

Slough Borough Council

Report To: Audit and Corporate Governance Committee

Date: 14th March 2023

Subject: Internal Audit Tracker Update – Quarter 4 2022/23

Chief Officer: Steven Mair – Director of Finance and Commercial (S151)

Contact Officer: Mike Thomas Interim Financial Adviser
Tariq Mansour, Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance

Ward(s): All

Exempt: No
Appendix 'A' – Outstanding High Priority Recommendations

Appendices:

1. Summary and Recommendations

1.1 This report sets 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 IA reports and outstanding actions.

Recommendations:

1.2 The Audit and Corporate Governance Committee is recommended to:

(a) Approve this report noting in particular:

- progress on recruiting to an in-house team with key members of the new in-house team being onboarded 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. Update analysis has been provided as at 28 February 2023.

Reason:

- 1.3 The recruitment of an in-house internal audit team was one of the recommendations of the reports by CIPFA and DLUHC in October 2021.
- 1.4 The Council's response to agreed internal audit reports and actions should lead to the strengthening of internal controls and the control environment.

Commissioner Review

- 1.5 The Commissioners note that there is clearly much progress but equally there are some significant items still not resolved. Commissioners would wish to see a clear commitment from management to reduce the number of overdue actions and in particular further detail on the risk impact of the 10 actions rated as high priority.

Report

1.6 Internal Audit Team Developments

- 2.1.1 The recruitment of a new in-house team has been part of the wider Finance and Commercial Services restructure. Recruitment has been successful at the senior level with offers made and accepted for the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance (Tariq Mansour) started on 3 February, Internal Audit Manager (Sati Seehra) starts on 14 March and Senior Auditor (Inderpal Tumber) starts mid-April. Further recruitment is required to the 2 internal auditor posts and further advertising and option appraisal is taking place with one interested candidate being considered.
- 2.1.2 It should be noted that despite the recruitment process the options appraisal in March 2022 allowed for an extension to the current supplier, RSM's contract up until the end of 2023/24 if required. RSM will be involved in agreeing the IA plan for 2023/24 and have engaged with Department Leadership Teams to enable a plan to be taken to this meeting of the Audit and Corporate Governance Committee meeting. The new team will be part of the discussions regarding the planning and will begin to take over the work programme for 2023/24 with effect from early in the 2023/24 Financial Year. Transition to the new team began during February 2023 alongside RSM completing the 2022/23 internal audit plan. RSM have agreed to provide support for the new team in the early part of 2023/24 to enable the service to be continuous.

3.1 Response to Internal Audit Recommendations

3.1.1 Good progress continues to be made with regard to completion of internal recommendations. There have been a number of changes since the last report to the Committee:

- **Pre 2021/22 audit actions** – 3 actions from a total of 257 remain to be completed, 2 of these are medium rated and 1 is low rated.
- All internal **audit reports outstanding from 2021/22** have now been finalised allowing completion of the Head of Internal Audit Annual Opinion for 2021/22 as reported to the last meeting of this Committee.
- **2021/22 actions** – the actions completed as at end of February number 152 or 56 per cent of the total due with a further 41 or 13 per cent not yet due. A concerted effort is being made by CLT to close the remaining 120 actions that are overdue. An analysis by Directorate and by priority has been shared with DLT's for actioning.
- **2022/23 reports and actions** - The number of outstanding **2022/23 actions** has increased as the number of reports finalised has increased to from 4 to 12. There are 12 reports finalised and a further 6 reports in draft which are being considered and responded to by management. A further 75 actions have been raised for 2022/23 from these reports. Good progress is being made in responding to these matters.

3.1.2 The Council's response to agreed internal audit actions should contribute to the achievement of the organisation's objectives and assist the Council in managing its risks. Officers have strengthened the arrangements for monitoring and verifying completion of audit actions. The current position is as follows:

3.2 Pre: 2021/22 Internal Audit recommendations

3.2.1 Prior to May 2021 the internal audit recommendations were very poorly addressed. The status of audit recommendations for the years prior to 2021/22 is now as follows:

Totals	Total	High	Medium	Low
Not Due	0	0	0	0
Overdue	3	0	2	1
Complete*	254	28	110	116
Total	257	28	112	117

*includes actions that are no longer relevant or closed as duplicates

- Progress has been made in closing down management actions from previous financial years, 254 actions or 99 per cent are completed.
- No high rated actions are outstanding.

- The two medium actions that remain open relate to the reporting of Conflicts of Interest; and confirmation of a scheme of delegation for JEH. Both of which are being actioned in the early part of 2023.
- Four low rated actions were previously outstanding but three of these have been overtaken by events and are included in subsequent reports, the outstanding action relates to agreement of a policy for s106 agreements.

3.3 2021/22 Outstanding Internal Actions

3.3.1 A total of 37 Internal audit reports were issued in 2021/22 (29 assurance and 8 advisory). All internal audit reports have now been finalised (including follow up audits).

3.3.2 The status of audits actions for the financial year 2021/22 is as follows:

Totals	Total	High	Medium	Low
Not Due	41	3	23	15
Overdue	120	10	77	33
Complete	143	38	53	52
Closed as duplicate	9	3	5	1
Total	313	54	158	101

- 313 new recommendations were made in 2021/22 reports, 54 are High, 158 are medium and 101 are low rated.
- 152 actions (including closed as duplicate) or 56 per cent of actions due are complete with a further 41 or 13 per cent of actions not yet due for completion.
- However, 120 actions are now overdue the agreed date of implementation. 10 of these are rated high and are shown in Appendix A, 77 are medium and 33 low rated.
- The overdue actions have been shared with each department so Department Leadership Teams can consider the current position and respond. Work will continue with DLT's to reduce these numbers by the financial year end.

3.4 2022/23 Outstanding audit actions and reports

3.4.1 The internal audit plan 22/23 was presented to the July Audit and Corporate Governance committee. It is agile to reflect changes in circumstances, including plans to develop an in-house internal audit function.

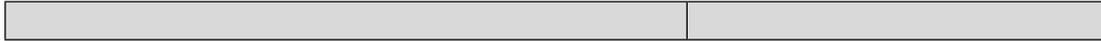
3.4.2 Twelve reports have now been finalised. A further 6 reports have been issued in draft and are subject to further discussion or are awaiting a response from management. The reports at final or draft stage and the outcomes are shown in the table below :

IA Report	Current Position	IA Opinion
Council Tax	Finalised	Partial assurance

Children Missing Education	Finalised	Partial Assurance
Leavers	Finalised	Minimal Assurance
Risk Management Advisory	Finalised	Some Progress
Housing Benefits	Finalised	Partial Assurance
Follow Up Subsidiary Companies	Finalised	Some Progress
Follow Up Quarter 1	Finalised	Good Progress
General Ledger	Finalised	Minimal assurance
Follow Up IT Business Continuity and Disaster recovery	Finalised	Little Progress
Medium Term Financial Planning	Finalised	Reasonable Assurance
Budget Setting and control	Revised Draft received – meeting arranged to discuss	<i>Minimal assurance</i>
Adult Social Care Transformation	Draft Response with RSM for review	<i>Partial assurance</i>
Workforce Recruitment and Retention	Finalised	Minimal assurance
Payroll (including associated financial controls)	Response being drafted	<i>Partial assurance</i>
Follow Up Health and Safety	Finalised	Little Progress
Follow Up Rent Arrears Recovery	Response being drafted	<i>Little Progress</i>
Delegated authorities	Response being drafted	<i>Commissioner request</i>
Whistleblowing	Response being drafted	<i>Some Progress</i>

3.4.3 There are 11 further planned internal audit reviews scheduled to be started before 31 March 2023. The schedule is shown below:

Review	Start Date
Payroll Review	1 March 2023* Scope TBC
Corporate Health and Safety	4 January 2023
Business Rates	16 January 2023
Rent Accounts	16 January 2023
Temporary Accommodation Strategy	16 January 2023
Debtors Management	20 January 2023
Capital	30 January 2023
Assets	3 February 2023
Cyber Essentials	13 March 2023
Follow Up Q4	22 March 2023
Strategic Housing Management	27 March 2023



3.4.4 The status of audit recommendations for the financial year 2022/23 is as follows:

Totals	Total	High	Medium	Low
Not Due	50	14	24	12
Overdue	7	3	4	0
Complete	18	5	7	6
Total	75	22	35	18

- 82 new recommendations have been made in 2022/23 reports, 23 are High, 39 are Medium, 20 are low rated.

3.4.5 The overall position across all years is as follows:

Totals	Total	High	Medium	Low
Not Due	91	17	47	27
Overdue	130	13	83	34
Complete*	415	71	170	174
Closed as Duplicate	9	3	5	1
Total	645	104	305	236

- There are now 424 actions or 76 per cent (including actions deemed to be no longer relevant or duplicated) completed from a total of 645 recommendations.
- 88 per cent of high-risk actions due have been completed and 68 per cent of medium risk actions due have been completed. In addition, 84 per cent of low-risk actions due have also been completed.

3.5 Completion of Internal Audit actions

3.5.1 All internal audit actions have been allocated to and reviewed by actions owners and executive directors, including actions that are deemed not relevant due to changes in circumstances. Actions from previous year's audits are also reviewed to ensure they are relevant to the service area to which they have been assigned.

3.5.2 The action tracker has been reviewed and updated to reflect the senior management restructure and the change in directorates.

3.5.3 Progress is being made on closing actions on the tracker. Evidence of actions completed is obtained and quality assured by the Head of Commercial and the Interim Financial Adviser, and, retained for use in follow up audits.

3.5.4 High rated actions are being given priority and are reviewed monthly by the council's Finance Board, CLT and Risk and Audit Board.

3.6 Governance and monitoring of management actions

3.6.1 Outstanding internal audit actions are being actively monitored on a regular basis including reporting into Corporate Leadership Team, Finance Board and the Audit and Corporate Governance committee.

4 Implications of the Recommendation

4.1.1 Financial implications

4.1.2 There are no direct financial implications relating to the updates to the internal audit recommendations but completion of the actions will improve the council's processes including those that underpin sound financial management, governance, risk management and internal control.

4.2.1 Legal implications

4.2.2 Failure to address those risks associated with the Directions from the Department for Levelling Up, Housing and Communities will impact the ability to secure the Authority's compliance with the requirements of Part I of Local Government Act 1999. The Council has specific legal duties in relation to certain areas, such as managing health and safety risks and civil contingency. Effective internal audit is a key part of providing assurance on the adequacy of governance, risk management and internal control.

4.3 Risk management implications

4.3.1 Having in place an adequate internal audit function is a statutory responsibility of the s151 officer. Failure to operate an adequate internal audit function heightens the risk of poor governance, internal control and risk management.

4.4 Environmental implications

4.4.1 There are no direct environmental implications in this report

4.5 Equality implications

4.5.1 Section 149 of the Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected character.

5. Background Papers

None

High Rated Internal Audit Actions Finance and Commercial

APPENDIX A

Report	Way Forward	Who	When	Status	Latest Status update
13.21/22 Council Tax	The Council will restrict the ability of staff to place markers on accounts. This may include limiting such action only to relevant managers or requiring all markers to be approved by a relevant manager before being placed. As part of this, guidance and instructions will be prepared and shared with all staff with access to place markers on council tax accounts. This may form part of an existing or new procedure note and will include why, how and when markers should be used.	Andy Jeffs	21/12/21 Revised Target date: 30 th April 2023	Overdue	<p>Our starting position was to review cases with 48 different stop codes on 2,462 cases. As at 2nd March we have reviewed 40 stop codes on 2,230 cases. That leaves us with 8 codes over 232 cases to complete. This should be complete by the end of March 2023.</p> <p>From the work undertaken in the point above we have commenced the removal and amalgamation of the codes.</p> <p>How we use and manage these codes going forward including a timetable to review them will be complete by 30 April 2023 a month later than previously agreed.</p>
13.21/22 Council Tax	The Revenues Manager will undertake a review of current Council Tax arrears cases in order to identify cases where debts are not considered economically viable to be chased. These cases will be recommended for write off.	Andy Jeffs	31/03/22 Target date: 30th June 2023	Overdue	<p>We are currently working through the 1997 to 2007 debts totalling £2,211,744.28 where the account is closed and there have been no transactions in the last 180 days and it is not with an enforcement agent or on an arrangement.</p> <p>There will be two actions from this work, trace the Council Tax payer and pass for collection or put forward for write-off. This work will be complete by 31 March 2023.</p> <p>The following three years 2005 to 2007</p>

Report	Way Forward	Who	When	Status	Latest Status update
					where the debt outstanding in the same position is £1,268,608.43, we will be commencing checks on 6 March 2023, and this will be complete by 30 June 2023.
16.21/22 General Ledger	The Finance Team will assign an appropriate individual to review and manage all suspense accounts, including identifying those entries that can be cleared and action this. The clearing of suspense accounts will resume.	Ade Adewumi	30/04/22 Revised Target date: 31 st August 2023	Overdue	A review is on-going to ensure all suspense accounts are being reviewed, reconciled and reconciling items cleared. Members of the finance team have been assigned to completing this task and keeping it up to date on a regular basis.
16.21/22 General Ledger	An exercise will be completed to identify all tasks to be completed as part of the month end process. A full month end timetable will be prepared and tasks will be assigned to appropriate staff members. The completion of tasks will be confirmed each month to a relevant manager responsible for overseeing the closedown process.	Ade Adewumi	30/04/22 Revised Target date: 30/9/23	Overdue	Within the context of the extensive financial challenges faced by the Council the continuous monitoring and month end processes have been improved. This is evidenced in section 2.17 in the Finance Action Plan presented to Cabinet on 27 February 2023. The council is not at business as usual due to these historical challenges and other issues identified. Whilst improvements have taken place further work is in-going to ensure the various processes run effectively including the completion of a full task list. Improvements will continue to take place during 2023.
16.21/22 General Ledger	The Council will complete an exercise to identify those roles/positions requiring access to Agresso finance functions and the access/functions required. Based on this the Council will implement a	Ade Adewumi	30/04/22 Target date:	Overdue	The new hosting vendor is in place and a review of setting up users and changes in access management, role management and

Report	Way Forward	Who	When	Status	Latest Status update
	training programme covering finance functions on Agresso. Training will be a requirement before system access is granted and will focus on the processes required as part of job roles.		31 st March 2023		<p>Single Sign on will be addressed in with a view to rolling out robust systems administration protocols during March 2023.</p> <p>The administration protocols will form the basis for updating & implementing relevant training for each user roles.</p> <p>A training plan has been developed and is scheduled to be delivered by the support provider during March 2023.</p>
18.21/22 Debtors Management	The Council will implement a training programme covering accounts receivable functions on Agresso. Training will be a requirement before system access is granted.	Ade Adewumi	30/06/22 Target date: 31 st March 2023	Overdue	This is being implemented as part of the training taking place by the support provider in March 2023.
2022/23 Actions					
9.22/23 General Ledger	The Council team will phase out the legacy process of saving supporting evidence on the shared folder and start utilising the Agresso functionality to record supporting evidence directly against relevant journal entries. Supporting evidence shall continue to be stored centrally and will be readily available to all relevant users.	Ade Adewumi	On-Going Revised Target date: 30/06/23	Overdue	At the current time the Agresso functionality is not available to the Council. New procedures have been put in place and prime evidence is being saved in a more systematic manner to support journals.
9.22/23 General Ledger	<p>The Finance Team will assign appropriate individuals to complete all monthly reconciliations of control accounts, as well as a second individual to check these and record their check.</p> <p>(Revised but restated from 2021/22, we noted that this High priority action was reported to the Audit & Corporate Committee as overdue)</p>	Ade Adewumi	Revised Target date: 30/06/23	Overdue	<p>Historically reconciliations were weak or non-existent. There was limited or no knowledge of processes within the existing staff.</p> <p>Manual processes led to significant time spent in preparing analysis/reconciliations</p> <p>Processes were not being completed for large periods and there was no proactivity in clearing suspense/holding accounts resulting in a</p>

Report	Way Forward	Who	When	Status	Latest Status update
					<p>build up over a number of years.</p> <p>Significant work has taken place in mapping the Council's accounts, preparing process notes to improve the overall understanding of processes, and ensuring knowledge is not lost in future.</p> <p>Following the identification of a number of reconciling items a further review is on-going to ensure control and suspense accounts focusing initially on Accounts Receivable, Accounts Payable, Bank Accounts, Housing Benefits, Council Tax, Business Rates, are being reviewed, reconciled and reconciling items cleared. Others including housing rents will be addressed during 2023/24. Processes are being tightened with a view to addressing reconciling items on a timelier basis.</p>
9.22/23 General Ledger	The Council will review the password functions within Agresso to ensure that: • Password require changing on a periodic basis; and • Acceptable passwords will be subject to rules (certain lengths and unique characters to strengthen them and minimise the possibility of a security breach.	Ade Adewumi	Target date: 31/3/23	On Track	Access Control Single sign on will in place by 31 March 2023 which will be in line with the Council's overall policy.
9.22/23 General Ledger	The Council will complete an exercise to identify those roles/positions requiring access to Agresso finance functions and the access/functions required. Based on this the Council will implement a training programme covering finance functions on Agresso. Training will be a requirement before system access is granted and will focus on the processes required as part of job	Ade Adewumi	Target Date: 31/3/23	On Track	This process is on-track and the current ERP Support consultants have built a training plan in conjunction with HR based on all relevant functions which will be followed by a rollout plan which will be incorporated in the

Report	Way Forward	Who	When	Status	Latest Status update
	roles. (Restated from 2021/22, we noted that this High action was reported to the Audit Committee as overdue)				<p>Agresso finance review which will be completed by the end of the financial year 31st March 2023.</p> <p>The new hosting vendor is in place and a review of setting up users and changes in access management, role management and Single Sign on will be addressed in January 2023 with a view to rolling out robust systems administration protocols by March 2023. The administration protocols will form the basis for updating & implementing relevant training for each user roles.</p>
9.22/23 General Ledger	The Council will review and clear unposted journals currently in batch input maintenance. This approach will account for transaction dates and values. (Restated from 2021/22, we noted that this High action was reported to the Audit Committee as overdue)	Ade Adewumi	Complete	31/12/22	All unposted journals up to 31/3/22 were deleted and a monthly procedure is now in place that checks unposted journals with those over three months old being deleted.
9.22/23 General Ledger	The Council will review and clear the 73,629 unposted journals currently in batch input maintenance. This approach will account for transaction dates and values	Ade Adewumi	Complete	31/12/22	All unposted journals up to 31/3/22 were deleted and a monthly procedure is now in place that checks unposted journals with those over three months old being deleted.
12.22/23 Housing Benefits	We will ensure the monthly reconciliations are completed and independently reviewed and authorised in a timely manner.	Ade Adewumi	Target date: 31/3/23	On Track	Monthly reconciliations of the Housing Benefit system to Agresso are now on-going and independently reviewed and authorised in a timely manner.

Chief Operating Officer

Year	Issue	Way Forward	Who	Service	When	Latest Status update
21/22	24.21/22 GDPR Governance	The Data Flow Capture Spreadsheet will be updated to include the following areas: • name and contact details of joint controller (if applicable); • categories of individuals; • names of third countries or international organisations that personal data are transferred to (if applicable); • safeguards for exceptional transfers of personal data to third countries or international organisations (if applicable); • Data Protection Act 2018 Schedule 1 Condition for processing; • GDPR Article 6 lawful basis for processing; • link to retention and erasure policy document; and • whether personal data retained and erased in accordance with the retention policy document - reasons for not adhering to retention policy document (if applicable).	Alexander Cowen	ICT and Digital	30/09/22 Target date 31 st March 2023	We are continuing to progress with the data flow activity and have identified that this aligns with the councils Storage Area Network replacement programme. We are recruiting to role of the Information Governance project officer role, in order to keep this on track.
21/22	29.21/22 Cyber Essentials	The Council will ensure that its IT estate is brought up to date in terms of patching as soon as possible	Alex Cowen / Steven Wall	ICT and Digital	31/10/22 Target Date: 30 Sept 2023	Work is progressing on the implementation of new control software (called Intune) and this will be deployed across SBC over the coming months to ensure that patching on end user devices is kept up to date. We will be reviewing our server patching as we move data centres in the Summer.

Housing and Property

Year	Issue	Way Forward	Who	Service	When	Latest Status update
21/22	21.21/22 Temporary Accommodation	In line with current plans, the Council will ensure that an up-to date Housing Strategy and Homelessness Strategy is created. Additionally, progress against the action plan will be periodically monitored by an appropriate forum.	Trevor Costello	Housing	30/09/2022 Revised Target Date: 31 December 2023	Required as part of the Local Plan. Currently being drafted. Key reference point for the authority. New Housing Act being developed which will make Private Rented Properties licensable.
21/22	21.21/22 Temporary Accommodation	The Annual Compliance Statement issued to Private Providers will be reviewed to assess whether the terms and conditions satisfies the Council's legislative duties as a housing provider. Following this, the Council will introduce a monitoring mechanism to ensure: <ul style="list-style-type: none"> • Providers are only engaged with should they have a signed Compliance Statement in place; • These Compliance Statements are reviewed and signed annually. 	Ian Blake	Housing	30/09/2022 Revised Target Date: 30 th June 2023	TA Compliance Assurance of private suppliers proforma has been designed and is ready for issue - capacity within the team needs to increase for this exercise to be carried out - Targeting 30 th June 2023
21/22	21.21/22 Temporary Accommodation	The Council will develop a strategy to identify households which are no longer owed a duty to be accommodated under the Housing Act 1996.	Ian Blake	Housing	31 March 2023	TA team being rebuilt with new processes being designed. Experienced staff to be recruited.
21/22	9.21/22 Follow Up of Previous Management Actions - Quarter 2	The ASB Enforcement & Transition Lead will produce monthly reports to monitor the timeliness of responses to cases on the Flare system, with the required response time noted depending on case categorisation. Any noncompliance with the required timeframes will be investigated and reasons documented.	Michelle Isabelle	Housing	30/09/2021 Target date 31 st March 2023	Our version of Flare Software is very out of date and requires manual intervention / spreadsheet work in order to produce reports. This is cumbersome and hard to sustain given the small size of the team and conflicting demands. New versions of Flare provide integrated report writing and we are working with IT to produce a business case

Year	Issue	Way Forward	Who	Service	When	Latest Status update
						to move this forward. We are working to 31 March 2023 as a target date but there is a strong dependency on IT capacity.
21/22	9.21/22 Follow Up of Previous Management Actions - Quarter 2	A clear control framework will be put in place to ensure that, in line with government guidance, income received from the serving of fixed penalty notices is spent on related functions.	Linda Corcoran	Housing	30/09/2021 Target Date: 31 March 2023	The Directorate management team are working with Finance colleagues to ensure that all income and expenditure is correctly coded, including all FPN income, both in the future and retrospectively. We anticipate having a much more accurate picture in P9 reporting for both the new Place & Communities directorate (of which ASB is part) and the Housing & Property directorate
21/22	9.21/22 Follow Up of Previous Management Actions - Quarter 2	The council will develop a formal process to systematically track income due through to collection, receipting and banking. This will include guidance for undertaking regular, formal reconciliations between income received and records maintained.	Linda Corcoran	Housing	30/09/2021 Target Date: 31 March 2023	This links to and is in part dependent upon the two actions above and is scheduled to be completed by 31st March 2023.