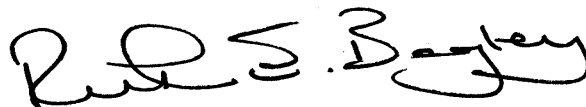


Date of issue: 31<sup>st</sup> October, 2012

<b>MEETING:</b>	<b>AUDIT AND RISK COMMITTEE</b> (Councillors Nazir (Chair), Abe, Brooker, Chohan, A S Dhaliwal, and Dhillon )
	<b>CO-OPTED INDEPENDENT MEMBER</b> Mr Ajay Kwatra
<b>DATE AND TIME:</b>	THURSDAY, 8TH NOVEMBER, 2012 AT 6.30 PM
<b>VENUE:</b>	MEETING ROOM 2, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
<b>DEMOCRATIC SERVICES OFFICER:</b> (for all enquiries)	SHABANA KAUSER 01753 875015

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

AGENDA

PART I

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

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
1.	Declarations of interest		
2.	Minutes of the last meeting held on 24th September, 2012	1 - 4	
3.	Internal Audit Progress Report	5 - 14	
4.	Audit Commission Grant Claims Report 2011/12	15 - 22	
5.	Fraud and Risk Update Report	23 - 54	
6.	Members Attendance Record	55 - 56	
7.	Date of Next Meeting - 4 March 2013		

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.

Minicom Number for the hard of hearing – (01753) 875030

**Audit and Risk Committee – Meeting held on Monday, 24th September, 2012.**

**Present:-** Councillors Nazir (Chair), Brooker, Dhillon and Mr Kwatra (Co-Opted Independent Member)

**Apologies for Absence:-** Councillor Chohan and A S Dhaliwal

**PART 1**

**13. Declarations of Interest**

There were no declarations of interests.

**14. Minutes of the previous meeting held on 13th June 2012**

**Resolved –** That the minutes of the meeting held on 13<sup>th</sup> June 2012 be approved as a correct record.

**15. Draft Annual Audit Letter**

The District Auditor, Mr Chris Westwood, presented the Draft Annual Audit Letter for the Committee's information. It was explained that the letter would be submitted to the meeting of the Full Council on 27<sup>th</sup> September. The Annual Governance Report outlined the extensive work which had culminated in his unqualified final opinion, which formed the basis for this final letter.

**Resolved –** That the Draft Annual Audit Letter be noted.

**16. Annual Governance Report (Audit Commission)**

The District Auditor, Mr Chris Westwood, presented the external auditor's Annual Governance Report. The report summarised the findings of the 2011/12 audit and included issues arising from the auditor's assessment of the Council's financial statements and value for money.

The Committee's attention was drawn to a number of specific points. The Committee was requested to note the Council's approach on the uncorrected errors based on misstatements identified during the audit. The Interim Assistant Director of Finance, Mr Mark Taylor, outlined the Council's response to the errors and that the District Auditor's findings had been accepted by the Council. The Committee also noted the corrected errors which had been addressed in the revised financial statements. Mr Taylor outlined the agreed amendments.

The draft letter of management representation was also presented for the Committee's approval. The letter encompassed the representations which had been presented to the Council in connection with the annual audit. The Committee was requested to approve this letter. The Committee was also asked to agree the Action Plan attached in Appendix 6. This plan set out actions which had been recommended in agreement with the Council.

**Resolved –**

- a) That the report be noted and that the District Auditor's opinion be endorsed.
- b) That the Council's approach on unadjusted errors be confirmed.
- c) That the adjustments to the financial statements be noted.
- d) That the letter of representation in Appendix 4 be approved.
- e) That the Council's response to the action plan in Appendix 6 be agreed.

**17. Value for Money Conclusion - Summary of Findings (Audit Commission)**

Mr Westwood, presented the Value For Money – Summary of Findings report. The report looked at findings and based on conclusions reached on the Council's ability to secure financial resilience against risk and instability and whether the budget had been efficient and effective. Mr Westwood summarised the findings for the Committee. The findings covered a number of areas including procurement; the resilience of the finance team; the closedown of accounts; financial arrangements; reserves and balances; school finances; the capital programme; the senior management structure; the use of consultants and temporary staff; and workforce planning.

Members requested further information on the use of interim staff and the under-spend on the Council's 2011/12 capital programme. It was confirmed by the Interim Assistant Director of Finance that a new permanent finance team, including a new permanent Financial Controller, were being recruited and all interim staff would finish by the end of October. On the capital under-spend, it was explained that this was due to delays and slippage on major projects, such as housing. It was hoped that the creation of the Local Asset Backed Vehicle would increase the rate of capital spending.

**Resolved –** That the Draft Annual Audit Letter be noted.

**18. 2011-12 Statement of Accounts**

The Interim Assistant Director of Finance, Mr Mark Taylor, presented the 2011-12 Statement of Accounts. The Committee was asked to view, comment on and recommend to full Council their adoption. The statement was briefly outlined with reference to the Comprehensive Income and Expenditure Statement and the Council's Balance Sheet. Mr Taylor also explained the key points for the Committee's attention including the movement in reserves. Mr Taylor emphasised that the statement had been thoroughly analysed by the external auditors and it was a true statement of the accounts of the Authority.

In the ensuing discussion, Members requested further information on the income and expenditure compared to last year. Mr Taylor explained that last

**Audit and Risk Committee - 24.09.12**

year the Council had produced a balanced budget, and for the current financial year the Council had ended with a surplus of around £3m. Officers also answered questions regarding payments for Private Finance Initiatives.

It was put to the Committee that they recommend to full Council the 2011/12 Statement of Accounts be adopted in line with good practice. It was agreed this recommendation would be made.

**Recommendation to Council** – That the 2011-12 Statement of Accounts be approved and signed in line with good practice.

**19. Internal Audit Progress Report**

Mr Daniel Harris, Internal Audit Manager, presented the Internal Audit Progress Report. Members were given a brief description of the purpose of the Internal Audit Report, which was to inform the Section 151 officer of the overall progress of the various reports and investigations which the internal auditors were currently undertaking. Members were given brief summaries of each investigation, which were assigned an assurance opinion. It was noted that eleven reports had been finalised.

**Resolved** – That the Internal Audit Progress Report be noted.

**20. Employees Declaration of Interests Internal Audit Report**

Mr Harris presented the Employees Declaration of Interests Internal Audit Report. This audit had been undertaken on the request of senior management who wished to tackle perceived weaknesses. The conclusion of the Internal Auditors had been that robust systems had not been in place to ensure employees had been required to declare relevant interests. The main issue arising from this audit was that employees who would be required to complete a declaration of interest form had not been identified and the current system of recording interests was unwieldy. It was explained that steps had already been taken to procure and implement a new electronic system for logging interest forms. The Assistant Director of Professional Services, Mr Kevin Gordon, explained that this would replace the current paper-based system.

Members commented that it was reassuring that the matter had initially been raised as an issue by the Authority, demonstrating a good working relationship between systems of internal control.

**Resolved** – That the Employees Declaration of Interests Internal Audit Report be noted.

Chair

(Note: The Meeting opened at 6.32 pm and closed at 7.29 pm)

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**RSM** Tenon

**Slough Borough Council**

Internal Audit Progress Report  
Audit and Risk Committee Meeting: 8 November 2012

## Introduction

The internal audit plan for 2012/13 was approved by the Audit and Risk Committee on the 5<sup>th</sup> March 2012. This report provides an update on progress against that plan and summarises the results of our work to date.

Since the last Audit and Risk Committee held in September 2012 the following audit reports, relating to the 2012/13 plans have been finalised:

- Penn Wood School (14.12/13); and
- Business Rates (25.12/13)

A summary of the key issues contained within these report and the high priority recommendations made is detailed in the report below.

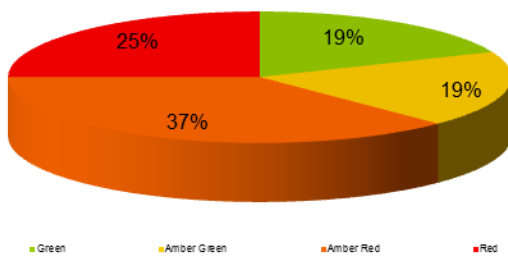
## KEY ISSUES

Of the 13 RSM Tenon audit reports issued to management in respect of the 2011/12 Internal Audit plan, three of these still remain in draft. (Note – RSM Tenon provided the IA service for Quarter 4 of 2011/12 only).

Of the 33 reports which have been issued to management in respect of the 2012/13 Internal Audit plan, 20 of these still remain as draft reports. Of these 20, 12 of these have been outstanding for more than 30 working days, with the average time that draft reports remain outstanding being 35 days. Whilst management assurance has been provided in the audit debrief meetings that the weaknesses identified as part of these audits will be addressed, in the absence of a completed action plan, assurance cannot be provided over the time-frame for the completion of these, or whether suitable priority has been given to addressing the issues raised.

Of the 33 reports issued to the Council to date for the current financial year, the breakdown with regards to the levels of assurance provided, is as follows (20 of these reports remain in draft and are subject to management agreement / responses received from management):

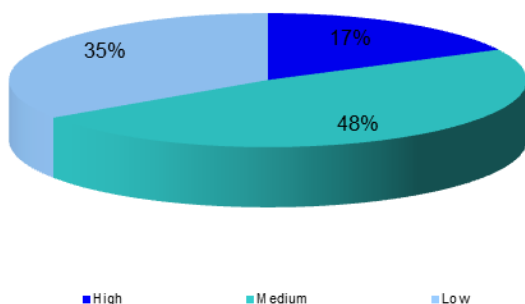
### Assurance Levels 2012/13 to date



	Audit opinions					Total
	Green	Amber / Green	Amber / Red	Red	Advisory	
<b>Assurance levels 2012/13 to date</b>	<b>6</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>1</b>	<b>33</b>

The breakdown in the type of recommendations for the year to date is highlighted below:

### Recommendations 2012/13- to date





	Recommendation grade				Total
	High	Medium	Low	Other	
Recommendations raised 2012/13 – to date	35	96	69	7	177

Of the 32 reports issued for the current year to date where a formal opinion has been provided, 8 of these have resulted in a red opinion (please note six of the eight remain in draft at this stage). Whilst four of the red opinions relate to audits of schools, we have issued red opinions in respect of the following areas relating to the Councils control framework:

- Declaration of Interests (Final)
- Business Rates (Final)
- Contract Management (Draft)
- Contract Management – Block Nursing Contracts (Draft)

It is therefore imperative that actions to address the weaknesses identified within these reports are undertaken on a timely basis to ensure that these systems can operate effectively in the future. Failure to do so may impact on our ability to provide an unqualified Head of Internal Audit Opinion for the year, which may also have implications for the Annual Governance Statement. As part of our audit follow up process we will undertake a detailed follow up review in respect of all of these audits to provide assurance regarding the extent to which previous recommendations have been implemented.

## Other Matters

### Planning and Liaison:

Monthly meetings have been arranged with the Interim Assistant Director, Finance. We have also attended the most recent meeting of the Risk Management Group and provided guidance on the proposed content of the Risk Management Policy.

As our audits of Schools have identified a number of significant issues which have resulted in red assurance opinions, we have agreed with the Assistant Director of Education and Children's Services to attend both the School's Forum and Bursar's Forum on a regular basis to provide an input regarding the findings of our reviews. We have also been invited to attend a number of governor meetings at individual schools to provide advice regarding the key financial controls which we would expect to see in place.

### Internal Audit Plan 2012/13 - Change Control:

No proposed changes have been made to the Internal Audit plan.

### Information and Briefings:

We have issued the following updates electronically since the last Audit and Risk Committee:

LG eUpdate September 2012

Fraud Alert: Changing Suppliers' Bank Details An Update 12 October 2012.

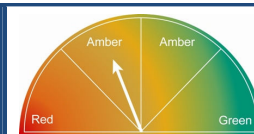
This update highlights the increased need for vigilance and strong controls in respect of the management of changes to supplier details, as this has become a particular target for fraudsters over the last 18 months.

## Key Findings from Internal Audit

### 2012/13 Internal Audit Plan

Assignment: Penn Wood School (14.12/13)

Opinion: Amber /  
Red



We found that the following controls were designed adequately:

- The roles and responsibilities of the Governing Body, the Resource Committee, the Headteacher and the Business Manager were set out in writing in the Financial Procedures and Terms of Reference.
- The Governing Body agreed with the Headteacher, the minimum frequency, level of detail and general format of the financial information to be provided to it.
- Minutes were taken of all meetings of the Governing Body and the Resource Committee and included all decisions and by whom action is to be taken.
- The Governing Body had established a register of interests of Governors, the Headteacher and any other staff who influence financial decisions.
- The School's budget was based on realistic estimates of all expected expenditure and income, including grant income. The surplus from 2011/12 of £91,336 had been carried over to 2012/13 and a surplus of £51,761 was forecasted for the year end position in 2012/13.
- The Governing Body approved the School's budget for 2012/13 in May 2012 after careful consideration.
- The Business Manager provided budget monitoring reports to the Resource Committee quarterly.
- The Headteacher received monthly Budget Monitoring updates from the Business Manager comparing the amount spent or committed to date against the budgets.
- The school considers price, quality and fitness for purpose through obtaining quotations for large expenditure and utilising recommended suppliers.
- Pre-numbered purchase orders created on the FMS system for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, these should be confirmed in writing. Orders are approved by the Headteacher or one of the Deputy Headteachers.
- The school checks goods and services on receipt to ensure they match the order.
- Invoices are annotated to record the payment reference details.
- Segregation of duty exists between the requestor, authoriser and individual processing payments.
- Up to date records of all ICT equipment is retained by the School which is maintained by the IT Manager.
- A physical verification of existing assets is carried out by the School.
- School property loaned out is recorded by the School.
- The Schools safe was locked when not in use as was the petty cash tin and the room in which these were stored.
- The School's backup is carried out internally for all the IT systems daily.
- School meals are provided by an external provider and free meals are appropriately authorised through a check conducted by the Council or obtaining evidence from parents.
- The School maintains adequate segregation of duty between those who process and those who authorise employees' starter, leaver, expenses and overtime forms.
- Personnel files with employee records are held by the Business Manager.
- Payroll transactions are only processed through a payroll system managed by Moore Stephens. The School did not utilise petty cash for payroll transactions.
- The School did not have any significant variances within the sampled Budget Monitoring Reports for expenditure and therefore corrective actions would not have been expected. However, when variances are identified we were informed that these are appropriately scrutinised.

In addition, we identified the following weaknesses in relation to the design of the controls:

- The Governing Body had not established financial limits of delegated authority for expenditure between £15,000 and £60,000. This may result in approval of purchases being undertaken by an inappropriate level of authority. We accept that the School refers to the Scheme for Financing Schools for further guidance and that being a PFI School that expenditure above £15,000 is likely to

be limited; however, the procedures should still be specifically recorded for the School.

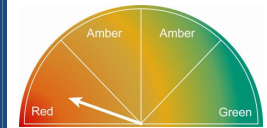
- The School had inconsistencies in the approval limits for petty cash in the Financial Policy and the approved Register of Certifying Officers.
- The Finance Policy did not clarify who was required to approve the Headteacher’s travel expenses or timesheets. Inappropriate claims could potentially be processed if the appropriate level of authority is not obtained.
- The Governing Body has not established who is required to approve disposals within the School. This may result in inappropriately authorised disposals taking place in the School. Again, we noted that the School refers to the Scheme for Financing Schools for further guidance; however, this should be explicitly recorded within their own Finance Policy.

**Application of and compliance with control framework**

We found that a number of controls identified above were not adequately complied with. We identified the following weaknesses during our testing:

- One sampled order for goods/services was made without creating a purchase order and therefore prior approval was not obtained. This may result in the School committing itself to expenditure where funds are not available and value for money may not be demonstrated. Purchase orders were not authorised at the appropriate level in accordance with the Financial Management Manual. Items or services could potentially be purchased that are not required or that the School cannot afford if the appropriate level of approval is not obtained.
- Delivery notes were not signed to confirm receipt of goods or services. This may result in payments being made for invoices where goods or services have not been delivered to the School.
- Records of inventory checks for IT items such as desktops and printers were carried out were not sufficiently evidenced to demonstrate on the record the date each asset was checked. Albeit the electronic register recorded the date it was last updated. If checks are not regularly conducted the School may not be appropriately accounting for items that have been misplaced or have been damaged and require depreciating.

High Risk Recommendation(s):	Management Response	Responsible Officer	Date
<p>Rec 3.1 – High</p> <p>The School should ensure that no orders are made without a pre-approved purchase order (except where urgency requires an oral order then this should be confirmed in writing).</p> <p>Purchase orders should be approved from the appropriate level of authority to ensure segregation of duties as well as adherence to the Financial Policy.</p>	<p>Agreed.</p>	<p>Anne Sheridan, Business Manager</p>	<p>Immediately</p>



## Headline Findings:

### Design of control framework

We identified the following weaknesses in the design of the control framework:

- Arvato were not in possession of any Council approved authorisation requirements for awarding reliefs and exemptions which could result in reliefs being awarded without appropriate approval in which case the Council would be forgoing on further income.
- There was no cyclical check carried out to confirm those claiming relief or exemptions for business rates were still eligible. The Council could miss out on potential income if reliefs are not reviewed appropriately.
- The NNDR team had no dedicated Inspection Officer prior to transfer and There was no Inspection Officer in post at the time of our review to carry out checks to confirm that properties in receipt of business rate exemptions remained empty. This could lead to the Council not receiving appropriate revenue when properties are reoccupied.
- The Arvato shared services inherited out of date valuation lists. This means the Council cannot confirm the accuracy of the data held on the Academy system by undertaking reconciliations between the Valuation Office data to the Academy System data. Properties could be valued inaccurately on the Academy system and subsequently the Council could potentially be forgoing additional income if properties are undervalued.
- No regular aged debt reports had been run to date by management to review the level of debt chasing conducted by employees. Management may fail to identify a lack of debt chasing conducted by staff if this is not regularly reviewed, which could result in debt levels escalating and ultimately financial loss to the council.

There was no clear guidance on outstanding arrears that are considered uneconomical to recover.

We also found that the following controls were designed adequately:

- The Department for Communities and Local Government (DCLG) issued an annual statement detailing the National Non-Domestic Rates (NNDR) multiplier this had been appropriately applied to the Academy System parameters to calculate rateable charges.
- Annual bills for 2012/13 were sent out to rate payers for the forthcoming year on the 9<sup>th</sup> of March 2012.
- Customers are refunded when accounts are closed and produce a credit balance. A letter request is required from the account holder if the refund is to be paid to a different account or under a different name.
- The refunds are to be input on the Academy System by a different person from the one who authorises them therefore maintaining appropriate segregation of duties.
- Refunds are paid via BACS or by cheque by the Accounts department at Airways House.
- Arvato promotes the use of direct debit payments as part of the monthly bills issued to customers
- There is an annual recovery timetable that prompts the sending of reminders, summons, court orders and liability orders.
- The Council processes write offs on an annual basis. A report presented to the Cabinet including £2.013m was approved in February 2012. It should be noted that the Council also has a further £777,853.81 awaiting approval.
- NNDR accounts and related suspense accounts are reconciled on a monthly/quarterly basis. The reconciliations receive a peer review to demonstrate segregation of duty and are reconciled in a timely manner.
- Arvato submitted to the Government the required NNDR1 form for 2012/13 and NNDR3 for 2011/12 forms on behalf of the Council as well as the QRC1-4.
- Arvato reports on monthly Key Performance Indicators (KPIs) to the Council.

### Application of and compliance with control framework

We found that some of the controls identified above were not adequately complied with. We identified the following weaknesses:

- There was no communication within Arvato of the procedure documents send to the Arvato for NNDR at the beginning of the Contract. This could lead to processes not being carried out or

authorised to the Council's requirements.

- Supporting documentation could not be found for some of the applications made for reliefs and exemptions. This could mean insufficient supporting evidence was obtained before awarding reliefs and exemptions. It should be noted that the relief was granted prior to the handover to Arvato.
- Reconciliations between the Academy system and the Valuation Office were not being undertaken prior to handover and as such the valuation lists were not up to date at transfer.

High Risk Recommendation(s):	Management Response	Responsible Officer	Date
<p>Rec 1 – High</p> <p>Procedure documents for Slough Borough Council Business Rates should be created by Arvato to meet the requirements of the Council. These procedures should be reviewed and approved by the Council providing information on how to undertake different Business Rate processes such as:</p> <ul style="list-style-type: none"> <li>▪ Reliefs and Exemptions;</li> <li>▪ Refunds;</li> <li>▪ Valuations; and</li> <li>▪ Debt Management including the authorisation for writing off irrecoverable debts or debts that not an appropriate use of resources to chase.</li> </ul> <p>The guidance should provide guidelines for timeframes to complete tasks.</p> <p>The procedure documents should also include authorisation requirements.</p> <p>The procedure's review dates should be included on the front page of the review dates.</p>	<p>Procedures were in existence; however they have gone missing in the handover to Arvato. The hope is that the existing procedures can be recovered which should fulfil this recommendation.</p> <p>If they cannot be located new procedures will be established based on Arvato procedures which should hopefully require minimal revisions.</p> <p>It has been agreed that the procedures need updating.</p>	<p>Charlie McKenna Head of Revenues &amp; Benefits</p>	<p>March 2013</p>
<p>Rec 3 – High</p> <p>Arvato should create a review timetable to ensure that regular checks are undertaken to confirm continued eligibility to reliefs and exemptions.</p>	<p>To be produced once the system integrity is improved</p>	<p>Charlie McKenna, Head of Revenue and Benefits</p>	<p>December 2012</p>
<p>Rec 4 – High</p> <p>An inspector should be put in place and regularly investigate empty properties and small businesses to ensure that these are still eligible for the reliefs and deductions they receive.</p> <p>An inspection timetable should be created to ensure that all properties in receipt of exemptions are inspected cyclically.</p>	<p>Resource to be identified and allocated to this role</p>	<p>Charlie McKenna, Head of Revenue and Benefits</p>	<p>End of November 2012</p>
<p>Rec 7 – High</p> <p>A regular aged debtor report should be produced and reviewed by management. This review should be signed off to provide a</p>	<p>Head of Revenues and Benefits will raise this with the Business rates Manager to understand what reports can be run</p>	<p>Charlie McKenna, Head of Revenue and Benefits</p>	<p>December 2012</p>

suitable audit trail that the level of debt chasing is appropriate.	and an appropriate frequency for the review.		
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## APPENDIX A - Summary of Progress against the Internal Audit Plan

### 2011/12 Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Purchase Cards (4.11/12)	Draft Report Issued 23 March 2012 – awaiting management comments				
St Anthony's Primary School (7.11/12)	Draft Report Issued 5 April 2012 – awaiting management comments				
VAT (12.11/12)	Draft Report Issued on 9 May 2012 – awaiting management comments				

### Quarters 1 - 3 2012/13 Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Thames Valley – Governance Arrangements (12.12/13)	FINAL	GREEN	0	1	2
Data Image Management (22.12/13)	FINAL	GREEN	0	1	1
Care Home Fee Increase Project – Project Management Arrangements (15.12/13)	FINAL	GREEN	0	0	2
Housing Benefits (20.12/13)	FINAL	GREEN	0	0	3
Multiple housing occupation (7.12/13)	FINAL	AMBER GREEN	0	3	1
Performance Management (1.12/13)	FINAL	AMBER GREEN	0	3	1
Leisure Services (17.12/13)	FINAL	AMBER GREEN	0	2	1
Registered Bed Based Services (5.12/13)	FINAL	AMBER RED	1	0	6
Hire of Council Buildings (16.12/13)	FINAL	AMBER RED	0	4	4
Rent Accounts (21.12/13)	FINAL	AMBER RED	1	2	2
Penn Wood School (14.12/13)	FINAL	AMBER RED	1	2	4
Business Rates (25.12/13)	FINAL	RED	4	4	2
Employee Declaration of Interests (2.12/13)	FINAL	RED	2	4	0
Budget Setting Process (13.12/13)	Draft Report – 18/7/12				
Cash Handling and Management (6.12/13)	Draft Report 28/6/12				
Gold Projects – Project Management	Draft Report 14/8/12				

Arrangements (19.12/13)					
Housing Management Systems (23.12/13)	Draft Report 24/8/12				
Procurement (24.12/13)	Draft Report 24/8/12				
Council Tax (18.12/13)	Draft Report 13/8/12				
Schools Development Budget (3.12/13)	Draft Report 6/6/12				
Willow School (4.12/13)	Draft Report 6/6/12				
Bayliss Court Nursery School (11.12/13)	Draft Report 11/7/12				
Haybrook School (9.12/13)	Draft Report 5/7/12 Revised Draft 31/7/12				
Western House School (8.12/13)	Draft Report 2/7/12				
Parlaunt School (10.12/13)	Draft Report 5/7/12				
James Elliman Primary School (27.12/13)	Draft Report 5/10/12 Revised Draft 22/10/12				
Data Protection Act (29.12/13)	Draft Report 12/10/12				
Children's and Families Assessment Teams (26.12/13)	Draft Report 4/10/12				
Recruitment (28.12/13)	Draft Report 10/10/12				
Contract Management	Draft Report 19/10/12				
Iqra School	Draft Report 19/10/12				
Arbour Vale School	Draft Report 19/10/12				
Block Nursing Contracts	Draft Report 19/10/12				
St Ethleberts School	Fieldwork Completed				
Safeguarding	Fieldwork In Progress				
Tenancy Fraud	Fieldwork In Progress				
FIMISIS/VSFS	Fieldwork In Progress				
General Ledger	Fieldwork In Progress				
Cash and Treasury Management	Fieldwork start 25/10/12				
Capital	Fieldwork start 1/11/12				
Use of Agency	Fieldwork start 9 Nov 2012				
Anti-Social Behaviour	Fieldwork start 6 Nov 2012				
Payroll	Fieldwork start 20 Nov 2012				
Debtors	Fieldwork start 21 Nov 2012				
Business Continuity Arrangements	Fieldwork start 26 Nov 2012				
Creditors	Fieldwork start 4 Dec 2012				

Avarto - Performance Management	Fieldwork start 10 Dec 2012				
St Joseph's School	Fieldwork start 10 Dec 2012				
Demand Management	Postponed to Q4 at the request of Director of Resources				
IT Strategy	TBC				

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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# Certification of claims and returns - annual report

Slough Borough Council

Audit 2011/12



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# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from government departments and other grant-paying bodies and must complete returns providing financial information to governments and departments. My certification work provides assurance to government departments and grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my completed certification work on your 2011/12 claims and returns.**

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where the Audit Commission arranges certification it issues instructions setting out the work auditors must complete before giving their certificate. The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body. Broadly for claims and returns:

- Below £125,000 - I carry out no work.
- From £125,000 and £500,000 - I undertake limited tests to agree form entries to underlying records, but do not test the expenditure or data is eligible.
- Over £500,000 - I plan and perform my work following the certification instruction. I assess your control environment for preparing the claim or return and decide how much I can rely on your controls. Based on my assessment, I tailor my approach to agree form entries to underlying records and test the expenditure or data is eligible.

I cannot tailor my approach for the housing and council tax benefits subsidy claim because the grant paying department has set the level of testing.

Where I agree it is necessary you can amend your claim or return. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you do not comply with scheme terms and conditions.

# Results of 2011/12 certification work undertaken up to the 31 October 2012

This section summarises the results of my 2011/12 certification work undertaken up to 31 October 2012 and highlights the significant issues arising from that work.

Table 1: Summary of 2011/12 certification work undertaken by 31 October 2012

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Was a qualification letter issued?
<b>Housing and council tax benefit scheme:</b> Councils run the government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions towards the cost of benefits.	£86,394	Nil	Qualification letter issued I found minor differences between cells and the need for some reclassification of expenditure between HRA and non HRA. There was no impact on subsidy

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Was a qualification letter issued?
<p><b>Pooling of housing capital receipts:</b> Authorities pay part of a housing capital receipt into a pool run by Communities and Local Government (CLG). Regional housing boards redistribute the receipts to those authorities with the greatest housing needs.</p>	£1,478	Nil	I found no errors on the pooling of housing capital receipts grants claim and certified the claim without qualification.
<p><b>Housing revenue account subsidy:</b> Housing authorities claim housing revenue account subsidy from Communities and Local Government (CLG). Subsidy is payable in line with determinations made under section 80 of the Local Government and Housing Act 1989 to meet any shortfall between expenditure and income on the authority's notional housing revenue account (HRA). Notional housing surpluses are payable, in full, to CLG.</p>	£7,413	Nil	I found no errors on the housing subsidies and grants claim and certified the claim without qualification.
<p><b>National non-domestic rates return:</b> The government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the government.</p>	£89,693	Nil	Qualification letter issued The Council had not been able to reconcile its Valuation Officer listings to its rents system. At 31 January 2012 the VO listing total showed £436,026 more than the rents system. The lower figure has been used in the claim.
<p><b>Teachers' pensions return:</b> The Department of Work and Pensions requires me to check the return for the teachers' pension scheme, which runs separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government</p>	£7,841	Nil	I found no errors on the teachers pension return and certified the claim without qualification.

# Summary of recommendations

## This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

In my report last year I recommended that in future each claim produced by the Council should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit. This recommendation has not been implemented and additional difficulties were encountered this year due to staff turnover and an absence of central co-ordination. The outcome was that my team took longer to complete some claims and at greater cost than should have been the case.

Table 2: Summary of recommendations arising from 2011/12 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit	High	Agreed – to build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis	2012/13	Mark Taylor – Assistant Director of Finance
Claims and returns should be centrally monitored to ensure compliance with grant conditions, deadlines and quality standards.	High	Agreed – to build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis	2012/13	Mark Taylor – Assistant Director of Finance

# Summary of certification fees

Details of fees arising from 2011/12 certification work complete as at the 31 October 2012 and the reasons for any significant changes in the level of fees from 2010/11 is provided below.

The key changes in fee are as follows.

Table 3: Significant changes in fees

Claim or return	2011/12 fee £	2010/11 fee £	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	26,927	25,239	Less than 10%
Pooling of housing capital receipts	674	512	Results of initial testing required more follow up
Housing revenue account subsidy	3,771	3,381	Less than 10%
National non-domestic rates return	3,071	3,761	Greater reliance on other external audit work
Teachers' pensions return	2,453	2,398	Less than 10%
<b>Total</b>	<b>36,836</b>	<b>35,291</b>	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.





**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit Committee **DATE:** 8<sup>th</sup> November 2012

**CONTACT OFFICER:** Phil Brown- Senior Risk And Insurance Officer

**(For all enquiries)** (01753) 875673

**WARD(S):** All

**PART I**  
**FOR COMMENT AND CONSIDERATION**

**RISK MANAGEMENT**

**Introduction**

This report is to:

- Provide the Audit Committee with the opportunity to discuss the Corporate Risk Register.
- Receive Updates from The Risk Management Group
- Request that the Update Risk Management Strategy is adopted by the Audit Committee

**Corporate Risk Register**

Attached at Appendix 1 is a copy of the Corporate Risk Register that was reviewed by CMT on the 19<sup>th</sup> September 2012

**Risk Management Group Update**

The last meeting of Risk Management Group was the 6<sup>th</sup> November 2012

It is proposed that the Term of Reference of the Risk Management Group's are amended so that departmental risk registers are quality assured on a rolling basis.

**Amended Risk Management Strategy**

Attached at Appendix 2 is a copy of the Risk Management Strategy that was agreed by CMT on the 19<sup>th</sup> September 2012. This has been prepared following the recommendations made in the RSM Tenon Risk Maturity report that was produced earlier in the year.

It was agreed at the Risk management Group that the Risk management Scoring Matrix should move away from the traditional 3x3 to a more sophisticated 5x5 method.

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p><b>ORG0020 - Delivery of Change</b> Managing a mixed economy workforce, utilising a suite of contractual relationships internal, external temporary and permanent. Anticipating areas of service change and acting early to minimise compulsory redundancy.</p> <p>Significant risk associated with business failure of major supplier</p>	Medium 2	Medium 2	Medium 4	<ul style="list-style-type: none"> <li><b>Workforce Planning</b> Investigation into the business needs of the organisation and to reflect the right balance a mixed economy employer</li> <li>Significant criteria within all tender processes relating to financial robustness of provider <i>In Progress</i> (30% complete)</li> <li><b>Flexible working, Business continuity arrangements procurement processes</b> <i>In Progress</i> (30% complete)</li> </ul>	Jaki Salisbury		Medium 2	Low 1	Low 2
<p><b>ORG0021 - Economic climate</b> Continued Economic Instability and Turbulence at a national level.</p> <p>Comprehensive Spending Review Reduction in Income of £25million to the Council over next 4 years Reduction of service provision and services Risk of insolvency of key suppliers Risk of reducing third party capacity that increases costs to the Council</p> <p>Financial pressure on partner agencies</p>	Medium 2	Medium 2	Medium 4	<ul style="list-style-type: none"> <li><b>Budget monitoring</b> Monitoring of savings secured in current year. Management of General Reserves to retain suitable levels Monthly budget reports 4 year MTFS <i>Implemented</i></li> </ul>	CMTMembers		Low 1	Low 1	Low 1

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>particularly the voluntary sector</p> <p>The Localism bill will accelerate the externalisation of services.</p> <p>Other external effects of the change in the Economic Climate may increase the risk of incidents of violent extremism</p>				<ul style="list-style-type: none"> <li>• <b>Liaison with Suppliers/Partners</b> Working with partners to minimise effects Maintain dialogue with key suppliers to enable early intervention should the need arise. <i>In Progress (60% complete)</i></li> <li>• <b>Transformation Programmes</b> Transformation programmes for services to reduce costs and improve service delivery <i>In Progress (0% complete)</i></li> <li>• <b>Commissioning</b> Commission services from the voluntary sector where practicable <i>In Progress (50% complete)</i></li> <li>• <b>Localism Bill</b> Awareness of localism bill due to be law in November 2011 and implications <i>Proposed (0% complete)</i></li> </ul>	<p>CMTMember s</p> <p>CMTMember s</p> <p>CMTMember s</p> <p>CMTMember s</p>				

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p><b>ORG0022 - Delivery of Change Partnerships and Governance arrangements</b> Relationships with major partners needs to be managed</p> <p>There is a need for SBC to understand it's own risks as well as those of the Partnership</p> <p>Localism Bill due to be passed in November 2011 will encourage a mixed economy approach to local service provision accountability and governance key aspects.</p>	Medium 2	Medium 2	Medium 4	<ul style="list-style-type: none"> <li><b>Partnership Governance</b> Preparation of Partnership Governance Toolkit including risk management. Review of current partnerships to ensure that those no longer aligned to Council's priorities are reconstituted, merged or ceased altogether. Partnership registers to be developed. New partnerships to be approved by the corporate management team and all formal partnership arrangements to be approved by cabinet. Review of voluntary sector commitments and outputs to ensure VFM and Council priorities are met Business continuity plans to be in place to cover partnerships providing critical activities. Requirement for joint partnership risk register and management of risks to be identified as part of partnership agreement. Performance management and reviews processes to be established to review and evaluate partnerships. Key partnerships and</li> </ul>	Ruth Bagley		Low 1	Medium 2	Low 2

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p><b>ORG0023 - In House Commitment</b> Risk Management</p> <p>Failure to manage risks in accordance with the BSI Standard for Risk management or to follow leading practice in place at other local authorities</p> <p>Failure to integrate and embed risk management within the culture of the Council</p> <p>Need for top down and bottom up with both a strategic risk register;</p>	Medium 2	Medium 2	Medium 4	<ul style="list-style-type: none"> <li>risks to be reported to corporate management team and cabinet. <i>In Progress (50% complete)</i></li> <li> <b>Training</b> Annual training and development programme to be developed for officers and members. <i>In Progress (0% complete)</i> </li> <li> <b>Review of LSP's</b> Review of Local Strategic Partnerships to meet localism bill as appropriate <i>Approved (0% complete)</i> </li> <li> <b>Strategy Policy &amp; Procedures</b> Production of a risk framework, strategy and policy for corporate management team review and then Audit Committee. <i>Implemented</i> </li> </ul>	Ruth Bagley  Ruth Bagley		Low 1	Medium 2	Low 2

# Risk Assessment Form

Organisation/Department/Function/Project: Slough Borough Council

Manager: Ruth Bagley, Chief Executive

Date: 23 October, 2012

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
operational, project and partnership risk registers in all areas of the council.				<ul style="list-style-type: none"> <li>• <b>Training</b> Provision of online risk management training for all staff Risk Management workshops to be rolled out to all senior management teams to update and improve operational risk registers <i>In Progress</i></li> <li>• <b>Risk Registers</b> Production of a strategic risk register with corporate management team Review of strategic and operational risk registers by corporate management team <i>In Progress (60% complete)</i></li> </ul>	CMTMembers   CMTMembers				

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<b>ORG0024 - Business Continuity Risk</b> Business Continuity There is no Business Continuity Management within the Council Loss of reputation Loss of performance Failure of Council and partners to provide services	High 3	Medium 2	High 6	<ul style="list-style-type: none"> <li><b>Business Continuity Management</b>                              Business continuity planning to be updated in line with new structures Officer with specific responsibility to be appointed as responsible for maintaining and updating the Councils policies and procedures                              Further awareness training for officers on business continuity and there input to it.                              Review of suppliers business continuity plans to ensure continuity of supply                              In Progress (10% complete)</li> </ul>	CMTMembers		Medium 2	Low 1	Low 2
<b>ORG0025 - Failure in Procurement</b> Procurement Processes - Linked with Localism Bill Reputational damage to Council if processes are not fair and transparent Failure to achieve best value. Fear of challenge from unsuccessful tenderers. Increased activity within Departments with regard to Procurement due to the	Medium 2	Medium 2	Medium 4	<ul style="list-style-type: none"> <li><b>Policy and Procedures</b>                              Updating of Procurement Strategy and Code of Practice                              Development of Central Contracts Register                              Tender procedures to be refreshed                              Revision of supporting documentation and procedures for exemptions                              In Progress (75% complete)</li> </ul>	CMTMembers		Medium 2	Low 1	Low 2



# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
changing economic climate and the introduction of the Localism Bill				<ul style="list-style-type: none"> <li><b>Training</b> Further training programme for officers <i>In Progress (20% complete)</i></li> <li><b>Business Continuity Planning</b> Assess ability of key suppliers to whether current economic climate and possible implications for SBC services if such suppliers encounter financial difficulties <i>Approved (20% complete)</i></li> </ul>	CMTMembers  CMTMembers				

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Objective **To safeguard the young and vulnerable**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p><b>ORG0019 - Safe Guarding</b>                      The recent Ofsted report has judged the safeguarding services and safeguarding outcomes for children and young people as inadequate and 4 of the 10 areas in outcomes as inadequate                      Failure to safeguard children                      Reputational risk to the Council                      Failure to identify high risk / problem areas prior to inspection                      Statutory requirements not being met.</p>	High 3	High 3	High 9	<ul style="list-style-type: none"> <li><b>Production and Delivery of Recovery Plan</b>                              Produce Recovery Plan to address findings particularly to improve.                              Quality Assurance arrangements.                              Management overview                              Challenge on casework                              Quality of risk assessment.                              Provision of resources to address issues                              Undertake comprehensive audit of children on threshold of risk or subject to child protection plan.                              Ensure assessments, agreements and need plans are reviewed and updated and updated on a timely basis.  <i>In Progress (0% complete)</i></li> </ul>	Jane Wood		High 3	Low 1	Medium 3

# Risk Assessment Form

Organisation/Department/Function/Project: **Slough Borough Council**

Objective **To safeguard the young and vulnerable**

Manager: **Ruth Bagley, Chief Executive**

Date: **23 October, 2012**

Risk (Threat to achievement of business objective)	Assessment of Current Risk (Assume CURRENT controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Controlled Risk (With controls in place)			
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating	
				<ul style="list-style-type: none"> <li><b>Communication</b> Ensure that safeguarding priorities are clearly agreed and understood between the Council and the Strategic Children's Partnership Board and reflected in the Children and Young People's Plan <i>In Progress (0% complete)</i></li> </ul>	Jane Wood					

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# Risk Management Strategy

2012/13

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## Introduction

The Risk Management Strategy now includes the Risk Management Policy

The Risk Management Strategy will assist and direct the in the management of its risks. Many of the risks facing the Council are known but some are not. The implementation of the Risk Management Strategy will assist the Council in:

- Reducing risks
- Maximizing opportunities
- Improving the effectiveness of our partnerships
- Enhance our procurement processes
- Support the delivery of the council's Gold Projects.

## ***Benefits of Risk Management***

Effective risk management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole, e.g.

- **Improved Strategic Management**
  - Greater ability to deliver against objectives and targets
  - A sound system of corporate governance
  - Confidence in the rigour of the Annual Governance Statement
  - More likely that new developments can be delivered on time and on budget
  - Delivery of innovative projects
- **Improved Operational Management**
  - Reduction in interruptions to service delivery
  - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
  - Improved health & safety of those employed, and those affected, by the Council's undertaking
  - Improved prevention of fraud, bribery and corruption
  - Allows managers to focus on issues that really matter
  - Delivery of change management and organisational change
- **Improved Financial Management**
  - Better informed financial decision-making
  - Enhanced financial control
  - Reduction in financial costs associated with losses due to service interruption, litigation, etc.
  - Reduction in insurance premiums and claim related costs

- **Improved Customer Service**  
Minimal service disruption to customers  
Protection of reputation and reduced risk of misinterpretation by media

## **Objectives**

Below are the risk management objectives.

Objectives:

- Embed a risk management ethos throughout the Council that ensures the regular and systematic identification, prioritizing, treatment and monitoring of risks.
- The production of strategic and departmental risk registers that highlight the key risks facing the council that informs and inform the annual audit plan.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Raise awareness of the need for risk management by all those connected with the Council's delivery of service

These objectives will be achieved by:

- Defining roles, responsibilities, and reporting lines.
- Including risk management issues when writing Cabinet reports
- Maintaining registers of risks
- Holding regular meetings of the Risk Management group that involves Senior Managers.
- Provide appropriate training to all members of staff

## **Guide for Identification, Prioritizing, and Management of Risk**

To ensure the systematic management of risks it is recommended that risks are recorded and communicated. This is done by completing a risk register.

There are four steps to completing a risk register. These are:

1. Gather together the appropriate group of people
2. Use pre-determined risk categories



3. Collate and describe a list of risks and score, decide upon further risk control measures, responsibility for implementing the control measures and by when
4. Maintain risk register of JCAD Risk and review regularly

**Step 1 - Gather together the appropriate group of people**

Each Risk register will require a different group of people to be gathered.

- Strategic Risk Register - Corporate Management Team  
Concerned with the corporate vision, gold projects.
- Service Risk Registers – Assistant Director and Management Team  
Concerned with operational effectiveness
- Project Risk Registers  
Concerned with the effective and efficient outcome of a project

**Step 2 - Use pre-determined risk categories to prompt discussion**

***Different Types of Risk***

There are different categories of risk that we to consider when identifying risks and these should act as a prompt for those involved in the process.

**Strategic Risks** are the high level risks that affect the organisation as a whole. Strategic risks should be measured and monitored by the Corporate Management Team on a specific strategic risk register.

Type of Risk	Possible Outcome
Political	Linked to the possible failure to deliver Council objectives or Central Government policy.
Economic	Affecting the ability of the Council to achieve its commitments.
Social	Relating to the Council’s ability to meet the effects of changes in demographic, residential or socio-economic trends.
Technological	The ability to identify technological changes and using technology to meet changing demands

Legislative/regulatory	The ability to meet the legislative demands affecting the Council.
Environmental	Relating to the environmental impact of the Councils service delivery

**Operational Risks** are those risks that could prevent achievement of operational objectives, as stated in service and project plans. Only those risks that are of a concern need to be recording and monitoring. However these should include contingency and disaster recovery plans. Possible examples are:

Type of Risk	Possible Outcome
Managerial/professional	Associate with the professional competency of Council staff and the recruitment and retention of staff
Financial	Associated with the financial resources and related controls.
Legal	Relating to potential breaches of legislation
Physical	Related to physical damage, security, accident prevention and Health and Safety
Partnership/contractual	Related to the failure of the Council's partners/contractors to deliver goods and services to the agreed cost and specification.
Technological	Associated with reliance on operational equipment
Environmental	Related to pollution, noise energy efficiency and community safety.
Customer/citizen	Related with the ability to engage all our customers and the identification of their changing needs and related issues of equality

**Step 3 – Collate and describe a list of risks and score, decide upon further risk control measures, responsibility for implementing the control measures and by when**

When describing a risk ensure that the description states the risk – not an outcome. E.g. Loss of staff is an outcome of a risk – Swine flu leading to loss of staff is a risk

## Appendix 2

## Risk Management Strategy

Once a draft list of risks has been identified the same/similar need to be grouped together this ensures that the risk register is focused and not too unwieldy.

The final lists of risks require to be scored in a consistent manner. The scoring system is based upon a 5 x 5 matrix

<b>Probability</b>	Almost Certain > 95%	5	10	15	20	25
	Highly likely > 75%	4	8	12	16	20
	Likely > 40%	3	6	9	12	15
	Possible > 10%	2	4	6	8	10
	Rare < 10%	1	2	3	4	5
		Negligible	Slight	Moderate	Critical	Catastrophic
<b>Impact</b>						

The descriptors for both "Probability" and "Impact" are shown below

### Probability

Category	Description
Almost Certain > 95%	Has happened in the past 6 months; or Is expected to happen in the next 6 months More than 95% probability
Highly likely > 75%	Has happened in the past 6 months to 2.5 years Is expected to happen in the next 6 months to 2.5 years Between 75% to 95% probability
Likely > 40%	Has not happened in the past 2.5 to 6 years Is not expected to happen in the next 2.5 to 6 years Between 40% to 75% probability
Possible > 10%	Has not happened in the past 6 to 10 years Is not expected to happen in the next 6 to 10 years Between 10% to 40% probability
Rare < 10%	Has not happened in the past 10 years or more; or Is not expected to happen in the next 10 years or more Between 1% to 10% probability

**Impact**

Category	Description
Catastrophic	Death of client/service user/ staff member Financial impact in excess of £1m requiring virement or additional funds Loss of Service for more than 5 days
Critical	Extensive, permanent//long term injury Financial impact between £500,000 and £1m requiring virement or additional funds Loss of service for 3 to 5 days
Moderate	Mild injury Financial impact between £250,000 and £500,000 requiring virement or additional funds Loss of Service 2- 3 days
Slight	Minor injury Financial impact between £50,000 and £250,000 requiring virement or additional funds Loss of Service 1-2 days
Negligible	No injury but incident Financial impact between £50,000 and £250,000 requiring virement or additional funds Loss of Service less than 1 day

**Assessment of Risks**

It is important to recognize that risks are assessed twice. Risks are assessed on the basis that there are no controls in place. This is known as the **Current Risk**.

The risk is then considered again considering what controls are in place or are proposed and assessed again. This is known as the **Controlled Risk**.

Where an action or course of actions have been decided upon to mitigate the effect of a risk then an officer needs to be identified so assume responsibility for ensuring that the control measure or measures are completed.

Risks should be mitigated to a level where **Controlled Risk** is at or below the **Risk Appetite**. The **Risk Appetite** is the maximum amount of risk that the organization does not wish to go beyond.

### ***Ways to Mitigate Risks***

The vast majority of risks can be mitigated in some way or other but most risks cannot be eliminated altogether and risk management is about determining what level of risk is acceptable.

There are four basic responses to the mitigation of risk. These are:

- Transfer
- Control
- Terminate
- Tolerate

Response	
Transfer	Some risks can be transferred – legal liability can be transferred to an insurer, or service delivery can be transferred to a third party provider.
Control	Some risks will require additional control measures to reduce their probability or impact.
Terminate	Some activities present risks that are so disproportionate to the benefits derived from carrying out that activity that consideration should be given to terminating the activity – it should be noted that this is not always possible.
Tolerate	This response is acceptable if The risk is already managed to its lowest level of impact and/or probability

### ***Control Measures***

Control measures are the actions taken to “mitigate” the probability and impact of a risk

Control measures can take many guises and below is a list of control measures and how they mitigate a risk.

Control Measure	How it Mitigates
Project Plan	The discipline of completing and maintaining a project plan is a good way of identifying and planning the management of issues that may arise.
Monitoring	This can take the form of a 121, appraisal, service meeting with a contractor or provider. Monitoring to a set of defined

	performance indicators helps ensure that actions are performed to a prescribed level in a timely manner.
Reporting	Regular reporting of performance to senior officer/ member groups encourages the completion of actions especially reports that highlight non-performance.
Auditing	This ensures the veracity of claims that actions are in progress or have been completed.
Action	Action proposed to mitigate a risk. These, when completed should affect the probability and/or impact of a risk.

### ***Risk Registers and Their Maintenance***

Below is a list of the information that is contained with a risk register and Appendix 1 is an example of a risk register.

- Reference Number
- Risk including possible outcomes and the risk appetite is explicitly expressed.
- Assessment of current probability
- Assessment of current impact
- Current risk assessment score
- Control measures
- Officer responsible
- Assessment of controlled probability
- Assessment of controlled impact
- Controlled risk assessment score.

The risk registers are maintained on the JCAD Risk system.

## How Risk Management in Slough Borough Council is organised.

The next section deal with how risk management is organised in Slough Borough Council. This includes:

- Roles and Responsibilities
- Training
- Pyramid of Risk Registers
- Terminology

### ***Roles & Responsibilities***

To help ensure that the risk management is embedded in the day to day function of all staff

Officer/Group	Responsibility	Frequency
Audit & Risk Committee	Refer to Terms of reference	Every Three months
Corporate Management Team.	Update Strategic Risk Register.	Every six months
	Undergo relevant training	As and when
Asst. Directors	Update Risk Register	Every three months
	Discuss risk at departmental meetings	Standing Item on CMT agenda every month
	Undergo relevant training	As and when
	Cascade risks down to individual teams	Standing Item on Team Meeting Agendas. At 1 2 1 supervision meetings monthly As part of PDA process annually
Team Leaders	Report and advise Asst. Director of any emerging risks	Standing Item on Team Meeting Agendas.

Officer/Group	Responsibility	Frequency
		At 1 2 1 supervision meetings monthly  As part of PDA process annually
	Undergo relevant training	As and when
All other staff	Bring risk issues to the attention of their manager.  Undertake relevant training	On-going
Risk Management Group	Refer to Terms of Reference	Every Three Months
Risk & Insurance Officer	Maintain and facilitate updating of Risk registers	On-going
	Produce overview of departmental risks for Directors	Every Three Months
	Organise Risk Management Training	On-going
	Review and update Risk Management Policy	Annually

### ***Training***

The Council has launched an on-line training package to show all staff the basics of risk management. The course includes a short test and the results are recorded although not published.

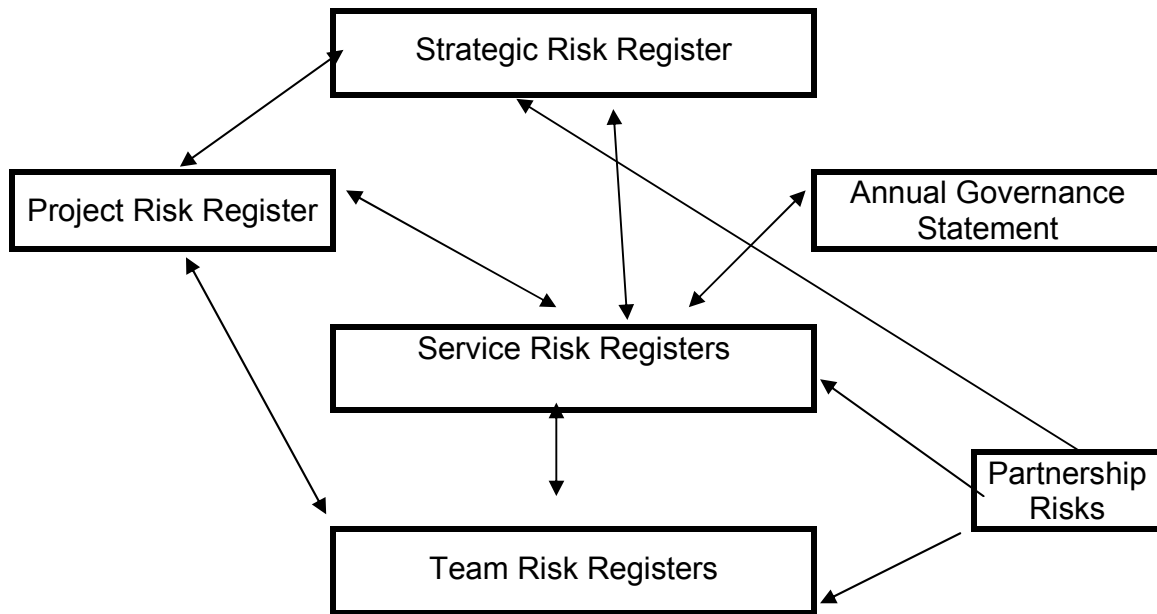
[www.meritec.co.uk/FoRM](http://www.meritec.co.uk/FoRM) password is **SBCUser**

Other more focused training will be arranged and delivered throughout the year.



**Risk Registers**

Below is a diagram that shows the links between the various risk registers and other elements that feed into the risk registers



**Definitions**

To ensure that risk management is embedded into the organisation. Below is a list of terms with definitions.

*Risk Register* – A document that contains details of a risk, current risk assessment, controlled risk assessment, proposed control measures and responsible officer

*Probability* – Also known as Likelihood – is the estimated chance of a risk transpiring.

*Impact* – The estimated severity of a risk transpiring

## **Risk Management Improvements**

Below are the planned improvements to the risk management strategy over the coming 24 months.

- Move from the current 3x3 scoring matrix to a more sophisticated 5x5 matrix as described above
- The JCAD risk management system is upgraded to a web based system hosted by JC Applications.
- Once the system has been upgraded guidance notes will be issued on how to use the upgraded system
- Each departmental risk register will be quality assured by the Risk Management Group on a rolling basis.

## **Appendix**

- Risk & Audit Committee Terms of Reference
- Risk Management Group Terms of Reference

***Appendix 1 Audit and Risk Committee – Terms of Reference*****ARTICLE 10 – AUDIT AND RISK COMMITTEE**

The Council will appoint an Audit and Risk Committee

**1. Statement of Purpose**

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

**Terms of Reference**

2. Within the Terms of Reference of the Committee it will be
  - a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility.
  - b. the member forum for internal audit matters,
  - c. a key element of the internal control framework for the Council and take responsibility for the Annual Governance Statement,
  - d. be the member forum for risk management matters,
  - e. be the member forum for corporate governance matters.

**General Role/Membership**

3. The Committee is advisory and therefore not subject to the provisions of the local Government Access to Information Act 1985.
4. The Committee will comprise 7 people (6 Councillors on a proportional basis, and one co-opted member from outside the Council with suitable experience). The quorum for the Committee is three members.
5. That Committee will meet four or more times per year.
6. In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

**Specific Functions**

7. The Committee's specific functions shall include but not be limited to
- (a) External Audit
    - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
    - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
    - To consider and comment on any plans of the external auditors
    - To comment on the scope and depth of the external audit work and to ensure it gives value for money
    - To consider any other reports by the external auditors
    - To liaise with the appointed body over the appointment of the Council's external auditor
  - (b) Internal Audit
    - To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
    - To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
    - To consider and approve the annual Internal Audit plan, ensuring that there is sufficient and appropriate coverage
    - To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
    - To contribute to the annual audit plan
    - To comment on the scope and depth of the internal audit work and to ensure it gives value for money
    - To consider any other reports the Chief Internal Auditor may make to the Panel.
  - (c) Internal Control
    - To recommend the adoption of the Annual Governance Statement to the Council
    - To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.
  - (d) Risk Management
    - To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
    - To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
    - To review the Council's risk register

(e) Governance

- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by internal or external audit.
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy

(f) Other

- To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
- To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
- To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.

8. The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Strategic Director of Resources, Housing and Regeneration for Cabinet.

9. The Terms of Reference shall be reviewed annually.

***Appendix 2 Risk Management Group Terms of Reference***

A Risk Management Group has been set up by the Council to represent the view and interests of all departments in developing and maintaining a corporate approach to risk management issues.

**Aims**

The aims of the Corporate Risk Management Group are to:

- Act as a forum to report on the progress made in mitigating risk as per departmental risk registers Departmental Risk Registers.
- Provide challenge on the risks and mitigating measures identified.
- Identify and agree suitable risk management training methods for both members and officers.
- Consider relevant recommendations emanating from inspections, reviews etc so that concerns are adequately reflected in risk registers.
- Publish departmental risk registers on the intranet
- examine and comment on the business continuity plans of departments and key suppliers
- Review Corporate Risk Register every 6 months

**Membership**

The meetings will be chaired by The Risk and Insurance Officer and will consist of:

- An Assistant Director from each department
- A member Internal Audit

**Meetings**

Meetings will be held quarterly and the Minutes from the meetings will be circulated to CMT.

All matters discussed and papers submitted for the meeting including Minutes of previous meetings must be treated as confidential

**CORPORATE INVESTIGATIONS TEAM REPORT SUMMARY FOR THE PERIOD 1/4**  
**- 30/9/12**

**Investigations:**

Investigations brought forward from 2011/12	100
New Investigations during the period	74
Closed investigations during the period	<u>82</u>
Current Investigations (14 cases within the court system)	92

Current live Investigation break down (cases currently going through the court process):

Blue badge	1 (1)
Housing & C/Tax benefit allegations	73 (16)
Housing allegation (sub-letting)	14
Housing allegation (housing register fraud)	1 (1)
Housing allegation (HMO)	1
Housing allegation (Right to buy)	1
Internal allegation – Procurement	<u>1</u>
	92

Closure breakdown:

Court conviction - complete	7
Ad Pen	6
Caution	4
No further Action – overpayment generated	4
No further action – not substantiated	<u>61</u>
	82

**Financial Investigations:**

Investigations brought forward from 2011/12	21
New Investigations during the period	3
Closed investigations during the period	<u>2</u>
	22

Live confiscation case within the court system	4
Charging orders applied	2
Waiting settlement	2
Predicate offence before the court	6
Investigation of predicate offence in hand, proceedings not instigated to date.	7
Transfer to SOCA	<u>1</u>
	22

Closure breakdown:

No further action – not proceeded with by prosecuting dept	1
Conviction obtained – but no available assets	<u>1</u>
	2

**Investigations recoveries:**

Confiscation:	£68,130.73
Overpayment:	£122,409.10
Ad-Pens:	£18170.80
Costs:	<u>£3,500.00</u>
Total:	£248,646.09

Right to buy withdrawn	2
Council properties recovered	3

CONTACT OFFICER: Christopher Lamsdell, Head Of Corporate Fraud And Risk  
Assessment (01753) 875696



**MEMBERS' ATTENDANCE RECORD 2012/2013**

**AUDIT AND RISK COMMITTEE**

<b>COUNCILLOR</b>	<b>13/06</b>	<b>24/09</b>	<b>08/11</b>	<b>04/03</b>
Abe	P	Ab		
Brooker	P	P		
Chohan	Ap	Ap		
A S Dhaliwal	P	Ap		
Dhillon	P	P		
Nazir	P	P		

P = Present for whole meeting  
Ap = Apologies given

P\* = Present for part of meeting  
Ab = Absent, no apologies given

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