



# SLOUGH BOROUGH COUNCIL

## Internal Audit Progress Report

**For the Audit and Corporate Governance  
Committee on 30<sup>th</sup> July 2019**

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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 2018/19 was approved by the Audit and Corporate Governance Committee on 8<sup>th</sup> March 2018. This report provides a summary update on progress against that plan as at the 17<sup>th</sup> July 2019.

## 2018/19 Internal Audit Plan

We have finalised **14** 2018/19 reports since the previous Audit and Corporate Governance Committee meeting held in March 2019.

- Business Rates – (**Substantial assurance**)
- Housing Benefits (**Substantial assurance**)
- Risk Management – (**Reasonable assurance**)
- Payroll – (**Reasonable assurance**)
- Asset Register (**Reasonable assurance**)
- Governance – Sub Committee Effectiveness (**Reasonable assurance**)
- Agresso HR – Self Service (**Reasonable assurance**)
- Adult Education Service OFSTED Inspection – (**Reasonable assurance**)
- Contract Management Osborne Property Services Ltd – (**Reasonable assurance**)
- General Ledger – (**Reasonable assurance**)
- Follow Up Q4 – (**Little Progress**)
- Creditors (**Partial assurance**)
- Debtors - (**No assurance**)
- Budgetary Control – (**Partial / Reasonable assurance**)

Of the above audits, both Creditors and Debtors resulted in negative opinions, and the issues identified in these reports were largely reflective of issues identified in previous years, including the timely completion of reconciliations by both Arvato and the Council and issues with the processes for setting up and amending new suppliers. In addition, the Council's position in relation to parked invoices had worsened, year on year, however with the insourcing of the Arvato contract, there is an opportunity to use these reports to ensure all control weaknesses and compliance issues are addressed. A summary of the high and medium actions is provided below in the appendices.

For the budgetary control review, while we found that the control framework in place was adequate, allowing the Council to take reasonable assurance over the controls for this area, the effectiveness of the controls, combined with challenges to achieve a balanced budget, resulted in the Council being only able to take partial assurance over the effectiveness of controls in place for this area.

In addition, Follow Up Q4 resulted in a Little Progress opinion, similar to the other three follow up audits issued in 2018/19, indicating the need for management to investigate issues with implementing Internal Audit actions. Audits included as part of this review where evidence of implementation was lacking include:

- Information Governance
- Voids
- Contract Procedure Rules

A summary including medium and high priority management actions agreed from finalised 2018/19 reports, which resulted in a negative opinion (partial assurance / no assurance or little / poor progress), has been included within Appendix A below.

In addition, we have issued the following four reports in draft as part of the Internal Audit Plan for 2018/19:

- Conflicts of Interest (**Partial assurance**)– issued 28<sup>th</sup> September 2018
- Whistleblowing – (**Advisory**) – 21<sup>st</sup> December 2018
- Housing Revenue Account - (**Partial assurance**) – issued 23<sup>rd</sup> May 2019
- Council Buy Backs – (**No assurance**) – issued 23<sup>rd</sup> May 2019

### **2019/20 Internal Audit Plan**

The Internal Audit Plan for 2019/20 was approved by the Audit and Corporate Governance Committee on 7<sup>th</sup> March 2019. This report also provides a summary update on progress against that plan as at the 17<sup>th</sup> July 2019.

We have finalised one 2019/20 report since the previous Audit and Corporate Governance Committee meeting held in March 2019:

- School Audits - Penn Wood School – (**Substantial Assurance**)

In addition, we have issued the following three reports in draft as part of the Internal Audit Plan for 2019/20:

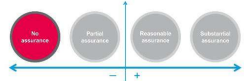
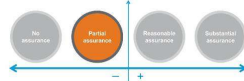
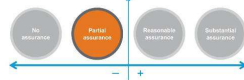





- School Audits – Slough Centre Nursery (issued 27<sup>th</sup> June 2019)
- Follow Up Q1 (issued 10<sup>th</sup> July 2019)
- Allotment Charges (issued 14<sup>th</sup> June 2019)





## 2 SUMMARY OF PROGRESS TO DATE 2018/19

Reports shown in bold have been finalised. The table below is a summarised version of the audits reported to this committee and the remaining audits.

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

### 2018/19 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
<b>Debtors Management</b>	<b>Q3</b>	<b>Final Report</b>	<b>7<sup>th</sup> April 2019</b>	<b>30<sup>th</sup> April 2019</b>		<b>0</b>	<b>6</b>	<b>1</b>
<b>Follow Up Q4</b>	<b>Q4</b>	<b>Final Report</b>	<b>28<sup>th</sup> March 2019</b>	<b>10<sup>th</sup> April 2019</b>	<b>Little Progress</b>			
<b>Creditors</b>	<b>Q4</b>	<b>Final Report</b>	<b>7<sup>th</sup> April 2019</b>	<b>29<sup>th</sup> May 2019</b>		<b>3</b>	<b>3</b>	<b>1</b>
<b>Budgetary Control</b>	<b>Q3</b>	<b>Final Report</b>	<b>23<sup>rd</sup> May 2019</b>	<b>16<sup>th</sup> July 2019</b>	 	<b>1</b>	<b>1</b>	<b>0</b>
<b>Risk Management</b>	<b>Q3</b>	<b>Final Report</b>	<b>22<sup>nd</sup> January 2019</b>	<b>1<sup>st</sup> March 2019</b>		<b>5</b>	<b>3</b>	<b>0</b>
<b>Payroll</b>	<b>Q3</b>	<b>Final Report</b>	<b>10<sup>th</sup> April 2019</b>	<b>15<sup>th</sup> April 2019</b>		<b>4</b>	<b>3</b>	<b>0</b>
<b>Assets</b>	<b>Q4</b>	<b>Final Report</b>	<b>12<sup>th</sup> April 2019</b>	<b>24<sup>th</sup> April 2019</b>		<b>4</b>	<b>3</b>	<b>0</b>
<b>OFSTED Preparedness</b>	<b>Q4</b>	<b>Final Report</b>	<b>25<sup>th</sup> May 2019</b>	<b>8<sup>th</sup> July 2019</b>		<b>5</b>	<b>0</b>	<b>0</b>

<b>Governance – Sub Committee Effectiveness</b>	<b>Q4</b>	<b>Final Report</b>	<b>11<sup>th</sup> April 2019</b>	<b>8<sup>th</sup> July 2019</b>		<b>8</b>	<b>0</b>	<b>0</b>
<b>General Ledger</b>	<b>Q3</b>	<b>Final Report</b>	<b>3<sup>rd</sup> January 2019</b>	<b>17<sup>th</sup> July 2019</b>		<b>2</b>	<b>2</b>	<b>0</b>
<b>Housing Benefit</b>	<b>Q3</b>	<b>Final Report</b>	<b>9<sup>th</sup> December 2018</b>	<b>20<sup>th</sup> March 2019</b>		<b>3</b>	<b>0</b>	<b>0</b>
<b>Business Rates</b>	<b>Q3</b>	<b>Final Report</b>	<b>14<sup>th</sup> April 2019</b>	<b>14<sup>th</sup> April 2019</b>		<b>0</b>	<b>0</b>	<b>0</b>
Conflicts of Interest	Q2	Draft Report	27 <sup>th</sup> September 2018					
Whistleblowing	Q2	Draft Report	21 <sup>st</sup> December 2018					
Contract Management – Osbornes	Q4	Draft Report	30 <sup>th</sup> April 2019					
Agresso Self Service	Q4	Draft Report	1 <sup>st</sup> May 2019					
Council Buy Backs	Q4	Draft Report	23 <sup>rd</sup> May 2019					
Housing Revenue Account	Q4	Draft Report	23 <sup>rd</sup> May 2019					
Council Tax	Q3	Draft Report	19 <sup>th</sup> July 2019					
Business Continuity and Disaster Recovery	Q4	Undertaken as advisory work by our Consulting Team.						
Buildings Compliance Management	Q4	Undertaken as advisory work by our Consulting Team.						

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

**2019/20 Internal Audit Plan**

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
<b>School Reviews (Penn Wood school)</b>	<b>Q1</b>	<b>Final Report</b>	<b>27<sup>th</sup> June 2019</b>	<b>8<sup>th</sup> July 2019</b>		<b>0</b>	<b>0</b>	<b>0</b>
Allotments	Q1	Draft Issued	14 <sup>th</sup> June 2019					
School Reviews (Slough Centre Nursery)	Q1	Draft Issued	27 <sup>th</sup> June 2019					
Follow Up - Q1	Q1	Draft Issued	10 <sup>th</sup> July 2019					
Major Infrastructure Projects	Q1	In Progress						
Risk Management	Q1	In Progress						
Safety Advisory Group	Q1	In QA						
Fire Safety	Q1	In QA						
Governance - James Elliman Homes	Q1	In QA						
Regulatory Services - Cash Handling Arrangements	Q2	In QA						
Health & Safety	Q2	In Progress						
Workforce Planning	Q2	In progress through our employer solutions team						
Temporary Accommodation Strategy	Q2	Scoped						

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Assurance Mapping	Q2	Dates Agreed
Follow Up - Q2	Q2	Dates Agreed
Rent Arrears Recovery	Q2	Dates Agreed
Budgetary Control & Financial Reporting	Q3	Dates Agreed
Creditors	Q3	Dates Agreed
School Reviews	Q3	Dates Agreed
Debtors Management	Q3	Dates Agreed
Payroll	Q3	Dates Agreed
School Reviews	Q3	Dates Agreed
Treasury Management	Q3	Dates Agreed
Council Tax	Q3	Dates Agreed
Capital	Q3	Dates Agreed
Rent Accounts	Q3	Dates Agreed
General Ledger	Q3	Dates Agreed
Cash Handling	Q3	Dates Agreed
Housing Benefit	Q3	Dates Agreed

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Business Rates	Q3	Dates Agreed
Follow Up - Q3	Q3	Dates Agreed
Assets	Q4	Dates Agreed
Continuing HealthCare	Q4	Dates Agreed
Matrix	Q4	Dates Agreed
Governance	Q4	Dates Agreed
Follow Up - Q4	Q4	Dates Agreed
Delivery of the Transformation Programme Board	Q4	Dates Agreed
Heathrow Strategic Planning Group (HSPG)	TBC	
Direct Services Organisation	TBC	To be undertaken by Consulting Team
Contract Management - Everyone Active Leisure Contract	TBC	
Emergency Planning / BCP Support	In Progress	

## 3 OTHER MATTERS

### 3.1 Changes to the 2019/20 audit plan

Auditable area	Reason for change
2019/20 Internal Audit Plan	There have been no proposed changes to the Internal Audit Plan

### 3.2 Impact of our work to date on year end opinion

The assurances given in our audit assignments are included within our Annual Report which is presented as a separate agenda item to this committee meeting. In particular, the Committee should note that any negative assurance opinions ('No Assurance' or 'Partial Assurance' opinions, or poor or little progress on follow ups) will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Where we have issued any negative opinions, ie 'no assurance' (red), 'partial assurance' (amber / red) or 'little or poor' progress follow up reports, these opinions will impact our 2019/20 Head of Internal Audit Opinion for the Council. To date we have not issued any partial assurance opinions for the 2019/20 financial year.

### 3.3 Added value specialist support

Area of work	How this has added value
Business Continuity	We were requested by the Director of Finance and Resources to undertake support work to assist the council with the implementation and roll out of business continuity arrangements across the Council.
Whistleblowing	Due to the nature of the review and the skills within the firm, we have involved our Fraud Risk Services team to undertake this review and the report has currently been issued in draft form to the Council, and we are still awaiting the Council to finalise this report.
Health and Safety Compliance Support	We had been requested by the Council to review health and safety compliance in the built environment across the Council's portfolio of directly managed assets. The review was limited to cover gas, electric, asbestos, fire, water management, lifts and CDM. In addition, the review covered CDM related to Highways activities. The review has been issued in draft to the Council and identified the controls that are in place and any gaps in the Council's current health and safety management systems, processes and procedures. This included internal controls for monitoring the performance of partners, and where gaps were identified, recommendations were made and included within an action plan in the report. To date three phases of this work have been completed and the reports provided to the Council.

### 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 March 2019:

#### £5.3bn EU cash countdown

The Local Government Association (LGA) has called for the government to work with local areas to set out a firm plan to replace the European Structural and Investment Fund (ESIF) 2014 to 2020 programme when it comes to an end in December next year. The LGA notes that local areas are at risk of losing out on £5.3bn in just 18 months should the government not replace the funding arrangements once the UK leaves the EU. Cllr Kevin Bentley, Chairman of the LGA's Brexit Taskforce, stated 'with national funding for regeneration increasingly being depleted, all local areas have become increasingly reliant on EU money and local areas are desperate to get on with creating jobs, building infrastructure and boosting growth.'

#### Audit quality of councils will face examination in new independent review

James Brokenshire, Communities Secretary, has launched a review into the quality of local authority audits and whether they are spotting warning signs early enough. The review will examine the effectiveness of local authority financial reporting and audit regime. Local authorities in England are responsible for 22 per cent of total UK public sector expenditure so the way local authorities report their accounts must be of the highest level of transparency and quality. The review will also look at how councils publish their annual accounts and if their financial reporting system is sufficiently transparent to be held to account. The review will be led by the former President of the Chartered Institute of Public Finance Sir Tony Redmond.

#### Local government workforce survey 2017/18

The Local Government Authority (LGA) has published a report providing information on key elements of the workforce within local authorities. The survey was available to complete online between February and April 2019. The final overall response rate from the workforce survey was 50 per cent (174 councils). Key findings from the survey include:

- the median gross training expenditure per full time equivalent employee was £143 and 60 per cent of councils planned to maintain current levels of spending during 2018/19;
- the median gross training expenditure on member development per councillor was £76 and just 52 per cent of respondents planned to maintain current levels of spending during 2018/19;
- in 2017/18 there was a median of 14 apprentices, nine work experience placements and one graduate placement per council;
- 78 per cent of respondents noted that their council was currently experiencing recruitment and retention difficulties;
- 75 per cent of councils used targeted recruitment campaigns to correct the difficulties they were having with recruitment and retention;
- 99 per cent of councils said they encourage staff to work flexibly and 93 per cent stated that flexible working is available to employees at all levels and across all departments within the organisation, where it is operationally feasible; and
- the most frequently reported cause of sickness absence was stress, depression, anxiety, mental health and fatigue.

## **Changes to the local valuation cycle and management of employer risk**

The Ministry of Housing, Communities and Local Government (MHCLG) has launched a consultation seeking views on policy proposals to amend the rules of the local government pension scheme in England and Wales. The consultation covers the following areas:

- amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer local government pension scheme membership.

The consultation closes on 31 July 2019

## **Government review confirms local authorities will continue to commission public health services**

Following its review on public health services, the Department for Health and Social Care (DHSC) has concluded that services will be more joined-up if local authorities and NHS work more closely together on public health. The DHSC also added that prevention must also be embedded in a wide range of health services. Matt Hancock, Health and Social Care Secretary, stated 'we are committed to supporting and encouraging joined-up commissioning of these services by local government and the NHS. Our prevention green paper, which we will publish soon, will give people an opportunity to let us know their views on how we achieve this and build on the excellent local practice happening across the country.'

## **Communities to benefit from new housing infrastructure rules**

The Ministry of Housing, Communities and Local Government (MHCLG) has confirmed that new rules will be put in place which will make the way housing developers 'stump up money' for infrastructure simpler and more transparent. Councils will be required to report the deals done with developers and set out ways in which the money will be spent allowing residents to see every step taken to secure their area is ready for new housing. Kit Malthouse stated, 'the reforms not only ensure developers and councils don't shirk their responsibilities, allowing residents to hold them to account - but also free up councillors to fund bigger and more complicated projects over the line.'

## **Council Tax levels set by local authorities in England 2019 to 2020**

The Ministry of Housing, Communities and Local Government (MHCLG) has published revised versions of Council Tax levels set by local authorities in England 2019 to 2020. The publication published provides information derived from the council tax requirement (CTR) returns submitted by all 317 billing authorities and all 98 major precepting authorities in England during February and March 2019

## **Paying the right level of Council Tax**

The MHCLG has published a guide to how the Council Tax system operates in England and highlights the discounts and exemptions available to ensure families are not paying more than they should. Rishi Sunak, Local Government Minister stated, 'Council Tax is a vital source of funding for local government, supporting most of the day-to-day services we all use and rely on. However, no one should be paying more than their fair share. We want to help people keep more of what they earn which is why we've produced this easily-accessible guide explaining the discounts and exemptions available – many of which people may never even knew existed.'

## **Schools staying with their council more likely to remain good/outstanding**

Angel Solutions has published a [report](#) commissioned by the Local Government Association (LGA) looking at primary and secondary schools Ofsted grades over the past five years and compares those which remained council-maintained to those that are academies.

## **Local Government Governance and Accountability**

The Public Accounts Committee (PAC) has published a report on 'Local Government Governance and Accountability.' The report follows an inquiry into governance and accountability of local government which heard examples of audit committees not providing sufficient assurance, ineffective internal audit and weak arrangements for the management of risk in commercial investments. The PAC concluded that;

- the Ministry of Housing, Communities & Local Government (MHCLG) is not yet providing effective leadership of the local governance system;
- the MHCLG does not know why some local authorities are raising concerns that external audit is not meeting their needs;
- the MHCLG lacks reliable information on key governance risks, or relies on weak sources of information, meaning it has no way of pinpointing the at-risk councils;
- the MHCLG's monitoring is not focused on long-term risks to council finances and therefore to services; and
- there is a complete lack of transparency over both the MHCLG's informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The PAC sets out several recommendations in their report. Recommendations include:

- the MHCLG should write to the PAC within the next six months, setting out: its overall plan for improving its oversights and its progress in working more effectively with other government departments to understand overall pressures on service sustainability;
- the MHCLG's proposed review of the work of independent auditors should be conducted independently and should ensure that concerns from some local authorities over current fee levels and the contribution of external audit are examined fully and rigorously. The review should assess whether external audit is providing an effective service and meeting the needs of local authorities;
- the MHCLG should assess the governance evidence base available to it currently and write to the PAC by November 2019 setting out how it will address gaps it has identified;
- the MHCLG should assess and monitor the scale of long-term risk that authorities might have exposed themselves to through their commercial investments and ventures; and
- the MHCLG should set out how it will improve transparency over its engagement on governance issues with individual local authorities.

## **Guidance for new councillors 2019/20**

The Local Government Association (LGA) has published its 'guidance for new councillors 2019/20'. The guide is designed to provide councillors with the essential information needed as a new councillor and is a useful addition to the support and guidance councillors will receive from their own council. The guidance explores some of the main issues and challenges facing local government today and includes hints and tips from experienced councillors.

## **Resident satisfaction with councils**

LGA has published a report entitled 'polling on resident satisfaction with councils' outlining the 22nd set of results in a series of regular public polls on resident satisfaction with local councils, conducted every four months. Key findings from the report include:

- 81 per cent of respondents were satisfied overall with their local area as a place to live;
- 60 per cent of respondents were satisfied overall with the way their local council runs things;
- 59 per cent of respondents said their council keeps residents informed about the services and benefits it provides;
- 60 per cent of respondents said they trusted their council either 'a great deal' or 'a fair amount';
- 58 per cent of respondents replied positively when asked if their council acts on the concerns of local residents; and
- 44 per cent of respondents said they 'strongly agreed' or 'tended to agree' that their council provides value for money with a further 31 per cent giving a neutral response.

## **Embrace the benefits of public scrutiny, councils told**


The MHCLG has published new guidance for local and combined authorities stressing the role of their scrutiny committees in holding them to account over local decision-making. Developed by the government in consultation with the public sector, the guidance outlines what effective scrutiny looks like and the positives it can bring to local authorities. Rishi Sunak, Minister for Local Government stated, 'scrutiny committees form an integral part of the work of councils in delivering services by acting on behalf of residents to hold councillors and staff to account for the important decisions they make.'

## **NLGN leadership index**

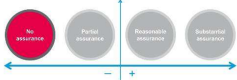
The New Local Government Network (NLGN) has published findings from its quarterly 'leadership index' survey of chief executive, leaders and council mayors from local authorities across the UK. It asks their level of confidence in key service areas as well as wider indicators of community wellbeing. Key points from the report include:

- 41 per cent of councils think they are unlikely to eliminate rough sleeping by 2027;
- 26 per cent of councils chiefs say they are unable to halve rough sleeping by 2022;
- 67 per cent of councils think they do not have sufficient funding to fulfil their statutory duty to prevent homelessness;
- 9 per cent of council chiefs state that they do have adequate funding to meet new requirements;
- 65 per cent of council chiefs think Universal Credit is increasing homelessness in their areas, with only 2 per cent saying it has led to a decrease; and
- 78 per cent of council chief executives, leaders and mayors of predominately urban areas state that universal credit has prompted a rise in homelessness.

# APPENDIX A: KEY FINDINGS FROM FINALISED 2018/19 INTERNAL AUDIT WORK (HIGH AND MEDIUM PRIORITY MANAGEMENT ACTIONS ONLY WHERE PARTIAL OR NO ASSURANCE REPORTS HAVE BEEN ISSUED)

<b>Creditors (38.18/19) – PARTIAL ASSURANCE</b>				<b>3 - Low</b> <b>2 - Medium</b> <b>1 - High</b>
<p>We identified issues in the following areas which led to actions being agreed:</p> <p><b>Amendments to Supplier Accounts</b></p> <p>We found that no verification checks had been undertaken for eight of our sample of 10 supplier changes tested. Without verification checks, there is the risk that inappropriate and unauthorised changes may be made to supplier account details. We have agreed a management action in this regard, relating to the maintenance of an amendment tracker. <b>(High)</b></p> <p>Through review of a sample of ten amendments, we found that there was no detail regarding the type of amendment made within the workflow and so supporting documentation had to be consulted to identify this. We noted that our management action to introduce supplier amendment forms made as part of the previous audit had not been implemented, nor had the amendment logging issue been rectified.</p> <p>Without a clear audit trail, the Council cannot provide themselves with assurance that amendments made to supplier accounts has been done so appropriately. If amendments are inappropriately made, there is a risk of reputational damage where inappropriate payments are made in error or due to fraud <b>(Medium)</b></p> <p><b>Processing of Invoices and Credit Notes</b></p> <p>For our sample of 20 invoices, we confirmed a three-way match with the relevant purchase order number and goods received note. We noted that although invoices were processed in a timely manner upon receipt by arvato, we identified late payment (payment after 30 days) for eight of our sample which had been caused by delays in Council staff forwarding documentation to the P2P team.</p> <p>We selected a sample of 20 credit notes processed in the current financial year and tested for timeliness and the accuracy of processing. We identified for two credit notes delays in processing due to the reason described above.</p> <p>If accounts payable documentation is not sent to the P2P team in a timely manner, there is a risk of reputational damage and potential interest charges where late payments are made. <b>(Medium)</b></p>				
Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible

1	<p>The Council will implement an amendment tracker, which details the following:</p> <ul style="list-style-type: none"> <li>• The supplier;</li> <li>• The date on which an amendment was requested;</li> <li>• The individual requesting the amendment;</li> <li>• The method of contact (requesting the amendment);</li> <li>• The date on which verification checks were undertaken;</li> <li>• The method of verification check and individual responsible;</li> <li>• The details of the amendment (including type and date of); and</li> <li>• The individuals responsible for amending the account and checking the amendment entry.</li> <li>• All relevant staff will be informed of the method for the recording of supplier details amendments.</li> </ul> <p>The tracker will be made accessible to all relevant staff.</p>	High	30 <sup>th</sup> July 2019	Simon Pallett – Service Lead, Digital and IT
2	<p>The process of inputting bank details for new suppliers will be subject to a verification check by a more senior manager via workflow, ensuring that the correct details have been entered onto the Agresso system.</p>	Medium	30 <sup>th</sup> July 2019	Simon Pallett – Service Lead, Digital and IT
3	<p>SBC staff will be reminded of the requirement to forward any relevant accounts payable documentation, including invoices and credit notes, to arvato as soon as possible.</p>	Medium	30 <sup>th</sup> July 2019	Barry Stratfull – Service Lead, Finance

<p><b>Debtors (31.18/19) – NO ASSURANCE</b></p>		<p><b>0 - Low</b> <b>6 - Medium</b> <b>1 - High</b></p>
<p>We identified the following weaknesses which resulted in <b>six medium priority</b> management actions and <b>one high priority</b> management action being agreed:</p> <p><b>Raising of Invoices</b></p> <p>Where invoices are raised, the Council does not require invoices to be independently reviewed prior to being sent to Debtors as a preventative control to stop inappropriately raised invoices to being distributed. Instead, the Council provides training via the Council’s e-learning pool to ensure invoices are raised as appropriate.</p> <p>We obtained the training materials provided and confirmed these to be appropriate with guidance provided over access and use of the Agresso self-service system in relation to raising invoices. We confirmed through discussion with the Head of Organisational Development that monitoring of mandatory e-learning modules takes place however, the module concerning guidance on raising invoices is not mandatory. As such, no monitoring of training completion is undertaken.</p>		



To quantify the extent to which invoices were inappropriately raised, we obtained a report of all credit notes since April 2018 and performed a key word search including words such as 'error' and 'incorrect' to identify where invoices had been inappropriately raised.

We identified that 170 of the 790 credit notes raised (22%) between April 2018 and November 2018 had been raised due to an error in the invoicing thus indicating a potential training need. Actions regarding monitoring of training undertaken has been agreed as part of 2016/17 and 2017/18 Debtors Management reviews. This action has not been implemented. If training is not monitored there is a risk that users will not undertake required training, and could lead to incorrect processes being followed, or invoices being inappropriately raised. **(Medium)**

### Credit Notes

We reviewed the workflow evident on Agresso for a sample of 20 credit notes raised since April 2018. We noted two instances where the credit note had not been approved in a timely manner. Most notably, one of the credit notes had been approved 178 days after the request had been made. Through discussion with the Agresso Consultant, we were advised that this delay was caused by the credit note being incorrectly completed, causing it to bounce back to the requester.

An action had been raised as part of the Debtors Management 2017/18 review, whereby the Council would undertake monthly review of credit notes awaiting approval, however we identified that this has not yet been implemented. Had the action been implemented, it is likely that the credit note awaiting approval 178 days may have been identified and addressed accordingly. If credit notes are not processed in a timely manner, there is a risk of the Council suffering reputational damage where debtors have not had their accounts credited.

We also noted that none of our sampled credit notes had any supporting documentation retained via Agresso. By not providing supporting documentation, there is a risk of a loss of income if credit notes are inappropriately approved without supporting documentation. **(Medium)**

### Parked Debt

Through review of the October 2018 parked debt report, we identified that the Council's level of 'parked' debt was currently at £4,725,100. As part of our 2017/18 Debtors Management review, we identified as at September 2017, the level of parked invoices was at £2,993,187 and debt could be 'parked' without Council approval.

Through discussion with the Agresso Consultant, we identified that the Council had initially turned off the function within Agresso to enable debt to be 'parked', however this function has since been turned back on and thus causing the increasing levels of debt. We additionally identified that Agresso has not since been amended to include a workflow for the approval of 'parked' debt. Without appropriate controls around authorisation for invoices to be parked, there is a risk that debts that are recoverable being inappropriately deemed irrecoverable, which could result in financial loss and impact cash management as the amount of available cash is reduced.

Through review of a sample of ten parked debts, in five instances, no note or audit trail had been added to the system detailing when the debt had been parked and the reason for this. If reasons for parking invoices are not documented, there is a risk that the Council will not be able to evaluate the appropriateness of the invoices being parked. **(High)**

### Debt Recovery

The Council does not currently have a Debt Recovery Policy that is reflective of current practice or utilised by debt recovery staff. The Council are in the process of defining a policy and are aiming for it to be in place by January 2019. However, without a clearly defined debt recovery policy, there is a risk that practices administered with regards to debt recovery are not consistently applied. This may lead to inadequate chasing of debt leading to financial losses where debt cannot be recovered. **(Medium)**

Additionally, we performed sample testing for 20 invoices present on the October 2018 Aged Debt report. Through our testing, we confirmed in 18 instances, a first reminder and final warning letter had been sent out to the debtor, however in two instances, this had not occurred. We also identified exceptions with the procedures followed by Accounts Receivable staff with regards to no clear, consistent procedure being followed with regards to debt recovery following the final warning letter. We also noted that staff inconsistently leave notes on the system and thus do not provide a sufficient audit trail to explain changes to the status of the debt (for example, if the debt has been parked or the debtor has been contacted).

Without consistent practice being administered with regards to debt recovery, there is a risk that debts may not be recovered in a timely manner. **(Medium)**

### Write Offs

We were advised by the Head of Transactional Finance that the Council are currently unable to process write off's on Agresso and this is due operational staff not being aware of how to process a write off proposal report. We identified that the individual who had historically run write off request reports is currently on sick leave and, in their absence, no procedural guidance is in place. Without procedural guidance in place, there is a risk that the continuity of various practices administered across to the arvato team may be compromised where key staff are absent. **(Medium)**

### Reconciliations

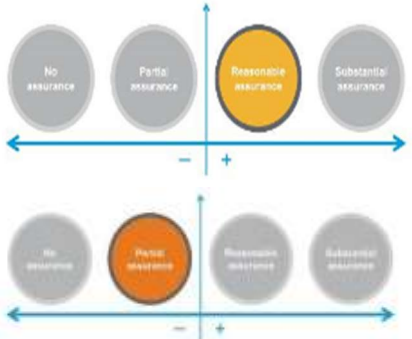
The Finance Team perform accounts receivable cash and control account reconciliations on a monthly basis. We obtained the reconciliations undertaken between April and October 2018 and identified that for five of the accounts receivable cash reconciliations and four of the control account reconciliations, there was no evidence of a reviewer's signature present on the reconciliation top sheet. We also noted that the reconciliations were presented in an unorthodox format for six of the seven months sampled, with only the October 2018 reconciliation providing information of total balances on the cover sheet. Furthermore, the control account reconciliation undertaken for May 2018 had been completed 35 business days after the month end.

If reconciliations are not completed and reviewed in a timely manner with any differences clearly documented, there is a risk that these differences may not be identified in a timely manner in order to ensure that these can be rectified ensuring the integrity of the financial systems. **(Medium)**

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	The Finance Team at the Council will conduct a review of all parked invoices, to establish whether there are valid reasons for these invoices not being chased. All invoices where there are no valid reasons for parking will be chased through the Council's debt management process.	High	30 <sup>th</sup> June 2019	Barry Stratfull – Service Lead - Finance

	As part of this, guidance will be provided to Council staff requesting them to only park invoices had it been approved by the Service Lead – Finance and where debts are parked, an audit trail will be maintained on Agresso to support the reasons for parking the debt as well as approval from the Council.			
2	<p>The Council will ensure that all staff responsible for raising invoices and credit notes on Agresso undertake training and training records thereof will be maintained. Exception reports of staff who have not taken training will be forwarded to responsible line managers with an instruction for relevant staff members to complete the training.</p> <p>As part of this action the content of the training provided will be reviewed by Finance to ensure that the content adequately describes the process to be followed.</p>	Medium	30 <sup>th</sup> June 2019	Barry Stratfull – Service Lead, Finance
3	<p>The Council will send out guidance to staff to advise them to attach supporting documentation to all credit notes requests.</p> <p>Following this, where credit notes are raised, supporting documentation will be uploaded to Agresso to substantiate the request for raising a credit notes in all cases.</p>	Medium	30 <sup>th</sup> June 2019	Barry Stratfull – Service Lead, Finance
4	<p>The Council will produce a revised Debt Recovery Policy. The Policy will be reviewed and approved via appropriate forums which include the Operations Board as to ensure oversight from arvato.</p> <p>The policy will be designed to provide guidance to staff chase debt in a systematic manner.</p>	Medium	30 <sup>th</sup> June 2019	Barry Stratfull – Service Lead - Finance
5	<p>The Accounts Receivable team will enquire with the Agresso Support Team as to how the faulty reminder run may have occurred. The outcomes of this enquiry will be used to provide the team with assurance that reminder runs distribute reminders to all relevant debtors.</p> <p>Following the production of a Debt Recovery Policy, the Head of Transactional Finance, will undertake monthly spot checks to confirm compliance against the stipulated debt recovery procedures.</p>	Medium	30 <sup>th</sup> June 2019	Barry Stratfull – Service Lead - Finance
6	<p>arvato will enquire with the Agresso Support Team to identify how write offs can be processed on Agresso.</p> <p>Following this, procedural guidance, (including succession planning) will be developed and will be made accessible to operational staff.</p> <p>The implementation of this action will be monitored by the Council to ensure compliance.</p>	Medium	30 <sup>th</sup> June 2019	Vijay McGuire – Service Lead Customer and Communications

7	We will ensure that reconciliations are completed in a timely manner and stored electronically, with evidence of a review taking place once completed to ensure a segregation of duties.	Medium	31 <sup>st</sup> May 2019	Kim Bryant – Group Accountant Financial Reporting
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<p><b>Budgetary Control (41.18/19) – PARTIAL / REASONABLE ASSURANCE</b></p>		<p>1 - Low 1 - Medium 0 - High</p>
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**Adequacy of Controls (Reasonable Assurance)**

Through our review, we found that generally the control framework around Budgetary Control was well designed. We have however identified some weaknesses related to the reporting and oversight of the budget information, in particularly the lack of reporting to the Audit and Corporate Governance Committee.

**Effectiveness Opinion (Partial Assurance)**

Whilst the Council can take reasonable assurance over the design and operation of controls in place for the monitoring of the delivery of the financial plan, due to demand led activity pressures the Council are forecasting a £3.326m overspend against budget for the financial year. Whilst this overspend will be covered by reserves, this will place further pressures on the amounts left in reserves and may leave the Council with a reduced ability to respond to any future levels of budget overspends or unexpected financial pressures and demand.

Our key finding was as follows:

**Audit and Corporate Governance Committee**

We were informed that the Audit and Corporate Governance Committee only receive the end of year financial statements and do not receive any finance and performance update reports. The purpose of this Committee is to advise and review the Council's processes for internal audit, internal control, risk management, financial management, standards and corporate governance, as well as independently scrutinising the Council's financial and non-financial performance. Whilst there is no requirement for the Committee to receive finance reports at each meeting it should be kept aware of any significant financial issues that impact on the financial management of the Council. Given that the Council has experienced an overspend for the majority of the year and therefore may fail to achieve its statutory breakeven duty then this could be considered a financial management issue that should have been formally notified to the Committee. If the Committee

are not receiving update reports, they are unable to undertake these functions and the consequences of this may include ineffective and inappropriate review and challenge of performance. **(Medium)**

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	The quarterly finance report will be sent to audit committee in the next available meeting following the end of the quarter.	Medium	30 <sup>th</sup> September 2019	Barry Stratfull – Service Lead, Finance and Audit

<b>Follow Up Q4 (30.18/19) – LITTLE PROGRESS</b>	<b>Little Progress</b>	<b>0 - Low 8 - Medium 2 - High</b>
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Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Slough Borough Council has demonstrated **poor progress** in implementing agreed management actions.

We identified through our fieldwork that from the 13 **medium** and four **high** priority management actions sampled, five of these (29%), had been fully implemented with a further one action superseded. However, we noted that of the remaining 11 actions, seven had been partially implemented whilst four were not implemented. Of those not implemented one related to a high priority management action on the Neighbourhood ASB enforcement audit (with the other three high priority management actions being partially implemented).

Actions predominantly not implemented mainly related to Contract Procedure Rules, Fixed Penalty Enforcement and Neighbourhood Anti-Social Behaviour (ASB) Enforcement.

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
<b>Contract Procedure Rules Review</b>				
1	All duplicate payments identified for 2017/18 will be reviewed to establish the root cause and corrective action will be taken to reclaim incorrect payments where these are validated.	High	30 <sup>th</sup> April 2019	Barry Stratfull- Service Lead, Finance
2	The Council will review all expenditure incurred over the OJEU limits ensuring these reviews are evidenced appropriately with a log of management checks being maintained and will take appropriate action where necessary.	Medium	30 <sup>th</sup> September 2019	Fred Narmh- Head of Procurement

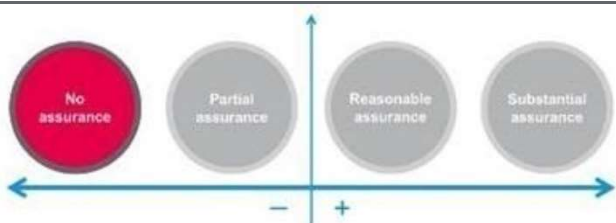
3	Expenditure between the £50,000 and the OJEU limits will be periodically checked to ensure compliance with the Contract Procedure Rules and Council's Constitution.	Medium	30 <sup>th</sup> June 2019	Frederick Narmh - Head of Procurement
4	Following further consultation HB Public Law, the Council will complete their review of the Procurement Operating Procedure notes.  Upon completion, the notes will be formally reviewed and approved at the Finance DMT meetings and formally communicated to all staff.	Medium	31 <sup>st</sup> May 2019	Frederick Narmh - Head of Procurement
<b>Fixed Penalty Enforcement – 17/18</b>				
5	The Council will circulate the latest Fixed Penalty Notice (FPN) templates to relevant staff for use and ensure that dated versions are removed.  Once implemented, evidence of this will be forwarded to the Risk and Insurance Officer for review.	Medium	28th February 2019	Ginny de Haan- Service Lead, Regulatory Services
<b>Information Governance – 17/18</b>				
6	Training reports will be discussed at monthly DMT meetings and CMT half-yearly and details of the discussion will be recorded in the minutes.  Where poor training compliance is observed, actions will be devised in attempt to improve levels of training completed.	Medium	28th February 2019	Surjit Nagra – Service Lead, HR
7	The Information Security Awareness course will be reviewed and updated to ensure it includes reference to the Caldicott Principles.  In addition, the Council will consider merging the Information Security Awareness and Data Protection Awareness courses to provide a single course covering data protection and information governance.	Medium	31 <sup>st</sup> March 2019	Alexander Cowen- IT & Business Relationship Manager
<b>Neighbourhood ASB Enforcement - 17/18</b>				
8	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	30 <sup>th</sup> June 2019	Colin Moone- Service Lead, Housing Services
<b>Voids – 17/18</b>				

9	<p>The Capita system will record where recharges have been made and collected to enable sufficient oversight and to enable effective management over the recharges process.</p> <p>The Council will receive regular reports from Osborne in order to raise notification and issue of recharges to tenants and leaseholders.</p>	Medium	31 <sup>st</sup> March 2019	Trevor Costello - IT & Systems Project Manager
10	<p>Where possible, Pre-inspections will be carried out prior to the tenant moving out, where notice is given with the outcomes of this recorded on the CAPITA system.</p> <p>Housing Officers will also ensure that an information pack will be included with the appointment letter detailing how to leave a council property and the possibility of recharges for damage or clearance of possessions. A confirmation letter following the pre-termination inspection visit will be sent confirming identified reports to be completed before vacation, which will be recorded on the CAPITA system.</p>	Medium	31 <sup>st</sup> March 2019	Liz Jones - Neighbourhoods Manager

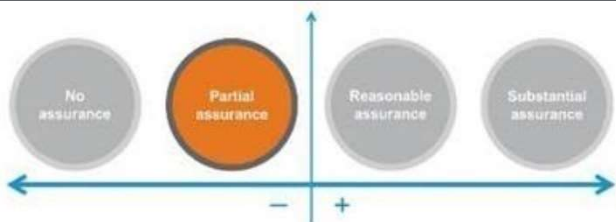
## APPENDIX B: 2019/20 ASSURANCE OPINIONS

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.

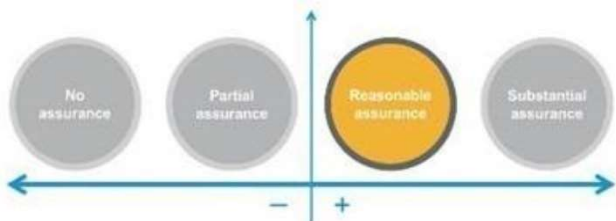
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:



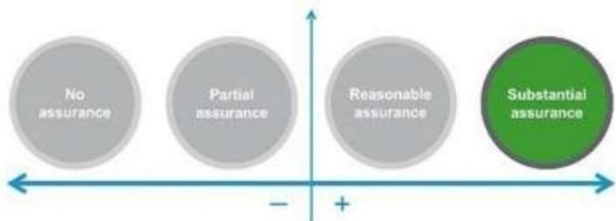
Taking account of the issues identified, the Council **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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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