

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	31 October 2024
Subject:	Overdue Internal Audit Recommendations
Chief Officer:	Mike Smith, Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance
Ward(s):	All
Exempt:	No
Appendices:	Appendix 'A' – Overdue Internal Audit Recommendations

1. Summary and Recommendations

1.1 This report sets out overdue Internal Audit Recommendations.

Recommendations:

1.2 The Audit and Corporate Governance Committee is recommended to note the progress in closing overdue Internal Audit Recommendations.

Reasons

1.3 The Chair and Vice-Chair of the Audit and Corporate Governance Committee requested that a detailed report of overdue recommendations be produced to the Committee for consideration by Members.

Commissioner Review

Implementing recommendations and / or agreed management actions plans that flow from final internal audit reports is essential and if recommendations are not implemented in a timely manner, then weaknesses in control and governance frameworks will remain in place.

Senior management oversight and implementation planning, which sets out clear responsibilities and timeframes for addressing the specified action or reducing the level of residual risk that the Council may be exposed, to an acceptable level, needs to be in place. The Committee following assessment of the progress and placing specific emphasis on major risk, control issues and implementation backlogs, may require specific Directors to attend a future Committee meeting to explain the reason for failing to take the agreed action.

Background

1.1 Internal Audit recommendations are typically made in response to control or risk management weaknesses that are identified during internal audits. Management

responds to each recommendation by confirming an agreed course of action to be performed by a nominated individual, by a specified date.

- 1.2 Internal Audit closes recommendations once evidence of remedial action is provided by auditees. Recommendations may be closed in the event that the Council is no longer exposed to the risks associated with the findings in the report, as a result of changed processes etc.
- 1.3 The failure to action agreed recommendations results in ongoing exposure to risk. Further, it may be indicative of a governance culture that is weaker than might be expected, and could adversely impact the Annual Internal Audit Opinion and the Annual Governance Statement.
- 1.4 The onus is on Action Owners to notify Internal Audit of the closure of recommendations. Internal Audit does not monitor progress in closing recommendations, nor does it seek to understand reasons for the failure of management to take the agreed action by the agreed deadline.
- 1.5 The Chair and Vice-Chair of the Committee requested a complete list of outstanding / overdue recommendations to be provided to the Committee. This list, containing 121 overdue recommendations dating back to 2021/21, is provided at Appendix A, and provides Members with the opportunity to understand, from management, challenges in closing recommendations.

2. Implications of the Recommendation

2.1 Financial implications

- 2.1.1 It is possible that the implementation of some internal audit recommendations has financial implications, particularly where changes to existing systems and processes require amendments to the Council's ICT or working practices, and a risk based approach needs to be taken to assess required investment against the risk of financial and reputational loss. It is important that council officers recognise the control weaknesses and put in place measures to mitigate the risks identified in a timely manner. Further, the implementation of recommendations to reduce risk / to improve control, may reduce the risk of unnecessary expenditure, or financial loss.

2.2 Legal implications

- 2.2.1 Under the Accounts and Audit Regulations, the Council must undertake an effective internal audit programme to evaluate the effectiveness of risk management, control and governance processes, considering the PSIAS and sector specific guidance. The PSIAS states the Council should periodically prepare a risk-based plan of internal audit activity designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control.
- 2.2.2 Failure to address those risks, which are associated with the Directions from the Ministry of Housing, Communities and Local Government will impact the ability to secure the Council's compliance with the requirements of Part I of Local Government Act 1999. The MHCLG best value guidance contains seven best value themes. This guidance confirms that local authorities should respond to audit recommendations and address issues in a timely way and a sign of potential failure is an internal audit service which does not meet the PSIAS and fails to consider identified high risks.

2.2.3 This Committee is responsible for providing an independent and high-level focus on the audit assurance and reporting arrangements that underpin good governance and financial standards. This includes overseeing internal audit. The Committee's terms of reference include making appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations, to consider reports from the head of internal audit on internal audit's performance during the year, including receiving updates on the work of internal audit setting out key findings, issues of concern and actions in hand.

2.2.4 The Council's annual governance statement (AGS) should be informed by the head of internal audit's opinion and annual report. However, due to staff turnover no internal audit opinion was provided for 2023/24. The committee approved the 2023/24 AGS in July 2024 and this included a detailed action plan in relation to internal control systems. For internal audit this included the following:

- stabilise internal audit team,
- ensure annual audit plan informed by risk,
- ensure effective escalation procedures including reporting on key risks at member level,
- Commission independent external quality assurance review in accordance with requirements of PSIAS to evaluate effectiveness of internal audit function.

2.3 Risk Management implications

2.3.1 Closure of outstanding Internal Audit recommendations should help to improve the risk posture of the Council.

2.4 Environmental implications

2.4.1 There are no environmental implications.

2.5 Equality implications

2.5.1 There are no equality implications.

3. Background Papers

3.1 None.