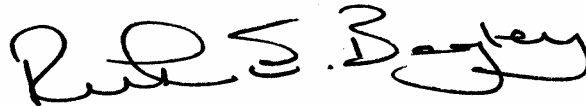


Date of issue: 23rd February, 2010

MEETING	AUDIT COMMITTEE (Mr Kwatra (Chair), Councillors Chohan, Dale-Gough, Haines, Mann and Small)
DATE AND TIME:	THURSDAY, 4TH MARCH, 2010 AT 6.30 PM
VENUE:	COMMITTEE ROOM 2, TOWN HALL, BATH ROAD, SLOUGH
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	CLAIRE GRAY 01753 875120

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



RUTH BAGLEY
Chief Executive

NOTE TO MEMBERS

This meeting is an approved duty for the payment of travel expenses.

AGENDA

PART 1

<u>AGENDA</u> <u>ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
	Apologies for absence.		

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
1.	Declarations of Interest		
2.	Minutes of the last meeting held on 3rd December 2009	1 - 6	All
3.	Internal Audit Plan 2010/11	7 - 30	All
4.	Internal Audit 3rd Quarter Update	31 - 44	
5.	Annual Governance Statement Overview 2009/10	45 - 54	All
6.	Signed Annual Governance Statement 2008/09	55 - 68	All
7.	Audit Progress Report	69 - 80	All
8.	Certification of Claims and Returns - Annual Report	81 - 94	All
9.	Audit Opinion Plan 2009/10	95 - 114	All

Press and Public

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Special facilities may be made available for disabled or non-English speaking persons. Please contact the Democratic Services Officer shown above for further details.

Audit Committee – Meeting held on Thursday, 3rd December, 2009.

Present:- Mr Kwatra (Chair) Councillors Haines and Mann.

Apologies for Absence:- Councillor Chohan, Dale-Gough and Small

PART I

19. Declarations of Interest

Councillor Mann declared a personal interest in agenda item 3 – Procurement Report as his son worked for Oracle.

20. Procurement Report

The Assistant Director for Procurement introduced a report to the Committee which advised Members of projects that had been undertaken to ensure efficiency and financial savings in procurement. The Assistant Director noted a number of different activities that had resulted in savings or cost avoidance for the Council. There was also a number of future procurement projects that were underway which would result in savings for the Council.

In response to a query from the Audit Commission the Assistant Director responded that the Procurement Strategy had yet to be finalised as items were continually being added to the strategy and it was therefore being reviewed as it was felt that it was important to ensure that the document was not overly burdensome. It was reported that the document should be finalised by the end of the calendar year.

A Member asked what action the Council was taking to achieve efficiency savings in procurement in light of the shared services scheme. The Committee were advised that the three Councils were liaising on all procurement issues that arose to take advantage of any opportunities for joint procurement. The Assistant Director informed the Committee that the Oracle procurement system had been in place since July 2008 and one year's worth of information was now able to be obtained from the system. Each Service Area Manager was aware of the issues surrounding the procurement strategy and the steps that needed to be taken to improve.

Resolved – That the Procurement update report be noted.

21. Minutes of the last meeting held on 14th September 2009

The Minutes of the meeting held on 14th September, 2009 were agreed as a correct record.

22. Matters Arising

The Audit Commission advised that the issues raised concerning the draft Annual Governance report and the Use of the Resources report had now been resolved. The Council had approved a revised set of statement and the Audit Commission gave these a clean value for money conclusion.

23. Treasury Management Presentation

Aslam Abdulla, Head of Treasury Management made a presentation to the Committee which included information on different aspects of Treasury Management. It was felt that it would be useful for the compliance reporting of Treasury Management to come to the Audit Committee. At present a report was taken to Cabinet on a quarterly basis with information regarding treasury management in Slough. Members were informed that the current policy was to invest in AA rated institutions; however, there were a number of investments which were currently in building societies with an A rating. Members were advised that the treasury management at present was very good. The Director of Resources noted that treasury management was a complex area of finance and Councillors were reminded that, as the stewards of public funds, accountability needed to be associated with responsibility. Councillors had a duty to ensure that the investment strategy was sound. Members were advised that the role of the Audit Committee was to monitor compliance with the CIPFA rules. The performance of treasury management was a scrutiny function of the Council. An officer present from the Audit Commission noted that the decision making role in Treasury Management fell to the Cabinet and the Finance Director.

The Chair of the Audit Committee questioned who should monitor the day-to-day compliance of the Treasury Management Policy. The Section 151 Officer had this responsibility and the Audit Committee would monitor the systems and controls which were in place to hold the Section 151 Officer to account. The Audit Committee's responsibility was also to ensure that the treasury functions were discharged in a way that complied with the strategy set out. A Member was concerned about dividing the compliance and performance areas of treasury management and felt that because of this some issues could fall through the monitoring process and not be picked up by either side. The Head of Internal Audit and Risk Management (HoIARM) advised that an annual audit was carried out and a reporting line and monitoring were in place. A regular periodic item on how the treasury management function met the strategy rules and criteria could be reported to the Audit Committee.

Resolved – It was agreed that the format for future reporting for Treasury Management to the Audit Committee would be agreed with the Chair.

24. Audit Commission - Audit Progress Report November 2009

Alistair Rankin, who had recently taken over as the new Area Audit Manager presented the report to the Committee which detailed the plans for the Audit Commission's work over the forthcoming year. This would be reported as a regular item to the Audit Committee in future. The progress report showed the planned development from the start of the 2009/10 Audit cycle. In response to a question Members were advised that a shared services review had not been fully scoped but this was currently underway. It was noted that the workforce planning area of Use of Resources was a new KLOE area, as was medium term planning.

Resolved – That the Audit Progress Report be noted.

25. Audit Commission - Use of Resources report

Phil Sharman, of the Audit Commission presented a report which had previously been circulated in draft to the September meeting. A number of recommendations were contained in an action plan provided as an appendix to the report. The recommendations made in the action plan would be tracked to monitor their implementation. Officers suggested that it may be useful to have a traffic light system in place for monitoring actions. The HoIARM advised that a tracker had been developed for all external agencies' recommendations and would be brought to the Committee in the future.

A Member asked about the financial road map mentioned in an Appendix to the report. The Audit Commission noted that their publication on world class management could be used to track and create a financial road map. The Audit Commission advised that the Council would need to move from an annual to a medium term financial view which would be included in the financial road map. The road map needed to ensure that it clearly explained the strategic choices that could be made over the long term. A sensitivity analysis would be included on what could be achieved with differing levels of financial settlements. When the budget settlement was received each scenario should already be planned in order to advance. Members were also asked to note that an Annual Audit letter was due to go to Council at the next meeting. This was earlier than usual as it was not normally submitted until the Council meeting in March.

Resolved – That the Resources Report be noted.

26. Work of Internal Audit - 2nd Quarter 2009/10

The HoIARM presented a report to the Committee which included information on the work of Internal Audit from July to September, 2009. Members were informed of work on counter fraud arrangements. An anti-fraud and corruption policy had been created and training for this was provided, including a web based training package which cost approximately £1500 per year. The course could be taken by officers and Members whenever desired. A Member raised concerns regarding the local fraud hot line not functioning out of hours. It was felt that a number of instances of fraud were going under the radar. The HoIARM advised that the Head of Benefit Fraud could attend

the next meeting to explain further the outcome of their anti-fraud initiatives. Information on the prosecution of antifraud cases that had been brought to light would also be included. The HoIARM highlighted the areas that came under the responsibility of Internal Audit with relation to fraud. The only areas that fell outside of the scope of Audit were housing and council tax benefit, dealt with by the Housing Benefit Fraud Unit and electoral register queries which were dealt with by the Electoral Registration section.

A Member raised an issue regarding the whistleblowing policy and asked whether there was any proof that it was effective in practice. Officers responded that the whistleblowing was also included in training sessions and reporting on its effectiveness would be brought to a future meeting of the Committee.

The report detailed areas in which Internal Audit had issued recommendations but the recommendations had not been implemented. With regard to the issue at the previous meeting concerning Physical Disability, Other Care and Support, Members were advised that the recommendations had now been implemented. It was confirmed that if there were any recommendations that had not been implemented then officers would be invited to attend the Committee to present the reasons why these had not taken place. A Member asked for the number of people who had care plans with Slough Borough Council and it was agreed that this would be provided.

In response to a question the HoIARM detailed the investigation into the financial irregularities at Longcroft Care Home. Members were advised that the staff member involved was not in a position to pay back the money. However, for the police to go ahead with a prosecution they required a forensic accountant's report. At a low estimate this would cost approximately £8,000 and it was felt that the cost could not be justified, especially when it was unlikely that any of the monies would be returned. Some money had been reimbursed to clients and some had been written off. Officers advised that they had looked at the other large residential homes and these were found to be acceptable. There had been a breakdown of controls at Longcroft with a long standing member of staff. The other smaller residential establishments were due to be reviewed and any issues would be looked at again on a risk basis.

Members were advised of the current high profile of risk management and this had been reported to the Corporate Management Team. The roll out of the software packages for risk management had been delayed but had recently been rolled out. Risk registers had been recirculated to the relevant department and data had been collated. This would be presented to the next meeting. Members were advised that this was a living document with a number of amendments being made on a recurring basis. Members were advised of the risk management training sessions that would be taking place and were informed that it was exceptionally important for Members of the Audit Committee to attend. It was agreed that the corporate risk register and

the five departmental risk registers would be submitted to the next meeting of the Audit Committee to provide examples of detail in risks

The HoIARM gave a briefing on the Annual Governance Statement (AGS) on the systems of internal control with the final accounts. The AGS advised whether the governance arrangements in the organisation were effective and whether any areas of concerns had been identified. Members were advised that the Leader and the Chief Executive sign off on the AGS.

Resolved – That the 2nd Quarter Report be noted and that the actions be approved as detailed above.

27. Date of the next meeting

The date of the next meeting was confirmed as 4th March, 2010.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.23 pm)

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Internal Audit Plans

Strategic Plan 2010/2013, Annual Plan 2010/2011

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1 Audit Committee Overview

- 1.1 Internal Audit's function is to report on the adequacy of the Council's control environment in achieving its objectives. It does this ***by working in partnership with management, but from an independent and objective standpoint.***
- 1.2 The Head of Internal Audit and Risk Management (HoIARM) presents the following to the Audit Committee on a quarterly basis:
- A summary of all finalised audit reports, recommendations made and agreed and an up date on recommendations implemented. Where significant recommendations are not agreed these are also brought to the attention of the committee
 - A summary of irregularity reviews and other significant audit reviews
 - An update on governance within the organisation
 - An update on Risk Management issues within the organisation
 - An update on the Annual Governance Statement and significant issues arising.
- 1.3 The Accounts and Audit Regulations 2006 amended the Accounts and Audit Regulations 2003. The amended legislation required changes to some aspects of Internal Audit Practice. The application of these changes in Slough BC is discussed in Appendix 3

2 Internal Audit Strategy

- 2.1 The overall Strategy of Internal Audit at Slough Borough Council is:
- “to deliver a risk based audit plan in a professional, independent manner, to provide Slough Borough Council with an opinion on the level of assurance it can place on the internal control environment, and to make recommendations to improve it.”
- 2.2 The Internal Audit strategy comprises two parts. The first part deals with how the service is delivered and includes:
- an indication of the service provision arrangements; (see section 3.1)
 - an indication of the resources and skills required to deliver the strategy; (see section 3.2)
 - a description of how Internal Audit provides assurance for the Annual Governance Statement; (see section 4) and
 - an indication of the mix of work to be undertaken, analysed by assurance work and other consultancy and/or fraud-related work and in accordance with a risk-based approach to planning. (see section 5)
- 2.3 The second part of the strategy deals with the more detailed plan of the assignments to be carried out during the period of the plan. (see Appendices 1 and 3)

3 Service delivery

3.1 Internal Audit service provision arrangements

- 3.1.1 This has to be considered against the backdrop of legislation that impacts upon Internal Audit in local authorities.
- 3.1.2 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. This officer is the Strategic Director of Resources.
- 3.1.3 The Accounts and Audit Regulations 2003 (as amended – 2006) state that an English Local Authority must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”
- 3.1.4 The Head of Internal Audit and Risk Management is accountable to the Audit Committee, and the Council, for the Internal Audit function of the Authority.
- 3.1.5 The Head of Internal Audit and Risk Management is also responsible for Risk Management within the Authority which feeds into the corporate governance arrangements of the organisation.

3.2 Resources and skills

- 3.2.1 The Internal Audit strategy is delivered by the in-house team of 7 staff. 2 auditor posts and one audit manager post are currently vacant.
- 3.2.2 The use of partnering arrangements has been negotiated through existing tendered contracts undertaken by neighbouring authorities. The skills mix of a partnership arrangement, which assures the availability of the latest IT audit skills, is considered to be the best arrangement to deliver the audit strategy at this time.
- 3.2.3 The Internal Audit unit is staffed by a mix of, part qualified accountants, auditors holding the Diploma in Public Audit, a Certified Information Systems Auditor (CISA), a qualified accountant and those qualified by experience. The training profile for each auditor is kept under review, and all efforts are made to provide identified training needs, thereby keeping each auditor’s skills set current.

4 How Internal Audit provides assurance for the Annual Governance Statement.

- 4.1 Regulation 4 of the Accounts and Audit Regulations, 2003, as amended by Regulation 4 of the Accounts and Audit (Amendment)(England) Regulations, 2006 requires the “relevant body” to publish a statement on internal control (SIC), annually with its accounts. It says that the responsibility for maintaining and reviewing the system of internal control rests with the relevant body.
- 4.2 The statement on internal control has been replaced by the Annual Governance Statement from 01/04/07. The statement will be produced for the financial year to 31/03/09.

- 4.3 The Annual Governance Statement working group is chaired by the Strategic Director of Resources. The group is comprised of a variety of representatives from across the organisation at Assistant Director level.
- 4.4 The Terms of Reference of the AGS working group are outlined below:
- Challenge and evaluate sources of assurance provided by officers
 - Challenge and evaluate evidence provided to support assurances
 - Ensure that areas of development in relation to Slough BC are clearly identified for inclusion in the AGS
 - Monitor the production of action plans to address development needs in Slough BC
 - Consider partnerships and highlight any control issues specifically if this has
 - seriously prejudiced or prevented achievement of a principal objective
 - resulted in a need to seek additional funding to allow the issue to be resolved or has resulted in a significant diversion of resources from another aspect of the business
 - had a material impact on the accounts
 - been considered significant by the Audit Panel
 - been reported by the Head of Internal Audit as significant in the annual opinion on the internal control environment
 - attracted significant public interest or has seriously damaged the reputation of the organisation
 - resulted in formal action being taken by the Strategic Director of Resources and/or the Monitoring Officer
- 4.5 Through its programme of work, (which is detailed in the rolling Strategic Plan and is updated annually) determined by means of risk assessment and by application of the standards as prescribed in the CIPFA code of Internal Audit practice, Internal Audit is in a position to provide independent and objective assurance across the whole range of the authority's activities. Internal Audit can also provide details of any weaknesses that qualify this assurance, and bring to the attention of the authority any issues particularly relevant to the preparation of the AGS.
- 4.6 Internal Audit alone cannot provide complete assurance over all aspects of internal control. Other sources of assurances for the AGS include the Risk Management framework in the organisation, departmental assurances, external audit and other review bodies and inspectorates.

5 Determining the Programme

5.1 Determining the mix of work

- 5.1.1 The programme and mix of work of Internal Audit is laid out in the Strategic Internal Audit plan at Appendix 1. The preparation of the plan is detailed in Appendix 3.
- 5.1.2 The Strategic Internal Audit Plan covers a rolling 3-year cycle — currently 2010/2013. The Plan assumes that resources available to Internal Audit will remain the same, and is based on the current structure of the Council, although recognising that change is inevitable.
- 5.1.3 Where possible Internal Audit take into account the risk register / business plans for each department. The main source of new / current concerns and risks are the pre-audit plan discussions with each Assistant Director and Director in each department.

5.1.4 The Strategic Audit Plan for 2010/2013 is attached at Appendix 1.

5.2 The Internal Audit strategic and annual plans (risk based)

5.2.1 The detailed preparation of the plan is outlined in Appendix 3. This section gives a brief summary about the plan.

5.2.2 Audits are either planned or non-planned (i.e. contingency). Planned audits are divided into core and non-core audits. Core audits are normally carried out annually and cover the core/fundamental systems of the authority. Non-core systems are carried out less frequently. The audits are prioritised by a risk weighting system, by means of which the number of days allocated to each audit and the frequency of the audit reflect the risk within the system. Sufficient provision is made for contingency audits and whistleblowing investigations

5.2.3 Four categories of risk factors are used in the weighting / allocation of resources — Corporate Importance, Corporate Sensitivity, Inherent Risk and Control Risk.

5.2.4 All Directors and assistant directors are consulted in the preparation of the plan. The external auditor is also consulted and the plan is then finalised after taking the views of the Strategic Director of Resources and the Audit Committee.

5.3 Fraud, Contingency and Whistleblowing.

5.3.1 A major part of the audit plan is devoted to contingency audits. Contingency Audits include mainly special (reactive) investigations and occasionally high-priority ad-hoc reviews.

5.3.2 Whistleblowing is formalised in Governance arrangements and a new policy was agreed by the Council in late 2007.

5.4 Responsibility for Fraud

5.4.1 The responsibilities and duties of Internal Audit and management tend to become blurred in fraud investigation. It is pertinent to quote from the Code of Practice for Internal Audit in Local Government in the UK (published by CIPFA in 2006):

“Managing the risk of fraud and corruption is the responsibility of management.

The Head of Internal Audit should make arrangements, within the organisation’s anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the internal control environment and Internal Audit’s work programme.

At the request of management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud or corruption.

Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors should, however, be alert in all their work to risks and exposures that could allow fraud and corruption and to any indications that fraud or corruption may have been occurring. Audit procedures alone, even when performed with due

professional care, cannot guarantee that fraud or corruption will be detected.”

- 5.4.2 It is Internal Audit’s role, once fraud is suspected, to investigate fraud and report to management. However, management’s important role should not be underrated. In most cases, during the investigation, Internal Audit will work in partnership with management. Before commencing the investigation, however, Internal Audit need to ensure that management has carried out its initial checks to ascertain whether the incident or event concerned is suspected to be fraudulent. By ensuring this, Internal Audit time will be spent more productively. This approach will also ensure that management accepts its responsibility with regard to fraud investigations.

6 Delivering the audit plan

- 6.1 The second part of the strategy deals with the more detailed plan of the assignments to be carried out during the period of the plan.
- 6.2 The first year of the plan is the annual operational plan. The plan is subject to change as the local authority environment is not static, and is subject to changing risks and priorities. Also sometimes areas that were planned to be audited are not yet in an auditable ‘state’ e.g. new systems are still being implemented. The plan needs to be kept current to reflect changing risk profiles/topicality. The plan is therefore kept under review and where changes are necessary, the plan is changed with the agreement of the Strategic Director of Resources, the External Auditor and the Audit Panel.
- 6.3 A rigorous quality control procedure is in place and is reviewed on a regular basis to ensure a high quality audit product is delivered. At the start of each audit the auditor researches the audit area and obtains an “understanding of the business”. The auditee is interviewed and an initial risk assessment undertaken from which a terms of reference for the audit is agreed with the auditee. The risk assessment also informs the audit testing schedule which is applied during the audit fieldwork stage. The auditee is kept informed of findings during the course of the audit and an exit meeting held to confirm accuracy of findings and to inform the client of areas which may be reported on. A draft report is issued to the auditee and upon receiving a response to the discussed report a final report is issued.
- 6.4 Each stage of the audit process is reviewed by the Audit Managers and the HOIARM and auditors address and action any points raised.

7 People 1st Slough

- 7.1 People 1st Slough, an Arms Length Management Company, was created on 01 January 2006. The Council is the sole owner of this company. The functions that transferred to People 1st Slough were
- Rent collection
 - Tenant information, consultancy and tenant participation
 - Enforcement of tenancy conditions and similar for leaseholds
 - Administration of Right to Buy
 - Stock investment decisions and repairs orders
 - Managing tenancies, voids and under occupation
 - Estate management

- Quality and performance monitoring

The remaining housing activities like Homelessness, Rehousing, Improvement Grants etc. and Strategic and Client functions remain with the Council.

- 7.2 The application for the “delegation of management functions” and the “management agreement” define the relationships, systems and controls under which People 1st Slough operates.
- 7.3 Internal Audit also provides the Internal Audit Service to People 1st Slough. A more detailed Internal Audit plan for the organisation is published separately. Internal Audit has the right of access to all personnel, documents, and computer systems etc of the Company. In addition a separate SLA has been agreed between Slough BC and People 1st Slough specifically for Internal Audit.
- 7.4 On 18th January 2010 Commissioners supported the proposal not to renew the People 1st Slough contract and provide services in-house. It was agreed that a two month consultation with tenants on bringing the service back in house should be undertaken and the results brought back to Cabinet before the end of March 2010.
- 7.5 The audit plan has not been amended to reflect any changes in the status of People 1st Slough. The plan will be updated once Cabinet has made a final decision on the options for the Provision of Housing Management Services.

8 Performance Indicators for audit

- 8.1 At a time when all are being urged to deliver better services, it is right that audit can itself demonstrate improvements in service. For this purpose a number of performance indicators as stated below are used. These are reported quarterly to the Audit Committee.
- 8.2 It should however be stated at the outset that interpretation of these indicators must be undertaken carefully, and a balanced view taken. Performance indicators cannot be used in isolation as reliable measures of performance since other factors may also need to be taken into account. They may highlight areas that may merit closer attention.
- 8.3 The indicators used are
- percentage of planned work completed in period (target 95% for 2010/11)
 - percentage of recommendations accepted (90%)
 - percentage of recommendations implemented after agreed period (no target)
 - results of client satisfaction survey (no target)

9 Contacts in Internal Audit

Sudhi Pathak Head of Internal Audit and Risk Management
01753875374

Jacky Cope Audit Manager
01753875394

Phil Brown Senior Risk And Insurance Officer
01753875673

Appendix 1

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Central financial systems				
Treasury	10	10	10	30
Capital Finance	10	10	10	30
VAT	10	10	10	30
Financial Planning	10	10	10	30
Budgetary Control	10	10	10	30
Creditors	15	15	15	45
Payroll	15	15	15	45
Debtors	15	15	15	45
Cashiers	10	10	10	30
Pensions	6	6	6	18
General Ledger	15	15	15	45
Petty cash and imprest systems	10	10	10	30
Procurement	15	15	15	45
Revenues and Benefits				
NNDR	12	12	12	36
Council Tax billing & collection	10	10	10	30
Benefits systems (Control & systems teams)				
Council Tax & Housing Benefits	10	10	10	30
Discretionary Housing Payments	10			10
Central financial systems Total	193	183	183	559
Corporate Issues				
Significant Projects (to be agreed with CMT)	35	35	35	105
Workforce Planning	15	15	15	45
Partnership working (cross cutting)	15	15	15	45
Performance Management	15	15	15	45
Service Planning	15	15	15	45
Data Quality	10	10	10	30
CRC Energy Efficiency Scheme	15	15	15	45
Achievement of efficiency and savings targets		15	15	30
Risk Management	10	10	10	30
Insurance	10	10	10	30
Health & Safety including Occupational Health	10	10	10	30
Grants reviews	15	15	15	45
Proactive anti-fraud work	20	20	20	60
NFI	30	30	30	90
Corporate Issues	215	230	230	675
Resources Directorate				
Law & Corporate Governance				
Annual Governance Statement	15	15	15	45
Corporate Governance ⁷⁵	15	15	15	45
Committee Services	10			10
Member Allowances and expenses			8	8
Mayoralty & Civic Expenses (Including car)	10			10
Electoral Registration		10		10
Elections		10	10	20
Local Land Charges			10	10
Law & Corporate Governance totals	50	50	58	158

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Human Resources				
Recruitment (process)		10		10
Pertemps			10	10
Absence management	10			10
Pay and Renumeration	15	15	15	45
Human Resources totals	25	25	25	75
Facilities				
Corporate Landlord	10	10	10	30
Property and Asset Management	10	10	10	30
Postal & DIP			10	10
Facilities Totals	20	20	30	70
Resources Directorate Totals	95	95	113	303
Improvement and Development				
LAA/PSA	20	20	20	60
Investigations Unit			10	10
Britwell Talk Shop			7	7
Concessionary Fares Administration	10			10
Customer Services Centre – CRM		10		10
Customer Services Centre – Telephones	10			10
Customer Services Centre – Training		10		10
Cippenham & Langley Library			10	10
Staff training & development			10	10
Improvement and Development Totals	40	40	57	137
Chief Executive				
Data Protection and Fol		10		10
Communications News			10	10
Events Administration Including Festival & Bonfire		10		10
Printing		15		15
Chief Executive Totals	0	35	10	45

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Education & Children's Services				
Primary schools				
Castleview	6			6
Cippenham Infants		6		6
Cippenham Junior			6	6
Claycotts		6		6
Colnbrook		6		6
Foxborough		6	6	12
Godolphin Infants		6		6
Godolphin Juniors		6		6
Holy family		6		6
James Elliman	6			6
Khalsa Primary			10	10
Iqra			10	10
Lynch Hill		6		6
Marish Primary	6			6
Montem Primary			6	6
Our Lady of Peace Infant	6			6
Our Lady of Peace Junior			6	6
Parlaunt Park Primary		6		6
Pippins			6	6
Priory		6		6
Ryvvers	6			6
St Anthonys	6			6
Saint Ethlbert	6			6
Saint Marys CE	6			6
Western house	6			6
Wexham Court	6			6
William Penn	6			6
FMiS certification of schools audited in 2006-07	20	20	20	60
Secondary Schools				
Baylis Court Secondary	10			10
Beechwood	10			10
Herschel	10			10
Langley Grammar	10			10
Langley Academy (Previously Langley Wood)	10			10
Saint Bernard's			10	10
Slough & Eton			10	10
Slough Grammar			10	10
St Joseph's Catholic High			10	10
The Westgate	10			10
Wexham			10	10
Special Schools				
Littledown		6		6
Arbour Vale	6			6
Haybrook college			10	10
Nursery Schools				
Slough Early Years	6			6
Baylis Court Nursery		6		6
Chalvey Early Years		6		6
Cippenham Nursery			6	6
Lea Nursery			6	6

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Other				
Nursery Grant & Payments	10			10
Redundancy/teachers pensions	6			6
Schools Finance Support		6		6
Mandatory and discretionary student awards	8			8
Home to school transport		10		10
School admissions			10	10
School catering - contract		10		10
School catering - own provision			10	10
Advisory Service		10		10
Early Years/childcare grant including Early years Funding		10		10
Music Service			10	10
Central EMAG/ Refugees		10		10
Governor Services & Training	6			6
Education Welfare Offices			10	10
Inclusion				
Education Psychology Service		10		10
Behaviour Support Team	7			7
SEN Including recoupment		10		10
Youth Service	10		10	20
Parent Partnership service		5		5
Breakaway	6			6
Youth Offending Team	15			15
Health Improvement Team		12		12
Children and Families				
Looked After Services	10			10
C W D Team	10			10
C&F Fieldwork Teams	8			8
C&F Assessment Team	10			10
Mallards	10			10
Placement budgets			10	10
Fostering			10	10
Children with Disabilities Register	8			8
Adoption Services		10		10
Services for children leaving care	8			8
Asylum Seekers -unaccompanied children		15		15
MALTS			12	12
Transition Planning (C&F and C&CS)			10	10
Contact Point		10		10
Petty Cash (Children and Families)	6			6
Building schools for the future			15	15
LSC Transfer		10		10
Cross Cutting Issues				
Youth Crime Action Plan		12		12
Commissioning		12		12
Prevent		12		12
Education & Children's Services totals	296	272	249	817

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Community and Well Being				
Safeguarding arrangements	15	15	15	45
Life Long Learning/Adult Education Service			10	10
Leisure Management (including the Centre)			10	10
Community Services Facilites Property Management	10			10
Haymill Community Hall		10		10
Central Library		8		8
Britwell Library			8	8
Libraries - IT		6		6
Creative Academy		10		10
West Wing			10	10
Lettings management	10			10
Social Care Debt Management		10		10
Appointeeship (Power of Attorney)	10			10
Joint Equipment			10	10
Hospital Care Teams		8		8
Community Social Work Teams		8		8
Nursing homes - commissioning & expenditure	10			10
Hanover Contract (Pines and Northampton)	10			10
Domiciliary Care - Block Contracts		10		10
Domiciliary Care service (in house)			10	10
Home Care-Community Laundry	6			6
Frail/Illness Grants to VO's (M50 & 51c & M80c)		6		6
Community Meals		6		6
Direct Payments		10		10
Physical Disability & Sensory Impairment Team				0
Sensory Needs Team	6			6
OT Team	10			10
Sloughability		8		8
Physical Disability-Other Care & support		8		8
Learning Disabilities				0
Learning Disability-Residential		10		10
Respond		6		6
Lavender Court			6	6
Lascelles House		6		6
Supported Living - Procedures	8			8
Priors Day Services	8			8
Eliman & Langley Resource Units		10		10
Mental Health Service				0
Slough Community Mental Health	10			10
Nursing Homes Placmts & Residential			10	10
Mental health - cash & kind assistance		6		6
DAAT		6		6
Other Adult Services				0
Speedwell Enterprises	10			10
Service Strategy, Regulation & Directors Off.				0
Commissioning Team & Supporting People	10			10
Respond			8	8
Quality Assurance/inspection		10		10
Personalisation	5			5
Community and Well Being Totals	138	177	97	412

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Green & Built Environment				
Careline			10	10
CCTV		8		8
Trading Standards	8			8
Environmental Services		8		8
Environmental Quality		8		8
Licencing		10		10
Cemetery & Crematorium		10		10
Business Support (previously Consumer Protection Support)			10	10
Registrars (including Citizenship ceremonies)		7		7
Slough Enterprise Partnership Agreement			15	15
Wexham Nursery	15			15
Building Control			12	12
Planning Policy & Projects	10	10	10	30
Development Control	10			10
S.106 agreements	10			10
Transportation Planning	10			10
Car Parks - Contract monitoring and control			15	15
Traffic Management & Road Safety		10		10
Highways - (Highways Maintenance and dev, Street works, Asset Management and Drainage, Street lighting)	15			15
Public Transport (contracts & concessions)			10	10
Community Safety	10			10
Transportation capital programme	10			10
Drugs and Alcohol Action Team		10		10
Food and Safety			10	10
Emergency Planning	10			10
Neighbourhood enforcement		10		10
Housing Service				0
Improvement grants			8	8
Disabled Facilities Grant			10	10
Housing Advice & Homelessness			8	8
Temporary accommodation		6		6
Housing development/enabling	8			8
Enforcements - Housing Standards Enforcement	10			10
Family Intervention Project		10		10
Green & Built Environment totals	126	107	118	351
People 1st (ALMO) - internal audit contract				
Corporate Governance and Risk Management	10	10	10	30
Cash/Bank Control & Interface with Council Bank Reconciliation	10			10
Partnership (Interserve)		12		12
Rents including IT issues	20	15	15	50
Housing Management	10	10	10	30
Right to buy			10	10
Creditors	10	10	10	30
Leaseholder Charges			10	10
Supported Housing		10		10
VAT			7	7
Complaints	6			6
People 1st (ALMO) totals	66	67	72	205

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
IT Audits				
Network Infrastructure	15	TBC	TBC	
Wireless and VPN	10	TBC	TBC	
Programme Management	8	TBC	TBC	
IT Strategy	8	TBC	TBC	
IAS application and operating system	16	TBC	TBC	
IT inventory (asset tagging)	10	TBC	TBC	
FLARE and Operating System	16	TBC	TBC	
IT Audits total	83	70	70	223
Total audit days	1252	1276	1199	3727
Available days	1407	1407	1407	4221
Contingency/follow ups/advice - days available	155	131	208	494
Contingency %	11	9	15	12

1 Introduction

- 1.1 Internal Audit at Slough Borough Council operates within a framework that allows:
- unrestricted access to senior management, and Councillors
 - reporting in its own name;
 - segregation from line operations.
- 1.2 Every effort is made to preserve objectivity by ensuring that all members of audit staff are free from any conflicts of interest and do not undertake any non-audit duties, with the exception of security advice and other high-priority duties which are performed at the request of Senior Management because of the practical requirements at Slough Borough Council.
- 1.3 All Internal Audit activity is carried out in accordance with the Financial Procedure Rules.
- 1.4 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

2 Financial Procedure Rules

Overall arrangements

- 2.1 Regulation 6 of the Accounts and Audit Regulations requires the Authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. These responsibilities are delegated by the Borough Council to the Strategic Director of Resources who is responsible for maintaining an adequate and effective system of internal audit of the Authority's accounting records and control systems as a contribution to the proper economic, efficient and effective use of resources.
- 2.2 To ensure independence and objectivity Internal Audit operates within a framework that allows the Head of Internal Audit and Risk Management unrestricted access to senior management and the Executive and the Head of Internal Audit and Risk Management to report in their own name without fear or favour to all officers or Members particularly those charged with governance. The Head of Audit has access to meet the Chair of the Audit Committee in private.
- 2.3 The Strategic Director of Resources is responsible, in conjunction with the Head of Internal Audit and Risk Management, for having procedures in place to ensure compliance with *CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom*. The guidance accompanying the Accounts and Audit Regulations state that proper internal auditing practices are those contained within the Cipfa Code. Cipfa brought out a revised edition of the code in December 2006; Section 4 below explains how Slough Borough Council meets the requirements of this code.
- 2.4 The Head of Internal Audit and Risk Management, in consultation with the Strategic Director of Resources, is responsible for ensuring the preparation of strategic and annual audit plans which take account of the characteristics and relative risks of the activities involved.

- 2.5 The Strategic Director of Resources is responsible for ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.
- 2.6 The Strategic Director of Resources is responsible for ensuring there is adequate liaison between external and internal audit.

Access to information

- 2.7 The Authority's internal auditors have the authority to:
- a. access Authority premises at all times.
 - b. access all assets, records, documents, correspondence and control systems.
 - c. receive any information and explanation considered necessary concerning any matter under consideration.
 - d. require any employee of the authority to account for cash, stores or any other authority asset under his or her control.
 - e. access records belonging to third parties, such as contractors, when required.
 - f. directly access the Chief Executive, the Executive, Audit Committee and any other committees and those charged with governance.
- 2.8 Strategic Directors are responsible for ensuring that
- a. internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work
 - b. auditors are provided with any information and explanations that they seek in the course of their work
 - c. recommendations in audit reports are considered and responded to promptly
 - d. any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
 - e. the Head of Internal Audit and Risk Management is notified immediately of any suspected or identified fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Strategic Directors should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration
 - f. new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit and Risk Management prior to implementation.
- 2.9 The Strategic Director of Resources is responsible for ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

2.10 Chief Officers are responsible for ensuring that all records and systems are up to date and available for inspection.

Preventing fraud and corruption

2.11 Chief Officers are responsible for having systems of internal control in place that help to prevent and detect fraud and corruption.

2.12 The Strategic Director of Resources is responsible for having arrangements in place for the development and maintenance of an anti-fraud and anti-corruption policy.

2.13 All suspected and identified irregularities must be reported to the Head of Internal Audit.

2.14 The Strategic Director of Resources is responsible for having arrangements in place for the investigation of suspected irregularities and for liaison with the police.

2.15 Chief Officers should instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

2.16 Chief Officers are responsible for providing information required by the Audit Commission's National Fraud Initiative.

2.17 The Head of Internal Audit and Risk Management is the designated Council's money laundering officer and is responsible for ensuring that appropriate staff receive training in the application of money laundering legislation.

3 Objectives of Internal Audit

3.1 As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Strategic Director of Resources to discharge his duties as the Section 151 Officer
- contribute to and support the authority's objective of ensuring the provision of, and promoting the need for, sound financial and internal control systems. It objectively examines, evaluates and reports on the adequacy of the control environment (comprising risk management, control and governance) as a contribution to the proper, economic, efficient and effective use of resources.

4 Code of Practice for Internal Audit – CIPFA, 2006

4.1 A Code of Practice for Internal Audit in Local Government was approved by CIPFA in 2006. The internal audit functions in all Principal Local Authorities must comply with this code. Some aspects of this code are discussed below.

4.2 Standard 1 relates to the Scope of Internal Audit. The Terms of Reference are stated in Financial Procedure Rules to reflect the emphasis on review of the control environment and the results of the council's risk management process by Internal Audit and clarification of management responsibilities for Fraud and Corruption. The Standard also emphasises that the Terms of Reference for IA should be regularly reviewed by the organisation.

- 4.3 Standard 2 concerns Independence. One of the requirements is that “the position of the Head of Internal Audit in the management structure should reflect the influence he or she has on the control environment and he or she should not report or be managed at a lower organisational level than the corporate management team”. This requirement is met as the Strategic Director of Resources is the line manager for the Head of Internal Audit and Risk Management (HOIARM). The Standard emphasises that the support of the organisation is essential and recognition of the independence of internal audit is fundamental to its effectiveness. It clearly states that Internal Audit should not have any operational responsibilities.
- 4.4 Standard 3 places emphasis on ethics and the principles that must be observed by all internal auditors in carrying out their tasks — integrity, objectivity, competence, and confidentiality. Each auditor is required to act in an ethical manner and all auditors are required to sign a register of interests.
- 4.5 Standard 4 relates to Audit Committees and outlines the purposes of the Audit Committee and the relationship between the Committee and the IA function. Slough BC formed an Audit Committee in June 2008 after changing the constitution of the Council to accommodate the formation of the Audit Committee. The Terms of Reference are reviewed annually.
- 4.6 Standard 5 relates to relationships with management, members, other auditors and review bodies. This is in accordance with our existing methodology. The HOIARM maintains and builds relationships with various parties relevant to Slough BC and Internal Audit.
- 4.7 Standard 6 relates to Staffing, Training and Continuing Professional Development. It emphasises the appropriate staffing of Internal Audit by numbers and competence, and responsibility to undertake CPD. This is currently being developed further by the HOIARM and a partnership arrangement is in place to ensure adequate IT audit skills are available.
- 4.8 Standard 7 relates to Audit Strategy and Planning. This is a high level statement of how the Internal Audit service will be delivered and developed. — e.g. a mix of in-house and external staff, and the risk based development of audit plans, and how it links to the organisational objectives and priorities. It also states that the plan should differentiate between assurance and other work. Where there is perceived to be an imbalance between the planned work and the resource availability, the HOIARM should inform the Audit Panel along with proposed solutions.
- 4.9 Standard 8 refers to Management of Audit Assignments. All audit work is risk based, subjected to a review process and utilises standard documentation. Time retention periods for different types of audit documents have been discussed and an archive policy is in place.
- 4.10 Standard 9 concerns Due Professional Care. The HOIARM ensures that all internal audit staff regularly complete a declaration of interest and conflict of interest statement. Continuing professional development is also undertaken through formal courses or on the job training.
- 4.11 Standard 10 deals with Reporting. The standard prescribes principles to be observed in effective report writing, procedures for reporting and follow-ups; it also states the requirement for the HOIARM to provide the annual report on the control environment. Our current practices meet this standard, including the highlighting of residual risks where recommendations are not agreed. There is also a requirement for the HOIARM to make arrangements for interim reporting to the organisation in the course

of the year to address any emerging issues in respect of areas to be covered in the annual report. This is covered as part of the quarterly reporting process to the Audit Committee and also during regular one to one meetings with the Strategic Director of Resources.

- 4.12 Standard 11 deals with Performance, Quality and Effectiveness. It emphasises the keeping of an audit manual and reviewing work of staff. There is also a requirement for the Head of Internal Audit to have in place a performance management and quality assessment framework to demonstrate the effectiveness of Internal Audit. A review of Internal Audit was carried out by the Audit Commission in 2007. A number of recommendations were made and all of these have been implemented. In addition the Head of Internal Audit carries out a self assessment using the guidance provided in the Code of Internal Audit code of practice. A peer review arrangement has been agreed with a neighbouring London Borough to assess the effectiveness of Internal Audit. The results of this review will be reported in the annual audit report. The audit manual is maintained and kept updated by the HoIARM to reflect any changes in working practices. These changes are designed to focus scarce audit resources on high risk areas and enabled auditors to carry out efficient and relevant audit testing.

5 Location of Internal Audit

- 5.1 Internal Audit is located within the Resources Directorate under the direction of the Strategic Director of Resources.

6 Internal Control

- 6.1 Management has the responsibility to establish internal control so that its activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and methods, both financial and otherwise, which are established by management to
- safeguard its assets
 - ensure reliability of records
 - promote operational efficiency
 - monitor adherence to policies and directives
- 6.2 The Turnbull Guidance, as incorporated into the Combined Code on Corporate Governance, states, concerning internal control: “an internal control system encompasses the policies, processes, tasks, behaviours, and other aspects of a company that, taken together:
- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;
 - Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;
 - Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.
- 6.3 An organisations system of internal control will reflect its control environment, which encompasses its organisational structure. The system will include

- Control activities
 - Information and communications processes
 - Processes for monitoring the continuing effectiveness of the system of internal control.
- 6.4 Management at all levels is primarily responsible for effective control systems including probity, financial and operational aspects. The role of the Internal Auditor is to provide expert advice and consultation – auditors are not themselves controllers.
- 6.5 It follows that Internal Audit can best serve management by working in partnership with each ‘control centre auditee’ when activities are reviewed. The approach will be supportive, but from an independent and objective perspective, and will not be compromised. The motive, or focus, for Internal Audit is not to find mistakes, but to solve problems in order to provide future benefits and achieve corporate goals, efficiently, economically and effectively. This also applies to fraud and corruption.

7 Audit Reporting

- 7.1 All audit assignments will be the subject of formal reports. Draft reports will be discussed with the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, the reports will be issued in accordance with procedures agreed with each department.
- 7.2 Progress on audits is monitored weekly and monthly by the HoIARM using management information developed in house. The performance indicators examined are
- percentage of planned work completed in period
 - percentage of recommendations accepted
 - percentage of recommendations implemented after agreed period
 - results of client satisfaction survey

8 Relationship with External Audit

- 8.1 Internal and External Audit meet formally and otherwise regularly to co-ordinate their plans and maximise the use of audit resources. A formal Internal Audit/ External Audit protocol is being actively pursued by Internal Audit.
- 8.2 External Audit review the work of Internal Audit every year to assess the degree of reliance it can place on their work.
- 8.3 The External Auditor has a statutory responsibility to express an independent opinion on the financial statements and stewardship of the authority.

9 Related Documents

9.1 This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are

- Anti-fraud and anti-corruption policy
- Whistle-blowing policy
- Employment Handbook
- Code of Conduct for employees
- CIPFA: Code Of Practice for Internal Audit in the United Kingdom 2006
- Anti Money Laundering Policy

1 Introduction

The steps in the preparation of the audit plan are as follows:

- 1.1 The starting point is to determine the total days available for audit.
- 1.2 From these *gross productive days*, time for audit planning, management and training etc. are deducted to arrive at *total chargeable days*.
- 1.3 From the total chargeable days, time required for other finance (non-audit) work, e.g. Risk Management, Insurance, administration, is then deducted to leave *total chargeable audit days*.
- 1.4 The *chargeable audit days* are sub-divided into planned and contingency audits. Contingency audits are calculated as approximately 15% of planned audits.
- 1.5 Planned audits are further divided as shown below.

2 Planned audits

Planned audits are divided into Central Financial Systems, Governance work and other audits.

- 2.1 Central Financial Systems and Governance cover those areas which need to be audited (generally) annually so that the Director of Resources can discharge his responsibilities under section 151 of the Local Government Act 1972, and the Authority's statutory responsibilities (for Internal Audit) under the Accounts and Audit Regulations. They include audits of areas such as Corporate Governance, Risk Management, Treasury, Income, Payroll etc.
- 2.2 Audit time for systems are initially determined by applying risk prioritisation (to a calculation of ideal audit days) as below. However subsequently, judgement is used, along with observations from the Strategic Director of Resources and the External Auditor (District Audit) to arrive at actual final days for each audit.
- 2.3 The ideal audit days are determined by using a notional ideal days figure based on judgement by the Head of Audit.
- 2.4 The ideal days calculated above are weighted by use of risk indexing. This produces an absolute level of ideal audit days which would be available in an ideal world. The HoIARM will use the proportions in the Ideal days to apportion audit days to each audit area in order to come in line with existing resources of 4,221 audit days over a three year period.

2.5 Four categories are used in the risk assessment process

- Corporate Importance — this aspect considers the effect on the council of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the process. Overall it is a measure of the extent to which the council depends on the correct running of the system to achieve its strategic objectives
- Corporate Sensitivity — this aspect takes into account the sensitivity/confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities
- Inherent Risk — this aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk of error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered under 'control' risk below
- Control Risk — this aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk

2.6 Total audit risk for each audit area is then determined, and these risk weightings are used in the initial allocation of resources.

2.7 The days thus determined are then considered and if necessary, revised to allow for the auditor's judgement and the views of Strategic Directors, the Strategic Director of Resources and External Auditor's views.

3 Audit recharge to departments

3.1 Audit costs are recharged on the basis of the three -year average chargeable days planned for each department.

3.2 The cost per day is calculated by dividing the cost of the Audit Section by the total of planned audit days, contingency days, and days for other finance work.

3.3 The cost to People 1st is based on the planned audit days for each year together with an allocation for contingency.

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Audit Committee

WORK OF INTERNAL AUDIT – THIRD QUARTER 2009/10

Report by: Head of Audit and Risk Management

Summary

The Head of Audit and Risk Management produces a quarterly summary of the work of Internal Audit.

This summary consists of a narrative in which the Head of Audit and Risk Management updates the Audit Committee on any changes in the audit plan and also highlights other areas that he feels the Audit Committee should be aware of.

In addition to the narrative key matters are attached in the following statements:

Statement 1: Comparison of allocation and use of resources to 31December 2009

Statement 2: Performance Indicators for quarter ending 31December 2009

Statement 3: Summary of Audit Reports Issued in Quarter 3 2009/10

Statement 4: Audit Reports experiencing delay in implementation

Statement 5: Position on contingency audits/irregularity reviews up to 31December 2009

Statement 6: Irregularities finalised in 2009/10

Statement 7: Risk Management Update

1 Head of Audit and Risk Management Update

- 1.1 The audit plan continues to be risk based and as part of this process the Head of Audit meets with Directors and 2nd tier officers and discusses the following areas to inform the Audit Plan:
- Key risks
 - Risk Management and Risk Registers
- 1.2 The Head of Audit continues to monitor the risks in the organisation and update the Audit Plan to reflect changing priorities. Any changes in the plan are reported to the Audit Committee.
- 1.3 Part of this process is the continuing identification of risk areas by ongoing consultation with relevant staff across the organisation and inclusion of high risk areas in the audit plan.
- 1.4 The 2009/10 Audit Plan was agreed in March 2009 and had 1209 auditable days allocated across the organisation. Between quarter one and quarter three 72 audit days have been added and 97 days have been deleted. The plan currently has 1184 auditable days. The list of added and deleted items is provided in the table below.

Audits added and deleted in 2009/10			
Audit Description	Audit Days	Status	Comments
IT Business Continuity	7	added	Audit added as this area is now ready to be audited
Members Allowances	2	added	Days added to initial 5 day allocation to allow work to be completed
Planning Policy & Projects	2	added	As above
Cippenham Library	6	added	Replace combined Libraries Audit
Langley Library	6	added	As above
Youth Service	10	added	Replacement to deleted Music Service Audit
FMSiS	10	added	Management of the Financial Management Standard in Schools assessment process
Business Continuity & Disaster Recovery	9	added	To replace school catering own provision

Audits added and deleted in 2009/10			
Audit Description	Audit Days	Status	Comments
Slough & Eton School	10	added	To replace Priory School
Lavender Court	5	added	To replace food & safety
Respond	5	added	To replace food & safety
Cippenham & Langley Libraries	10	deleted	Need to be audited as separate entities
Cippenham Library	6	deleted	Libraries to be assessed by AD
Music Service	10	deleted	Satisfactory assurance in 2008/09 replaced by Youth Service
West Wing	10	deleted	Future of West Wing currently under review
SMT Priorities	10	deleted	10 days allocated to FMSiS management
Britwell Library	10	deleted	Libraries to be assessed by AD
Food & Safety	10	deleted	Low priority area replaced by high priority Respond & Lavender Court
Programmes & Procurement	15	deleted	Included in Procurement Audit
School Catering Own Provision	10	deleted	Replaced by higher priority Business Continuity and Disaster Recovery
Priory School	6	deleted	Replaced by Slough and Eton
Net change	25	deleted	

Counter Fraud arrangements

- 1.5 Internal Audit has taken a number of steps to ensure that counter fraud arrangements in Slough Borough Council are effective. These include both proactive and reactive anti fraud arrangements.

Policy Updates

- 1.6 The anti fraud and corruption policy was updated in March 2009 and was approved by CMT on 01/04/09. The fraud response plan was also approved by CMT on 01/04/09. These documents outline the roles and responsibilities of officers and members and the actions they should take in the event of a fraud occurring.

Training

- 1.7 In July 2009 SBC purchased an electronic antifraud training package to further raise antifraud awareness amongst staff. The training package is web based and highlights
- staff and management responsibilities in respect of fraud
 - how to combat fraud and create an anti fraud culture
 - how to detect potential fraud and
 - what actions to take if fraud is detected.
- 1.8 The training package tutorial takes approximately 30 to 40 minutes to complete and is followed by a test of knowledge. A log is kept of those employees who have completed the test.
- 1.9 The original target was to roll out the training in Quarter 2, however, due to capacity within the internal audit section this will now be rolled out in quarter 4.

Anti Fraud Plan

- 1.10 The audit work carried out by Internal Audit and the work carried out by the Housing Benefit Fraud Unit contribute to the anti fraud arrangements in the organisation. These activities have been identified and brought together in one document to enable further clarity in respect of anti fraud work being carried out. This was presented formally to the previous audit committee. It is proposed that progress against the plan will be measured in the quarter 4 report and quarterly thereafter.
- 1.11 An updated anti fraud plan will be presented to Audit Committee in quarter 4.

STATEMENT 1

Comparison of allocation and use of resources—to 31December 2009

	ANNUAL AUDIT PLAN ALLOCATION - ORIGINAL	ANNUAL AUDIT PLAN ALLOCATION - LATEST	ACTUAL USED TO END OF QUARTER 2	
			Days	%
PLANNED AUDITS				
Fundamental (Core) Systems Audits	392	401	34	
Non-Core Systems Audits	743	658	403	
IT Audit	74	90	43	
TOTAL PLANNED AUDITS:	1209	1149	480	
OTHER AUDIT WORK				
Old Year Audits	10	10	11	
Follow Ups	40	40	71	
Contingency Audits	42	42	122	
Investigations	40	65	61	
TOTAL OTHER AUDIT WORK	132	157	265	
TOTAL AUDIT DAYS				
OTHER CHARGEABLE				
Chargeable Management	324	324	101	
TOTAL CHARGEABLE DAYS	324	324	101	
AUDIT MANAGEMENT & ADMIN				
Non Chargeable Management	76	76	18	
Management Information/Admin	121	121	77	
TOTAL MANAGEMENT & ADMIN	197	197	95	
LEAVE & TRAINING				
Statutory Leave	80	80	40	
Annual Leave	309	309	161	
Special Leave	145	145	67	
Sick Absence	80	80	187	
Professional Training	124	124	7	
TOTAL LEAVE & TRAINING	738	738	462	
TOTAL STAFF DAYS	2600	2600		

Vacancies are used to fund work from Deloitte & Touche.

These days will be applied and reported when draft reports are issued.

STATEMENT 2

Performance Indicators for quarter ending 31December 2009

Planned work

	Current Quarter	Year to 31.12.09
	%	%
Proportion of planned audit work completed	18	35
Anticipated 60% completion by end of February 2010		

Recommendations

Recommendations:	Made	Agreed	Proportion agreed
Current years audits			
Quarter	70	70	100%
Year	97	97	100%

Follow-up responses received*

Recommendations			
	Agreed	Implemented	Proportion implemented
Quarter	24	22	92%

* NB: statistics of recommendations implemented are based on a six month follow up review after the issue of a final report. Also note that some recommendations may not have been due for implementation within 6 months of the issue of the final report.

Survey results received

	Quarter	Year to 31.12.09
	Proportion	Proportion
Good	78	70
Satisfactory	22	30
Poor		
Unsatisfactory		

STATEMENT 3

Summary of Audit Reports Issued in Quarter 3 2009/10

3.1 The following Audits received a Satisfactory Assurance

- Building Control
- Lea Nursery School
- Supporting People Grant Certification
- Occupational Health
- Cippenham Junior School
- St Bernards Catholic Grammar School
- Haybrook College
- Education Welfare
- Contact Point
- Pippins School
- Anti-Virus & Spyware
- Data Centre
- Single Status Harmonisation & Job Evaluation
- Disabled Facilities grant

3.2 The following audits received Limited Assurance

DPA & FOI

We made thirteen significant risk and two medium risk recommendations to improve the administration and management overview the Data Protection Act and Freedom of Information.

An action plan is in place and progress will be reported to a future audit committee.

Overtime Payments

We made six recommendations to improve the administration and management of the overtime costs and processes.

An action plan is in place and progress will be reported to a future audit committee.

3.3 The Following Audits received No Assurance

Slough & Eton School

We made 24 significant risk recommendations and nine medium risk recommendations to improve the financial management of the school.

An action plan is in place and progress will be reported to a future audit committee.

3.4 Recommendations not implemented

In the third quarter of 2009/10 seven of the twenty-six medium and significant risk recommendations followed up were not implemented. These are outlined below:

Lettings Management

Two medium risk recommendations not implemented

- The Assessment Manager should record the 10% checks that are carried out in respect of applications to join the Housing Register and the correct allocation on the register
- Copies of declarations are to be returned to the departments director for inclusion in the departmental register of employees interests.

Mobile Phones

This audit was reported in December 2008 and made seven high and medium risk recommendations.

A follow up audit was completed in June 2009 and a further follow up in October 2009.

Five medium risk recommendations have not been implemented; all of these relate to the out of date mobile phones policy and to user terms and conditions.

As a result of non implementation of recommendations there remains a high risk of mobile phone abuse

- 3.5 As agreed by members, where recommendations or actions have not implemented recommendations the responsible officers may be given an opportunity to explain why at the following audit committee.

STATEMENT 4

Audit Reports experiencing delay in implementation

4.1 Outstanding Follow ups

Audit no and title	Department name	Final report issued	Follow-up Due

Note: Follow up of recommendations is carried out with every audit and/or after 6 months.

4.2 Outstanding drafts

Audit title	Department name	Draft sent	Contact name

There are no draft reports for which we are awaiting a response

STATEMENT 5

Position on contingency audits/irregularity reviews up to 31December 2009

5.1 Contingency Audits

Description	Total Days to 31/12/09	Current position
Housing Management Information system	8	On-going with significant issues

5.2 Irregularity reviews

Description	Total Days to 31/12/09	Current position
Overpayment to Care leaver	1.0	Initial report and recommendations issued. Awaiting a response to finalise the report
Allegation of Personal business being managed from SBC premises	2.0	Management investigation currently underway following Internal Audit advice
Supported Living Investigation	50	Audit investigation complete. Police investigation complete.

STATEMENT 6

Irregularities finalised in 2009/10

E-mail abuse complaint in CWB directorate

- 6.1 An offensive email was sent by an employee of Slough Borough Council to another employee of Slough Borough Council. After investigation it was found that the email originated from a personal e-mail account rather than a work account.
- 6.2 The officer concerned was reminded of the email policy and no further action was taken

Query on payment card usage

- 6.3 A number of payments made using a payment card issued to the Creative Academy Co-ordinator in the Community & Wellbeing Directorate were identified as potentially personal rather than business.
- 6.4 An investigation showed that all the payments identified were made for business and that a management trail existed for each one.
- 6.5 It was further established that where appropriate, the suppliers had been invited to apply for inclusion on I-Proc so that the card would not need to be used in future for similar purchases.

Financial Irregularities at Longcroft residential home

- 6.6 On 1st December 2008 an irregularity in the funds held at Phoenix Day Centre was identified by the Assistant Unit Manager and reported to the Group/Locality Manager and Director of Community and Wellbeing.
- 6.7 A full disciplinary investigation and Internal Audit investigation was undertaken and the administrative officer was dismissed with immediate effect. The findings of the investigation were reported to Thames Valley Police, who on the 25th March arrested the administrative officer and pressed charges.
- 6.8 The administrative officer received a police caution

Supported Living

- 6.9 Supported Living is about people with disability
 - Living in their own home
 - Making choices about their life
 - Getting support to live the way they want to

- 6.10 In August 2009 Internal audit carried out an investigation in respect of suspected financial irregularities and shared their findings with the Police.
- 6.11 One member of staff was dismissed and in January 2010 received a suspended custodial sentence and 100 hours of community service. The financial crime unit are also applying for an asset seizure order from the Crown Court.

STATEMENT 7

7 Risk Management Update

- 7.1 This update report focuses on
- the framework in place for updating Senior Management on Risk Management developments and issues
 - the key actions taken in the quarter October 2009 to December 2009
 - the proposed actions for the quarter January 2010 to March 2009
 - the actions taken to mitigate the risks identified within the Corporate Risk Register
 - relevant insurance actions

Reporting Risk Management issues to senior management

- 7.2 CMT are receiving formal reports providing quarterly updates on Risk Management issues. These include
- Actions taken to mitigate identified risks
 - Movements of risks between the red, amber and green status
 - New and emerging risks
 - Updates on areas where risks have not been addressed in order that CMT can take informed decisions on allocation of resources
- 7.3 Internal Audit and Risk Management regularly attend SMTs to discuss and update Risk Registers and also provide training as and when required. The Risk Management profile is currently high and SMTs are inviting Internal Audit and Risk Management to attend SMTs in order to keep Risk Registers updated and relevant.
- 7.4 This is a positive situation as it demonstrates ownership of Risks by Directorates and that Risk Management continues to be further embedded across the organisation.
- 7.5 Updated Risk Management Guidance has been published on the intranet along with the corporate risk register and all individual directorate risk registers.
- 7.6 Risk Registers are being developed for the Council's key strategic projects, such as Heart of Slough and Shared Services.

Key actions taken for the quarter October 2009 to December 2009

- 7.7 The Risks Registers for Community and Well-Being and for Education and Children's Services were up-dated by the respective Senior Management teams.
- 7.8 The Directors of Resources and Improvement & Development were both shown how to enter and update risks on the council's risk management system, this will enable departments to take further ownership of their risks and the responsibility for their management.
- 7.9 Three officers within the Improvement & Development Department were trained on the Risk Management to establish whether the JCAD Risk system would be able to be tailored to monitor performance management.

Key actions proposed for the quarter January 2010 to March 2010

- 7.10 The remainder of the Departmental Risk Registers are to be updated.
- 7.11 It is proposed to complete the programme of roll out to Directors and Assistant directors.
- 7.12 In order that departments may update their own risk registers without recourse to the Risk and Insurance Officer a member of each department will be trained to enter, update and report on risks. This officer will take on the roll of Risk Champion.
- 7.13 It is envisaged that the introduction of more localised control over risk registers will encourage the completion and use of risk registers throughout the organisation on a regular basis.

Relevant Insurance Actions

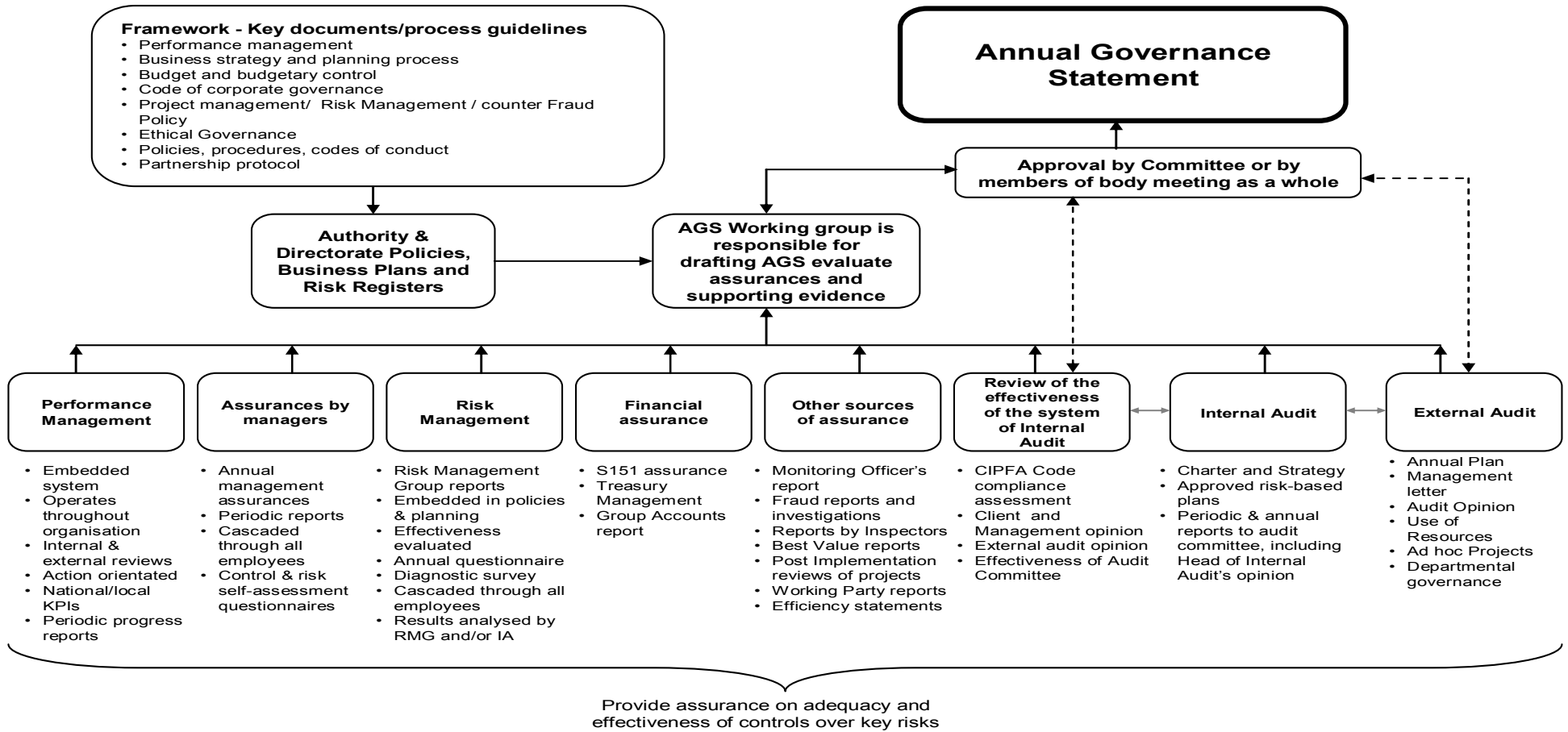
- 7.14 Work was carried out in preparing the insurance portfolio tender in conjunction with the Council's Insurance brokers.
- 7.15 The insurance cover for SBC is currently in the tender evaluation stage.
- 7.16 A report will be produced for CMT and members in February 2010 that recommends the make up of the Council's insurance portfolio, this report will include budget implications for 2010/11.

2009/10 Annual Governance Statement

- 1.1 From 2007/08, Local Authorities are required to produce an Annual Governance Statement (AGS).
- 1.2 The AGS states whether the Governance arrangements in the organisation are effective and that any of areas of concern have been identified. An action plan should be put in place to address the areas of concern identified.
- 1.3 The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness.
- 1.4 The 2008/09 AGS was signed by the Leader of the Council and the Chief Executive in June 2009.
- 1.5 The 2008/09 AGS identified six areas of concern as follows;
 - a) Project Management
 - b) Partnerships and governance arrangements
 - c) Harmonisation/ Staffing Issues
 - d) Community Cohesion
 - e) Business Continuity
 - f) Impact of world Economic climate
- 1.6 Actions have been identified to address these areas of concern and the 2008/09 Annual Governance Statement is attached.
- 1.7 Risk management features strongly in the AGS process. It supports the coordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.
- 1.8 In line with previous years an overview of the AGS methodology is provided for members
 - Appendix 1 - One page overview
 - Appendix 2 – Diagrammatic representation of the AGS methodology
 - Appendix 3 – Timetable for AGS methodology
 - Appendix 4 – Directors Assurance Statement
 - Appendix 5 – 2008/09 Annual Governance Statement approved at full Council

**THE ANNUAL GOVERNANCE STATEMENT
AN OVERVIEW**

1. From 2007/08, Local Authorities need to produce an Annual Governance Statement (AGS). This replaces the Statement on Internal Control (SIC).
2. The Annual Governance Statement (AGS) is a key corporate document. The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness.
3. The AGS should be approved at a meeting of the authority or delegated committee.
4. As a corporate document the AGS should be owned by all senior officers and members of the authority.
5. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. In order to achieve this they are likely to rely on many sources of assurance, such as:
 - directors and managers;
 - the responsible financial officer;
 - the monitoring officer;
 - members;
 - the Head of Internal Audit;
 - performance and risk management
 - third-parties, e.g. partnerships;
 - external audit and other review agencies.
6. The statement should be continuously reviewed throughout the year, however, in practice, authorities with well-developed arrangements will find that it will emerge from the routine governance and managerial processes (which necessarily operate continuously).
7. Risk management should feature strongly in the AGS process. It should support the co-ordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.
8. The Head of Internal Audit should provide a written annual report to those charged with governance timed to support the Annual Governance Statement. The review of the effectiveness of the system of internal audit helps to ensure that the opinion in the annual report of the Head of Internal Audit may be relied upon as a key source of evidence in the AGS.



APPENDIX 3**Timetable for Annual Governance Statement 2009/10**

Date	Action	Responsibility	Notes
11/01/2010	Initial meeting to discuss AGS methodology	JE/AN/SQ/SP	Update methodology and agree Terms of Reference
January	First meeting of AGS working group	Head Of Audit	Strategic Director of Resources, Deputy Director of Finance, Monitoring Officer and Head of Audit
January	Circulate self-certification checklists to managers	Head Of Audit	Managers can ask for clarification of requirements for the AGS process
February	Managers begin to assemble and index evidence to support their declarations to directors	All Senior Managers	Managers have been provided with examples of the evidence required to support their declarations
Late March	Managers complete self-certification forms, raise issues with directors and formulate action plans	All Senior Managers	Managers must ensure that their most serious concerns are fully shared with their directors
April	Directors complete assurance statements	All Directors	Returns submitted to Monitoring Officer
April	Assemble other evidence of control from various sources	AGS Working Group	The Group as a whole must take responsibility for bringing it together
May	Prepare framework AGS: sketch in likely issues and feed back to directors	AGS Working Group	This will help ensure that directors' declarations are complete and evidenced
May	Annual Head of Audit opinion	Head Of Audit	Based on audit work and discussions with officers
May	Corporate Management Team review AGS, and take full ownership for it	CMT	There must be a strong sense of corporate ownership
May	Officers and nominated members meet to discuss draft AGS	Strategic Director of Resources	Officer and member meeting prior to AGS presentation at Audit Committee
May	Submit draft AGS to Audit Commission for discussion alongside accounts	Strategic Director of Resources	
17/06/2010	Draft AGS to Audit Committee	Head Of Audit	For Audit Committee to discuss and comment
June 2010	Sign AGS	Chief Exec and Lead Member	Challenge and sign off by Chief Exec and Lead Member
29 June	Approval at Cabinet and Full Council		There must be a strong sense of corporate ownership

The Annual Governance Statement

The Accounts and Audit Regulations 2006 require the Council to include an Annual Governance Statement, (AGS), on the systems on internal control with the final accounts.

The statement is a public assurance that the Council has sound systems of internal control, which help manage and control business risk. It is an important public expression of what the Council has done to ensure good business practice, high standards of conduct and sound governance.

Each director must complete, certify and return a statement of their directorate's current position, using the model format below.

Directors should utilise subsidiary statements from their direct reports.

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected in a timely way.

Therefore, please complete the statement 'to the best of your knowledge' – it's particularly important that you bring out the matters that are currently causing you concern.

Assistant Directors should send a hard copy of their signed statements to their Director.

Directors should send a hard copy of their signed statement to the Borough Secretary and Solicitor by the end of April 2010.

We suggest that you also keep a copy of your statement, cross-referenced to the sources of evidence you are relying on.

It is likely that external audit will want to trace your assurance back to the source data.

If you have any queries, please contact Steven Quayle (ext. 5004).

Annual Governance Statement 2009-10

1 Corporate responsibilities

This statement relates to the Council's 2009-10 financial year.

I acknowledge my responsibility in maintaining and operating the Service in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

The information I have provided in this section is given to the best of my knowledge in connection with the service areas I am responsible for. Where I cannot give full assurance of control, I have given details in the "Summary of Evidence" column.

Ref.	Area of responsibility	Confirmed (yes/no)	Summary of evidence, and planned corrective action, if required
1.1	<p>I confirm that:</p> <ul style="list-style-type: none"> ▪ key system controls operate to safeguard Council assets from error or irregularity (Does your departments key systems help ensure that the Council's assets such as buildings, money, and vehicles are secure and are protected from theft, damage or subject to fraudulent misuse?) ▪ I keep the key controls under review, and where any weaknesses are I take action to remedy the issues and inform appropriate officers where required. 		
1.2	<p>I confirm that:</p> <ul style="list-style-type: none"> ▪ I deploy all the resources at my disposal to achieve Council business objectives ▪ I review the use of resources. ▪ I take action to address ineffective, inefficient and uneconomic use where I find them 		

Ref.	Area of responsibility	Confirmed (yes/no)	Summary of evidence, and planned corrective action, if required
1.3	<p>My service plan contributes to the Council's wider business priorities and reflects existing policies and strategies. This is demonstrated by:</p> <ul style="list-style-type: none"> ▪ key performance indicators ▪ budget-setting and resource allocation ▪ identifiable improvements in service, including achievement of explicit outputs and milestones ▪ action plans to support achievement of objectives; further improvements in service delivery; and to overcome service delivery and performance failures. 		
1.4	<p>Business risk management:</p> <ul style="list-style-type: none"> ▪ I seek to identify, assess and keep under review business risks ▪ I take action to manage business risks ▪ I have a risk register to assist with the above in connection with the services and activities that I am responsible for. 		
1.5	<p>I ensure that both my staff and I have access to, and are familiar with and work in accordance with the following guidance, and that I take action where I identify non-compliance:</p> <ul style="list-style-type: none"> ▪ financial regulations and delegation arrangements ▪ contract procedure rules ▪ officer code of conduct ▪ protocols on member/officer relations ▪ policies on fraud, corruption and whistle blowing. 		

Ref.	Area of responsibility	Confirmed (yes/no)	Summary of evidence, and planned corrective action, if required
1.6	<p>I ensure that my decisions and service activity have due regard for:</p> <ul style="list-style-type: none"> ▪ the Council's business objectives ▪ business risk ▪ best value and service improvement ▪ financial consequences ▪ staffing implications ▪ sustainable development ▪ legality ▪ equality and diversity and community safety ▪ health improvement ▪ property implications ▪ business continuity ▪ crime and disorder (section 17) concerns. 		

2 Accounts - financial and legal implications

This statement relates to the Council's 2009-10 financial year.

I acknowledge my responsibility in maintaining and operating the Service in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

The information I have provided in this section is given to the best of my knowledge in connection with the service areas I am responsible for.

I have made appropriate enquiries of other Council officers, and referred to information systems and records, and can confirm the following statements. Where I cannot give full assurance, I have given further information in the "Summary of evidence" column.

Ref.	Accounts – financial and legal implications	Confirmed (yes/no)	Summary of evidence, and planned action, if required
2.1	Are there any contingent liabilities ¹ that are likely to have a significant effect on the finance or operations of the Council?		
2.2	Are there any instances of non-compliance with laws or regulations that are likely to significantly affect the Council's finance or operations?		
2.3	Are there any post-balance sheet events ² likely to significantly affect the Council's finance or operations?		
2.4	Are there any pending claims, proceedings or litigation likely to significantly affect the Council's finance or operations? (record your departments potential costs even if the issue is being dealt with on your behalf by another department.)		

¹ A "contingent liability" is a possible obligation arising from past events at the balance sheet date (31st March 2010). Its existence will only be confirmed by future events which may not be within the Council's control

² A "post-balance sheet event" occurs between the balance sheet date (31st March 2010) and the date the Council approves the financial statements.

Ref.	Accounts – financial and legal implications	Confirmed (yes/no)	Summary of evidence, and planned action, if required
2.5	Are there any other significant transactions with related parties other than those already disclosed?		
2.6	Are there any instances of known error, irregularity, including fraud, which are likely to have a significant effect on the finance or operations of the Council?		
2.7	All disposals of fixed assets during the year have been recorded in the financial statements, (if not please give details in “summary of evidence” column)		
2.8	All impairments to fixed assets have been identified and accounted for in compliance with FRS11 ³ (see note 3)		

Certified by:

(Please note a signature is required)

Director of:

Date:

³ FRS11's objectives are:

- fixed assets and goodwill are recorded in the financial statements at no more than their recoverable amount
- any resulting impairment loss is measured and recognised on a consistent basis
- sufficient information is disclosed to enable users of the financial statements to understand the impact of the impairment on the Council's financial position and performance.

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 Slough Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of the Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and the culture and values, by which the Authority is directed and controlled and the activities through which it leads, accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements of the systems and process that underpin the Council's governance arrangements for:

- 3. Establishing, communicating and reviewing the achievement of the authority's vision of its purpose and intended outcomes for citizens and service users and its implications for the authority's governance arrangements**
- 3.1 The Council's Strategic Plan shows how the political direction of the council's leadership combines with the long term vision for the town. It sets out medium term council priorities. It explains the council's role in "*Proud to be Slough – Slough's Sustainable Community Strategy*" – which sets out the 20 year long-term vision. The Plan is an important part of how we manage our performance, linking the council's vision and priorities into the everyday activities of our staff. It sets out our five key priorities and explains what we are doing to ensure the organisation works more effectively so that our services can make a difference. The Strategic Plan is aimed at external stakeholders and is communicated via a range of media channels.
- 3.2 During the course of the last year this publication has been redesigned and restructured to ensure all the key articles support one of the council's priorities. Story spreads are colour coded and clearly labelled to help readers make a link with a relevant priority.
- 3.3 The Council's approach to planning is set out in the Strategic Planning Framework which has been endorsed by the Improvement and Development Agency. An electronic performance management system is used to monitor service performance on a monthly basis which is reported to Corporate Management Team, Cabinet and Overview and Scrutiny.
- 3.4 The council has appointed a Consultation Officer and, with other LSP partners, invested in Uengage, an online consultation portal with the aim of increasing participation in consultations. The system will also enable the council to coordinate consultations more effectively. The Consultation Officer is working with directorates to ensure consultations are an integral part of communicating and reviewing service provision, where relevant.
- 4. Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.**
- 4.1 Citizen satisfaction is measured annually through an Attitude Survey. This survey provides satisfaction levels on the services provided by the Council and its statutory partners. In addition to this, services work towards a number of quality standards

and specific services have been awarded Charter Mark and Investors in people. Delivering high quality services is important and where appropriate quality tools are used, such as, EFQM and the Excellence Model.

Service Plans set out objectives and activities and these are scrutinised by the relevant director. Service benchmarking information is used to assess and ensure that service delivery offers value for money and best use of resources.

- 4.3 Internal review and audit, along with external inspection, provide an objective review of services and inform the basis of improvement plans focussed on improving citizen outcomes.
- 4.4 The statutory PI's have to be collected, audited and reported to the Audit Commission each year. Performance against these indicators is monitored quarterly where possible to produce in year management information.
- 4.5 Service user comments, complaints and suggestions from consultations are used to shape service delivery.
- 5. Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**
- 5.1 The Council is composed of 41 Councillors. The overriding duty of Councillors is to the Borough as a whole but they are democratically accountable to residents of their Ward.
- 5.2 All Councillors meet together as the full Council. The full Council is the decision making body that sets the policy and budgetary framework of the Authority. It appoints the Executive (the Cabinet), Lead Members and such Committees, Sub-Committees and Panels etc. It considers necessary to carry out the statutory functions of the Council as a local authority. Each year, normally in May, a new Mayor is elected who chairs the full Council meeting.
- 5.3 The Executive is the part of the Council which is responsible for most day-to-day decisions. The Executive is made up of a Cabinet which comprises the Leader of the Council and 8 lead Councillors called Commissioners. Each Commissioner has a specific portfolio of areas for which s/he is responsible. All services of the Council fall within the portfolios of one or more of the Commissioners. When key executive decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be anticipated. The Cabinet has the power to make decisions which are in line with the Council's overall policy and budgetary framework. If it wishes to make a decision which is outside the framework, this must be referred to the full Council to decide.
- 5.4 All items of business at meetings of the Council, its Committees, Sub-Committees and the Cabinet will be set out in an agenda together with reports and supporting papers. Generally, these documents are open to public inspection on the Council's website and at the Town Hall. Copies of these documents are also available free

of charge on request. Normally the meetings will be held in public but where personal or confidential information, known as exempt information, is to be discussed the meetings will be held in private and the reports and supporting papers will not be available.

- 5.5 The Council's decision-making structure has delegated many decisions to the senior officers and statutory chief officers. These decisions are taken after verifying that they are in accordance with the budget and policy and budgetary framework and a range of financial, legal and other relevant advice.
- 5.6 The Council, through its Overview and Scrutiny Committee, holds the Cabinet to account and monitors performance and also considers certain executive items referred for comment. The Council also provides an opportunity for citizens and Councillors to ask questions and raise issues of broad public interest.
- 5.7 The Corporate Management Team (CMT) consisting of the Chief Executive and Directors meets weekly to oversee and direct the delivery of all Council services in accordance with policy, financial and legislative requirements.

6. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- 6.1 Councillors have to agree to abide by the Local Code of Conduct to ensure high standards of behaviour in the way they undertake their duties. The Local Code of Conduct forms part of the Council's Constitution and was reviewed and updated in May 2008. The Standards Committee has overall responsibility for ethical matters including training and advice on the application of the Local Code. Since May 2008, the assessment, review and if appropriate the investigation of complaints about Member conduct has been delegated by the Committee to specially designated Sub-Committees.
- 6.2 Specific Codes of Conduct have been adopted for Councillors who carry out the Council's Planning and Licensing functions. The Council has designated the Borough Secretary and Solicitor as the Monitoring Officer in accordance with Section 5 of the Local Government and Housing Act 1989.
- 6.3 The Officer Code of Conduct sets out the standards of behaviour the Council expects of employees in the carrying out of their duties to ensure that the Authority maintains a deserved reputation for the high standards of its activities and the integrity of its employees at all levels.

7. Reviewing and updating Council Procedural Rules (standing orders), standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the process and controls required to manage risks.

- 7.1 The Council has an agreed Constitution, which sets out how the Council operates, how decisions are made, and the procedures that are to be followed to ensure that

these are open, transparent and accountable to local people. The law requires some of these processes, while others are a matter for the Council to choose.

- 7.2 The financial management of the Authority is conducted in accordance with various procedures set out in the Constitution but in particular with the Financial Procedure Rules. The Council has designated the Director of Resources as Chief Finance Officer (CFO) in accordance with Section 151 of the Local Government Act 1972.
- 7.3 Financial stewardship is reported to Councillors quarterly, and is considered regularly by Directorate Management Teams and the Council's Corporate Management Team. This is supported by an established budget monitoring process by managers and Finance staff.
- 7.4 Through reviews by External Audit, various Inspection Agencies, Internal Audit, and the Improvement and Development Department, the Council seeks ways of ensuring the economic, effective and efficient use of its resources, and the continuous improvement in the way in which it delivers its services to the public.
- 7.5 The Council has various mechanisms in place that help it to identify, assess and control risk throughout the entire organisation. The Corporate Risk Register has been developed and is reviewed quarterly by the CMT, and Directorate Risk Registers have also been developed ensuring compliance with established policies, procedures, laws and regulations.

8. Ensuring compliance with established policies, procedures, laws and regulations

- 8.1 The Cabinet or any Committee/Sub Committee of the Council, or any officer are duty bound to consult the Monitoring Officer and/or the Director of Resources (or their representatives) as to whether any proposed decision would be lawful and/or contrary to the policy framework, and/or contrary to or not wholly in accordance with the budget. If the advice of the Monitoring Officer is that the proposed decision would be unlawful then the matter will be reviewed with appropriate advice from the Monitoring Officer on how to proceed if at all. If either of those officers consider that the decision would not be in line with the existing budget and/or policy framework then the proposal will be referred to the Cabinet or Committee/Sub-Committee for consideration. If an urgent decision is required the Budget and Policy Framework Rules relating to urgent decisions, will be applied.
- 8.2 After consulting with the Chief Executive and the Section 151 Officer, the Monitoring Officer will report to the Full Council or to the Cabinet (if the decision relates to an executive function) if he considers that any proposal, decision or omission would be unlawful or give rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

9. The identification and monitoring of whistle blowing informants and for receiving and investigating complaints from the public.

9.1 The Council has a Whistleblowing Policy and Procedure in place which enables the public, staff and all those contracting with the Authority to report any concerns on a confidential and secure basis. The document has been reviewed and updated regularly and widely communicated to all concerned.

9.2 The Council has policies and procedures to deal with other complaints and concerns raised by members of staff. Customers' comments or complaints about Council services are dealt with through the Council's Corporate Complaints Procedure.

10. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

10.1 Training needs are identified through a range of mechanisms including CMT's identification of corporate priorities, initiatives and poorly performing service areas; the Council's service planning framework and the identification of service and staff performance gaps/development needs; customer feedback surveys; the Council's appraisal processes of its staff resulting in team and individual performance development plans; training needs analysis questionnaires.

10.2 To address the identified learning and development needs the Council provides a range of training to both councillors and officers. This is in accordance with the Council's Learning and Development Policy and Procedure. The provision includes both formal and informal induction programmes for all new staff and councillors, a range of service related knowledge and skills programmes for all staff and councillors, and a programme of leadership and personal skills training. The training for Councillors is mainly delivered through the Members Services Team working with the overview and scrutiny officer.

11. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

11.1 There are clear channels of communication with all sections of Slough's diverse community. Communication channels include the local media, an award-winning website and *Citizen*, a residents' newspaper published six times a year. The council has moved to a campaign-based approach to marketing which focuses communications efforts around agreed priorities and key messages. The council's media relations efforts have also been refocused on communicating priority messages to our residents. The Chief Executive has a regular slot on Asian Star, a local community radio station.

11.2 Slough Borough Council consults and works with the business community through a number of business oriented and representative organisations, these include Slough Business Community Partnership, Thames Valley Chamber of Commerce

and The Federation of Small Business, in addition where a policy or activity directly impacts specific businesses those businesses are also consulted and involved.

- 11.3 Council representatives play an active role in the Town Image Group, and are involved in a communications campaign to change perceptions of the town, entitled "Proud to be Slough". The Proud to be Slough logo has been incorporated into the centre of the priority model and key council publications. It has also been adopted as the title for the town's sustainable community strategy.
- 11.4 The council has a long history of community consultation and participation. A Community Consultation Officer co-ordinates consultation activities and advises on best practice. This has included establishing innovative engagement mechanisms such as Faith Forum. Work with, and support to, the local community has led to well-established systems of residents' and tenants' associations, globe groups and community groups. These groups are involved in the decision making process at a variety of levels, from community action projects to formal consultative meetings. Our service planning process is informed by ongoing consultation and involvement. We use a variety of methodologies: boards, steering and working groups with community participation, surveys, focus groups, consultation events, discussion groups, leaflet drops etc. Most recently the council and its LSP partners have invested in Uengage, an online consultation portal, with the aim of increasing responses to consultations.

12. Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

- 12.1 The Council works in partnership with other public sector agencies and the voluntary and community sector. The Local Government White Paper, 'Strong and Prosperous Communities', placed real emphasis on the role of local authorities as community leaders with the requirement to work in partnership across sectors.
- 12.2 The Council has a Partnership Register which has been used to assess the risks involved with each of the partnerships which the Council is engaged with. This register also provides a record of the governance arrangements associated with each partnership. Partnership Guidance has been published and this defines the types of partnerships and the procedures for entering into a new partnership.
- 12.3 The Partnership Protocol was revised in February 2008. The protocol covers issues such as
- A common vision of work that is understood and agreed by all parties
 - A clear statement of the partnership principles and objectives
 - Clarity over each partner's role
 - A definition of the role of partnership board members and any staff who support the partnership
 - A statement of funding sources and clear accountability for financial administration

- A protocol for dispute resolution
- a complaints procedure to identify and deal with failure in service delivery
- how value for money is to be measured and making sure the authority or partnership has the information needed to review value for money and performance effectively

12.4 Slough Focus, the Local Strategic Partnership, and statutory partnerships, such as the Crime and Disorder Reduction Partnership, have robust constitutions and protocols in place. A Compact has also been established with the third sector.

12.4 Slough Borough Council recognises that improvements are required in respect of partnerships and partnership governance. This is highlighted as a governance issue in this annual governance statement

13. Review of effectiveness

13.1 Slough Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

13.2 The process for maintaining and reviewing the effectiveness of the governance framework within the Council consists of:

- Annual reviews by Internal Audit of the authority's governance, risk management and system of internal control.
- Reviews by Internal Audit of internal controls in operation within each service area against known and emerging risks.
- Annual service planning to align service development against strategic goals.
- Ongoing review of the business of and decisions taken by the Monitoring Officer, which include that the Council has acted lawfully and that agreed standards have been met.
- Meetings of the Audit Committee to consider the work of and recommendations made by the internal and the external auditors and other review bodies.
- Annual reviews of the Council's financial accounts and supporting systems by the external auditors leading to their opinion as published in the year-end statements.
- Annual reviews and, where appropriate, update of the Authority's constitution including standing orders and financial instructions.
- Ongoing review of risks and the actions required to mitigate against them.
- Monthly budget monitoring by Central Finance supported by established departmental monitoring processes.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Head of Service.

- 13.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Annual Governance Statement working group through
- an analysis of the departmental risk registers
 - an analysis of the corporate risk register
 - internal audit work during the year
 - external audit reports
 - inspections and assessments undertaken by independent regulators
 - assurances and areas for improvement supplied by directors to support the annual governance statement
 - discussions with Directors and Assistant Directors as part of the audit planning process

Significant governance issues have been grouped into three themes.

- Projects/Partnerships
- Staffing
- Provision of Services

The three themes contain six subheadings in total with each identifying

- the issue
- actions taken or planned
- a responsible officer
- the key source identifying the issue

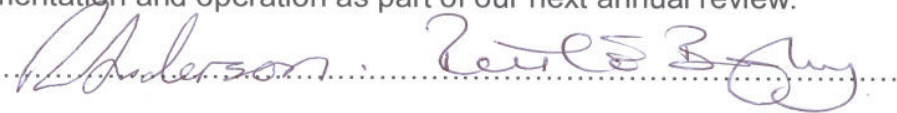
Significant governance issues – 2009

Issue	Actions	Officer Responsible	Source
<p>1 Project Management</p> <p>Heart of Slough/ Major regeneration</p> <p>Shared Services</p> <p>Care Home Re-provision and Extra Care Housing</p> <p>Accommodation Strategy</p>	<p align="center">Projects/Partnerships</p> <ul style="list-style-type: none"> • Regular Updates between Director and Commissioner. • Major projects reported quarterly to Overview and Scrutiny including risk analysis. • Audit plan includes reviews of risk based review of projects • Governance of project methodology has been standardised • Prince 2 training methodology to be rolled out for all project managers 	<p>Relevant Directors</p> <p>Director of Resources</p> <p>Head of Audit and Risk Management</p> <p>Assistant Director Transformation, Policy and Performance</p>	<p>Corporate Risk Register</p> <p>Community and Wellbeing Risk Register</p>
<p>2 Partnerships and governance arrangements</p> <p>Relationships with major partners needs to be managed</p>	<ul style="list-style-type: none"> • Partnership agreements and review meetings • LSP meetings and new LSP structure in place to manage delivery of LAA targets through seamless partnership working. • Continued training in respect of joint risk management across partner agencies • Review of voluntary sector commitments and outputs to ensure VFM and Council priorities are met 	<p>Director of Improvement and Development</p>	<p>Corporate Risk Register</p>

Issue	Actions	Officer Responsible	Source
<p>3 <u>Harmonisation/ Staffing Issues</u></p> <p>Uncertainty leading to some or all of the below</p> <p>a loss of staff morale</p> <p>drop in performance</p> <p>loss of staff</p> <p>increased absence levels</p> <p>potential high levels of equal pay claims</p>	<p style="text-align: center;">Staffing</p> <ul style="list-style-type: none"> • Monitoring and evaluation of Recruitment and Retention Plan • Final sign off by National Unions (Assuming agreement can be reached) • Share outcomes with staff • Implement new contracts • Manage appeals and any back pay claims • Manage the tribunal process and the timetable for any settlement 	<p>Assistant Director of Human Resources with relevant Legal support</p>	<p>Corporate Risk Register</p>
<p>4 <u>Community Cohesion</u></p> <p>Increase in demand for basic services through</p> <p>Asylum Seekers</p> <p>Migration</p> <p>Economic Impact</p>	<ul style="list-style-type: none"> • Monitor community demographics • Bids against migration impact fund • Lobbying of ministers • Equality impact assessments • Community Cohesion audit approved 	<p>Chief Executive</p>	<p>Corporate Risk Register</p> <p>Community & Wellbeing Risk Register</p>

Issue	Actions	Officer Responsible	Source
Provision of Services			
<p>5 <u>Business Continuity</u></p> <p>Inability to access high priority, sensitive data</p> <p>Inability to place orders</p> <p>Inability to account for income in a timely fashion</p> <p>Loss of reputation</p> <p>Loss of performance</p> <p>Pandemic influenza</p> <p>Shortage of Fuel Supplies</p> <p>Confidential information processes</p>	<ul style="list-style-type: none"> • Second computer room under consideration, with up rated cooling, to provide backup and business continuity. • Further development of business continuity plans beyond the existing 72 hour scenario • Continued work with NHS and other partners to improve response linked with learning from swine flu • Further training for officers on emergency planning. 	<p>Head of IT</p> <p>Head of Audit and Risk Management</p> <p>Emergency Planning Officer</p> <p>Emergency Planning Officer</p>	<p>Risk Register IT&S</p>
<p>6 <u>Impact of world economic climate</u></p> <p>Reduction in Income to the Council</p> <p>Impact on Treasury Management</p> <p>Impact of Government funding</p> <p>Increased workload on Council and partner agencies</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Review of Treasury Management policy in line with Audit Commission best practice • Slough Economic task force • Working with partner agencies and production of leaflet giving advice to residents 	<p>Director of Resources</p> <p>Chief Executive</p>	<p>All Risk Registers</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:.....

Lead Member & Chief Executive on behalf of Slough Borough Council

Audit Progress Report

February 2010

Slough Council
Audit 2009/10

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

2009/10 Audit Plan

- The following table summarises the main outputs from the 2009/10 audit together with indicative dates for the production of final audit reports. The progress report relates only to the Code of Practice Audit and excludes CAA related activity which will be reported separately. The report will be updated on a quarterly basis and used to track progress on the audit at our quarterly meetings with senior management and will be presented as a standing item to each meeting of the Audit Committee. The progress report will inform Audit Committee members of forthcoming audit reports and when these are expected to be available for reporting to the Audit Committee.

Report	AC key contact	Council contact	Expected report	Reported to the Audit Committee	Comment
Audit fee letter and outline audit plan 2009/10	Alastair Rankine	Audit Committee	April 2009	April 2009	Agreed
Financial Statements					
Annual opinion plan for 2009/10 This opinion plan sets out the audit work that we propose to undertake for the audit of financial statements for 2009/10 and provides an update on our UOR risk assessment	Alastair Rankine	Annal Nayar	January 2010	March 2010	The annual opinion plan has been issued, discussed with officers and agreed. It is included on this agenda

<p>Shared services review</p> <p>The focus of our work will be to review of the outline business case for shared service provision and the Council's option appraisal/decision making process regarding its future commitment to the venture and the evidence assembled to demonstrate that the venture offers good prospects for delivery of sustainable outcomes and value for money. Key considerations for the audit will be an assessment of whether:</p> <ul style="list-style-type: none"> • the Council has a sound understanding of its costs • decision making is supported by relevant and reliable data and information • the Council manages its risks effectively 	<p>Alastair Rankine</p>	<p>Eliz Frawley</p>	<p>March 2010</p>	<p>A set up meeting was held on the 8 February 2010 and the review is in progress</p>
<p>Pre-statements audit memorandum</p> <p>This memorandum will highlight issues arising from our review and testing of the Council's financial systems together with recommendations to address weaknesses in controls identified during the audit</p>	<p>Alastair Rankine</p>	<p>Annal Nayar</p>	<p>May 2010</p>	<p>Not yet due</p>
<p>Annual Governance Report (ISA260)</p> <p>The report sets out the key issues that you should consider before audit of the Council's accounts is completed and before the opinion and VFM conclusion is issued</p>	<p>Phil Sharman</p>	<p>Audit Committee/ Julie Evans</p>	<p>Sept 2010</p>	<p>Not yet due</p>
<p>Accounts opinion and VFM conclusion</p> <p>In addition to our opinion on the accounts the Code of Audit</p>	<p>Phil Sharman</p>	<p>Audit Committee/ Julie Evans</p>	<p>Sept 2010</p>	<p>Not yet due</p>

<p>Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources. Our work is integrated appropriately with the use of resources assessments</p>	Alastair Rankine	Annal Nayar	October 2010		Not yet due
<p>Final Accounts memorandum</p> <p>This memorandum will contain detailed issues arising from our audit of the PCT's financial statements which have not necessarily already been reported in the Annual Governance report</p>	Alastair Rankine	Annal Nayar	October 2010		Not yet due
<p>Use of Resources</p>					
<p>Use of Resources - Financial year 2009/10</p> <p>This is the second year of the use of resources assessment at the Council. Our work will inform our scored assessments of the following three themes:</p> <ul style="list-style-type: none"> - Managing money - Managing the business - Managing other resources <p>Year one has given us a strong baseline and this will be used as a starting point for the year two assessment. This means we will build on the evidence from all our 2009 work including CAA by conducting a gap analysis and considering two key questions:</p> <p>What has changed? What outcomes/differences have resulted as a consequence?</p>	Alastair Rankine/ Kam Shargill	Kevin Gordon /Julie Evans	Sept 2010		<p>Gap analysis has been shared with officers and an external roundtable meeting held on the 16 February 2010.</p> <p>This enabled officers to provide an initial response to the gap analysis and to propose a timetable for the provision of supporting evidence as well as offering an opportunity for officers to highlight areas</p>

	Kam Shargill	Kevin Gordon/ Julie Evans	To be agreed		of particular achievement during the year.
<p>Use of Resources - Workforce planning</p> <p>Workforce planning is a new line of enquiry in the Use of Resources. To augment our assessment we will review how the Council along with its partners is developing an effective approach to this issue. This will be incorporated into our Use of Resources report but there may be scope to report our findings separately. We will maintain an open dialogue with officers.</p>	Kam Shargill	Kevin Gordon/ Julie Evans	To be agreed		Audit in progress
<p>Use of Resources - medium term financial planning</p> <p>We will review the Council's approach to closing its funding gaps during the 2010/11 budget and medium term planning cycles. This will be reported as part of our Use of Resources but may be reported earlier subject to findings.</p>	Alastair Rankine	Julie Evans/ Annal Nayar	To be confirmed		Audit in progress
<p>Annual Audit Letter 2010</p>	Phil Sharman	Cabinet/ Ruth Bagley	November 2010		Not yet due

Audit Commission national reports

- 2 This section lists the Audit Commission's national studies programme and provides a guide as to when the national reports are expected to be published. The purpose of highlighting these reports to the Audit Committee is firstly for information and secondly to help in determining whether any work that is undertaking could be of assistance to the Council more specifically in taking forward its improvement agenda or delivering its priorities.
- 3 The table lists the national study title; provides a short summary of coverage and indicates the expected date of publication of the national report.
- 4 It is proposed to update this on a rolling basis at each Audit Committee and also provide members with the opportunity to raise any questions or issues on an area that might be of particular interest to the Council. Reports are available on the Audit Commission's website: (www.audit-commission.gov.uk/nationalstudies/)

National studies	Scope	Expected /actual date of publication
Completed Studies		
When it comes to the crunch	<p>This report is the second in a series of Audit Commission reports looking at how local authorities are responding to the 2008/09 recession. The report finds that local and national government have made a positive initial response to the recession, but it warns that councils should prepare for worsening social impact as unemployment rises. Demand for benefits, welfare and help with debt are growing, and social problems such as domestic violence and mental ill-health are expected to follow as the recession deepens.</p> <p>Crunch III - Current work which builds on the previous publication and will explore further the financial impact of the recession on local public bodies.</p>	<p>August 2009</p> <p>Due winter 2009/10</p>

<p>Means to an end</p>	<p>This report reviews the joint financing and integrated care arrangements between NHS bodies and councils with adult social care responsibilities. It builds on our previous publication, Clarifying joint financing arrangements, that explained the practical implications and legislative framework for joint financing.</p> <p>It considers how these arrangements are used, focusing on learning disability, mental health and older people - areas where service users most often need health and social care.</p> <p>The report's recommendations and examples of notable practice aim to help national and local bodies better understand the options available, how to use them and to achieve better outcomes for service users.</p>	<p>October 2009</p>
<p>Protecting the Public Purse</p>	<p>This report considers the key fraud risks and pressures facing councils and related bodies and identifies good practice in fighting fraud. It has never been more important that councils fight fraud. Every pound lost to cheats is a pound that cannot be used for people in real need. The report identifies specific risks that are often not adequately addressed, to do with housing tenancy, council tax and recruitment fraud.</p> <p>The Commission found housing tenancy fraud could be tying up at least 50,000 council and housing association properties worth more than £2 billion, while queues for homes have increased by more than 50 per cent over the last six years. The number of people in need of social housing is predicted to rise to 2 million by 2011.</p> <p>Council taxpayers could be losing almost £2 million a week to fraudsters claiming a 25 per cent single person discount on their council tax. The discount can be claimed by householders where there are no other residents aged 18 or over living at an address.</p> <p>The report provides an overview of the threats of fraud facing councils. It calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements.</p>	<p>September 2009</p>
<p>Nothing but the truth</p>	<p>The high-profile failure of public authorities to both safeguard Baby Peter in Haringey, and prevent the high number of deaths in Mid-Staffordshire NHS Foundation Trust, has directed attention to the accuracy and reliability of the data underpinning local service delivery.</p> <p>It is not a matter of quantity; we have more data about services than we can realistically use. Yet the public lacks trust in the institutions that govern and serve it - and this mistrust extends to the information they provide.</p> <p>The Audit Commission exists to reassure the public that local public bodies are spending their money well and achieving positive outcomes in local communities. The Commission has a role in assessing the quality of data in local public services and we have made a public promise to help improve it.</p> <p>This paper sets out important issues as the basis for discussion on how to ensure data about local public services is fit for purpose. It asks if citizens, along with frontline staff, managers, politicians, central</p>	<p>November 2009</p>

	government and local public service regulators, can have confidence in the data they rely on. And if not, what needs to be done about it?	
Financial implications of an ageing population	The study will explore how local authorities plan their resources for an ageing population, and how they take account of the financial impact on local services. It will consider how their strategic objectives in relation to services for older people influence financial decisions, and how services work with finance departments to achieve these objectives. The study's outputs will show how local authorities can make best use of demographic and service cost data to plan ahead for an ageing population.	January 2010
Giving children a healthy start	This report assesses the local implementation of national policy from 1999 to 2009 on the health of children from birth to five years of age in England It examines local service planning and delivery, including priority setting, and how local bodies can improve service delivery and access for vulnerable groups such as black and minority ethnic (BME) communities, lone and teenage parents. The report discusses the impact of government funding on health outcomes for the under-fives; how effectively local bodies manage their resources; and the extent to which they are providing good value for money. It provides recommendations for national and local bodies, as well as examples of notable practice.	February 2010
Future studies		
Strategic financial management in councils	'Strategic financial management in local government' will review councils' abilities to allocate resources to achieve their objectives, choose between competing priorities, and manage and monitor implementation of their plans. It will assess implementation of the principles set out by the Audit Commission in World class financial management . The study should help councils assess the advantages of a strategic approach to financial management and prepare for, and respond to, the challenges of the current financial and fiscal climate.	Spring 2010
Financial management aspects of personal budgets	In 2007, the government published Putting People First which set out its intention to transform adult social care. In its vision of personalised social care, the government expects councils to offer personal budgets to all those eligible for adult social care. Thirteen councils started a pilot programme of personal budgets in 2005 and the majority of social services departments now offer some form of personal budget. However, for many councils the implementation of personal budgets is still work in progress and there are several aspects for which there is no single national approach	Early 2010

Adaptation to climate change	This study would follow on from and complement our research on mitigation (reducing domestic CO2 emissions). It would examine how well councils and their partners are working together to identify and respond to vulnerabilities and opportunities arising from climate change.	Summer 2010
Improving VFM through more effective cost management	This study will help councils understand their costs better and make more effective use of cost information.	Autumn 2010
Older teenagers not in education, employment or training (NEETs)	The level of young people not in education, employment or training has remained consistently around the 10 per cent level since the 1990's, even with large investments from government. This study will look at what sources of funding are available for the NEET agenda, how funding is being used and what outcomes are being achieved.	Summer 2010

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Certification of claims and returns - annual report

Slough Borough Council

Audit 2008/09

February 2010



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Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to its auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we either amended or qualified.

Certification of claims

- 1 Slough Borough Council receives more than £191million funding from various grant-paying departments (from note 39 accounts) (excluding business rates). The grant-paying departments attach conditions to these grants and the Council must be able to demonstrate that it has met these conditions. If the Council cannot evidence compliance, then funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified claims and returns with a total value of £222 million, including business rates of £82m and council tax benefits of £8m. Of these, we carried out a limited review of three claims and a full review of six claims. (Paragraph 13 explains the difference).
- 3 We amended two out of the nine claims we audited (HRA main subsidy (HOU01) and the HRA base data return (HOU02)) to adjust for errors identified arising from our audit and furthermore we were unable to fully certify these claims due to a number of unresolved issues. As a consequence we issued qualification letters to the grant-paying body accordingly. Appendix 1 sets out a summary.
- 4 The fees I charged for grant certification work in 2008/09 (to the end of December 2009) were £43,155.

Significant findings

- 5 Three claims were submitted late for audit. These were the Housing and Council Tax Benefits Scheme, General Sure Start Grant, and the Pooling of Housing Capital Receipts Return.
- 6 All claims and returns were submitted for audit without a complete set of supporting working papers.
- 7 An absence of quality assurance over the claims compilation process and a breakdown in accountability were principal factors giving rise to the qualification of the HRA Base Data Return and main subsidy claims. For details see 'Findings'.

- 8 Unqualified certification was issued on all other claims and returns.
-

Actions

- 9 Appendix 2 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations and their responses are set out in the attached action plan.

Background

- 10 The Council claims £191m for specific activities from grant paying departments. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:
- an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 11 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Slough Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 12 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 13 The key features of the current arrangements are as follows.
- For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
 - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

- 14** We placed reliance on the control environment for two claims, the Pooling of Housing Capital Receipts Return and the Teachers' Pensions Return. We could not place reliance for any other claims and returns. This is because claims and returns are not subject to a centrally administrated and monitored control environment.
- 15** This means that we have to assess the control environment on a claim-by-claim basis, some of which met the required standard and some of which did not. While departments are aware of their departmental reporting responsibilities, they are not always aware of what is required to comply with external standards. This would be rectified by the Council taking the following action (see action plan) :
- Early identification of mandatory claims and returns, including ongoing monitoring of potentially new sources of grant funding;
 - Ongoing monitoring of submission deadlines and compliance with grant terms and conditions;
 - Maintenance of comprehensive supporting documentation. This includes audit support and analytical review for 'headline' figures and links to source documents such as invoices, virement approvals, bases of estimation and apportionments, etc;
 - Ongoing monitoring of cash flow and effective budgetary control;
 - Internal audit assurance that claim 'systems' have operated satisfactorily over the period covered by the claim;
 - Evidence of supervision and review over those involved in claim preparation.

Specific claims

HOU02 - Housing Base Data Return

- 16** Significant amendments were made to the Housing Base Data Return (HOU02), which was also subject to a qualified certificate due to errors across six separate testing criteria. This situation arose because the responsible officer at People 1st (Slough) was absent for much of 2008/09 and the Council did not have monitoring arrangements in place over the claims/return control environment to compensate for this lapse in arrangements.
- 17** The most significant qualification issue relating to the return, which also impacts on the financial statements of the Council as a potentially material misstatement, was that People 1st recorded a different housing stock total to the Council's Capital and

Findings

Property teams. This arose because the different departments have not regularly reconciled their housing stock totals.

18 For future improvements the council should:

- Ensure that there is a preparing officer in place at People 1st and arrangements are in place to monitor his/her activity within the wider control environment, as recommended at paragraph 15.

HOU01 - HRA main subsidy claim

- 19** The claim was certified late, but qualified because of a £6m difference between entries in the worksheet pre-populated by the grant paying department and the grant return. The Council believe that the difference relates to prior year special determination adjustments that have been carried forward incorrectly in the worksheet which, if this turns out to be so, means that there will be no subsidy implications.
- 20** The underlying reason is the same as highlighted for HOU02 (above), notably, the lack of a responsible officer at People 1st during 2008/09 which led to late preparation of supporting documentation and, in turn, left no time available for query resolution before the submission deadline.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit (BEN01)	5,395,642	N/a - subject to mandatory audit testing	No	No
HRA subsidy base data return (HOU02)	471,640,998 (stock value)	No	Yes	Yes
HRA main subsidy (HOU01)	19,277,580	No	Yes	Yes
Teacher's pensions return (PEN05)	8,653,059	Yes	No	No
General Sure Start grant (EYC02)	3,253,112	No	No	No
National non-domestic rates return (LA03)	84,043,000	No	No	No
Pooling of housing capital receipts (CFB06)	2,796,370	Yes	No	No

Appendix 1 – Summary of 2008/09 certified claims

Claims between £100,000 and £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Disabled facilities grant (HOU21)	356,000	N/A	No	No

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2008/09 - Recommendations						
6	Claims and returns should be centrally monitored to facilitate: <ul style="list-style-type: none"> • Early identification of claims and returns; • Ongoing compliance with terms, conditions and deadlines. 	3	Head of Central Accountant/Head of Departmental Finance	Agreed	.A register of claims and returns is kept centrally The relevant service accountant ensures compliance with terms and conditions and deadlines.	Implemented
6	All claims and returns should be submitted for audit accompanied by adequate supporting documentation. This includes system support and year-on-year analytical review for 'headline' figures, and links to source documentation such as invoices and approvals.	3	Head of Departmental Finance	Agreed	A file is produced by the relevant officer/accountant with supporting documentation.	Implemented

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	The Council should appoint an officer to monitor People 1st's compliance with the terms and conditions of grant claims and returns.	3	Sarah Hammond Director of Finance & Support Services People 1st (Slough) Ltd	Agreed	Post holder in place from 1st April 2010- as per correspondence received of 4th Feb 2010	1 April 2010
7	The council should ensure that all sources of housing stock data are regularly reconciled to ensure consistency of numbers and compliance with the conditions of the HRA base data return.	3	Sarah Hammond Director of Finance & Support Services People 1st (Slough) Ltd	Agreed	The role of the new post holder as per correspondence of 4th Feb 2101	1 April 2010
6	All working papers submitted for audit should show evidence of supervision and review by the appropriate responsible officer.	2	Head of Departmental Finance	Agreed	A signed off checklist is submitted with the working paper file.	Implemented
6	Internal Audit assurance should be sought that claim 'systems' have operated satisfactorily over the period covered by the claim.	1	Head of Internal Audit	Agreed	Internal Audit check that systems operate satisfactorily on any claim certified by them. They also have a yearly programme to ensure that all systems operate satisfactorily.	Implemented

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Audit Opinion Plan (inc UOR)

Slough Borough Council
Audit 2009/10

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Introduction

- 1 This opinion plan sets out the audit work that we propose to undertake for the audit of financial statements for 2009/10.
 - 2 This opinion plan also serves to communicate the identified audit risks and proposed procedures to the Audit Committee/Council as required by International Auditing Standards covering auditor communications with those charged with governance.
 - 3 An outline of the work required to assess the achievement of value for money in the use of resources was set out in the fee letter of 21 April 2009. In this opinion plan I have also included any changes to my planned use of resources assessment and work that I am required to carry out to enable me to arrive at a Value for Money Conclusion.
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Responsibilities

- 4 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 5 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 6 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

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Fee for the audit of financial statements

- 7 The indicative fee for the audit of the financial statements is £ 200,800 as indicated in my letter of the 21 April 2009.
- 8 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09;
 - good quality working papers will be supplied to support accounting entries associated with the introduction of International Financial Reporting Standards (IFRS); and
 - Internal Audit undertakes appropriate work on all material systems and this is available for our review by 30 April 2010.
- 9 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Director of Resources and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 10 Further information on the basis for the fee is set out in Appendix 1.

Specific actions Slough Borough Council could take to reduce its audit fees

- 11 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.
- 12 One area where there is the potential to reduce the audit fee is by improving the operation of key controls so that these operate consistently across all the Council's financial systems. Currently we are unable to obtain full assurance from reliance on the system of internal control and as a consequence we are required to design and apply year end substantive procedures.
- 13 These have in the past provided us with the necessary assurance but by their very nature require more audit time and resources than would otherwise be required if we were able to place full reliance on the Council's systems. Key systems where we are unable to adopt a controls approach to our audit are:
 - Debtors; Council tax and NNDR

Auditors report on the financial statements

- 14 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 15 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

- 16 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
 - identifying the business risks facing the Council including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the activities and controls within the Council information systems.



Identification of specific risks

17 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

Table 1 **Specific risks**
Specific opinion risks identified

Risk area	Audit response
Revenue outturn: The Council needs to deliver budget savings to achieve a stable financial position.	<i>We also focus on your processes to recognise income and expenditure in the correct accounting periods.</i>
Controls assurance: We are unable to obtain full assurance from systems work and will need to modify our approach accordingly to gain assurance in the most efficient way.	<i>We will apply year end substantive audit procedures</i>
Valuation of assets: The Council should satisfy itself that interim arrangements introduced following the departure of the Council's Valuer preserves the integrity of its valuation programme and adequately provides for the certification of asset values at the year end.	<i>Early discussions with the Council's interim Valuer, finance staff and the external auditor to obtain assurances that interim arrangements are operating effectively and that year end certification arrangements are in place and clearly understood.</i>
Application of the 2009 SORP: PFI - may bring significant PFI school assets onto the Council's balance sheet. The accounting and record keeping required to achieve this will not be straightforward. Collection fund - From 2009/2010 NNDR taxpayers' debtor and creditor balances will no longer be recognised in the balance sheets of billing authorities.	<i>We will review your proposals to account for these assets at an early stage and design a risk based testing programme to satisfy ourselves as to this issue.</i>
Rent accounting: Risk of errors in reported rent figures and misstatement of rent arrears figures	<i>We will review the work carried out by Internal Audit to provide assurances over the integrity of the system; test key reconciliations and perform</i>

Risk area	Audit response
caused by problems with the change over of rent system	<i>year end substantive testing of debtor balances</i>

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Testing strategy

- 18 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 19 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 20 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early.
- Review of accounting policies.
 - Review of proposed accounting for PFI schemes
 - Valuation of fixed assets
- Where other early testing is identified as being possible, this will be discussed with officers.
- 21 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we expect to be able to use the results of the following pieces of work.
- 22 The IA work that we intend to rely on includes:
- Testing of data migration and the implementation of the Council's new rent accounting system introduced part way through 2009/10;
 - Testing of controls on the Council's General ledger; Payroll, NNDR, Debtors and Council tax systems;
 - Assurances on Payroll master file data integrity following the job evaluation review and the processing of payroll changes
 - Assurances on the IT control environment
- 23 Each year, we carry out a review of Internal Audit to consider the effectiveness of Internal Audit as part of the Council's system of internal control and to maximise the reliance we place on Internal Audit's work in discharging our own responsibilities, in order to minimise duplication of audit work.
- 24 However, every three years or following significant changes to Internal Audit we carry out a more detailed assessment of Internal Audit to confirm that they comply with the requirements of the CIPFA Code of Practice for Internal Audit and to obtain assurance from this review that Internal Audit's work is being performed to a standard that we may rely upon to inform our conclusions.

- 25 We are carrying out this triennial review as part of this year's audit. We will complete our assessment prior to the departure of the outgoing Chief Internal Auditor so we can discuss any issues arising and to provide a base line assessment for the future.
- 26 We understand that the Council has taken steps to strengthen the closedown process this year and we have taken account of these improvements in planning our audit approach. The Council is looking to replace the current interim head of finance to provide better continuity for the future. In the meantime the strategic overview of the closedown process is being undertaken this year by the Deputy Director of Finance and his management team and continuity in terms of the day to day closedown will be maintained as key finance staff will remain the same as last year. The closedown timetable has been brought forward and better communication of the closedown process has been introduced.
- 27 The Council is confident that these changes will result in an overall more effective process. For our part we will maintain a close dialogue with officers during the closedown period to ensure that any emerging issues can be identified, discussed and addressed on a timely basis.

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Key milestones and deadlines

- 28 The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 29 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 30 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 2 Proposed timetable

Task	Deadline
Control and early substantive testing	<ul style="list-style-type: none"> • March/April 2010
Receipt of accounts	<ul style="list-style-type: none"> • June 2010
Forwarding audit working papers to the auditor	<ul style="list-style-type: none"> • July 2010
Start of detailed testing	<ul style="list-style-type: none"> • To be confirmed
Progress meetings	<ul style="list-style-type: none"> • Weekly
Present report to those charged with governance at the Audit committee <ul style="list-style-type: none"> • Audit Committee • Council 	<ul style="list-style-type: none"> • 13 September 2010 • 28 September
Issue opinion	<ul style="list-style-type: none"> • By 30 September 2010

The audit team

31 The key members of the audit team for the 2009/10 audit are shown in the table below.

Table 3 Audit team

Name	Contact details	Responsibilities
Phil Sharman District Auditor	p-sharman@audit-commission.gov.uk 0844 798 5839	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Alastair Rankine Audit Manager	a-rankine @audit-commission.gov.uk 0844 798 4631	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

Independence and objectivity

- 32 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 33 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

Meetings

- 34 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

The audit team

Quality of service

- 35** We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Sub-region Head of Operations.
- 36** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

Planned outputs

- 37** Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee/Council.

Table 4 **Planned outputs**

Planned output	Indicative date
Opinion audit plan	4 March 2010
Annual governance report	13 September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010
Final accounts memorandum (if required)	November 2010

Fee for Use of Resources and VFM conclusion

- 38 I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.
- 39 I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.
- 40 The indicative fee for this element of the audit is £123,300 as indicated in my letter of the 21 April 2009.
- 41 My initial planning identified some potentially significant risks which may impact upon my value for money conclusion and I set these out in my letter of the 21 April. For each risk, I have planned my work so as to consider the arrangements put in place by the Council to mitigate the risk and my proposed response is summarised in table 5. There are no additional risks that I need to draw to your attention that would increase the amount of audit work I am planning to undertake or the resulting audit fee.
- 42 Specific risks and my response is included in the following table.

Table 5 **Specific risks**
Specific VFM conclusion risks identified

Risk area	Audit response
The Council is facing significant financial pressures over the short and medium term. The Council needs to deliver budget savings to achieve a stable financial position.	We will review the Council's approach to closing funding gaps during the 2009/10 budget and medium term planning cycles and consider developments in strategic financial planning
The Council has been working with two other councils on a proposal for the provision of shared back office services but has decided very recently not to proceed with the venture.	We will assess the Council's approach to the management of associated risks; examine the robustness of its options appraisal and decision making process and assess how its learning from the experience has positioned it for the future.
In common with other Berkshire public sector bodies, the Council faces significant challenges in	Workforce planning is a new line of enquiry in our use of resources assessment for 2009/10.

Fee for Use of Resources and VFM conclusion

Risk area	Audit response
<p>addressing current and future workforce issues, putting in place effective programmes of action to attract, retain, develop and motivate a 'fit for the future' workforce.</p> <p>In addition the Council has recently completed a job evaluation review and has introduced new contracts for all staff</p>	<p>To augment our assessment we will review how the Council, along with its partners, is developing an effective strategic approach to this issue and the impact that the job evaluation review has had on the Council's workforce arrangements</p>

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Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by the agreed date;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Council. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

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Appendix 3 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

Table 6 Proposed meetings with officers/members

Council officers	Audit Commission staff	Timing	Purpose
Director of Resources and members of the senior management team	DA and AM	Monthly meetings	General update plus: March - audit plan July - accounts progress September - annual governance report
Deputy Director of Resources	AM and Team Leader	As required within the framework of the monthly meeting schedule agreed above	Update on audit issues
Audit Committee	DA and AM, with TL as appropriate	Quarterly	Reporting of: <ul style="list-style-type: none"> ● Audit Plan ● Annual governance report ● Other issues as appropriate
Council	DA and AM	September	Formal reporting of the Annual Governance report

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;
- use of video and telephone conferencing for meetings as appropriate; and
- reducing travel.

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