did not correspond to the date the online reporting form was submitted that was recorded within the notes. In addition, we were unable to confirm the accuracy of the date recorded for two cases as details of the notification had not been recorded within the notes. There is a risk of untimely responses to ASB cases if the date of notification is not accurately recorded, potentially resulting in significant adverse impacts for complainants, and reputational damage because of a perception that ASB enforcement is not taken seriously by the Council.</p> <ul style="list-style-type: none"> <li>• <b>Timely responses to cases recorded on Flare (High)</b></li> </ul> <p>Of the 10 Flare cases, we noted one was notified to the Council anonymously, so could therefore not be followed up and responded to. Of the remaining nine cases, we identified;</p>		

- Two had not been responded to and the cases were closed without any action; while
- The remaining seven had not been responded to within the required time-frame (one working day for urgent cases or two working days for all other cases). The initial contact took on average 13 working days.

There is a risk of significant adverse impacts for complainants if ASB cases are not responded to and followed up in a timely manner, and reputational damage because of a perception that ASB enforcement is not taken seriously by the Council.

- **Team Leader oversight of ASB case management (Medium)**

Given the weaknesses identified with the application of the ASB Policy, and identification that in some cases monthly supervisions were not taking place, we have agreed a further management action in relation to this. There is a risk that cases may not be appropriately responded to without regular oversight from Team Leaders.

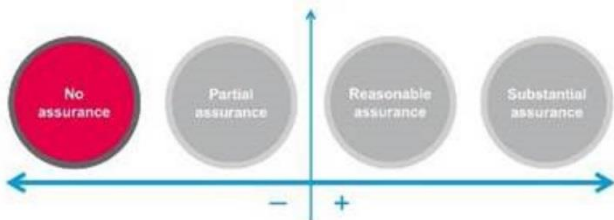
Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	The Council will review the current structure and resources within Neighbourhood Enforcement teams, and assess whether additional resources are required to ensure ASB cases are responded to in a timely manner.  As part of this, the role of the Resilience and Enforcement Team in coordinating ASB activity will be reinforced.	High	31 <sup>st</sup> January 2018	John Griffiths - Head of Neighbourhood 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.  Training covering policy application will be provided to ensure consistent understanding and application.	Medium	31 <sup>st</sup> October 2017	Michelle Isabelle – ASB Coordinator
3	The Council will review and update the ASB categories and types on both Capita and Flare to ensure these are aligned and reflect the categories and types defined within Fact Sheet 6 - ASB Case Management Systems.  Training will subsequently be provided to Team Leaders and Officers on definitions of categories and types to ensure correct assignment and consistent application.	Medium	31 <sup>st</sup> March 2018	Ian Blake – Resilience and Enforcement Team Leader
4	Council staff will be reminded of the need to record details of the notification on Flare within the notes for all ASB cases, to ensure a clear audit trail exists for reported ASB cases.	Medium	31 <sup>st</sup> October 2017	Michelle Isabelle – ASB Coordinator

	This will be reviewed by the Resilience and Enforcement Team Assistance when assigning cases to ensure the date of notification has been accurately recorded.			
5	Team Leaders will ensure that ASB cases are reviewed monthly, and following review and approval, and subsequent dissemination of the ASB Policy, that consistent application of the policy is monitored.	Medium	31 <sup>st</sup> October 2017	Ian Blake – Resilience and Enforcement Team Leader

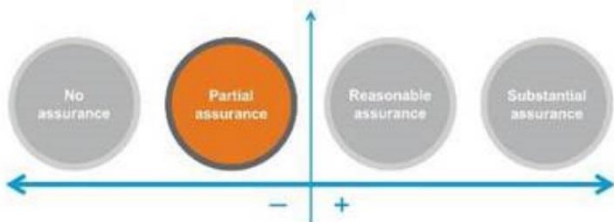
## 2017/18 ASSURANCE OPINIONS

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.

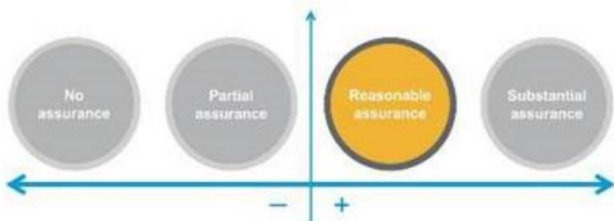
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:



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.

## FOR FURTHER INFORMATION CONTACT

Dan Harris, Head of Internal Audit

[Daniel.Harris@rsmuk.com](mailto:Daniel.Harris@rsmuk.com)

07792 948767

Chris Rising, Senior Manager

[Chris.Rising@rsmuk.com](mailto:Chris.Rising@rsmuk.com)

07768 952380

Amir Kapasi, Assistant Manager

[Amir.Kapasi@rsmuk.com](mailto:Amir.Kapasi@rsmuk.com)

07528 970094