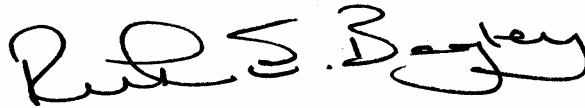


Date of issue: 24th November 2009

MEETING	AUDIT COMMITTEE (Mr Kwatra (Chair), Councillors Chohan, Dale-Gough, Haines, Mann and Small)
DATE AND TIME:	THURSDAY, 3RD DECEMBER, 2009 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

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

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 14th September 2009	1 - 4	
3.	Procurement Report	5 - 6	All
4.	Audit Commission - Audit Progress Report November 2009	7 - 12	All
5.	Audit Commission - Use of Resources	13 - 36	All
6.	Work of Internal Audit - 2nd Quarter 2009/10	37 - 70	All
7.	EXCLUSION OF THE PRESS AND PUBLIC		

It is recommended that the press and public be excluded from the meeting during consideration of the items in Part II of the agenda as they involve the likely disclosure of exempt information relating to the financial and business affairs of any particular person (including the authority) as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

PART II

- | | | | |
|----|---|---------|-----|
| 8. | Procurement Report Part II | 71 - 72 | All |
| 9. | Date of the next meeting
- Thursday, 4 th March, 2010 | | |

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 Monday, 14th September, 2009.

Present:- Mr Kwatra (Chair), Councillors Chohan, Dale-Gough, Haines, Mann and Small.

PART I

13. Declarations of Interest

None were received.

14. Minutes

The minutes of the last meeting held on 1st July, 2009 were approved as a correct record.

15. ISA 260 Report - Audit Commission

The Panel considered the Draft Annual Governance Report (ISA 260) which was to be presented at the Full Council meeting on 24th September, 2009. Phil Sharman, the District Auditor explained to Members that this was an updated version of the Governance Report but not the final version as there were several amendments still to be made. Members were directed to the key messages contained within the findings. The Auditors planned to issue an unqualified opinion on the financial statements as well as an unqualified value for money conclusion on the Council's Use of Resources. Arrangements were deemed to be adequate and effective and proper arrangements for Use of Resources were consistent with professional practice and guidance. The District Auditor highlighted the next steps for the Council as proposed by the Audit Commission and also several next steps which the Council should now consider.

Members were advised that some matters had been brought to the attention of the Audit Commission for the 2009/10 financial year. However, the Audit Commission were satisfied that these did not impact on the Statement of Accounts for the 2008/09 financial year.

Members requested further information on adjusted amendments to the Statement of Accounts. The first of these, that Voluntary Aided Schools should be removed from the balance sheet, reflected newly agreed practice and represented a considerable adjustment of approximately £44m on fixed assets. A further adjustment regarding cash in deposits and cash overdrawn was originally shown as a net amount but should have been indicated individually. However, this made no difference to the overall position of the Council. The Interim Strategic Director of Resources advised that, in principle the Council would not expect many items to be raised by the Auditors and that further scrutiny of the accounts was essential in order to eliminate this.

A Member asked whether Officers approved of the report's action plan. Officers confirmed that they agreed with all recommendations and some of these had already been implemented. The recommendations followed logically from the conclusions within the report and officers would actively seek to work

towards them. Members questioned why some of the issues with the statement of accounts had not been resolved earlier. The District Auditor explained that the Audit could not begin until publication of the official notice. This left the Audit Commission with a tight deadline to fully audit the accounts. Officers advised that there was a good relationship between Slough Borough Council and the Audit Commission.

Members were advised that to ensure the 2009/10 accounts did not contain any errors there would be tighter management; these issues were not expected to again arise. Members requested a report on how the errors from the pre-audited statement of accounts had occurred and the remedies for these. It was agreed that the scheduling of the Audit Committee and Council meetings should be looked into further in order to ensure a smoother transition for the Audited Statement of Accounts.

Resolved -

- (a) That the contents of the Draft Annual Governance report be noted and that the final report be recommended for approval by full Council.
- (b) That a report be brought to a future meeting concerning the issues raised in the Pre-Audited Statement of Accounts.

16. Use of Resources - Audit Commission

Mark Catlow of the Audit Commission introduced the report. The auditing framework for this area had changed from previous years. The Audit Commission now assessed evidence of outcomes from the use of resources. The report was to form part of the Comprehensive Area Assessment. The Use of Resources was widely regarded as now being a harder test and the Committee were advised that previous ratings should not be used as a comparison. The Council received 'level 2' which meant it had met the minimum requirements and performed adequately.

The Audit Commission explained to the Committee the key recommendations from the report. Members were advised of three key recommendations for managing finances. These included demonstrating value for money more clearly via service level benchmarking and analysis of service unit and transaction costs. This recommendation was currently being addressed. A Member asked whether there were any examples of service level benchmarking and about the financial implications of achieving a top performance level. The performance had specific costs attached to it which would require the Council to look further into. It was noted that it was important to look at the way support services fed into front line services and exactly what back office costs were in relation to front office costs. Some work had begun on this and this needed to continue.

A Member asked about the recommendations included in the report under 'governing the business' and asked what benefit would it have to Slough to achieve the higher level 3. The Audit Commission reported that some had questioned the necessity for achieving the highest level and it had been

suggested that it would not be worth achieving this on a value for money basis. However, officers reported that achieving level 3 was considered to represent good value for money as it ensured that developed good practice was implemented properly and there was measurable results for delivery. Members were advised that there was a statutory requirement for local authorities to continue to improve and level 3 would show what the Council is achieving from its resources.

A Member asked about comments in the report which referred to the senior management team and procurement arrangements which suggested that greater management capacity was required to oversee the arrangements. The Council was addressing this, for example a post of Assistant Director for Procurement had recently been created and appointed to. The Committee requested that a paper be brought to the next meeting to highlight the progress and savings made in this area. A Member asked about the business continuity plan. Officers responded that there had been significant progress and that there was a plan in place for "life and limb services" and co-ordinating a response at a corporate level. However officers had not been able to satisfy this requirement within the review of Use of Resources.

Resolved – That the Council's Use of Resources report be noted.

17. Work of Internal Audit - 1st Quarter 2009/10

The Head of Internal Audit and Risk Management (HoIA&RM) advised Members of the audit days which had been added and removed to the Audit Plan for 2009/10. Members were advised that the audit of the West Wing would not be taking place due to issues surrounding the future of the facility and not, as stated in the report, because the facility was being closed. The library audit had been deleted as the library service was undergoing a fundamental review. The Audit team were already part way through the audit of one library and this had been completed.

The Audit Committee were advised that there were currently 2½ vacant posts in the Internal Audit section. These were currently being covered by a partnering arrangement with Deloitte and Touche (D&T). It was noted that this did not go through a full tender process but it was agreed by the Procurement and Legal sections to use D&T through a Framework Agreement with the London Borough of Croydon. This was a cost effective solution, the cost of the in house provision was £220 per day. The cost of using D&T was approx £280 per day whereas the audit costs of other agencies came out closer to £300 per day. Members asked whether it would be possible to have a flexible arrangement using officers from other authorities to improve costs. The HoIA&RM advised that there was not capacity to do this and although it had been attempted in the past it was difficult to put in place due to some of the expertise needed, for example in IT Audits.

A Member asked whether the Internal Audit would be included in considerations for the Shared Services arrangements. It was confirmed that Audit would be included when considering different options.

With regard to counter fraud arrangements it was noted that there were proactive and reactive measures. A training package had been purchased which was a web based electronic programme which all policies would be included on and this should ensure an accurate record of all who have completed training. It was noted that this would be rolled out by December to the first group of officers and it would then be rolled out to Members. Members commented that this was an excellent idea and would like to be the first members to try this. It was agreed that the antifraud programme would be brought to the next meeting of the Committee and the controls around various issues would be advised to Members.

The HoIA&RM confirmed that a new electronic audit package had been a very useful tool in accurately monitoring the work of Audit Officers. Members were advised of the National Fraud Initiative (NFI) results which were received in May 2009. An initial review of NFI matches showed 3,734 of which 2,948 were of a high level. Approximately 1,200 of these were Council Tax Single Person Discount (SPD) matches which appeared to show that there were 2 or 3 people residing at an address currently receiving SPD. Members all agreed that this was an excellent initiative and if possible should be publicised as a good news story for the Council.

Members were advised of a number of different recommendations that Internal Audit had made when carrying out audits for different sections. A number of these had yet to be fully implemented and these were reported to the Audit Committee. Members were concerned about the seemingly long delays in implementing some of the recommendations. Members agreed that in future a draft report should be issued to Officers responsible for service areas in which recommendations had not been implemented and if these were then still not resolved by a specified date that officer should be invited to attend the Audit Committee to provide Members with further information on resolving these matters.

Resolved – That the report be noted and that the recommendation of the Audit Committee be put in place.

18. Anti-Fraud Strategy

Members were provided with the Anti-Fraud Strategy along with the tackling fraud initiative and agreed that if any issues arose from these documents they would be discussed at the next meeting of the Audit Committee.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 9.10 pm)

Procurement Report

Author:	Joanna Head, Assistant Director Commissioning, Procurement & Shared Services
Date	December 2009

Procurement Activity January 2009 – To Date

Oracle – Shared Services
<p>To support Slough Borough Council’s (SBC) Shared Services Programme a review of the current Oracle licensing model was required. SBC had a variety of licensing metrics.</p> <p>A review was undertaken of the licensing metrics and modules/applications owned by SBC, Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC). A decision was made to ensure all three local authorities were licensed identically.</p> <p>Negotiations with Oracle increased the application licenses discount from 42% to 84% for new purchases and a 90% discount was obtained for the migration of existing licenses to the new Enterprise Licensing Model for all three authorities.</p> <p>These discounts resulted in a saving of £242,647.80 saving/cost avoidance for SBC.</p>

Oracle – Technical Licenses
<p>Slough Borough Council were unknowingly under licensed for a number of Technical Database Licenses. Negotiations with Oracle and an Oracle Partner (SCC) resulted in the procurement of these licenses with a 53.5% discount.</p> <p>This discount resulted in a £31,986.81 saving/cost avoidance for SBC.</p>

BT
<p>BT currently provide both voice and data lines (SBC with 8 x ISDN2e, 8 x ISDN30 and 330 x PSTN lines)</p> <p>2008-2009 BT invoices SBC 886 invoices.</p> <p>Currently SBC are charged every invoice a £10.00 late payment fee and £9.50 fee for not paying by Direct Debit.</p> <p>These costs can be removed by utilising BT’s One Bill Solution. By consolidating 2+ lines onto one bill removes the £10.00 and £9.50 charges.</p> <p>Procurement is currently working with Service users to identify “clusters” of lines to bundle onto One Bill’s.</p>

The invoices for 63 Traffic Light Circuits have been migrated to a BT One Bill. This alone results in a **£4,000** saving.

Scottish Southern Electric

SBC's Electricity supply is provided by Scottish Southern Electricity under the NHS PASA (Purchasing & Supply Agency) Shared Services Agreement with all other Berkshire Authorities.

Street lighting received an invoice for £24,946 for Triad Reconciliation. Upon querying the invoice with the Account Manager it was agreed that the invoice had been issued in error.

This results in a **£29,946 cost avoidance**.

Other

Procurement recently tendered and awarded a new contract for IT Peripherals and Consumables. Previously SBC used approx 10 different suppliers for toners and cartridges. The contract is currently used by SBC and St Bernard's Catholic Grammar School is trialling the contract.

Procurement are currently tendering the following contracts:

1. Milk (including schools)
2. Work wear
3. Cleaning Consumables

Further areas covered in the Part II to this report.

Audit Progress Report

November 2009

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					
Supplementary opinion plan for 2009/10	Alastair Rankine	Annal Nayar	January 2010		Not yet due
Shared services review	Alastair Rankine	Eliz Frawley	March 2010		Not yet due
Pre-statements audit memorandum	Alastair Rankine	Annal Nayar	May 2010		Not yet due

Annual Governance Report (ISA260)	Phil Sharman	Audit Committee/ Julie Evans	September 2010	Not yet due
Accounts opinion	Phil Sharman	Audit Committee/ Julie Evans	September 2010	Not yet due
Final Accounts memorandum	Alastair Rankine	Annal Nayar	October 2010	Not yet due
Use of Resources				
Use of Resources - Financial year 2009/10	Alastair Rankine/ Kam Shargill	Kevin Gordon/Julie Evans	Sept 2010	Not yet due
Use of Resources - Workforce planning	Kam Shargill	Kevin Gordon/Julie Evans	To be confirmed	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.
Use of Resources - medium term financial planning	Alastair Rankine	Julie Evans/ Annal Nayar	To be confirmed	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

2009/10 Audit Plan

VFM conclusion - Financial year 2009/10	Phil Sharman	Audit Committee/ Julie Evans	September 2010	Sept 2009	be reported earlier subject to findings.
Annual Audit Letter 2010	Phil Sharman	Cabinet/ Ruth Bagley	November 2010		Not yet due

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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Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

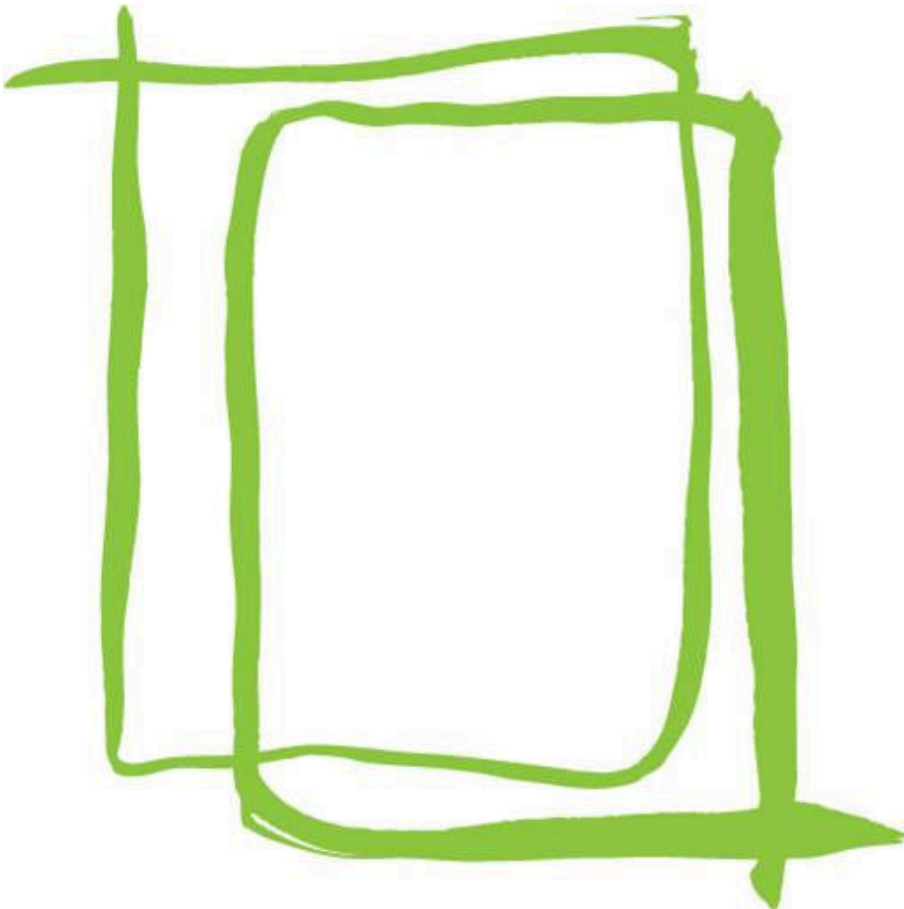
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Use of Resources

Slough Borough Council

Audit 2008/09

November 2009



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Status of our reports

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 - any third party.
-

Summary

This report summarises our key findings from our assessment of how Slough BC is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

- 1** Slough Borough Council's arrangements to manage its finances and govern its business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 2** Across the Council, good progress is being made to strengthen the way it plans and manages its operations, including:
 - governing partnerships;
 - risk management;
 - data quality;
 - service and financial planning.
- 3** The Council needs now to embed these changes and demonstrate how these changes are leading to improved outcomes.
- 4** One area where arrangements are clearly delivering improved outcomes is asset management. Here, the Council's approach is forward looking, proactive and identifies and develops opportunities for improvement. Assets are managed with clear forward looking strategic goals showing how they will be used to deliver corporate priorities, now and in the future
- 5** Whilst the Council is working to minimise its use of natural resources, more work is needed to ensure that this is effective. Improved target setting and processes to monitor progress is needed to enable more effective scrutiny and challenge of proposals to fully develop an effective policy framework and deliver outcomes.

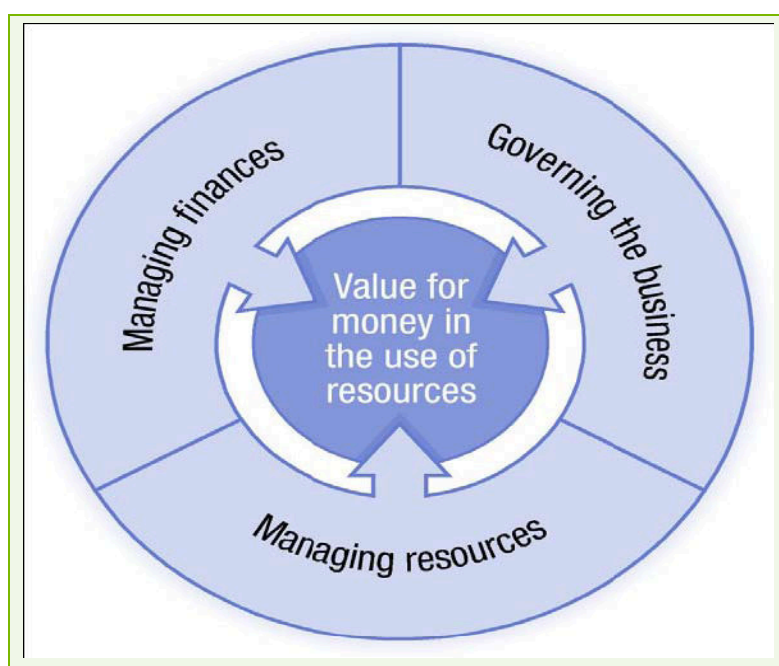
Introduction

- 6 This report sets out my conclusions on how well Slough BC is managing and using its resources to deliver value for money and better and sustainable outcomes for local people and give scored use of resources theme judgements.
- 7 In forming my scored theme judgements, I have followed the methodology set out in the use of resources framework: overall approach and key lines of enquiry (KLOE) document and the use of resources auditor guidance. For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by the Slough BC to mitigate the risk and plan our work accordingly. This work is now complete.

Use of resources framework

- 8 From 2008/09, the new use of resources assessment forms part of the Comprehensive Area Assessment (CAA) and comprises three themes that focus on:
- sound and strategic financial management;
 - strategic commissioning and good governance; and
 - the management of natural resources, assets and people.
- 9 Figure 1 illustrates the three themes.

Figure 1 Use of Resources Framework



Introduction

- 10 The scores for each theme are based on the scores reached by auditors on underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards.
- 11 The Commission specifies in its annual work programme and fees document, which KLOE are assessed over the coming year.
- 12 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see Table 1. Level 1 represents a failure to meet the minimum requirements at level 2.

Table 1 Levels of performance

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meets minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: use of resources framework: overall approach and KLOE document

- 13 The new use of resources framework and scoring system introduced for 2008/09 marks a significant change in the Audit Commission approach. Accordingly the reported results and scores are not comparable with those delivered under the previous system which ended in the 2007/08 year.

Use of resources judgements

Scored judgements

14 Slough BC's use of resources theme scores are shown in Table 2. The reasons for scores are reflected in the commentary for each KLOE provided in Appendix 1

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	2
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	2
Managing resources How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	2

Managing finances

- 15 Slough Borough Council's arrangements to manage its finances are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 16 The Council's financial planning processes are developing from a sound base and within a medium term financial planning framework. The time-horizon of this process can be expanded to help better demonstrate the affordability of longer term strategic objectives and the impact of invest to save projects or savings proposals.
- 17 Resource allocation within the Council is driven by corporate priorities and service plans alongside available resources. Financial and performance outcomes are becoming more integrated and there is good challenge of costs involving both Members and officers. Service level benchmarking and use of unit costs is developing. The Council delivers significant annual efficiency savings and has exceeded its Gershon efficiency target by several million pounds.

Use of resources judgements

- 18 Engagement with communities and Members during the budget process is strong and stakeholder views are taken into account through a series of workshops with a range of different groups.
- 19 A balanced financial outturn in 2008/09 was achieved but there is significant pressure on future budgets with reserves at minimum assessed prudent levels and emerging concerns that agreed savings are not deliverable. Stronger, more detailed savings plans, moving away from an annual planning cycle are needed to bridge an estimated a budget gap of £22m over the next three years. These are being addressed as part of the current PPRG process
- 20 Internal financial reporting processes are timely and reliable more but work is needed to fully meet the needs of internal users by providing bespoke and tailored reporting options.
- 21 External financial reporting processes are developing strongly and the Council prepares accounts that meet statutory requirements, financial reporting standards and presents fairly its financial performance and position. This will be further enhanced in 2008/09 when the Council publishes its first annual report.

Key recommendations

- | |
|---|
| <p>R1 Use the principles outlined in the Audit Commission report 'World class financial management' to strengthen medium to long-term financial planning. This includes:</p> <ul style="list-style-type: none">• greater modelling of different scenarios and outcomes;• integration with risk management;• delivering a clear 'financial road map' explaining where the Council is, where it wants to go and what resources are needed (or can be redirected) to get there. |
| <p>R2 Review how the PPRG process operates to approve savings proposals. Move away from an annual savings exercise to longer term savings proposals that can properly accommodate 'invest to save' initiatives or more strategic reallocation decisions.</p> |
| <p>R3 Demonstrate VFM more clearly via service level benchmarking and analysis of service unit and transaction costs and effective evaluation of projects.</p> |

Governing the business

- 22 Slough Borough Council's arrangements for governing the business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 23 Executive, non-executive and roles and responsibilities within this structure are clear and supported by productive working relationships between Members and officers. Development training is offered to Members but the take-up of this has sometimes been low, leading the Council to recently act on this.

- 24 The Council has a sound system of internal control including an Audit Committee, Internal Audit and a policy and guidance framework but it is not clear how compliance with this framework is monitored and more can be done to promote it. Within this framework the Council's risk management arrangements are developing and are reported to CMT, Cabinet and the Audit Committee. These arrangements still need to become more embedded however.
- 25 The Audit Committee is balanced in membership and has an independent chair. The Annual Governance statement focuses action by the Council over governance matters. The Council's Standards Committee complies with the expectations of the Standards Board but needs to do more to actively promote and monitor standards within the Council.
- 26 Procurement actions are shaped by corporate priorities and intended outcomes, but progress has been hampered until recently by a lack of capacity. Some progress in this area has, however, been made.
- 27 A data quality strategy and protocol were agreed in March 2009, too recently to assess any impact. It is clear however that information is used by the Council to review underperformance and take action and services have improved as a result of this data use.
- 28 No corporate business continuity plan exists but arrangements for life and limb services have been developed and are in place.
- 29 Appropriate anti-fraud and corruption policies are in place, but it has not been clear how the Council intended to monitor the delivery of these. The Audit Committee has since been presented with a vehicle to monitor the delivery of this strategy. At July 2009, we noted that very few NFI data matches had been recorded as investigated by the Council, although we understand that progress is now being made.

Key recommendations	
R4	The Audit Committee needs to be clear how it can, and does, monitor compliance with relevant codes and procedures and how it demonstrates the impact of its work. In particular, it needs to consider how to monitor delivery and impact of the counter fraud strategy.
R5	The Standards Committee needs to be clear how it can, and does, monitor compliance with relevant codes and procedures and demonstrate the impact of its work. It needs to monitor standards of behaviours within partnerships and do more to actively promote standards across the Council.
R6	Focus on fully embedding new corporate arrangements for risk management, procurement, governance in partnerships and data quality. Assess the impact of these in practice.

Managing resources

- 30** Slough Borough Council's arrangements for managing its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 31** For asset management, the Council's arrangements go beyond this baseline. The Council's approach is forward looking, proactive and identifies and develops opportunities for improvement. Assets are managed with clear forward looking strategic goals showing how they will be used to deliver corporate priorities, now and in the future.
- 32** The Council is implementing an award winning accommodation strategy supported by a new property management system. This system updates Performance Indicators which feeds the property review process. Priority is given to capital projects based on a formal, objective approval process targeting investments to priority areas. The Heart of Slough project aims to deliver significant infrastructure improvements and potential economic benefits to the area with capital investment of over £400m secured. In education 8 schools have been rebuilt or replaced since 2005. The ALMO has levered in significant capital investment into improving public housing.
- 33** Balanced against this, the Council's arrangements to make effective use of natural resources are developing but are still at an early stage overall. The Council understands the main influences behind its use of natural resources and is committed to reducing its impact on the environment. Progress prior to 2008/09 was slow but has accelerated over the last 12 months. Baseline information on the consumption of natural resources, including water and energy usage, has recently been finalised.
- 34** Easy wins are being sought including the management of waste and recycling schemes in Council buildings and promoting staff car travel reduction. Despite this, a more co-ordinated approach is needed to reduce the internal demand for natural resources, including targets and system to monitor progress against them.
- 35** A carbon management board has been established to ensure that carbon reduction targets are met and there are strong links through this board to external partners. A climate change strategy is currently under development.

Key recommendations

- R7** Improve the approach adopted towards the management of the natural resources by ensuring that this is co-ordinated and linked to targets and a system to monitor progress against them

Detailed findings

- 36** The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1. All recommendations arising from our work are included as Appendix 2.

Use of resources 2009/10

- 37** The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. KLOE 3.1 - Natural resources will not be assessed for single tier and county councils in 2009/10 but instead a new KLOE, 3.3 - Workforce will apply.
- 38** My work on use of resources informs my 2009/10 value for money conclusion.
- 39** In my letter of 9 April 2009 about the audit fee for 2009/10, I identified those significant risks which would require specific consideration in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. Table 3 sets out my initial risk assessment and the planned audit response.

Table 3 Initial risk assessment

Risk	Planned work	Timing of work
<p>The Council is facing significant financial pressures over the short and medium term.</p> <p>The Council needs to deliver budget savings to achieve a stable financial position.</p> <p>We also consider this to be a significant risk to our opinion audit</p>	<p>We will review the Council's approach to closing funding gaps during the 2009/10 budget and medium term planning cycles.</p> <p>We will also focus on your processes to recognise income and expenditure in the correct accounting periods.</p>	<p>April 2009 to March 2010</p>
<p>The Council is entering into an arrangement with two other councils for the provision of shared back office services.</p> <p>This can offer significant economies of scale but service performance, business continuity and contractual risks will need managing.</p> <p>We also consider this a significant risk to our opinion audit.</p>	<p>We will liaise with both Slough Borough Council and the auditors of the intended partner authorities to track the Council's progress in managing the associated risks and comment as appropriate</p>	<p>December 2009 to February 2010</p>

Use of resources 2009/10

Risk	Planned work	Timing of work
In common with other Berkshire public sector bodies, the Council faces significant challenges in 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.	Workforce planning is a new line of enquiry in our use of resources assessment for 2009/10. To augment our assessment we will review how the Council, along with its partners, is developing an effective strategic approach to this issue	Dates currently being finalised with the Council

-
- 40** I have also considered whether there are any additional risks arising from my 2008/09 value for money conclusion which require a specific attention in 2009/10. At this stage I have not identified any additional risks in relation to my 2009/10 value for money conclusion. I will however keep this aspect under review and communicate any new issues when refreshing the audit plan later in the year.

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions in the key lines of enquiry within each of the three use of resources themes.

Theme 1 - managing finances

How effectively does the organisation manage its finances to deliver value for money?

Theme 1 score	2
Key findings and conclusions	
KLOE 1.1 (financial planning) score	2
<p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p> <p>The Council continues to develop its financial planning processes and a revised medium term financial plan. The financial planning horizon extends over 3 to 5 years, as is common in many local councils. Best practice financial management case studies suggest extending this over longer periods would be beneficial. Although necessarily more speculative, this would help better demonstrate that strategic objectives are affordable and to consider the impact of invest to save projects or longer term savings proposals.</p> <p>The PPRG (policy and performance review group) process helps ensure resource allocation is driven by corporate priorities and service plans rather than by budgets and resources. Processes to integrate financial and performance outcomes continue to develop. Financial risks are assessed, but there is more to do to demonstrate that corporate risks are fully considered. Overall arrangements continue to deliver improving outcomes for the Council within a tight resourcing position.</p> <p>Engagement with communities and members during the annual budget process is strong; the Council's new medium term financial plan is more comprehensive and stakeholder views are taken account of through a series of workshops across a range of different groups for example with the Slough Federation of Tenants and Residents</p>	

Appendix 1 – Use of resources key findings and conclusions

Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

A balanced financial outcome in 2008/09 was achieved but there is significant pressure on future budgets. Some of this relates to demand led services, but there are emerging signs that agreed savings are not deliverable, nor have sufficient buy-in from budget holders. Stronger, more detailed savings plans, moving away from an annual planning cycle are needed to bridge an estimated budget gap of £22m over the next three years. The Council proposes to focus future budget processes on risk sensitive budget elements and to identify the marginal costs of activity changes. In our view, this is a good step forward, and will aid the council in bridging this resource gap. The PPRG process will also support this by improving resource allocation and challenging frontline service costs against comparator benchmarks to determine minimum acceptable service levels.

The Council has a good knowledge of the resources available via partnerships and needs to build on this by understanding more about the benefits, costs and risks of these arrangements. This is something that is being taken forward via Partnership Delivery Groups (PDG) and through the LSP.

The Council's reserves are at the minimum level felt prudent by the section 151 officer. This judgement is underpinned by a risk based evaluation of likely demands and the need to cover unforeseen events. A budget strategy for future years is being drawn up to avoid depletion of general reserves.

Treasury management complies with the CIPFA prudential and treasury code and arrangements balance liquidity, security and yield. Investments in Icelandic institutions were managed effectively within the limits imposed on the Council by the investment terms and the Council has responded appropriately to action any lessons learnt.

KLOE 1.2 (understanding costs and achieving efficiencies) score	2
<p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p> <p>The Council's total expenditure in comparison to other councils is favourable, given the local context, and it has achieved external recognition of excellent performance in adults and good performance in children's services. It is a 'good Place to Live' and community safety has been assessed as Fair.</p> <p>There is a good understanding across parts of the Council of its costs, supported by systematic analysis of costs drivers. A corporate process is in place that has enabled the Council to better understand the reasons for its costs and make investments to improve value for money over the long term. However, there is mixed evidence to demonstrate how service unit costs and transaction costs compare with others. A recent survey of cost centre managers (conducted by the Audit Commission) revealed that 23 per cent of managers said they have a full understanding of cost drivers while 77 per cent of managers said they only had a partial understanding. The Council is improving its understanding of the total resources at the disposal of all significant partnerships.</p> <p>Comparative information on costs and performance is routinely used by the Council to challenge whether it is achieving VFM. There is strong challenge to costs in the Policy, Prioritisation and Resources Group. Targeted investment has led to improvement in priority areas such as street cleansing.</p> <p>The Council, when making decisions, takes into account the long term impact of its spending decisions including social/environmental benefits as in the use of assets to support regeneration and community objectives. But evaluation is not consistently undertaken.</p> <p>Corporately the Council undertakes high level benchmarking of services which is used to inform budget setting/trigger option appraisals for high cost services. However at a service level benchmarking in 2008/09 is inconsistent. As part of this year's budget process the Council has introduced benchmarking of all support services and is benchmarking frontline services for cost against upper, median and lower quartile performance to establish where savings can be made against acceptable service levels.</p> <p>In 2008/09 the Council achieved efficiency savings of £7.7m and significantly exceeded its efficiency savings target. It is implementing innovative ways of delivering services; Business Process Re-engineering has been applied to the Council's contact centre resulting in improvements such as flexible queue control. The Council is at an advanced stage of discussions to create a joint venture company to provide common services.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting) score	2
<p>Is the organisations financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p> <p>Arrangements to collect, prepare and present integrated financial and non-financial data are developing.</p> <p>Responsibility for financial management is clearly assigned at all levels and the Cabinet receives monthly reports that increasingly integrate service and financial outcomes within a balanced scorecard. Officers are confident that performance reports are robustly scrutinised by Members in formal and informal meetings but there is little evidence to support this within minutes. More use can be made of sensitivity analysis for any projections and assumptions made, especially for demand led elements, and clearer linking to the corporate risk register would strengthen the overall process.</p> <p>Budget holders are confident that internal financial monitoring is relevant, reliable and timely. They also see a clear link between the budget, in-year position and the final out-turn. They are less confident about their ability to access to bespoke financial reports and this is something that the Council is now taking forward as part of LGSS.</p> <p>During 2008/09 the Council took steps to strengthen governance and risk management arrangements within partnerships. It is currently assessing all governance arrangements against a partnership protocol, drawn up in light of the 'Governance in partnerships' report by the Audit Commission. Since year end the performance and associated risks of partnerships are being routinely considered by individual Partnership Delivery Groups (PDG).</p> <p>The Council is committed to streamlining and improving its accounts production process. Adopting a 'gap analysis' approach for the first time this year has significantly improved the overall process and arrangements are now developing strongly. Once audited, the accounts are available via the Council's website and the Council intends to publish an annual report for the first time later this year.</p> <p>The council's accounts comply with statutory requirements, statutory or regulatory timetables, relevant accounting and reporting standards. The accounts were approved before 30 June by the council (or committee with delegated responsibility) and published by 30 September (including the audit opinion).</p> <p>The draft accounts approved by the council presented fairly the Council's financial position. Although the accounts contained non-trivial errors, from our work to date, the errors identified in total do not have a material effect on the accounts. Our work on this area is ongoing however and we have not yet issued our opinion on the Council's 2008/09 accounts.</p> <p>The council supports an efficient audit of its accounts by providing working papers and responding promptly to additional requests for information. The trail between the ledger and accounts can, however, be simplified. There are efficiencies to be made within the Council's year-end processes, including use of Month 13, manual adjustments, journals and the audit trail between ledger and financial statements. Further efficiencies can be made by fully utilising standard features of the Council's Oracle general ledger, including scanned invoices and journal authorisation.</p>	

Theme 2 - governing the business

How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

Theme 2 score	2
Key findings and conclusions	
KLOE 2.1 (commissioning and procurement) score	2
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	
<p>The Council's Procurement Policy 2008 to 2011 is aligned to corporate priorities but is still in Draft. It is supported by an action plan which includes local PIs but performance against these has not been published in 2008/09. An assistant director has recently been recruited to enhance capacity in this area.</p> <p>The Council is developing its understanding of the supply market. It is a member of the Thames Valley Procurement Forum (TVPF), the initial work programme has concentrated on information sharing. Collaborative purchase of Energy is established between the Berkshire Authorities. Internally the Council plans to analyse spend and identify where there are opportunities to aggregate by setting up central contracts for commonly used items in 2009/10. The iProcurement management information has enabled Property services and Procurement to work together and create an approved supplier list and increase the number of corporate contracts. Management information from iProcurement has helped identify all suppliers invoicing over 100 invoices per month. iProcurement will support the Council in implementing the No Purchase Order No Pay methodology and to move towards centralised invoicing.</p> <p>The Council works with local SME, BME suppliers and Voluntary Sector to ensure they are made aware of tendering opportunities eg meet the buyer events. It is proactive in considering a variety of options for securing goods and services and incorporates sustainability into procurement eg Arts @ Centre but does not systematically evaluate. The Council has approved the business case to commence joint procurement with two other local authorities and select a private sector partner to create a significant Shared Service Joint Venture.</p> <p>The Council has strengthened its options appraisal process, major projects require the options appraisal to be approved by the Contracts Review Board. All major procurement projects are to be managed according to a structured project management method, this was adopted in March. The Council plans to subject itself to external challenge eg IDeA health checks in 2009/10.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information) score	2
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	
<p>The Council has developed a Data Quality Strategy and Data Quality Protocol in March 2009 to ensure it secures good quality data consistently but these policies have yet to make a full impact. The most recent Audit Commission review of DQ in 2008 found overall management arrangements met minimum requirements and spot checks of Performance Indicators revealed all were fairly stated.</p> <p>The Council is developing its approach to manage data on systems with controlled and secure access. It has set objectives in its DQ Strategy to ensure: procedures for extracting performance information to be written and implemented for all systems by 2010; and information systems to be included in risk registers and covered by business continuity plans by July 2009. There is presently no corporate business continuity plan (life and limb plans have been agreed) but progress has been made in ensuring the resilience of the IT infrastructure and plans for a 2nd computer room' are in train.</p> <p>The Council uses information to keep areas of underperformance under review and can demonstrate it is taking appropriate action to achieve improvements. There are some good examples of services improving as a result of data use eg Planning. The Council is using an interim performance system which gathers data from a number of different systems while it explores options with shared service partners.</p>	
KLOE 2.3 (good governance) score	2
Does the organisation promote and demonstrate the principles and values of good governance?	
<p>The Council is clear about executive, non-executive and scrutiny functions and the respective roles and responsibilities of each. This is supported by a corporate governance policy statement which the Council recognises needs to be updated in light of CIPFAs good governance standard.</p> <p>There are productive working relationships between Members and officers and these are underpinned by an officer/ member code of conduct. This is part of a wider comprehensive framework of policies and guidance including policies for gifts and hospitality, declaration of interests, whistle-blowing and partnership governance. The Council provides a full range of development opportunities and training for Members and senior officers although the take-up of training by Members can sometimes be low. Agreements have been reached with Group Leaders regarding compulsory training and Leaders are actively encouraging attendance at all training. A Member leadership programme is about to be launched.</p> <p>More can be done to promote this governance framework. Officers reported they were unaware of how to locate the registers of gifts, hospitality and interests and were unfamiliar with the Counter fraud and corruption strategy. It is also unclear how the Audit Committee, whilst formally responsible for monitoring compliance with codes and procedures, can or does so. Alongside this, publishing any declared interests and gifts/ hospitality on the Council's member details pages would foster openness and transparency.</p> <p>The Council's Standards Committee complies with the controls and procedures expected of it by the Standards Board. The Council goes beyond what is required and appoints four independent members to help safeguard independence. The committee needs to do more to actively promote standards within the Council. It has not yet considered now it will monitor standards of behaviours within partnerships, has no clear process to monitor compliance with relevant codes and policies, and does not appear to have sought feedback the public regarding the effectiveness of the Member complaint process.</p>	

KLOE 2.4 (risk management and internal control) score	2
<p>Does the organisation manage its risks and maintain a sound system of internal control?</p> <p>The Council's risk management framework has developed significantly over the past 18 months. Risks are identified at corporate and departmental level and assessed in terms of likelihood and strategic impact. Training is provided for officers and members and risk management processes are delivering improved outcomes including tackling corporate risks of capacity/ skills, project management and corporate data quality.</p> <p>CMT, Cabinet and the Audit Committee receive quarterly reports on risk management, including action taken and progress against milestones. Monitoring and reporting of risk is proportionate to this overall risk assessment, ensuring that a corporate focus is maintained for highest risks.</p> <p>To date, the development of risk management has been driven by the central risk management team which reports periodically to CMT. The Council recognises that risk management now needs to be devolved into departments and hopes to achieve this during 2009/10.</p> <p>The Council's revised framework for partnership governance requires officers to consider and document the main partnership risks which are then monitored by the relevant PDG. At a wider level, the Council has conducted a risk assessment against LAA targets, and these risks are integrated into delivery plans and review of these is part of the improved performance management arrangements.</p> <p>The Council has appropriate anti-fraud and corruption policies and procedures in place, including the recovery of losses and sanctions. This framework is supported by both Internal Audit and a specialist housing benefit team who report regularly to the Audit Committee on progress and actions. In May 2009 An electronic antifraud training package has been purchased to further raise antifraud awareness. The formation of a corporate fraud unit has been agreed at Audit Committee but is not yet in place. It has not been clear how the Council intended to monitor the delivery of its wider counter fraud strategy. The Audit Committee has since, in September 2009, been presented with a vehicle to monitor the delivery of this strategy. At July 2009, very few NFI data matches had been recorded as investigated by the Council.</p> <p>The Council has established a sound system of internal control that includes an Audit Committee, Internal Audit, Policy and Guidance framework and internal reporting. The Audit Committee is balanced in membership and has an independent chair with good knowledge of the functions and role of an Audit Committee and internal control framework. The Annual Governance statement is used to focus the Council on necessary changes to it's control environment and this resulted in improvements in 2008/09.</p>	

Appendix 1 – Use of resources key findings and conclusions

Theme 3 - managing resources

How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?

Theme 3 score	2
Key findings and conclusions	
KLOE 3.1 (natural resources) score	2
Is the organisation making effective use of natural resources?	
<p>The Council understands the main influences behind its use of natural resources and is committed to reducing its impact on the environment but it is in the early stages of achieving this. Progress prior to 2008/09 was slow but has accelerated over the last 12 months. It needs to understand more about its use of natural resources.</p> <p>Easy wins are being sought in managing the natural resources for its own buildings and assets as well as in energy use. A carbon management board has been established to ensure that carbon reduction targets are met. There are strong links through this board to the LSP and its climate change group to identify how it fits with its partners. External agencies including the Carbon Trust and Energy Savings Board have been consulted to provide support in developing a climate change strategy. This strategy was not in place as at the year end.</p> <p>Clean Air continues to be an issue for the Council. It is managing four air quality management areas, but the overall effect of Council action is difficult given the location of the town (M40, M4, M25 and Heathrow).</p> <p>Staff green champions have just been reintroduced after lapsing since 2005 and their impact is not yet clear. A more co-ordinated approach needs to be developed to reduce the internal demand for natural resources, including targets and system to monitor progress against them.</p> <p>Overall scrutiny of the process is underdeveloped. Discussions on the topic at the community, leisure and environment panel were observed to be unfocussed and did not lead to clear demonstrable action or a recommendation that was fully considered or necessarily of a policy matter. The lack of focus on challenge means the Council is missing an opportunity to investigate policy in a detailed way that can inform how the Council responds to particular issues but the new carbon management board is supporting the Member Sustainability Champion to lead scrutiny of this area.</p> <p>A more co-ordinated approach that includes targets and monitoring processes will help the Council's scrutiny function to focus more clearly on what is being done to achieve the Council's overall aim to be carbon neutral and test progress being made towards this goal. It will be better placed to comment on the policies being promoted and link this to the work of the carbon management board and Member Sustainability Champion.</p>	

KLOE 3.2 (strategic asset management) score	3
<p>Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?</p> <p>The Council has an organisation-wide approach to managing assets as a corporate resource. It is successfully implementing an award winning accommodation strategy that is delivering VFM benefits. The Council's asset management plan provides clear forward looking strategic goals for its property assets that show how the council's land and buildings will be used and developed to help deliver corporate priorities, now and in the future. The Council has acquired a new IPF property data management system. IPF carried out surveys of all property assets ensuring that the data held on the new system is accurate. The information held on this system is used to update Performance Indicators which in turn are used to inform the property review process.</p> <p>The capital programme gives priority to potential capital projects based on a formal, objective approval process. All capital bids are self-assessed against criteria and bids are scored against the criteria and prioritised. The Asset Management Group leads this process, and members are involved in providing a challenge. The corporate capital strategy is linked to corporate objectives and the MTFS.</p> <p>The Council is actively using its assets to invest in its priority area of regeneration. The Heart of Slough project master plan has been produced to deliver significant infrastructure improvement and potential economic benefits to the area. Overall shortfalls for the scheme are relatively small for the project and the Council has projected capital receipts that have increased as a result the capital investment is securing up to £400m worth of investment. There has been significant investment in to schools, eight of forty six schools have been rebuilt or replaced since 2005. The Council works in partnership to maximise use of assets for the best benefits of the local community, and is engaged in a Neighbourhoods approach to delivering community facilities, currently being piloted in two local areas. A draft Community Facilities Strategy has been drafted.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	<p>R1 Use the principles outlined in the Audit Commission report 'World class financial management' to strengthen medium to long-term financial planning. This includes:</p> <ul style="list-style-type: none"> • greater modelling of different scenarios and outcomes; • integration with risk management; • delivering a clear 'financial road map' explaining where the Council is, where it wants to go and what resources are needed (or can be redirected) to get there 	3	Julie Evans	Yes	<p>The reorganisation of the Senior Management Team has resulted in an enhanced strategic finance function with stronger governance and impact on overall council direction. This is supported by organisational and behavioural changes.</p> <p>2010/11 budget setting process is over the full three years of the medium financial plan.</p> <p>Further enhancements to build on this year's progress will take place to ensure the clear 'Financial Road Map' is sustainable in the long term.</p>	March 2010
7	<p>R2 Review how the PPRG process operates to approve savings proposals. Move away from an annual savings exercise to longer term savings proposals that can properly accommodate 'invest to save' initiatives or more strategic reallocation decisions.</p>	3	Julie Evans/ Annal Nayyar	Yes	As above	March 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R3 Demonstrate VFM more clearly via service level benchmarking and analysis of service unit and transaction costs and effective evaluation of projects.	3	Roger Parkin/ Kevin Gordon	Yes	Project Evaluation Framework will use Prince 2 Principles and Methodologies To ensure a greater breadth of benchmarking and VFM across the council's business areas, each service area Performance report to contain at least two VFM and benchmarking comparisons.	March 2010
8	R4 The Audit Committee needs to be clear how it can, and does, monitor compliance with relevant codes and procedures and how it demonstrates the awareness of its work. In particular, it needs to consider how to monitor delivery and impact of the counter fraud strategy.	2	Julie Evans/ Sudhi Pathak/ Kevin Gordon	Yes	A Corporate Fraud approach has been agreed and a fraud plan with discrete areas of work and resourcing is in place. This will be monitored quarterly by the Audit Committee. Other planned actions include: Member Training, review of current codes of practice and procedures.	March 2010
8	R5 The Standards Committee needs to be clear how it can, and does, monitor compliance with relevant codes and procedures and demonstrate the impact of its work. It needs to monitor standards of behaviours within partnerships and do more to actively promote standards across the Council.	2	Julie Evans/ Steven Quayle	Yes	Planned actions include: Member Training, review of current codes of practice and procedures	March 2010

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R6 Focus on fully embedding and assessing the impact of new corporate arrangements for: <ul style="list-style-type: none"> risk management procurement governance in partnerships and data quality. 	3	Roger Parkin/ Jo Head/ Sudhi Pathak/ Kevin Gordon	Yes	An action plan has been agreed for further embedding risk management. This includes identifying and training Risk Champions in each department and for ownership of risk to be taken by named officers Other areas are also being addressed, outcomes of improvements to be monitored and reported to CMT	February 2010
9	R7 Improve the approach adopted towards the management of the natural resources by ensuring that this is co-ordinated and linked to targets and a system to monitor progress against them	3	Roger Parkin/ Amanda Renn/ John Palmer/ Neil Simons	Yes	SBC is committed to reducing its CO ² emissions and carbon footprint. Working in partnership with the Carbon Trust various projects are to be implemented to improve this area. A programme management approach using the Carbon Trusts methodology is being used by Slough.	December 2009

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Audit Committee

WORK OF INTERNAL AUDIT – SECOND 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 30 September 2009
- Statement 2:** Performance Indicators for quarter ending 30 September 2009
- Statement 3:** Summary of Audit Reports Issued in Quarter 2 2009/10
- Statement 4:** Audit Reports experiencing delay in implementation
- Statement 5:** Position on contingency audits/irregularity reviews up to 30 September 2009
- Statement 6:** Irregularities finalised in 2009/10
- Statement 7:** Risk Management Update
- Statement 8:** Annual Governance Statement

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. During quarter one and quarter two 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	Facility to be closed
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 Montem Primary FMSiS
Net change	25	deleted	

Staffing

1.5 The Head of Audit and Risk Management has four key areas of responsibility:

- Internal Audit
- Risk Management
- Insurance
- Health and Safety

- 1.6 The Head of Audit is also leading on Business Continuity with the aim of handing over responsibility once the process is in place.

Internal Audit

- 1.7 The Internal Audit section consists of two audit manager posts and seven auditor posts. The section is currently carrying vacancies for one audit manager and two auditors.
- 1.8 The vacancies are being covered by a partnering arrangement with Deloitte and Touche (D&T). The appointment of D&T was agreed by both the procurement and legal section in Slough BC for 2008/09. For 2009/10 the services of D&T have been procured through a framework agreement with the London Borough of Croydon.
- 1.9 Although D&T have a robust quality review process in place the Head of Audit quality reviews all reports before they are issued. A review of the partnering arrangement with D&T was carried out in April 2009. This review determined that the partnering arrangements with Deloitte provide access to scarce expertise and also provides good value for money.
- 1.10 A specific number of audits have been allocated to D&T covering both General Audits and IT audits.

Insurance

- 1.11 In 2008/09 the insurance section comprised of an insurance and risk manager and an insurance assistant. A business process re-engineering exercise was carried out and this has enabled the section to be restructured. The effect has been to delete the post of the insurance assistant. The impact on workloads will be kept under review to ensure that service levels for the organisation are maintained.
- 1.12 The impact on the delivery of Risk Management services will be particularly important and I will continue to update the Audit Committee on this aspect during the 09/10 financial year.

Health and Safety

- 1.13 In 2008/09 the section comprised three full time posts and one part time post. The full time posts were the Senior Health and Safety advisor, one Health and Safety advisor and one Health and Safety Trainee. The part time post was that of a health and safety advisor.
- 1.14 As part of efficiency savings the section has been restructured with the deletion of the Senior Health and Safety advisor and the Health and Safety trainee posts. A post of Health and Safety Manager has been created with a wider corporate remit.

Counter Fraud arrangements

- 1.15 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

- 1.16 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

- 1.17 In May 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.
- 1.18 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.
- 1.19 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 3.

Anti Fraud Plan

- 1.20 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 informally at the previous audit committee. The antifraud plan is presented formally at this Audit Committee at Appendix 5

Corporate Fraud

- 1.21 In order to strengthen the anti fraud arrangements in the Council, the Head of Audit and the Head of the Housing Benefit Fraud Unit have been discussing the possibility of creating a Corporate Fraud Unit.
- 1.22 The principle of the formation of a corporate fraud unit was agreed at Audit Committee and is being jointly pursued by the Head of Audit and the Head of the Housing Benefit Fraud Unit. This will utilise the existing skills and information in the two sections and will not create a separate unit but will involve joint working.

- 1.23 Two key elements have brought this to the forefront for consideration.
- 1.24 Firstly the removal of the central government performance indicator BVPI76 which measured the number of sanctions taken against Housing Benefit fraudsters. This means that the Housing Benefit Fraud Unit (HBFU) will set its own target internally. Although the HBFU may keep the performance indicator at the same level, or indeed increase it, there is an option to reduce it.
- 1.25 Secondly there have been changes in the National Fraud Initiative (NFI). The NFI collates information from various public bodies and compares data to identify potential fraudulent or duplicate claims and applications for a variety of Council services. The information is also used by Revenue and Customs to detect unidentified tax liabilities and instances of tax evasion.
- 1.26 The broadening of the NFI and the removal of BVPI76 provide the opportunity to consider reprioritising the resources of both the HBFU and Internal Audit. The Head of Audit and Head of the HBFU are intending to review the NFI matches to determine whether a corporate fraud approach would be beneficial. The key criteria will be the number of matches and whether the expertise of the HBFU and Internal Audit will be better applied to examining these matches or whether officers in the areas effected should take the matches forward.
- 1.27 The categories covered by NFI are listed below. The last three areas relating to Transport passes, Insurance claimants and Licences were new in 2008/09. The data for Council Tax and Electoral Registration is also new this year and was subject to legal review prior to being provided.
- Payroll and pensions payroll
 - Trade creditors' payment history and standing data
 - Housing
 - Housing benefits
 - Council tax
 - Electoral register
 - Students eligible for a loan
 - Private supported care home residents
 - Transport passes and permits (including residents' parking, blue badges and concessionary travel)
 - Insurance claimants
 - Licences - Market trader/operator, Taxi driver and (new) Personal licences to supply alcohol
- 1.28 The complete set of NFI results were received in May 2009. An initial review of the NFI matches showed that there were 3,734 matches of which 2,948 were high level matches.
- 1.29 The potential for the formation of a corporate fraud unit will be examined after the outcomes of the initial review of the NFI matches has been carried out and will be reported to the audit committee. It is expected that the outcomes of the initial review will be completed by the end of January 2010.

1.30 The Audit Commission requested additional data sets in October 2009 and a further set of data will be submitted in December 2009. The matches should be available for review by the end of February 2010.

1.31 Internal Audit have

- identified the relevant officers officers dealing with each area
- distributed the matches to the relevant staff
- provided training to relevant staff to enable them to carry out preliminary investigative work
- instructed the Housing and Council Tax Benefits section to update the Audit Commission website directly
- instructed all other areas to forward information to Internal Audit in order to update the Audit Commission website

1.32 Any areas that require further investigation are carried out as follows

- Housing and Council Tax Benefit by Housing Benefit Fraud Unit
- Council Tax by the Council Tax team
- Electoral register queries by the electoral registratuion section
- Any other queries by Internal Audit

IT Audit

1.33 The Head of Audit and Risk Management is a qualified “Certified Information Systems Auditor”. However, the Internal Audit section currently lacks auditors with an expertise in IT audit. This is an area where suitable expertise is scarce and the use of a partnering arrangement provides best value for money.

1.34 An ‘IT audit needs assessment’ was carried out to identify all areas of risk in IT and to provide an allocation of audit days for each area. The remit of this work deliberately did not take into account available resources or funding to carry out the identified areas of work and consequently 165 audit days were identified for 08/09 and 155 audit days for 09/10.

1.35 The Head of Audit has reviewed the audits identified through the IT audit needs assessment and prioritised these over a three year period. The allocation for 2008/09 was 68 days and the allocation for 2009/10 is 81 days of IT audit.

Audit methodology

1.36 All staff have received appropriate in house training and operate using a risk based audit methodology. One to one coaching continues on a regular basis to ensure quality of audits.

1.37 An electronic audit package, to supplement the risk based audit methodology, has been identified. This package will integrate time recording and management information and will reduce administration time within the Internal Audit section thus further enhance the productivity of the audit section and provide a more

focussed audit service. More importantly the package will allow real time electronic review of audit files and reports.

- 1.38 The Head of Audit has viewed a demonstration of the electronic audit package and has attended a training session with an organisation who have purchased the product.
- 1.39 The purchase and introduction of the electronic audit package is now on hold waiting for the shared service development. The introduction of the electronic audit package is likely to be introduced after shared services has been further developed.

External Audit

- 1.40 Internal Audit continues to work closely with the Councils external auditors i.e. the Audit Commission. Regular meetings are held between the Strategic Director of Resources, the Director of Improvement and Development, the Head of Audit and representatives from the Audit Commission.
- 1.41 Key areas of concern or good practice are shared and highlighted. Planned work is discussed and this aids a coordinated approach to audit work across the organisation and avoids duplication.
- 1.42 The detailed work carried out by Internal Audit is discussed at regular meetings between the Head of Audit, the Audit Manager and the Audit Commission. At these meetings the work required is discussed and agreement reached on who will carry out the work, the timings of the audits and how best to reduce the inspection burden on auditees.
- 1.43 These meetings ensure that assurance is taken and provided wherever possible with clear protocols of work.
- 1.44 This process has worked extremely well and the working relationship between the Internal Audit section and the Audit Commission remains strong and productive.

Effectiveness of Internal Audit

- 1.45 The effectiveness of Internal Audit is reviewed throughout the year using feedback forms from auditees and by actively seeking feedback from Directors and Assistant Directors in respect of Internal Audit performance.
- 1.46 The Audit Commission carried out a review of Internal Audit in 2007 and all recommendations from that report have now been implemented and reviewed by the Audit Commission.
- 1.47 Internal Audit and Risk Management have also been independently reviewed as part of the CIPFA Financial Model framework. The results are awaited and any areas for improvement will be reported to the Audit Committee together with an action plan for implementation.
- 1.48 It is proposed to carry out a peer review with a neighbouring authority in 2009/10

Financial Management System in Schools (FMSiS)

- 1.49 The FMSiS programme started in 2006/07 and required a judgement to be made on all Secondary, Primary and Special schools in respect of the adequacy of the governance and financial arrangements in each school.
- 1.50 The judgements on the adequacy of the arrangements in place at schools can only be made by approved assessors of which the Internal Audit section is one.
- 1.51 There are 41 secondary, primary and special schools in SBC and these should all be accredited by the end of the 09/10 financial year.
- 1.52 To date 29 schools have been accredited as having successfully reached the required standard.
- 1.53 Five schools have been judged as not yet having achieved the standard required for accreditation and both Internal Audit and Education Finance are actively assisting the schools to address the identified weaknesses.

STATEMENT 1

Comparison of allocation and use of resources –to 30 September 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	12	3
Non-Core Systems Audits	743	702	240	34
IT Audit	74	81	23	29
TOTAL PLANNED AUDITS:	1209	1184	275	23
OTHER AUDIT WORK				
Old Year Audits	10	10	11	110
Follow Ups	40	40	45	113
Contingency Audits	42	42	17	40
Investigations	40	65	75	115
TOTAL OTHER AUDIT WORK	132	157	148	94
TOTAL AUDIT DAYS				
OTHER CHARGEABLE				
Chargeable Management	324	324	132	41
TOTAL CHARGEABLE DAYS	324	324	132	41
AUDIT MANAGEMENT & ADMIN				
Non Chargeable Management	76	76	65	85
Management Information/Admin	121	121	48	40
TOTAL MANAGEMENT & ADMIN	197	197	113	58
LEAVE & TRAINING				
Statutory Leave	80	80	24	30
Annual Leave	309	309	121	39
Special Leave	145	145	65	45
Sick Absence	80	80	65	81
Professional Training	124	124	5	4
TOTAL LEAVE & TRAINING	738	738	280	38
TOTAL STAFF DAYS	2600	2600	948	36

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 30 September 2009

Planned work

	Current Quarter	Year to 30.06.09
	%	%
Proportion of planned audit work completed	14	17

In addition, during the second quarter of 2009-10, an additional 35 % of the plan was work in progress

Recommendations

	Made	Agreed	Proportion agreed
Recommendations:			
Current years audits			
Quarter	16	16	100%
Year	27	27	100%

Follow-up responses received*

Recommendations			
	Agreed	Implemented	Proportion implemented
Quarter	27	17	63%

* 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 30.09.09
	Proportion	Proportion
Good	67	67
Satisfactory	33	33
Poor		
Unsatisfactory		

STATEMENT 3

Summary of Audit Reports Issued in Quarter 2 2009/10

3.1 The following Audits received a Satisfactory Assurance

- Members Allowances
- Local Land Charges
- Domiciliary Care In-House
- Respond
- Lavender Court
- Planning Policy & Projects
- Public Transport (Contracts & Concessions)

3.2 The following audits received Limited Assurance

Direct Payments

3.3 Legislation provides that, following an assessment, a client or carer can opt to receive a payment to procure their own service rather than receive service from Social Services. Payments can only be made using Direct Payments (DP) against a client or carer's needs as stated in a care plan.

3.4 We made ten recommendations, four of which related to the provision of an updated policy and six which related to processes and other controls

- An up-to-date Direct Payments policy should
 - be produced, and its contents made known to all relevant staff and be subject to regular review
 - identify the level and nature of support to be provided to Direct Payment clients
 - include a requirement to assess the frequency of support visits necessary
 - determine the monitoring returns necessary
- Implement a process to monitor whether the option of direct payments has been offered to the client – either in supervision or via an exception report.
- Ensure the policy covering care plan reviews is up-to-date.
- Annual care plan reviews should be carried out in line with approved policy.
- A succession plan should be produced, which includes short and long-term absences, as well as vacancy of the post.
 - include a protocol for the collection and recording of returns made i.e. by whom and how regularly, and
 - a policy decision

- In addition to a completed proforma, the client should be asked to provide a copy of the opening bank account statement, which should be verified to the details stated on the proforma. The copy of the bank account statement should be retained on file.
- The client's completed proforma, which states their bank account details, should be sent to Finance to retain on file. A copy should also be held on the paper file in the social work office.

Recommendations not implemented

- 3.5 The Audit Committee in September received a report outlining the recommendations not implemented in respect of Physical Disability, Other Care and Support. The key recommendations not implemented were
- ensuring that annual reviews of client needs are carried out (significant)
 - Periodic client satisfaction surveys to be carried out (medium)
- 3.6 In discussion with client management we have established that the annual care reviews have been carried out. We were unable to confirm this at the time of the audit as the relevant manager was unable to correctly navigate the computerised Integrated Adult System. In addition two hard copy files were maintained and the one that was shown to Internal Audit did not contain any care plan updates
- 3.7 In the second quarter of 2009/10 fourteen of the twenty-four medium and significant risk recommendations followed up were not implemented. These are outlined below:
- 3.8 Travel & Subsistence
Three medium risk recommendations made and not implemented
- 3.9 Postal & Dip
One medium recommendation not implemented out of five agreed
- 3.10 Governor Services & Training
Two medium and one significant risk recommendations not implemented out of six agreed recommendations
- 3.11 Home to School Transport
One medium and one significant risk recommendations not implemented out of the four agreed
- 3.12 Mental Health
One medium risk recommendation not implemented out of two agreed
- 3.13 Communications News
One medium risk recommendation has not been implemented. The remaining three recommendations were low risk.

3.14 Environmental Services

Three medium risk recommendations not implemented out of the three agreed. These are to be followed up again in December 2009.

3.15 As agreed at the last audit committee, where these have not subsequently been implemented, the responsible officers will be given an opportunity to explain why at the next 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 30 September 2009

5.1 Contingency Audits

Description	Total Days to 30/09/09	Current position
Housing Management Information system	1.0	On-going with significant issues

5.2 Irregularity reviews

Description	Total Days to 30/09/09	Current position
Overpayment to Care leaver	1.0	Initial report and recommendations issued. Awaiting a response to finalise the report
ALMO investigation	15.0	Disciplinary process completed.
Allegation of Personal business being managed from SBC premises	2.0	Management investigation currently underway following Internal Audit advice
Supported Living Financial Irregularities	50	Audit investigation complete. Currently liaising with Police.

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. The allegation indicated a potential theft of £670 from the Phoenix Day Centre. The matter was reported immediately to the Council's Internal Audit Team.
- 6.7 On 2nd December 2008 and following the initial management investigation, the Administration Officer at Longcroft Residential Home, an employee of the Council, was suspended in respect of the alleged theft. The matter was reported to Thames Valley Police, who requested the Council complete and report back the findings of the internal investigations.
- 6.8 A full disciplinary investigation and Internal Audit investigation have been simultaneously undertaken into the management of finances at the Phoenix Day Centre and Longcroft Residential Home where administrative officer also worked. The administrative officers

responsibilities included the handling and management of residents personal accounts.

- 6.9 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.
- 6.10 The police requested a report from a forensic accountant in order to pursue prosecution. Given the estimated cost is approximately £8,000, and maybe higher, the Interim Strategic Director of Resources felt that the cost could not be justified.
- 6.11 There were a total of 24 clients at the Longcroft site. Internal audit examined the personal and pension accounts of residents. Irregularities were found in relation to three of the residents' accounts totalling £14,000
- 6.12 In a meeting held on 12th March 2009, Internal Audit confirmed to the Directorate of CWB that they are satisfied that the required and correct procedures for the management of client finances are being appropriately deployed in the Council's remaining residential care homes.

STATEMENT 7

7 Risk Management Update

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

Risk Management updates to Senior Management

- 7.2 There is a Corporate Risk Register in place.
- 7.3 Risk registers are in place for each of the Directorates.
- 7.4 Software has been purchased and installed to enhance the monitoring and reporting of risk management throughout the authority.
- 7.5 CMT receive 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
- 7.6 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.
- 7.7 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.

- 7.8 Updated Risk Management Guidance has been published on the intranet along with the corporate risk register and all individual directorate risk registers.

Key actions taken for the quarter July 2009 to September 2009

- 7.9 The majority of risk management work during quarter 1 and quarter 2 centred around the issue of the “Swine Flu” pandemic and ensuring that business critical areas maintained an adequate level of service in the event of loss of staff through either having “Swine Flu” or caring for others with “Swine Flu”.
- 7.10 The Head of Internal Audit and the Risk and Insurance Officer have obtained the Business Continuity Plans from key suppliers and reviewed them to ensure that are fit for purpose to deal with the predicted Swine Flu pandemic. The outcome of these reviews were reported to the Strategic Influenza Control Group.
- 7.11 The Strategic Influenza Control Group has fed back to the suppliers at the Community & Wellbeing Provider Forum on the 30th October. A “Good Practice” version has also been sent out to suppliers as requested at the Forum.
- 7.12 In order to ensure that the Council’s own services are able to provide business critical services the business continuity plans of the 43 business critical services have been quality reviewed and amendments have been suggested in the majority of cases
- 7.13 As stated in 7.9 above the “Swine Flu” issue has taken up much of the time available to deal with some of the proposed actions for the first quarter as described in the previous report. Therefore those actions will need to be deferred until the following quarter.

Key actions proposed for the quarter October 2009 to December 2009

- 7.14 The roll out of the Risk Management system has been delayed due to conflicting priorities such as Swine Flu. With the roll out of the Risk Management Database it is envisaged that a Risk Management Champion will be nominated in each department. The Risk Management Champion will be responsible for overseeing and monitoring the risks that are identified within their department. Ownership of risks will continue to sit within departments.
- 7.15 The role of each Risk Management Champion will be formally agreed and training will be provided on an ongoing basis.
- 7.16 The Director of Improvement and Development will identify actions to further strengthen the governance and Risk Management arrangements of SBC partnerships.

Update of Departmental Risk Registers.

- 7.17 The Risk and Insurance Officer will circulate current risk registers to each Directorate with two options for update:

Either the Risk & Insurance Officer can meet Assistant Directors individually to facilitate in the update their particular part of the risk register,

Or departments may wish to update their risk registers at an SMT meeting with or without facilitation from the Risk & Insurance Officer.

Update of the Corporate Risk Register.

- 7.18 Once the departmental risk registers have been updated the Corporate Risk Register will also be updated and presented to the Audit Committee.

Further embed Risk Management in the organisation and ensure ownership moves from the centre out to departments.

- 7.19 In order that departments may update their own risk registers without recourse to the Risk and Insurance Officer an identified member in each department will need to be trained to enter, update and report on risks using the Risk Management Software

- 7.20 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.

Training

- 7.21 As identified above a member of each department is required to undergo training so they are able to update departmental risk registers independently of the Risk and Insurance Officer.

- 7.22 A Members training pack for risk management has been produced and two training sessions will be delivered on 10th December 2009 with a further two sessions on 16th January 2010.

- 7.23 Specific risk management training in respect of the Shared Services project is being planned.

- 7.24 It is also proposed to facilitate a workshop for Directors and Assistant Directors concentrating on Supply Chain Management to assist with the risk management issues surrounding the Shared Services project

- 7.25 This training is in line with the information supplied to the Audit Committee dated 14th September 2009

- 7.26 The newly appointed Director of Resources is reviewing the approach

to Risk Management and the role of Risk Management Champions.
Any changes in methodology will be reported to the Audit Committee.

Relevant Insurance Actions

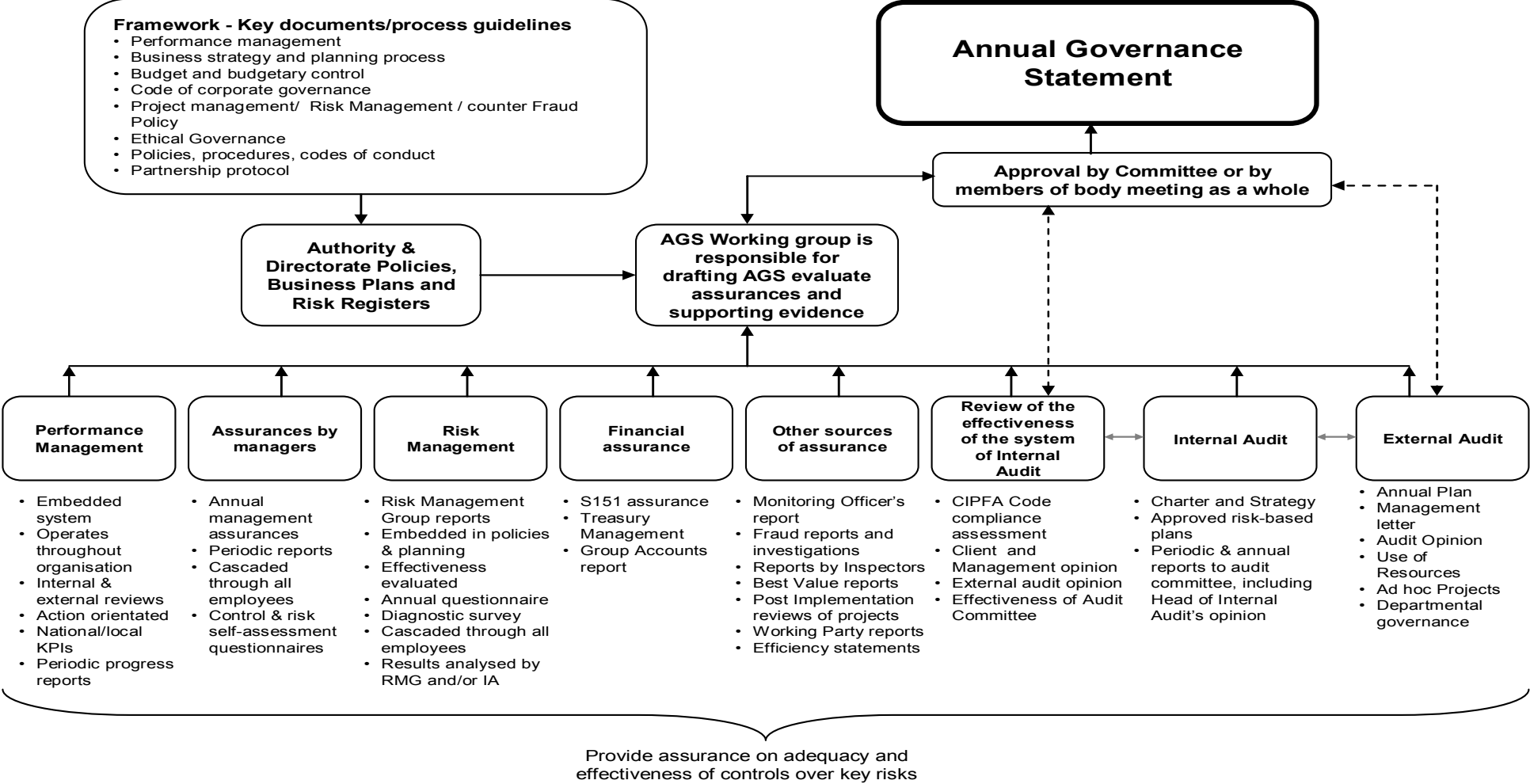
- 7.27 The Insurance portfolio is due for renewal in April 2010 and work has continued through quarter 2. The Insurance Specification has been produced with a view to receiving as many responses as possible from the Insurance market.
- 7.28 The Insurance tender Specification was produced at the end of August in line with the timetable and publicised as required under the OJEU regulations.
- 7.29 The Insurance Portfolio Tenders were returned by prospective insurers in mid-October. These tenders will be evaluated in November 2009.
- 7.30 A report recommending the insurers for the next three years, with the possibility of extending for a further two years, will be produced by December 2009 and discussed at CMT and then forwarded to the appropriate member forum agreement.

8 Annual Governance Statement

- 8.1 From 2007/08, Local Authorities are required to produce an Annual Governance Statement (AGS).
- 8.2 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.
- 8.3 The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness.
- 8.4 The AGS was signed by the Leader of the Council and the Chief Executive in June 2009.
- 8.5 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
- 8.6 Actions have been identified to address these areas of concern.
- 8.7 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.
 - Assurance statements together with reference to sources of assurance
 - Timetable with dates for review by audit committee, date for sign off by CE and leader, date for publication, date for presentation to full council
- 8.8 In line with previous years an overview of the AGS 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

**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.



Timetable for Annual Governance Statement 2009/10

Date	Action	Responsibility	Notes
February	First meeting of AGS working group	Monitoring Officer	HOIARM, Risk Officer, Strategic Director of Resources, Monitoring Officer, relevant ADs and Directors.
Early February	Circulate revised self-certification checklists to managers	Head Of Internal Audit and Risk Management	This gives managers time to think through what the forms are asking, and how they should respond
Mid February	Managers complete self-certification forms and raise issues with directors and start to formulate action plans	All Senior Managers	Managers must ensure that their most serious concerns are fully shared with their directors
Late February	Managers begin to assemble and index evidence to support their declarations to directors	All Senior Managers	This is vital to the process – the Audit Commission have previously criticised the lack of evidence last year
Late February	Assemble other evidence of control from various sources	AGS Working Group	The Group as a whole must take responsibility for bringing it together
March	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
April	Head Of Internal Audit and Risk Management's annual report on control issues	Head Of Internal Audit and Risk Management	"Quality control" on info from other sources
Mid to late April	External audit management letter	Audit Commission	Important external source of assurance (and of issues to include)
Early May	Corporate Management Team review AGS, and take full ownership for it	CMT	There must be a strong sense of corporate ownership
Mid May	Sign AGS	Chief Exec and Lead Member	Formal acceptance of responsibility for the internal control system
Late May	Submit AGS to Audit Commission for review	Director of Resources	

	alongside accounts		
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 may choose to ask their direct reports to provide subsidiary statements, but this is a matter of choice.

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.

When you've completed and signed the statement, please send hard copy to the Head of Internal Audit & Risk Management, Sudhi Pathak.

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 Sudhi Pathak (ext. 5374).

If there are any issues of principle causing concern, please ask your representative on the corporate working group to raise these in the Annual Governance Statement Working Group discussions.

Internal Audit - Fraud Audit Plan 2009-2012

1. Introduction
2. Fraud Overview
3. New Fraud Strategy
4. Preparation of the Plan

1. Introduction

This is the first Fraud Audit Plan drawn up for Slough Borough Council and forms a key part of the anti-fraud strategy.

2. Fraud Overview

2.1 Fraud is characterised by the following three elements

- **Deception** – someone (usually but not always, or only, the victim) must have been misled in some way.
- **Dishonesty and intent** – misleading must generally have been dishonest and intentional, not accidental.
- **Materiality of that deception** – deception must have led to someone's detriment or loss. A non-material misrepresentation causing no loss or detriment would not usually be deemed to be fraudulent.

2.2 The Fraud Act 2006

This Act came into force on 15th January 2007 creating a general offence of fraud which can be committed in any one of three ways:

- False representation (including Implicit misrepresentations)
- Failure to disclose information
- Abuse of position

This general offence focuses on intent as opposed to outcome – deception need not succeed to be liable. This may lead to its use in preference to other offences, under laws that focus on outcomes.

Examples of new offences created by the new Act are:

- Obtaining services dishonestly; and
- Possessing, making and supplying articles for use in frauds.

Additionally, it covers activities involving newer technologies by:

- Updating the definition of an “account” in the Theft Act 1968 to include the electronic money accounts, as well as conventional bank accounts;
- Covering the creation, adaptation or possession of software for use in fraud

3 The New Fraud Strategy

- 3.1 In order to strengthen the anti-fraud arrangements in the Council, the Head of Internal Audit and the Head of Housing Benefit Fraud Unit have been discussing the possibility of creating a Corporate Fraud Unit. The broadening of the scope of the National Fraud Initiative and the removal of BVPI76 allows for the reprioritising of available resources.
- 3.2 The future approach to the countering, prevention and detection of fraud will centre on a comprehensive fraud risk assessment.

4 Preparation of the Plan

- 4.1 The Fraud Audit Plan is based on a risk assessment of work categories. These include the risk factors used to produce the audit plan i.e
- Corporate importance – materiality and the impact on the organisation of service failures
 - Corporate sensitivity – reputational risk and management concerns or sensitivities
 - Control risk – previous history of problems
 - Inherent risk – complexity of the system, nature of the service and dealing with assets
- 4.2 The plan for 2009-12 is attached. This includes the proposed anti-fraud work from Internal Audit and the Housing Benefit Fraud Unit.

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
<i>Housing & Council Tax Benefit</i>						
HBMS data matching cases		35	35	35		105
NFI data matching cases		20	20	20		60
Working and claiming		245	245	245		735
Not resident		65	65	65		195
Multiple claims						0
False identities / hijacked identities						
Living together		395	395	395		1185
Sub letting and undeclared rental income						0
Undeclared Student Loan						
Undeclared Student bursary						
Landlord fraud						
Undeclared capital and bank accounts						
Undeclared income						
Undeclared property in the UK and abroad						
Household		120	120	120		360
Residency/Household enquiries		220	220	220		660
<i>Cash Collection</i>						
Cash collection, receipting and banking		20	20	20		60
<i>Car Parking</i>						
Car Parking income		15				15
Blue Badges (incl NFI)						
Resident's Parking Permits (incl NFI)						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
<i>Credit Income</i>						
Debt management		15				15
General Income		15	15	15		45
Single Person Discount (Council Tax)		15	15	15		45
NNDR		12				12
<i>Creditor Payments</i>						
E-payments		10				10
Procurement		10	15	15		40
Creditors (incl NFI)		15	15	15		45
<i>Stores and Inventories</i>						
Stores				10		10
Control of Assets						
<i>Contracts</i>						
Construction contracts						
Community Care contracts				10		10
<i>Payroll / HR</i>						
Employment checks				10		10
Salaries, Wages and Pensions (incl NFI)		25	15	15		55
<i>Expense Claims</i>						
Car, Travel and subsistence expenses			15	5		20
<i>Other</i>						
Computer logs						
Leisure Services 1		15				15
Freedom Passes (incl NFI)						
Bogus colleges						
Proceeds of crime						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
Care homes (incl NFI)		10				10
Insurance (incl NFI)						
Licenses (incl NFI)			10	10		20
Market traders (incl NFI)						
Housing Right To Buy / Benefit claimants) (incl NFI)			10			10
Management of projects						
Management of individual investigations						
Project Management Methodology		15	15	15		45
sub-total programmed work						0
Private Sector Housing Unit						0
Grants						0
Rehousing						0
Housing Register Applications			8	10		18
Registration Procedure						0
Housing Register – Change of Circumstances						0
Temporary Accommodation						0
Private Sector Leasing		8	14			22
PSL - Hostels						0
Temporary Accommodation Not Resident						0
Homeless Persons Unit						0
Applications						0
Bed& Breakfast						0
Bed& Breakfast not resident						0
Invoicing						0
Contractors						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
NFI data matching cases						
Internal staff cases						
Community Team						
Asylum Team				15		15
<i>People 1st Slough</i>						
Sign-up						
Void Properties						
Not Resident and Sub-letting						
Change of Circumstances						
Right to buy			10			10
sub-total planned work						
<i>Contingency</i>						
Ad-hoc investigations		73	157	272		502
Total staff days		1373	1434	1552		4359

AGENDA ITEM 8

By virtue of paragraph(s) ~~3 of Part I of Schedule 12A~~
of the Local Government Act 1972.

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