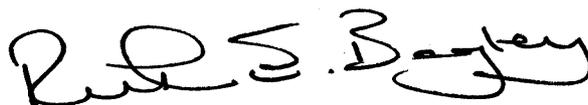


Date of issue: 17th June, 2013

MEETING:	AUDIT AND RISK COMMITTEE (Councillors Nazir (Chair), Abe, Bal, Chohan, S K Dhaliwal and Sharif)
	CO-OPTED INDEPENDENT MEMBERS Mr Ajay Kwatra
DATE AND TIME:	TUESDAY, 25TH JUNE, 2013 AT 6.30 PM
VENUE:	MEETING ROOM 5, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	NICHOLAS PONTONE 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

AGENDA

PART I

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

Apologies for absence.



sustainable
forest

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

- | | | | |
|----|--|---------|-----|
| 1. | Declarations of Interest | | |
| | <p><i>All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.</i></p> <p><i>The Chair will ask Members to confirm that they do not have a declarable interest.</i></p> <p><i>All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.</i></p> | | |
| 2. | Minutes of the last meeting held on 25th March 2013 | 1 - 4 | |
| 3. | Audit & Risk Management Update - Quarter 4 2012/13 | 5 - 54 | All |
| 4. | Annual Governance Statement | 55 - 78 | All |
| 5. | External Audit Planning Letter 2013-14 | 79 - 86 | All |
| 6. | Members Attendance Record | 87 - 88 | |
| 7. | Date of Next Meeting - 19th September 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, 25th March, 2013.

Present:- Councillors Nazir (Chair), Abe, Brooker, Chohan, A S Dhaliwal and Mr Kwatra

Apologies for Absence:- None received.

PART 1

28. Declarations of Interest

There were no declarations of interest.

29. Minutes of the last meeting held on 8th November 2012

Resolved –

That the minutes of the meeting held on 8th November 2012 be approved as a correct record.

Matters arising

Attendance - a Member queried the procedure for recording the attendance of Members who arrived after the start of the meeting. The Democratic Services Officer stated that the way in which Members attendance was recorded and reported was standard across all meetings of the Council and its committees.

30. Internal Audit Progress Report

The Head of Internal Audit presented the Internal Audit Progress Report which set out the progress made against the internal audit plan of 2012/13.

Members were informed that 19 audit reports had been finalised since the last meeting in November 2012 and the report set out the high priority recommendations relating to these audits. Good progress had been made overall with 15 of the 19 receiving positive assurance opinions with the remaining 4 receiving negative opinions. The report summarised all of the audit reports conducted in 2012/13 including the opinion and number of recommendations. It was noted that all of the finalised reports had been agreed with management and named officers had been designated responsibility to complete the agreed actions.

The Committee considered the key findings on the audit assignments completed since the previous meeting, and gave particular attention to those reports rated negative i.e. Contract Management – block nursing and Safeguarding – Risk Assessment. The discussion can be summarised as follows:

- Safeguarding Risk Assessment – Members considered the existing risk assessment procedures, staff turnover, the statutory obligations and the implications of weaknesses in assessing risk. The Head of Internal Audit confirmed that the review had been focused on compliance with the procedures, and particularly the use of Risk Assessment Matrix forms, not any potential risk to children which was outside the scope of the review. Members noted the high risk recommendations and emphasised the importance of tracking the actions to ensure the appropriate measures were implemented.
- Recruitment – a Member expressed concern about the compliance issues regarding the retention of evidence justifying recruitment decisions which had contributed high risk recommendation 3. The Assistant Internal Audit Manager stated that management had been debriefed on the findings and it was their role to investigate any individual cases as appropriate. It was agreed that Internal Audit would clarify the action taken in response to this matter and report back to the Committee. A Member asked whether the Councils probation procedures for newly recruited staff had formed part of the review. The Head of Internal Audit stated that it wasn't in the scope of the review but that this could be followed up in a future audit of either the appraisal or personal development procedures.
- Action tracking – a new system was being put in place to track and monitor the management action taken to address recommendations. It was agreed that the Committee would be kept up to date to ensure they were confident that that issues identified in audits had been addressed.

Resolved - (a) That the report be noted.

(b) That Members be updated on the progress of implementing recommendations in future meetings by reports presented by management. Internal Audit will also carry out some independent testing throughout the year and report back to the committee.

31. Annual Internal Audit Plan

The Head of Internal Audit presented a report proposing the Internal Audit Strategy for 2013/14 to 2014/15. The Strategy had been informed by the Councils risk management process and developed following consultation with senior management from across the authority to identify internal audit needs.

Members considered a range of issues relating to the Strategy, in particular the potential risk to Council Tax revenue arising from the reform of Council Tax benefits. It was noted that Council Tax was included as a core area for review as part of the Council's financial controls and the issue was also included in the External Audit Plan. The Assistant Director of Finance and

Audit also confirmed that officers would be closely monitoring the impact as an important part of revenue against budget.

A Member asked for clarification of the audit arrangements for the Local Asset Backed Vehicle (LABV). It was confirmed that this would be considered by the External Auditors and therefore it did not form part of the Internal Audit Plan for 2013/14.

Resolved – That the Internal Audit Strategy 2013/14 to 2014/15 be approved.

32. External Audit Plan

Mr Grant and Ms Combrinck from the Council's external auditors, PKF, presented the External Audit Plan for the year ending 31 March 2013.

Members were informed of the scope of the audit, fees and the procedures that PKF would adopt. It was noted that the following areas of activity would be included in the external audit plan:

- The use of resources and particularly the implementation of the Medium Term Financial Strategy.
- The development of the LABV including the governance arrangements and the Council's exposure to risk.
- The Council's new public health responsibilities and operation of the new Slough Wellbeing Board.
- The localisation of Council Tax support.

In response to a question from a Member it was confirmed by the external auditors that a level of materiality had been established.

Resolved – That the External Audit Plan be approved.

33. Risk Management

The Senior Risk and Insurance Officer reviewed a report setting out the Risk Management Strategy for 2013/14.

The Committee were informed that the four main actions arising from the Risk Management Strategy adopted in November 2012 had already been completed and therefore a new and more challenging strategy for 2013/14 was being developed. It was noted that RSM Tenon, the Council's Internal Auditors, would assist the authority in developing this strategy for 2013/14 and that this review would be completed by 31st April 2013. A number of initial actions to improve the quality and utilisation of the Risk Registers had already been identified.

Resolved – That the Risk Management Strategy report be noted.

Audit and Risk Committee - 25.03.13

34. Members Attendance Record

Resolved – That the report be noted.

35. Date of Next Meeting - 25th June 2013

Resolved – That the date of the next meeting be Tuesday, 25th June 2013.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.30 pm)

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 25th June 2013

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368

WARD(S): All

PORTFOLIO: Cllr. Rob Anderson; Commissioner of Finance and Strategy

PART I

AUDIT & RISK MANAGEMENT UPDATE – QUARTER 4 2012-13

1 **Purpose of Report**

The purpose of this report is to:

- Present the Head of Internal Audit Opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements during 2012-13
- Report to members on the Quarter 4 progress against the 2012/13 Internal Audit Plan
- Report to members on the progress of the implementation of Internal Audit recommendations
- Advise the Audit & Risk Committee on the progress made against the recommendations made by the previous External Auditors in their Annual Governance Report presented in September 2012

2 **Recommendation(s)/Proposed Action**

That Audit & Risk Committee is requested to comment on and note the reports

3 **Slough Wellbeing Strategy Priorities**

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Slough Wellbeing Strategy Priorities

Priorities:

- *Economy and Skills*
- *Health and Wellbeing*
- *Regeneration and Environment*
- *Housing*
- *Safer Communities*

4 **Other Implications**

(a) Financial

There are no financial implications of proposed actions

(b) Risk Management

This report concerns risk management across the Council

(c) Human Rights Act and Other Legal Implications

n/a

(d) Equalities Impact Assessment

There is no identified need for an EIA

5 **Supporting Information**

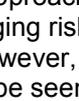
5.1 **Overview**

- 5.1.1 The documents attached to this report all concern the Internal Control and Governance framework for the Council. Contained within each of these reports are various assessments of internal control and risk from different internal and external assessments.
- 5.1.2 Overall, the Council's internal audit providers (RSM Tenon) have concluded that there are no major weaknesses within the Council's internal control mechanisms. RSM Tenon have also outlined that the Direction of Travel for the Council is static, though it should be noted that much of this assessment is based on 2012-13 being RSM Tenon's first year of providing internal audit services to the Council.
- 5.1.3 The key risks identified from internal audit's work during the year concerned procurement / contract management and safeguarding within children's services; both of these have been separately identified within the annual governance statements as well.
- 5.1.4 Two key areas that internal audit were concerned with during 2012-13 have begun to be addressed. The number of reports being made final, rather than remaining in draft for significant periods, has improved in recent months, with only a small number of reports remaining in draft status in June 2013. This improvement provides greater assurance to internal audit that action will be taken as a result of their reports. Since the previous report to members of the Audit Committee, the Council has implemented a system of tracking audit recommendations to ensure that there is assurance from managers that action is being taken to progress internal audit recommendations. Though in its infancy, responses have been received in respect of a majority of the higher risk audit recommendations made during 2012-13, and that action is being completed to address these. This audit recommendation tracker is monitored regularly by the Audit And Risk Group and will continue to be reported to members every quarter.

5.1.5 As part of the preparation for the audit of the Council's Financial Statements, the Council has completed its response to the previous external auditors annual report for completeness. This is included within this report below.

5.2 Internal Audit Annual Report

5.2.1 RSM Tenon has produced their Annual Audit Opinion. (Full Opinion is at Appendix A) This opinion is for the 12 months prior to 31st March 2013. The table below shows that in the opinion of RSM Tenon that there are no major weaknesses in Risk Management, Control Processes and Governance

	Red	Amber	Green	Direction of travel
<p>Governance</p> <p>Our audit of governance arrangements within the Council resulted in an amber red opinions being provided. Whilst governance structures and processes are in place, weaknesses were identified in respect of the processes for ensuring that declarations of interests are received by all members and that there is appropriate attendance at some committee meetings.</p>				
<p>Risk Management</p> <p>The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. However, in order for the Council's risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.</p>				
<p>Control</p> <p>From a total of 56 reports issued in 2012/13 including 3 advisory assignments, positive opinions were provided on the effectiveness of the Internal Control framework in 41 of these. Of the 12 red assurance opinion reports issued for the year to date, five of these related to our audits of schools. Whilst our overall opinion of the internal control environment is positive, we have identified significant weaknesses in respect of the following areas:</p> <p>Procurement; Contract management; Safeguarding – risk assessments Asset Management.</p> <p>Appropriate commentary in respect of actions proposed to address these weaknesses should therefore be recorded within the Annual Governance Statement.</p>				

Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.

- 5.2.2 Of those seven red rated reports relating to the corporate entity, there is a theme surrounding contract management and procurement that RSM Tenon have identified, and this risk is reflected within the Annual Governance Statement. Allied to procurement issues raised within previous external audit reports, it is important that the Council has an effective action plan in place to address. RSM Tenon have also identified some weakness around controls in children’s safeguarding procedures. This risk has been identified within the Annual Governance Statement.
- 5.2.3 As at Quarter 2 of the financial year, only two internal audit reports were finalised. As at the end of May 2013, only a small number of reports remain in draft format. It is important that the Council maintains its progress in recent months in finalising internal audit reports promptly so that actions can be taken quickly.
- 5.2.4 In March 2013, the Council implemented a formal system to track recommendations made by internal audit as part of their finalisation of audit reports. The latest output from this demonstrates that 75% of recommendations made by Internal Audit, (excluding schools), that were due to be implemented or in the process of being implemented by the 31st May 2013 have been actioned; however, 16% of recommendations not actioned are due to no returns being made identifying what, if any, action has been taken.

5.3 Finalising Audit Reports

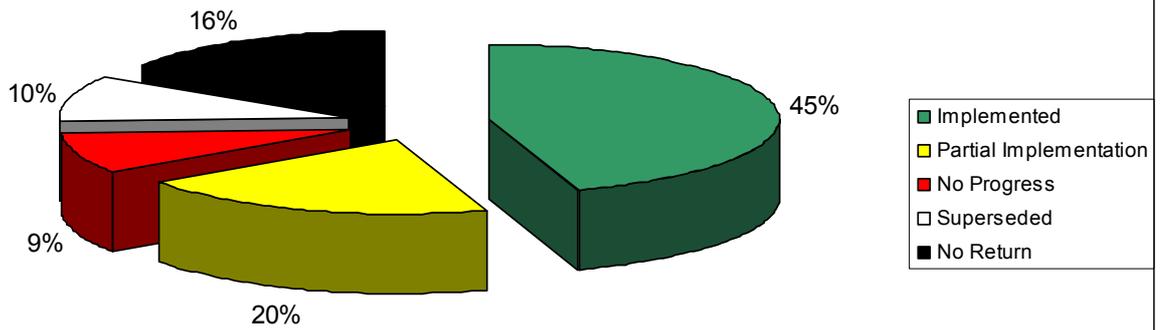
- 5.3.1 Since March 2013 the finalising of Internal Audit reports has been monitored
- 5.3.2 The table below shows those Internal Audits that remain in draft and are yet to be finalised.

Audit Title	Draft Issued	Responses due
Asset Register 52 12 13	14 June 2013	28 June 2013
Anti-Social Behaviour 37.12.13	07 December 2012	21 December 2012
St Josephs 59 12 13	23 May 2013	05 June 2013
Capital Expenditure 57 12 13	08 May 2013	21 May 2013
Cash Handling and Management 6 12.13	28 June 2012	11 July 2012
Carbon Reduction Management	04 May 2013	18 May 2013
Supported People Contract Management	25 February 2013	08 March 2013
Risk Management	21 May 2013	03 June 2013
Data Quality Establishment Controls	09 June 2013	24 June 2013

5.4 Audit Recommendation Tracking

- 5.4.1 The Risk and Insurance Officer regularly monitors the progress of the implementation of “high” or “medium” recommendations made following Internal Audit reports. Below is a graph that shows the percentage of recommendations that have either been implemented, are in progress, no action has been taken, or the recommendation has been superseded.

Internal Audit Recommendations due by 31st May 2013 (excluding schools)



5.4.2 The table below details those audits where recommendations are still outstanding or where requests for information has no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Contract Management	3	5
General Ledger	0	1
Housing Management	1	1
Multiple Housing Occupation	0	3
Gold Projects	1	4
Estates & Facilities Management	0	4
Sub-Total	5	18
School Reports		
Parlaunt Park	3	11
Haybrook College	1	6
Claycots	7	11
Sub-Total	11	28
Total	16	46

External Audit - Annual Governance Report

5.5.1 The last Annual Governance report produced six recommendations, (the full report was presented to the Audit & Risk Committee in 2012), and these recommendations are listed in the table below

Recommendation	Priority	Action completed	Officer	Implementation
Management action should be taken in response to the issues highlighted in order to address weaknesses in controls over; registration of land, review and clearance of out of date cheques; year end journal entries and NNDR and VO listing reconciliation.	Medium	Discussions have been held with external auditors in relation to the end of year annual report. All controls and procedures have been reviewed and revised wherever necessary. All out of date cheques have been reviewed and cleared out of the accounts where required. Procedures relating to the registration of land and NNDR and VO reconciliations have been comprehensively reviewed and improved for the 2012/13 closure with full compliance within the 2013/14 accounts	Barry Stratfull; Corporate Financial Controller	June 2013
Management should carry out a detailed post completion review of its 2011/12 closedown process to identify what can be done better next year. This should include a critical evaluation of working paper requirements in line with the recommendations and give consideration to introducing robust quality arrangements to ensure that high standards are maintained throughout the closedown programme and best results are achieved at the first attempt.	High	Action plan for the 2012-13 closedown has been completed and progress against this monitored	Barry Stratfull; Corporate Financial Controller	March 2013
Continue to receive management responses to emerging budgetary pressures and through budgetary processes obtain assurance on a balanced financial position.	Medium	Formal savings monitoring process put in place for 2013-14 savings proposals; overall budget monitoring reporting	Joseph Holmes, Assistant Director, Finance & Audit	April 2013
Monitor the delivery of departmental and management restructures and related workforce reforms to ensure that these are	High	Procedures will be put in place to ensure that all restructures are fully costed and compared with actual budgets to ensure an	Barry Stratfull; Corporate Financial Controller	June 2013

Recommendation	Priority	Action completed	Officer	Implementation
delivered on time and that they produce planned outcomes		accurate business case can be presented. Budget monitoring during the year will be expanded to include savings targets and planned restructures. Produced outcomes will be monitored and reported within the current budget monitoring timetable.		
Track delivery of the finance function forward plan, ensuring that permanent appointments to key posts are made as soon as possible and key deliverables and targets explicit within the plan are met.	High	Permanent posts being recruited to, few vacancies remain. S151 and deputy s151 posts recruited to on a permanent basis	Joseph Holmes, Assistant Director, Finance & Audit	July 2013
Track the implementation of specific audit recommendations agreed with management contained in the detailed VFM conclusion reports through the Audit and Risk committee.	Medium	<ol style="list-style-type: none"> 1. Finance Team Resilience – permanent appointments have been made and personnel are in place. 2. Closedown Accounts – skeleton accounts have been produced. Detailed timetable and action plan have been produced and communicated to all parties 3. Reserves and Balances – Member report in September reflected the actual reserves and balances position. Balances are unchanged following adjustments. 4. Schools Finances – finance have continued to provide support and encouragement to develop financial skills and awareness. Balances have been reviewed to ensure they are prudent. This is an ongoing process. 5. Capital Programme – the programme has been reviewed in light of both the 2011/12 and the 2012/13 outturn. The capital programme for 2013/14 and future years has been drafted and has been considered at Capital Strategy Board. 	Barry Stratfull; Corporate Financial Controller	<ol style="list-style-type: none"> 1. Feb 2013 2. March 2013 3. Sept 2012 4. Mar 2013 and ongoing 5. May 2013

Comments of Other Committees

None.

6 Conclusion

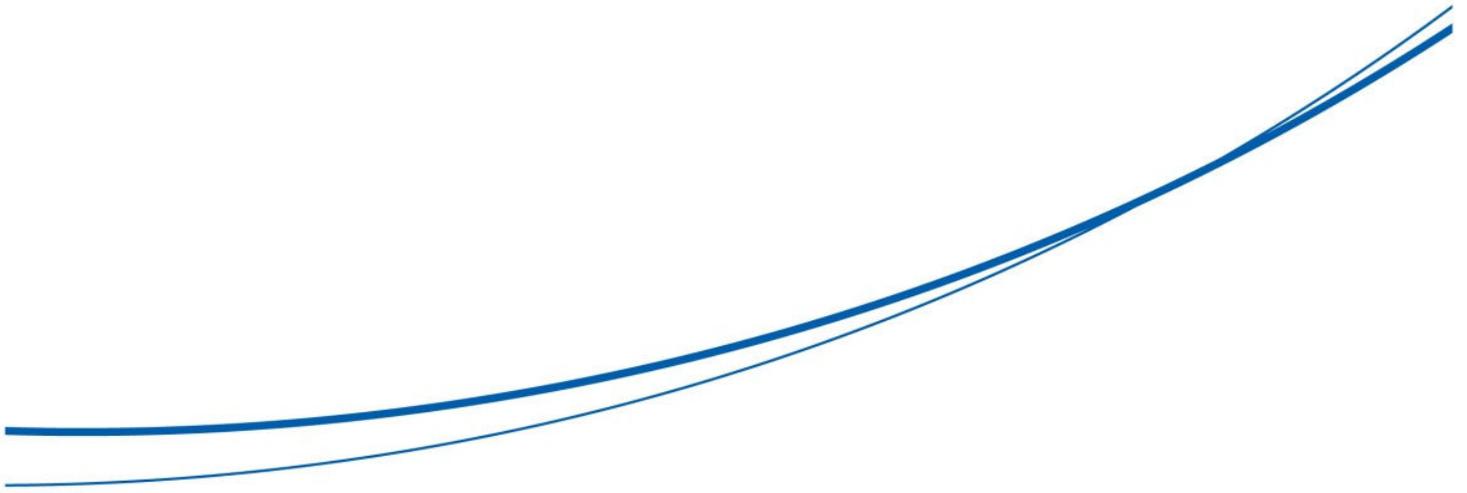
In the opinion of the Internal Auditor, RSM Tenon, there are no major weaknesses in Risk Management, Control Processes and Governance.

7 Appendices Attached (if any)

- 'A' - Internal Audit Annual Report
- 'B' - Internal Audit Q4 (2012-13) report

8 Background Papers

RSM Tenon Audit Reports



Slough Borough Council

Internal Audit Annual Report
Year ended 31 March 2013

Presented at the CMT meeting of: 29 May 2013
Updated and presented at the Audit & Risk Committee meeting of:
25 June 2013

Daniel Harris
Head of Internal Audit

1 INTERNAL AUDIT OPINION

1.1 Context

As the provider of the internal audit service to Slough Borough Council we are required to provide the Section 151 Officer and the Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

As your internal audit provider, the audit opinions that RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Council prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2012/2013

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Slough Borough Council's arrangements.

For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Slough Borough Council's arrangements for governance, risk management and control is as follows:

	Red Amber Green	Direction of travel
<p>Governance</p> <p>Our audit of governance arrangements within the Council resulted in an amber red opinions being provided. Whilst governance structures and processes are in place, weaknesses were identified in respect of the processes for ensuring that declarations of interests are received by all members and that there is appropriate attendance at some committee meetings.</p>		
<p>Risk Management</p> <p>The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. However, in order for the Council's risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.</p>		
<p>Control</p> <p>From a total of 58 reports issued in 2012/13 including 3 advisory assignments, positive opinions were provided on the effectiveness of the Internal Control framework in 41 of these. Of the 12 red assurance opinion reports issued for the year to date, five of these related to our audits of schools. Whilst our overall opinion of the internal control environment is positive, we have identified significant weaknesses in respect of the following areas:</p> <ul style="list-style-type: none"> - Procurement; - Contract management; - Safeguarding – risk assessments - Asset Management. 		

Appropriate commentary in respect of actions proposed to address these weaknesses should therefore be recorded within the Annual Governance Statement.		
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Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.

This represents an unqualified (positive) opinion.

1.3 The Basis of the Opinion

1.3.1 Governance

Our review of the Council’s governance framework resulted in an amber red (some assurance) opinion being provided. Whilst this represents a positive internal audit opinion over the effectiveness of the governance framework in place, the following weaknesses, which resulted in medium category recommendations, were identified:

- The Council did not have a policy in place that clearly outlined requirements for ensuring the safe and secure communication of Council information that is sent and received by Councillors. Information could potentially be accessed by inappropriate individuals and could potentially damage the reputation of the Council if there is not clear guidance and requirements on the secure communication of information.
- Not all Members had completed and submitted a Declaration of Pecuniary Interest form. If correct practice is not adhered to with regards to declaring interests at meetings there is a potential risk of malpractice being carried out and members utilising their power for their own personal interests.
- Member attendance at some committee meetings was low and failed to reflect their commitment to their role. Non-attendance by an Councillor increases the risk that the views of that Councillor may not be represented which may have an impact on the effectiveness of Committees of the Council and which may also be a disservice to that Councillors Ward.
- Not all members had attended their mandatory induction course. There is a risk that if councillors are not attending training meetings they may not have the skills set or knowledge to effectively carry out their role.

1.3.2 Risk Management

Our review of risk management for 2012/13 was undertaken in an advisory capacity. The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. The Risk and Insurance Manager has made good progress in trying to establish a culture of risk management across the Council and has now established a presence on key parts of the governance structure. However, in order for the Council’s risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.

The recommendations identified within this report are focussed on key improvement areas that will help support the further development of risk management at the Council. The key findings:

- Overall, there is a well-established Governance platform supported by some sound methodology that allows for an effective approach to risk management to be in place;
- There is a fully developed Governance Structure that provides a platform for effective risk management challenge and escalation;
- There are working risk registers that capture risk at a Strategic, Operational and Project level;
- Risks appear to be reviewed and updated as part of an on-going process; and
- The electronic risk management system allows for data to be captured in a consistent format as well as provide the ability to access live risk information.

However...

- Risk management is currently not seen as an adding-value tool by the Cabinet or Corporate Management Team and, therefore, not focussed on as a priority;
- A lack of clarity in defined roles and responsibilities is having an impact on the ability to implement effective risk management;
- A more innovative approach to risk management reporting is required to bring risk information to life and ensure it is presented in a format that allows effective check and challenge at all levels;
- The way risk data is captured and recorded is in need of improvement to ensure it is of an appropriate quality; and
- The existing resources available for risk management are limited to an individual and therefore, the ability to implement and embed a Council wide approach to risk management could be constrained.

1.3.3 Control

During the 2012/13 year a total of 55 reports were issued where a formal opinion was provided. Of these, a positive opinion was provided in 43 of these, with 7 of these receiving green (substantial assurance) opinions, 16 amber green (reasonable assurance) and 20 amber red (some assurance). However, 12 of the audits undertaken resulted in a red (cannot take assurance) opinion (please note one of the 12 is still in draft). Five of the red opinions relate to audits of schools. We have also issued seven red opinions relating to the Council's control framework:

- Declaration of Interests (Final)
- Business Rates (Final)
- Contract Management (Final)
- Contract Management – Block Nursing Contracts (Final)
- Safeguarding – Risk Assessment Process (Final)
- Procurement – Quarter Four Review (Final)
- Asset Register (Draft – latest version issued 14th June 2013)

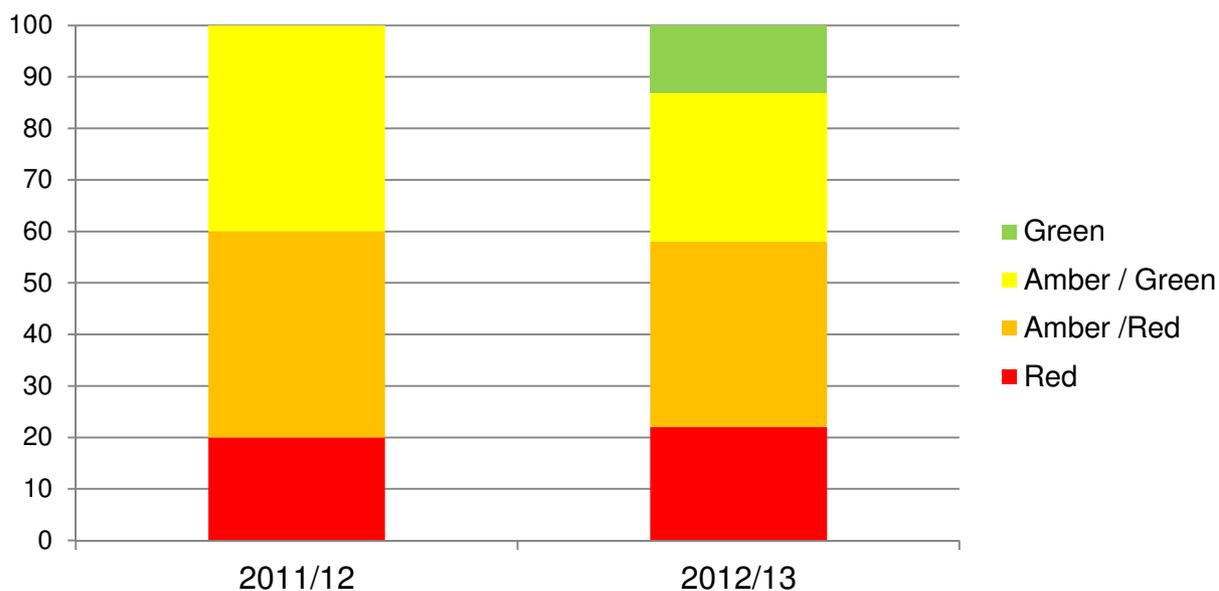
Details of the key findings identified within these audits are detailed within appendix B of this report. It is therefore imperative that actions are taken by management to address the weaknesses identified within these reports to ensure that controls are operating effectively in the future.

1.3.4 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management. We have encountered issues in 2012/13 with the delay in accepting recommendations.

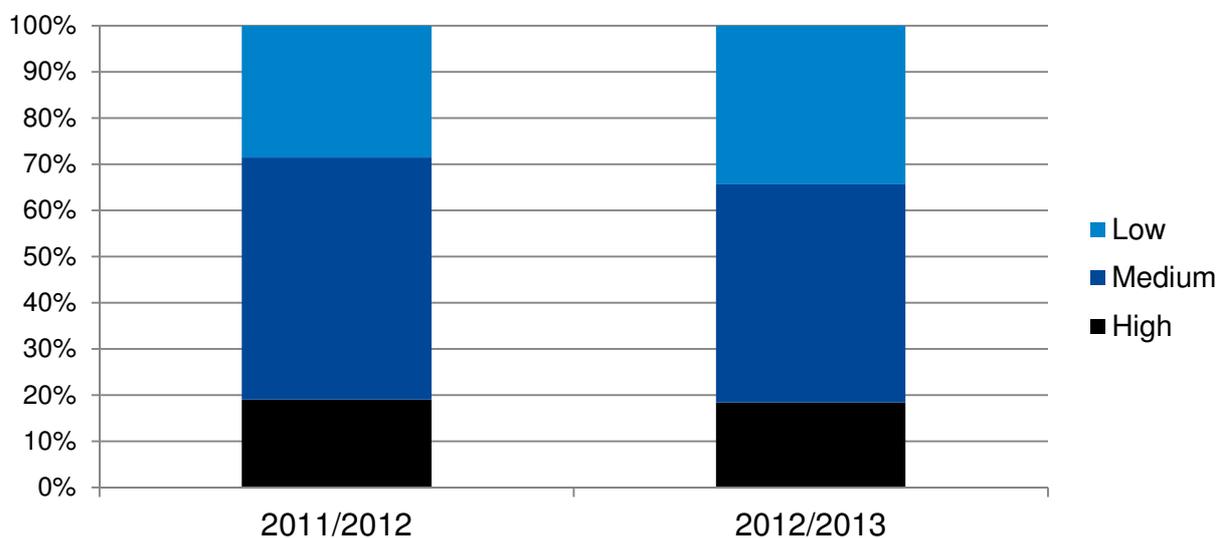
Whilst improvements have been made during the year with regards to the timeliness of responses to our recommendations this still remains an issue and if recommendations are not accepted and addressed in a timely manner the Council are failing to utilise their Internal Audit service fully and recommendations may become superseded or weaknesses identified could deteriorate further.

1.3.5 Comparison of Internal Audit Opinions (Assurance assignments) in 2012/2013 compared with quarter four of 2011/2012 (RSM Tenon only conducted the fourth quarter of audits in 2011/12)



	Green	Amber Green	Amber Red	Red	Advisory	Total
Assurance Opinions 2012/13	7	16	20	12	3	58

1.3.6 Comparison of Internal Audit recommendations made 2012/2013 compared with quarter four of 2011/2012



	High	Medium	Low	Total
Recommendations raised in Q4 2011/12	20	55	30	105
Recommendations raised 2012/13	61	167	120	348

1.3.7 *Progress made with previous internal audit recommendations*

At the time of the production of this report assurance cannot be provided that actions are being taken to address previous Internal Audit recommendations. During the year there had been no formal mechanism in place to determine whether previous recommendations had been implemented, with no reporting against this taking place at either CMT or Audit and Risk Committee level. The Council only implemented a tracking process to determine the progress made with implementing Internal Audit recommendations in March 2013.

It was reported to the Risk Management Group in April 2013 that the initial communications with those managers responsible for implementing the recommendations had resulted in a poor response rate. In 2013/14 we will be providing third party assurance on declarations made by managers on the status of implementing recommendations through follow up audits and revisiting areas audited in 2012/13.

1.3.8 *Reliance Placed Upon Work of Other Assurance Providers*

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 OUR PERFORMANCE

2.1 Wider value-adding delivery

We have maintained a physical presence throughout the year at the Council and attended and taken an active involvement in the Berkshire Audit Group on behalf of Slough Borough Council and we have regularly attended the Risk Management Group and provided guidance on the proposed content of the Risk Management Policy and Strategy. We have also challenged the risk management process and the content of the risk register to help drive improvements going forward.

As part of adding value through our audit process we have utilised specialist resources in respect of undertaking our audits of; risk management, carbon management, budget setting and financial planning and our information systems audits.

As our audits of Schools have identified a number of significant issues which have resulted in red assurance opinions, we 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 and to provide advice on common themes and good practice improvement measures for schools. 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. This has assisted the Council in reinforcing the need for strong financial controls to be in place within all schools.

We have also attended Senior Management meetings including CMT and the Wellbeing SMT in 2012/13 in order to gain a greater understanding of issues within the organisation and to provide feedback on matters identified within our reviews. Through attending these meetings, this has enabled us to develop a risk focussed audit strategy for 2013/14 which targets those risks faced by the Council.

We have provided a number of client briefings throughout the year on public sector and local government matters that have been identified through our wider client base, this has included Fraud Awareness briefings, in particular the need to adopt tighter control measures for the addition and amendment of supplier details.

We have also provided good practice guidance to the Council through individual reviews. An example of this is the provision of a data confidence dashboard to assist the Council in determining the accuracy of data contained within quality indicators. This will help to provide senior management with greater confidence over the accuracy of data contained within individual performance reports.

In addition, all of our Internal Audit reports provide comparative information against our local government client base in respect of the assurance levels provided and numbers of recommendations made.

2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to Slough Borough Council are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.3 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *		
			High	Medium	Low	High	Medium	
Customer & Community Services								
Thames Valley – Governance Arrangements	Risk: Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Green	0	1	2	n/a	√	
Hire of Council Buildings	Rationale: To provide assurance that there are effective processes in place for the hiring of Council buildings to third parties.	Amber - Red	0	4	4	n/a	√	
Leisure Services	Risk: Inability to deliver innovation in the provision of leisure services	Amber – Green	0	2	1	n/a	√	
Council Tax	Risk: Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Amber - Red	0	2	4	n/a	√	
Housing Benefits		Green	0	0	3	n/a	n/a	
Rent Accounts		Amber - Red	1	2	2	√	√	
Data Image Management		Green	0	1	1	n/a	√	
Business Rates		Rationale: Coverage to meet external Audit requirements.	Red	4	4	2	√	√
Payroll		Green	0	0	2	n/a	√	
Thames Valley Transitional Hub – Contractual Performance Management		Risk: Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Amber – Green	0	3	1	n/a	√
Anti-Social Behaviour	Rationale: To review the effectiveness of partnership arrangements between community safety and housing with regards to anti-social behaviour.	Amber – Red (Draft – issued 7.12.12)	1	3	2	Not finalised		
Business Continuity Arrangements	Risk: There is no Business Continuity Management within the Council.	Amber – Red	1	6	2	No update requested to date		
Carbon Reduction Management	Rationale: To provide assurance that the Council continues to have in place effective processes for carbon management and reduction.	Advisory (draft – issued 4.5.13)	1	8	4	Not finalised		

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
Wellbeing							
Registered Bed Based Services	Risk: Provider Services are not effectively managed leading to poor service provision.	Amber - Red	1	0	6	√	n/a
Care Home Fee Increase Project – Project Management Arrangements	Risk: The fees increase project fails to ensure an appropriate agreement of fees for nursing care provision.	Green	0	0	2	n/a	n/a
Procurement - Quarter Two Review	Rationale: The Council is launching a new Procurement Strategy from April 2012. To provide assurance that the strategy is being implemented effectively we are proposing to undertake a number of procurement reviews during the year. This will focus on a sample of procurement exercises each time and provide assurance that each stage of the procurement process has been complied with.	Amber – Red	1	1	2	√	√
Procurement – Quarter Four Review		Red	2	3	0	No update requested to date	
Children's and Families Assessment Teams	Risk: Children's and Families Assessment teams are not operating effectively, resulting in safeguarding referrals not being made or managed in a timely manner.	Amber – Red	1	1	1	√	√
Contract Management – Block Nursing Contracts	Risk: Ineffective contract monitoring arrangements leads to non delivery of services to the required standard.	Red	1	3	1	√	√
Safeguarding – Risk Assessment Process	Risk: The recent Ofsted report has judged the safeguarding services and safeguarding outcomes for children and young people as requiring some areas of improvement.	Red	3	1	0	√	√
Contract Management	Rationale: To provide assurance that, for a sample of key contracts, that effective contract management processes are in place.	Red	3	5	0	x	x
Supported People Contract Management	Risk: Ineffective contract monitoring arrangements leads to non delivery of services to the required	Amber – Green (Draft – issued)	1	0	1	Not Finalised	

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	standard.	25.2.13)					
Resources, Housing & Regeneration							
Multiple Housing Occupation	Risk: Houses of Multiple Occupation. Issue of fire etc in HMO that Housing do not know about. Can only inspect 50 out of over 2000 properties, important to prioritise so as not to over stretch the service. Previous issues of other agencies placing unsuitable clients in HMO's. Progress being maintained and staff resources protected throughout budget reductions and restructuring. All properties risk rated and prioritise to address 'worst first'.	Amber – Green	0	3	1	n/a	x
Budget Setting Process	Risk: Economic Instability and Turbulence at a national level, Comprehensive Spending Review, Reduction in Income of £25m to the Council over the next 4 years. Risk is that we do not have sufficient funding to provide services.	Advisory	0	6	1	n/a	√
Housing Management System	Risk: The Housing Management system is not fully utilised resulting in an inappropriate use of resources.	Amber – Red	1	1	2	x	x
Tenancy Fraud	Risk: Fraud and Corruption Risk of officers granting themselves flats/houses/garages. Illegal sub-letting. Mobile technology yet to be implemented but departmental restructures have delivered separation of functions with additional fraud detection initiatives implemented. All new tenants photographed upon sign up and each provided with an identity card. Verification checks of existing tenants underway.	Amber – Green	0	1	4	n/a	√
Estates and Facilities Management	Risk: Contract with Interserve Performance is relatively patchy. 4 years	Amber - Red	0	4	1	n/a	√

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	left on contract Interserve paid a guaranteed sum each year Issues with crass service delivery. Reputational risk. Improved performance recorded over last 6 months which has been maintained. Risk of catastrophic contract failure lessened. Rationale: To provide assurance over the effective management of the Council's estate and facilities.						
Additional Devolved Budgets to Schools	Rationale: To provide assurance that effective processes are in place for the allocation of funds from the schools development budget, and to ensure that monitoring mechanisms are sufficiently robust to ensure that these funds are utilised for their designated process only.	Green	0	0	4	n/a	n/a
Creditors	Risk: Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub". Rationale: Coverage to meet external Audit requirements.	Amber – Green	0	1	2	No update requested to date	
General Ledger		Amber – Green	0	2	0	x	n/a
Treasury Management		Amber – Green	0	2	0	Not due yet	
Debtors and Cash Management		Amber – Red	1	4	1	Not due yet	
Schools Financial Value Standard	Rationale: To provide assurance that robust processes are in place to ensure that schools have completed the SFVS statements by the required time-line, and that completion of these is effectively monitored by the Council.	Amber - Red	1	3	1	√	√
Cash Handling and Management	Rationale: A number of discrepancies have been identified in the handling of cash and community centres and other cash handling facilities. Our audit will provide assurance over the robustness of cash	Amber – Red (Draft – issued 28.6.12)	1	3	0	Not Finalised	

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	handling processes in these localities.						
Budgetary Control & Financial Reporting	Risk: Economic Instability and Turbulence at a national level, Comprehensive Spending Review, Reduction in Income of £25m to the Council over the next 4 years. Risk is that we do not have sufficient funding to provide services.	Amber – Green	1	0	5	Not due yet	n/a
Asset Register	Rationale: To provide assurance over the management of the Council's capital asset register	Red (Revised draft – issued 14.6.13)	3	1	1	Not Finalised	
Capital Expenditure	Rationale: To provide assurance that capital expenditure is effectively managed and in accordance with the Council's agreed capital programme.	Amber Green (Draft – issued 8.5.13)	0	3	1	Not Finalised	
Risk Management	Risk: Failure to manage risks in accordance with the BSI Standard for Risk management or to follow leading practice in place at other local authorities.	Advisory (Draft – issued 30.5.13)	-	-	-	Not due yet	
Top-Up testing across Finance Systems	Rationale: Coverage to meet external Audit requirements.	Review Stage				Not Finalised	
Chief Executive							
Performance Management	Risk: Current software does not perform in an efficient manner.	Amber – Green	0	3	1	n/a	√
Employee Declaration of Interests	Rationale: To provide assurance that robust processes are in place to ensure that declarations of interest are obtained for all Councillors, Members and senior members of staff within the Council. This will include ensuring that: <ul style="list-style-type: none"> - Adequate records are maintained of all staff needing to complete a declaration of interest - Completed returns are received from all relevant 	Red	2	4	0	√	√

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	individuals; - Regular monitoring is undertaken.						
Gold Projects – Project Management Arrangements	Risk: Failure to meet planned expectations with regard to attracting investment or completion of the project by required deadlines	Amber – Red	1	4	1	x	x
Recruitment	Rationale: To provide assurance that adequate processes and procedures have been established to permit the Service to recruit and retain adequately skilled staff.	Amber – Red	2	2	0	√	√
Data Protection Act	Risk: There are no IT Disaster Plans in place for the My Council IT systems The IT Department lacks some necessary skills and the necessary capacity to deliver the IT programme that needs to be delivered. It is not clear whether the systems employed at Landmark Place represent Value for Money	Amber – Green	0	2	0	n/a	√
Partnership Arrangements	Risk: Governance arrangements for partnerships are not currently of a satisfactory standard.	Amber – Green	0	3	1	n/a	√
Governance	Risk: Reputational damage to Council if processes are not fair and transparent	Amber – Red	0	4	10	No update requested to date	
Data Quality – Establishment Controls	Risk: Current software does not perform in an efficient manner.	Amber – Red (Draft – issued 9.6.13)	1	2	0	Not Finalised	
Sickness Management	Rationale: To determine how successfully the Council are reducing the employees days lost in the organisation through sickness.	Review stage				Not Finalised	
Schools Audits							
Penn Wood School (14.12/13)	Rationale: To provide assurance over the effectiveness of governance and financial management arrangements within schools.	Amber – Red	1	2	4	√	√
James Elliman Primary School (27.12/13)		Amber – Green	0	1	5	n/a	√
IQRA Islamic		Green	0	0	2	n/a	n/a

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
School (30.12/13)							
St Ethelberts School (34.12/13)		Red	5	7	3	√	√
Bailys Court Nursery School (11.12/13)		Red	4	5	3	√	√
Arbour Vale School (31.12/13)		Amber – Green	0	2	1	n/a	√
Willow School (4.12/13)		Red	2	8	4	√	√
Western House School (8.12/13)		Amber – Red	3	3	4	x	x
Haybrook College (9.12/13)		Amber – Red	1	6	2	No management return	
Parlaunt School (10.12/13)		Red	3	11	3	No management return	
Claycots Primary School (39.12/13)		Red	7	11	4	x	x
St Joseph's School		Amber Green (Draft – issued 23.5.13)	0	3	5	n/a	Not due yet
Total			61	167	120	28	67

* The implementation status of Internal Audit recommendations is the opinion of Slough Borough Council's management team and not the opinion of RSM Tenon. No independent assurance has been conducted on the progress stated by management.

It should be noted that of the nine reports still in draft only three of these have been outstanding in excess of 30 days.

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

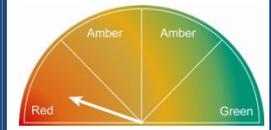
APPENDIX B: KEY FINDINGS FROM INTERNAL AUDIT REVIEWS 2012/2013

Our key findings section provides an extract from the **red reports** finalised and also includes the action plan for all of the High category recommendations within these red reports:

Assignment: Employee Declaration of Interests
(2.12/13)

Audit undertaken: April 2012

Opinion: Red



We cannot provide assurance that robust systems are in place to ensure employees have been required to declare relevant interests. We were unable to provide assurance that all new employees were asked to complete declaration of interest forms or that an effective system was in place to follow up non-completion of these forms for new starters and/or existing staff. The main issues arising from this audit were:

1. The Council did not have robust process to ensure all employees who would be required to complete a declaration of interest form are identified on an on-going basis. We noted that email distribution lists were being utilised rather than establishment lists and therefore some employees could fail to be reminded each year.
2. Sample testing found that eight out of 20 new starters had not completed a declaration of interest form. In addition, testing on 12 out of 25 existing employees identified that they had not completed a declaration of interest form in 2011/12.
3. At the time of our review there had been no effort to follow up outstanding forms.

The implication of the above is that the Council cannot ensure that all staff who should have completed a declaration of interests form have in fact completed one. This could result in the Council being unaware that staff may have potential conflicts of interest with either current or prospective suppliers which could result in in-appropriate engagements being entered into or inappropriate decisions being made.

The process was paper based and required a significant resource in ensuring all responses are appropriately received. However, it was noted that this was an ad-hoc approach until a robust, less laborious process is implemented. The Council recently agreed to procure an electronic system which should help to address some of the weaknesses identified in this review.

Design of control framework

- The Code of Conduct did not clearly explain interests of family members and interests through the receipt of direct payments for social care.
- New starters were required to complete Declarations of Interests forms and Outside of Work form on commencing employment. However, the induction checklist did not include a check to confirm the employee has completed a declaration of interest form.
- The Council did not have a set of procedures to explain how staff will be requested to declare their interests on commencement of employment at the Council or at any regular interval to ensure the organisation captures any new interests that an employee may have.
- The Council did not have a set of procedures to explain how management review and share information on completed Declaration of Interest forms and how to appropriately manage employees other interests. Without consistent communication of declarations made the Council could make inappropriate decisions that are not in the best interest of the Council.

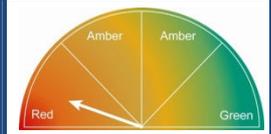
Application of and compliance with control framework

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

- Sample testing identified that 8 of 20 Declaration of Interests forms for new employees were missing and therefore considered not completed. We confirmed that neither the Personal Assistants nor Human Resources held a copy.
- Sample testing identified that the Council had not received Declaration of Interests forms from all employees during the annual review and there had been no effort to follow up outstanding forms to date.
- Sample testing identified that within the Resources and Regeneration Directorate that the Declaration of Interests forms were not signed off by the Director to demonstrate they had been reviewed. We were informed by the Personal Assistant that a review had taken place. However, without evidence of this on the forms we cannot be assured that it did actually take place.

Assignment: Business Rates (25.12/13)
Audit undertaken: September 2012

Opinion: Red



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 could not 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.

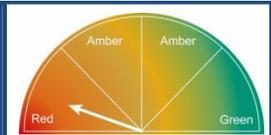
Application of and compliance with control framework

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.

Assignment: Contract Management – Block Nursing
Contracts (32.12/13)
Audit undertaken: October 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and one medium rated recommendation:

- The contracts had expired for four out of five contracts for the care home providers. There were reasons for the non-existence of valid contracts for four care homes managed under previous block contracts, which have been elaborated upon in the findings section of this report. Agreements had been drafted for three of these care homes for the remainder of the 12/13 financial year. However, at the time of this review these had not been approved by the providers and no evidence was available to demonstrate that the procurement exercise had commenced to commission these services from 2013/14.

There was a risk that the Council may fail to obtain value for money as the appropriate mix of care

beds may not be allocated correctly to demand. In addition the Council may not have valid contracts in place to ensure delivery meets the required standard in any interim period.

- The Council had established a Quality, Outcomes and Contract Monitoring Framework. However, the documentation was in draft format and had not been approved and distributed to employees. Without an agreed procedure there is a risk that ineffective contract monitoring arrangements may be adopted which could result in the Council failing to identify and address the non-delivery of services to the required standard.
- No performance reports were received from the care home providers and there is a risk therefore the Council may not be fully aware of matters of poor performance or issues relating to delivery standards not being met.

Furthermore, it is unclear how the council will ensure that the terms and conditions of the contracts are being achieved with no performance reports being submitted.

- The weekly Block Occupancy Status Reports did not include any comparison data to enable users of the report to verify whether usage had been fully maximised with information on those individuals being placed outside of care homes covered by block contracts, nor was such information reported to management forums to allow usage to be discussed collectively by management. Subsequently, the Council may not be aware of instances where more work could be undertaken to ensure block contracts are maximised and the Council's resources are fully utilised

Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses which resulted in one medium category recommendation:

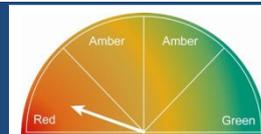
- Announced and unannounced visits to service providers were not undertaken to the required frequency or where visits may have occurred, evidence of the visit was not appropriately retained. If visits are not undertaken there is a risk the Council is unable to monitor whether the service provided is of an appropriate standard and subsequently poor standards may fail to be addressed in a timely manner.

Minutes for any contract review meetings held for Oxford House, Burnham House and Windmill Care Centre were not made available at the time of this review. If contract monitoring meetings do not occur there is a risk that the Council is limiting its ability to discuss with providers issues that are arising at care homes and ensure that standards are improved.

Assignment: Contract Management (33.12/13)

Audit undertaken: September 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and two medium rated recommendations:

- The Council did not have a Contract Management framework and therefore had no guidelines for employees in the organisation on the minimum requirements in managing contracts. Without a relevant framework, the Council may not be efficient in obtaining savings identified through procurement exercises and the service provided may not meet the intended specification. For important strategic contracts this could also put the achievement of strategic objectives at risk.
- The Council did not have a policy whereby Supplier Account Plans were a requirement for each contract. Without Supplier Account Plans there is the risk that if a contract was to be transferred to a different employee to manage, key knowledge and details may fail to be transferred effectively and a contract could consequently fail to deliver the required service. This may also affect the ability to effectively manage the contract.
- The Council's Procurement Operating Procedures were only in draft format and did not include arrangements for processing changes to supplier details. The process for adding new supplier details was also not sufficiently robust in its design as the form was open to fraudulent amendments of, for example bank details, and no supporting documentation or verification checks were required.
- The Council had no local supplier list for Small and Medium sized Entities (SMEs). Without utilising such a list, the Council may be failing to promote local economic development and sustainable procurement. At the time of this review, the Council was commencing a review to establish a list and this action was recorded in the organisations procurement plan and therefore we have not reiterated

this action within our recommendations.

Application of and compliance with control framework

We identified the following weaknesses which resulted in two high category and three medium category recommendations:

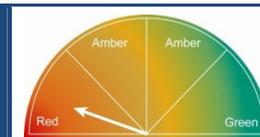
- From a sample of four contracts, we found instances where the contract held did not include a signature from both parties, a contract value, performance indicators or the final agreed specification of the service to be provided. This could render the contracts invalid or they may not be managed successfully.
- The Contracts Register was not fully completed as we found key information missing such as contract values and end dates. Without this information, the Council cannot make informed decisions on contract extensions or future procurement exercises and therefore may not be effectively managing their finances and achieving value for money.
- During sample testing we identified that performance information provided by a supplier (Virgin Media Payments Limited) did not include sufficient data to enable the Council to determine whether a valued service was being provided. We also noted a lack of seniority at the monitoring meetings with this supplier given the value of annual expenditure of £625,990 (as per ledger report for 2011/12). For which two medium recommendations were raised relating to obtaining contract variations and establishing monitoring sheets.

Sample testing from the finance system for new suppliers was not possible and therefore the Council cannot be fully assured that all new suppliers added to the system are correct and appropriate.

Assignment: Safeguarding – Risk Assessment
Process (38.12/13)

Audit undertaken: November 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in two high-rated recommendations:

- The social care procedures did not explicitly state that practitioners are required to complete the Risk Assessment Matrix Form nor did they explain the requirement for management to review the form and that this should be conducted with segregation of duty and in a timely manner. Subsequently if this is not conducted, risks may not be appropriately assessed and this could result in a failure to undertake the necessary actions to reduce the risk of harm.
- The ICS enabled completed Risk Assessment Matrix Forms to be uploaded on to the system when complete or when updates had been recorded on the form. However, the form was not integrated into ICS and did not enable managers to be assigned and electronically sign off risk assessments. Subsequently managers may not be made aware of those risk assessments requiring review and the current process does not restrict a practitioner from erroneously entering a manager's name to claim a risk assessment has been reviewed.
- The Council did not provide any regular reporting to senior management on the completion of the risk assessment matrix on children's cases and therefore management have minimal assurance that this process is being adequately conducted. Therefore incidents could occur which management may have been able to avoid if they were appropriately informed of the success of risk assessments.

Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses which resulted in one consolidated high-rated recommendation and one medium-rated recommendation:

- On review of the extracted data from ICS between April and September 2012 we noted that 559 cases had a completed the initial assessment stage in this sampled period. For this sample we found that 164 cases had a completed risk assessment form on ICS (29% compliance). If cases are not appropriately risk assessed children may not have the appropriate and timely intervention from the Council and subsequently children in need could be at risk, unsafe and not feel safe as a result of poor social care practice (recommendation consolidated with issue raised in the design of the control framework).
- Sample testing of 30 uploaded risk assessments on ICS identified weakness in the completion of the form. Notably, in one instance the primary risk had not been concluded upon by the assessor,

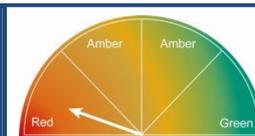
however, the manager had highlighted this risk within their peer review. In the remaining eight instances the risk assessment was more of a detailed description of what had occurred to date, which in most instances covered the entire family rather than what the potential risks to the individual child may have been. If risks are not clearly defined the required plan to address those that require safeguarding may not be recognised. This could potentially result in future harm to individuals in the community.

- Sample testing of the 30 uploaded risk assessments identified weaknesses in the management review of the form. This included the lack of management sign off, segregation of duty in the management review and timeliness of the review. If an independent management review is not undertaken in a timely manner of the risks assessed at the initial assessment stage the Council may not identify instances where risks have not been correctly evaluated and may fail to implement corrective actions to ensure children in the community are appropriately safeguarded.

Assignment: Procurement Quarter Four Review
(47.12/13)

Audit undertaken: February 2013

Opinion: Red



Design of control framework

We found the following high risk weakness in relation to the design of the controls:

- The Procurement Operating Procedures were currently still under construction and at present the Council do not have existing operating procedures that are available to employees and therefore employees may not be fully aware of the Council and legislative processes to follow.

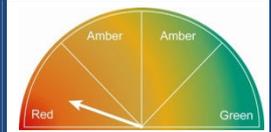
Application of and compliance with control framework

We found that four controls were not adequately complied with which resulted in one high and three medium categorised recommendations:

- The current activity spreadsheet utilised to record existing tendering activity by Corporate Procurement was only maintained to record whether the reference and name of existing tender activity. No update was recorded to enable the monitoring of each stage of the tender process. The Corporate Procurement Team could fail to identify delays in the process if this tool is not appropriately utilised. Subsequently the Council could be failing to obtain value for money if a contract is not in place in a timely manner. (Medium).
- The Council had utilised an older, local framework for the procurement of Modular Buildings (estimated contract value £765,000) which only included two providers, rather than the newer Government Procurement Service (GPS) Modular Building Systems Framework which included 15 providers. The Council could potentially be failing to fully consider value for money by limiting the use of suppliers. (Medium).
- In one sampled instance (Landlords Lighting, estimated contract value £1.064m) the Council had not complied with the European Union (EU) Procurement Directives by advertising contracts to be procured throughout the EU in the Official Journal of the European Union (OJEU). The Council had classified the procurement activity as works when in-fact it was supplies. A breach of the EU Procurement rules could potentially result in the Council being challenged and incurring excessive resources in restarting the procurement process. (High).
- At the time of our review Corporate Procurement had not completed their review of expenditure by type of expenditure. The Council could potentially be missing out on efficiencies and savings through the procurement of a contract on any areas of expenditure not included within a contract or included within a number of separate contracts. (Medium).
- Sample testing of 15 suppliers where the Council's expenditure in the year to date was in excess of £50,000 identified two suppliers where the organisation had not considered establishing a contract or framework agreement. The Council had incurred numerous transactions with each supplier in 2012/13 and could potentially be failing to obtain value for money if this option has not been appropriately considered.

Assignment: Baylis Court Nursery School (11.12/13)
Audit undertaken: June 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls, which resulted in one high and one medium rated recommendation:

- The School did not have any form of Financial Procedures and therefore the financial management processes adopted by employees may not be endorsed by the Governing Body and could include poor practice.
- The Governing Body did not agree with the Headteacher, the minimum frequency, level of detail and general format of the financial information to be provided to it.
- The established financial limits did not clearly describe individuals required to provide authorisation for different expenditure values. This may result in inappropriate approval for purchasing of goods or services. The limits were also contradictory in terms of the Headteacher's limits with what was stated in the Finance Committee's Terms of Reference.

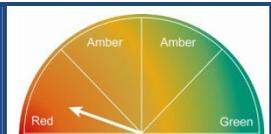
Application of and compliance with control framework

We identified the following weaknesses during our testing which resulted in three high and three medium recommendations:

- Not all staff involved with making financial decisions in the school had signed a declaration of interests form and therefore employees could make financial decisions that are not in the best interest of the School.
- The School Budget had not yet been completed and approved at the time of the audit. The School may potentially be in a position where it is unable to fully manage its finances if a budget for the financial year is not in place in a timely manner.
- Approval from the Finance Committee was not obtained for purchases over £3,000. Inappropriate expenditure could therefore be incurred by the School.
- Purchase orders were not created and authorised at the appropriate level prior to orders being made. The School could be committed to expenditure for goods/services that the School may not have strictly required or have the budget to pay for.
- Invoices were not authorised for payment by the Headteacher before a payment run was carried out. This demonstrates a lack of segregation of duties.
- Delivery notes were not retained nor were invoices annotated to confirm receipt of goods or services and therefore the School could potentially incur expenditure for items not fully received.
- CRB checks were not being disposed of after six months.

Assignment: St Ethelbert's Catholic Primary School
(34.12/13)
Audit undertaken: September 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls:

- The Financial Policy did not provide clear guidance on the purchasing procedures and adequate authorisation levels. This could result in inappropriate authorisation if this is not clearly stated.
- The School did not have a clear scheme of delegation which provided authorisation limits for purchasing, write offs or payroll transactions. This could result in transactions being inappropriately authorised within the School.
- The School did not have a process in place to collect or create delivery notes to ensure that payments are only made for goods or services that have been received by the School.
- The School's Asset Register did not contain the values of the Assets. This could result in the School incorrectly valuing assets on disposal or for losses made.
- The School's IT Servers were not in an air conditioned and fireproof room. This could result in the

loss of all the School's information data in the event of a fire.

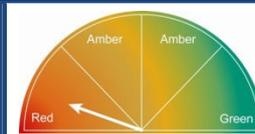
Application of and compliance with control framework

We identified the following weaknesses during our testing:

- We could not confirm if financial information was presented to the Governing Body. There was a risk therefore that the School's Governing Body did not provide challenge or scrutiny of the financial management within the School. This could result in the school over or under spending and therefore failing to meet its objectives.
- Not all members of the Governing Body or other members involved in financial decision making in the School were subject to the declaration of interests exercise. This could result in decisions not being made in the best interest of the School.
- The School did not utilise the total revenue income for existing pupils in 2012/13 and carried over a surplus of 18.4% (£400,482) to 2012/13 and therefore the School has not demonstrated that it has utilised its funding on its existing pupils.
- Quotations were not obtained for all purchases made within the School. If the School does not obtain quotations prior to making purchases it cannot guarantee that it is getting value for money for its purchases.
- Authorisation for purchases over £10,000 were not authorised by the Governing Body. This could result in purchases being made for items that are not required for the School or where budget is not available.
- Purchase orders were not always created and authorised prior to making orders. This could result in the School committing itself to expenditure with unavailable funds.
- Expense payments were made to individuals that were not employed by the School. The payments were not supported by original copies of receipts, confirming the clear date of purchase and VAT registration numbers. This could result in financial loss for the school and possible fraudulent claims being made for expenses.

Assignment: Parlaunt Park Primary School (10.12/13)
Audit undertaken: May 2012

Opinion: Red



Design of the Control Framework

We identified the following weaknesses in relation to the design of the controls, which has resulted in six medium rated recommendations:

- The Financial Delegated Limits matrix did not clearly state where more than one group/individual was ticked to authorise, whether the authorisation could be provided by either of those ticked or if all those ticked were required to provide authorisation. Inappropriate authorisation may be obtained for expenditure if the levels of authorisation are not clear.
- The budgeting reports presented to the Finance Committee did not include the reasons for adverse significant variances and relied on the attendees at the Finance Committee to raise these matters. The School could fail to improve their financial position if poor financial performance is not addressed in a timely manner.
- The School did not obtain quotes for goods or services and carry out investigational checks on new suppliers. There is a risk that value for money cannot be demonstrated and that the likelihood of the School being subject to a fraudulent supplier increases.
- The School does not have an inventory list with asset values and date of purchase therefore the School could incorrectly value its assets if they are unable to identify any assets that have devalued, disposed of or any that may have been stolen.
- School property loaned out to employees should be signed off. If the School does not do this it may incur expenditure in replacing lost, stolen or damaged goods.
- Inappropriate records of income received for school meals are retained. This has resulted in the school not being able to verify that all income has been received for school meals.

Application of and compliance with control framework

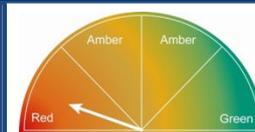
We found that a number of controls were not adequately complied with. We identified the following weaknesses, which have resulted in two high and five medium rated recommendations, during our testing:

- The School's budget was not presented to the Full Governing Body after it was authorised by the Finance Committee in 2011/12. If the budget is not endorsed by the Full Governing Body, any inaccuracies may fail to be identified and the School may fail to manage its finances effectively.
- Staff involved with making financial decisions in the school had not declared other interests.
- The Headteacher, who was providing additional one-to-one tuition to students of the school, had not formally declared to the Governing Body this activity was undertaken for which the School provides additional payments. However, we were informed that they were aware of this provision of tuition provided by the Headteacher.
- Additional Payments for the Headteacher were authorised by the claimant, this lack of segregation could potentially result in inappropriate payments being processed. However it does not demonstrate transparent governance.
- The Financial Regulations were not approved by the Governing Body forums. Employees could potentially follow obsolete or inappropriate procedures if the Financial Regulations and Scheme of Delegation are not reviewed regularly and details of their approval are not recorded on the document.
- There was no evidence that the School had obtained approval from the Finance Committee or Governing Body for all nine sampled purchases over £5,000 and therefore the School did not comply with their Financial Regulations and could potentially be committing the School to expenditure that the Governing Body or the Finance Committee would not agree was required.
- The Budget monitoring report presented to the Finance Committee did not highlight areas of overspend or reasons for such overspend. This could result in remedial actions not being implemented timely to improve the School's financial position.
- The School Meals report was not up to date. This could potentially result in the School incurring additional expenditure by providing free school meals for students who are not eligible.

Assignment: Willow Primary School (4.12/13)

Audit undertaken: May 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls:

- The School did not hold Terms of Reference at the time of our review for its Governing Body or Finance & Resources Committee.
- The School did not possess a job description for the Headteacher.
- The Financial procedure Manual did not specify the authorisation required for employee appointments.
- The Council do not hold a preferred supplier list.

Application of and compliance with control framework

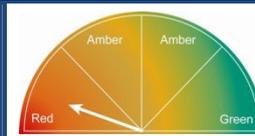
We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing:

- A declaration of Interest exercise had not been undertaken for all governors, the Headteacher and any other staff who influence financial decisions, in order for any interests to be recorded and evaluated by the School.
- Financial reporting to the governing bodies' forums did not provide the reasons and suggested corrective actions for variances or other financial issues that were being raised.
- Sample testing found that orders were not authorised by the appropriate level of authority in all instances. Specifically orders where authorisation was required from the governing body.

- Sample testing identified that competitive quotes were not being obtained and retained for purchases above £5,000.
- Sample testing found that invoices were not being countersigned to demonstrate that the good/services had been fully receipted in all instances where a goods receipt note was not available.
- The inventory list was not completed with assets other than I.C.T equipment or details of their value, purchase date and depreciation.
- The physical verification of assets exercise was not recorded to retain an audit trail of this task.
- Loan agreement forms were not signed off by the individuals holding the assets.

Assignment: Claycots Primary School (39.12/13)
Audit undertaken: November 2012

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls, which resulted in four high and five medium rated recommendations:

- The School did not have Financial Procedures in place that outline the roles and responsibilities of the Governing Body, the Finance Committee, the Headteacher and the Business Manager in relation to Financial Management in the School. Without Financial Procedures the School cannot provide assurance that appropriate processes are in place for the Financial Management of the School.
- The School did not have a formal Scheme of Delegation. If the School does not have a clear Scheme of Delegation financial transactions may be carried out in the School without approval of an appropriate authorisation level.
- The Governing Body and the Finance Committee did not have formal Terms of Reference. This may result insufficient understanding by members of their roles and responsibilities.
- Budget Monitoring reports were not consistent and did not include reasoning and actions to be taken for all significant variances or did the agenda paper highlight the need for the Governing Body to scrutinise the report. Subsequently the Governing Body may be unaware or unable to scrutinise and challenge the School's financial performance.
- The School had no evidence to confirm goods and services had actually been received prior to authorising invoices for payment. This could result in the School making payments for goods or services that the School has not received.
- The Business Manager writes out all cheque payments for the School and also signs for them together with the Headteacher. If the School does not maintain appropriate segregation of duties, the School could be exposed to fraudulent transactions.
- The School servers are not stored in a fireproof location. This could result in data loss in the event of a fire.
- Staff expenses were claimed via the invoicing process without receipt of prior authorisation from an appropriate level of authority. There is a risk that inappropriate expenditure could occur.
- The School's Child Protection Policy did not provide information on what action is to be taken on safeguarding students with respect to new staff, volunteers or visitors that had not received CRB clearance. Subsequently the School could potentially fail to safeguard their students or incur shortages in staffing due to an impractical process.

Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing which resulted in a further three high and six medium rated recommendations:

- The School's Business Manager, who is tasked with the day-to-day financial management of the school, did not possess any form of finance qualification. Subsequently the school may potentially be inappropriately resourced in terms of financial expertise and could therefore be failing to suitably manage the School in terms of its finances.
- Three quotations were not obtained for some purchases made within the School. If the School does not obtain quotations prior to making purchases it cannot guarantee that it is receiving value for

money.

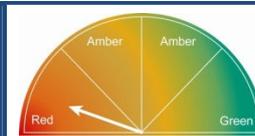
- Sample testing identified that purchase orders had not been created for all purchases. Without the creation of an order, the School could potentially be committing to expenditure which is not available.
- No prior authorisation was received from the Governing Body for expenditure over £8,000 prior to making an order with the supplier. If the School does not receive appropriate authorisation from the Governing Body prior to making orders with suppliers the School could potentially be making inappropriate purchases.
- Where orders had not been raised, sample testing identified that corresponding invoices were not being appropriately authorised prior to payment. Subsequently the School could be failing to identify inappropriate expenditure.
- There was no signatory confirmation or review to confirm that a physical verification of assets had been carried out. The school could potentially fail to identify missing equipment and therefore misstate the financial value of their assets. In addition, assets could be misplaced or misappropriated and the school may not identify this.
- A staff contract was inappropriately signed off by the Business Manager. If the Headteacher does not authorise staff contracts the School could potentially be appointing individuals who are not required or that are not the best candidate for the post.
- CRB clearances had been retained for an excessive period (i.e. in excess of six months) and therefore the School was failing to follow requirements set by the CRB Office.
- The School had a member of staff who had not received full references or a CRB clearance. If the School employs staff who have not received appropriate checks they may put students at risk by employing unsuitable staff. This may also impact on the school's reputation.

Our key findings section below provides an extract from the **red report** that remains in draft:

Assignment: Asset Register (52.12/13)

Audit undertaken: February 2013

Opinion: Red



Design of control framework

We identified the following control design weaknesses which resulted in two high categorised recommendations:

- The Council did not have procedures in place that defined the roles and responsibilities within the asset management process. If the Council does not have adequate procedures they may fail to appropriately manage the assets owned and make inappropriate decisions.
- The Council did not undertake asset reconciliations between systems to confirm accuracy of data held within the Asset Register or the Land Terrier. If the Council does not ensure accuracy of assets it could result in inaccuracies in records not being recognised.

Application of and compliance with control framework

We identified the following weakness in the application and compliance of the control framework which resulted in one high and one medium category recommendations:

- Sample testing of assets selected for revaluation, identified an issue that assets that had been disposed of remained on the asset register, where they were valued at £0. This may result in wasted resources during the revaluation process and in the Council holding inaccurate records and over-valuing their assets.
- During sample testing of assets under construction we were unable to identify appropriate supporting documentation in order to verify the value of these sampled assets, which equated to in excess of £500,000. The Council could incorrectly value its assets if it does not retain a clear record of all assets under construction and retain appropriate supporting documentation to verify their value.

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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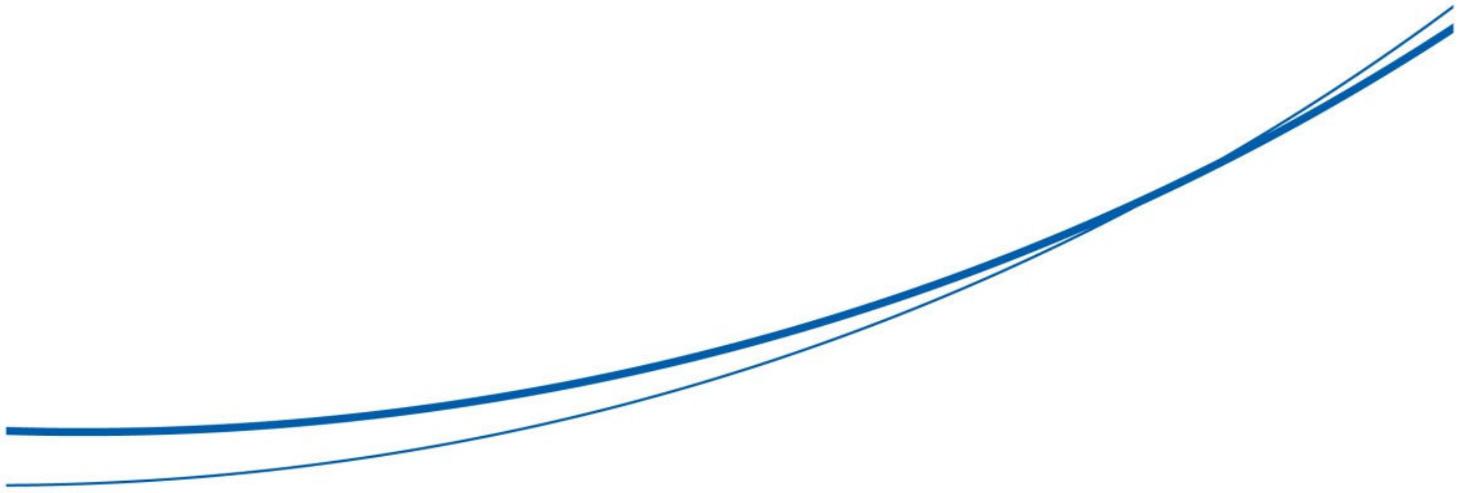
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Slough Borough Council

Internal Audit Progress Report
Audit & Risk Committee Meeting: 25 June 2013

Introduction

The internal audit plan for 2012/13 and 2013/14 were approved by the Audit and Risk Committee on the 27th March 2012 and 25th March 2013 respectively. This report provides an update on progress against that plans and summarises the results of our work to date.

Since the last Audit and Risk Committee held in March 2013 the following 18 audit reports, relating to the 2012/13 plan have been finalised:

- Additional Devolved Budgets to Schools (3.12/13);
- Willow Primary School (4.12/13);
- Western House Primary School (8.12/13);
- Haybrook College (9.12/13)
- Parlaunt Park Primary School (10.12/13);
- Contract Management (33.12/13);
- School's Financial Value Standard (SFVS) (36.12/13);
- Claycots Primary School (39.12/13);
- Business Continuity Planning Arrangements (41.12/13);
- Debtors & Cash Management (42.12/13);
- Thames Valley Transitional Hub – Contractual Performance Management (44.12/13);
- Creditors (46.12/13);
- Procurement Quarter Four Review (47.12/13)
- Partnership Arrangements (48.12/13);
- General Ledger (49.12/13);
- Treasury Management (50.12/13);
- Governance (51.12/13); and
- Budgetary Control & Financial Reporting (53.12/13)

A summary of the key issues contained within these report and the high priority recommendations are detailed in the report below from page 4.

KEY ISSUES

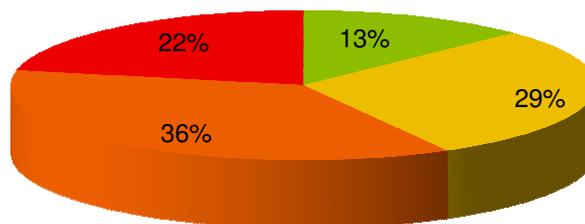
One RSM Tenon audit report (Procurement Cards) in respect of the 2011/12 Internal Audit plan remains in draft. (Note – RSM Tenon provided the IA service for Quarter 4 of 2011/12 only).

Of the 58 reports which have been issued to management in respect of the 2012/13 Internal Audit plan, 9 of these are draft reports. Of these 9, 6 of these have been outstanding for less than 30 working days as at the 13th June 2013.

The Committee should be reminded that management have directed some of the Internal Audit plan of work at areas of concern or where weaknesses were known. This should be considered when reviewing the level of assurance opinions provided below and the proportion of red opinions.

Of the 58 reports (including the 9 that remain in draft) issued to the Council in 2012/13, the breakdown of the levels of assurance provided is as follows:

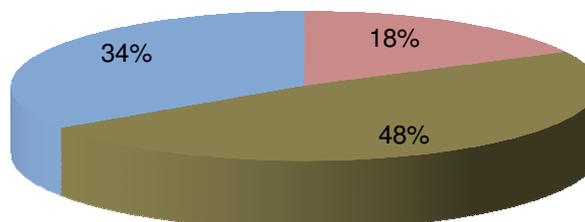
Assurance Levels 2012/13 to date



	Green	Amber Green	Amber Red	Red	Advisory	Total
Assurance opinions 2012/13	7	16	20	12	3	58

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

Recommendation categorisations in 2012/13 reports to date:



	High	Medium	Low	Total
Recommendations raised 2012/13	61	167	120	348

Of the 58 reports issued for the current year to date where a formal opinion has been provided, 12 of these have resulted in a red opinion (please note one of the 12 remain in draft at this stage). Five of the red opinions relate to audits of schools. We have also issued seven red opinions relating to the Council's control framework:

- Declaration of Interests (Final)
- Business Rates (Final)
- Contract Management (Final)
- Contract Management – Block Nursing Contracts (Final)
- Safeguarding – Risk Assessment Process (Final)
- Procurement – Quarter Four Review (Final)
- Asset Register (Draft – latest version issued 14.6.13)

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. The Council needs to carefully consider the issues identified as part of these audits and determine the extent to which these should be recorded as significant control issues within the Annual Governance Statement. We have also held discussions with the Associate Director – Finance and Audit regarding any significant issues that need to be recorded.

In addition, whilst not resulting in a qualified Head of Internal Audit Opinion, the above red assurance opinions, together with the delays in the responding to draft audit reports, will be recorded as part of our Head of Internal Audit opinion for the year, although the improvements in the processes for responding to our reports have been noted.

As part of our audit follow up process in 2013/14 we will undertake a detailed follow up review in respect of these audits to provide independent assurance regarding the extent to which previous recommendations have been implemented.

Other Matters

Planning and Liaison:

The time-table for quarter one audits for 2013/14 has been agreed, and scoping meetings held for each of these audits. Planning for quarter two and three audits has already commenced with a number of scoping meetings held.

Monthly meetings continue to be held with the Assistant Director, Finance and Audit, with recent meetings focussed on the production of the Annual Governance Statement.

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 and the terms of reference for the Group. We have also attended the most recent meeting of the Berkshire Internal Audit Group.

Internal Audit Plan 2012/13 - Change Control:

The only two additional proposed changes that have been made to the Internal Audit plan since those which were highlighted to the previous Audit & Risk Committee are:

- The postponement of the Use of Agency and Workforce Planning Review until quarter two 2013/14 due to issues with the implementation of the software with the Council's new provider; and
- The revised date for the Sickness Management review due to the unavailability of the key contact for Slough Borough council on the originally proposed dates. This audit is now in progress.

Information and Briefings:

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

- LGE eUpdate LG eUpdate February 2013
- LGE eUpdate LG eUpdate March 2013

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

Since the last Audit and Risk Committee, we have finalised 18 audit reports, of which three were a Red opinion. Our key findings section provides an extract from the **amber-red** and **red reports** finalised since the last progress report to the Audit & Risk Committee below. We have also included the action plan for all of the High category recommendations within these reports:

<p>Assignment: Contract Management (33.12/13) Final report issued 21/3/13</p>	<p>Opinion: Red</p>	
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Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and two medium rated recommendations:

- The Council did not have a Contract Management framework and therefore had no guidelines for employees in the organisation on the minimum requirements in managing contracts. Without a relevant framework, the Council may not be efficient in obtaining savings identified through procurement exercises and the service provided may not meet the intended specification. For important strategic contracts this could also put the achievement of strategic objectives at risk.
- The Council did not have a policy whereby Supplier Account Plans were a requirement for each contract. Without Supplier Account Plans there is the risk that if a contract was to be transferred to a different employee to manage, key knowledge and details may fail to be transferred effectively and a contract could consequently fail to deliver the required service. This may also affect the ability to effectively manage the contract.
- The Council's Procurement Operating Procedures were only in draft format and did not include arrangements for processing changes to supplier details. The process for adding new supplier details was also not sufficiently robust in its design as the form was open to fraudulent amendments of, for example bank details, and no supporting documentation or verification checks were required.
- The Council had no local supplier list for Small and Medium sized Entities (SMEs). Without utilising such a list, the Council may be failing to promote local economic development and sustainable procurement. At the time of this review, the Council was commencing a review to establish a list and this action was recorded in the organisations procurement plan and therefore we have not reiterated this action within our recommendations.

Application of and compliance with control framework

We identified the following weaknesses which resulted in two high category and three medium category recommendations:

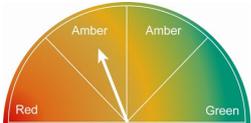
- From a sample of four contracts, we found instances where the contract held did not include a signature from both parties, a contract value, performance indicators or the final agreed specification of the service to be provided. This could render the contracts invalid or they may not be managed successfully.
- The Contracts Register was not fully completed as we found key information missing such as contract values and end dates. Without this information, the Council cannot make informed decisions on contract extensions or future procurement exercises and therefore may not be effectively managing their finances and achieving value for money.
- During sample testing we identified that performance information provided by a supplier did not include sufficient data to enable the Council to determine whether a valued service was being provided. We also noted a lack of seniority at the monitoring meetings with this supplier given the value of annual expenditure of £625,990 (as per ledger report for 2011/12). Two medium recommendations were raised relating to obtaining contract variations and establishing monitoring sheets.

Sample testing from the finance system for new suppliers was not possible and therefore the Council cannot be fully assured that all new suppliers added to the system are correct and appropriate.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1: A contract management framework should be established to ensure contracts</p>	<p>Contract Management Framework will be written and circulated</p>	<p>December 2013</p>	<p>Joanna Anderson, Assistant</p>

<p>are effectively managed. The framework should include guidance on assessing the risk related to contracts to ensure the appropriate level of governance and scrutiny is applied to the management of the contract.</p> <p>We suggest that different tiers are introduced in order for the Council to distribute resources appropriately.</p> <p>The framework should address the level of seniority required at management forums and involvement from other departments, format of meetings, i.e. whether full minutes should be recorded. For higher tier contracts it should be compulsory for contracts to include performance indicators.</p>	<p>to each directorate to discuss at SMT/DMT. The framework will be linked to their In-Tend e-tendering and e-contracts register solution</p>		<p>Director-Commissioning, Procurement & Shared Services</p>
<p>REC 2: The Council needs to prioritise the receipt of all significant data regarding each contract held by the organisation in order for an accurate listing of the essential details of each contract to be transferred to any new system installed.</p> <p>The Council could utilise the Communications Team to highlight this need through emails and information posted on the organisation's website.</p>	<p>At the end of September each directorate will be notified that the Contracts Register requires updating, an extract of the Corporate Procurement register will be sent out for directorates to cross reference with their own information to ensure the overarching register is updated.</p> <p>This has subsequently been completed with 45 contracts register received from across service areas. Populated into central contracts register. Departmental registers are requested every 3 months.</p>	<p>End of September 2012</p>	<p>Joanna Anderson, Assistant Director-Commissioning, Procurement & Shared Services</p>
<p>REC 4: The Council need to introduce a mechanism to ensure that all contracts include the key details (including the following information) before the contract is signed by both parties and its award:</p> <p>The required governance framework; Performance indicators; Contract value; and Expiry dates and any relevant extension dates.</p> <p>Contract Manager Lead Director / Assistant Director</p> <p>Legal Services should then be responsible for holding all original contracts and providing an</p>	<p>This information where possible is captured at Competitive tendering stage. Procurement to liaise with legal to ensure appropriate schedules e.g. Benchmarking, Governance Model are included in the suite of precedents</p> <p>In-Tend solution due to</p>	<p>September 2013</p>	<p>Joanna Anderson, Assistant Director-Commissioning, Procurement & Shared Services</p>

<p>electronic version to those charged with managing the contract. This will ensure a sufficiently detailed contract is held by both the service area and Legal Services.</p>	<p>be implemented by end of March 2013 – this will then be populated with current data and new data going forward</p>		
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<p>Assignment: Schools Financial Value Standard (SFVS) (36.12/13) Final report issued 24/4/13</p>	<p>Opinion: Amber Red</p>	
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Background:

The Schools Financial Value Standard (SFVS) has been available for schools to use from September 2011. The SFVS has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management arrangements in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

SFVS is mandatory for all schools maintained by Local Authorities and they are required to complete the standard once a year. Those schools which never attained Financial Management Standard in Schools (FMSiS) were expected to complete and submit the SFVS to their local authority by 31 March 2012. For all other maintained schools, the first run through is required by March 2013. An annual review is required thereafter by all maintained schools.

Effective financial management enables schools to optimise their use of resources to provide high-quality teaching and learning and so raise standards and attainment for all their pupils. Slough Borough Council (referred to as the Council hereafter) is required to provide assurance to the Department for Education (DfE) about the number of schools that have completed SFVS.

Requirements stated by the DfE that are assigned to the Council is to set and monitor a local financial framework and to provide local support for schools to help them provide an effective service to the local community. In pursuit of this role requirements include:

- Maintain and revise a local financial scheme for schools under section 48 of the Schools Standards and Framework Act (SSFA) 1998;
- Review the schools’ budget plans as submitted;
- Agree a deficit recovery programme with schools that fall into deficit;
- Carry out high level monitoring of schools’ budgets;
- Challenge excess surplus balances, held by schools without good reason;
- Plan and carry out an audit programme for schools;
- Monitor implementation of the SFVS and take this into account in their programme of audit.

Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and one medium rated recommendation:

- No guidance had been provided directly from the Council on requirements for conducting the SFVS. Without sufficient guidance, there is a risk that Schools may fail to submit their SFVS. If the Council does not receive sufficient assurance that financial standards are appropriately maintained at schools it will not be complying with the DfE requirements. A financial incident could occur that the Council could have potentially intervened and avoided if they were aware of inappropriate standards operating at Schools.
- The Council has not requested receipt of any Schools' completed SFVS. Without receipt of those standards that were due for submission in March 2012 the Council does not have sufficient assurance that financial standards are appropriately maintained at these schools. A financial incident could occur that the Council could have potentially intervened and avoided if they were aware of inappropriate standards operating at Schools.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with. The following weaknesses resulted in a two medium category recommendations:

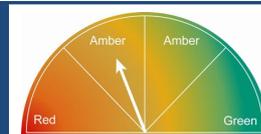
- The Council had not been scrutinising surpluses projected by schools and ensuring their appropriateness. The surpluses cumulatively proposed by schools was £3.1m in 2012/13 and the Assistant Director Achievement and Inclusion reported that surpluses held by schools (included prior year values) amounted to approximately £11m. Four schools in the borough had proposed surpluses in excess of 10% of their income. Schools in the borough could be failing to utilise their funds on existing pupils for which the funding has been provided if appropriate challenge and review is not undertaken by the Council to ensure surpluses are appropriate.
- The Councils record for identifying those schools that were required to submit an SFVS was not up to date. It did not list all those schools exempt, for instance, nurseries that were exempt in March 2012. If this data is not accurate the Council will not be able to correctly inform the DfE of those schools which schools attained the standard.
- The Council was also not in receipt of completed standards from March 2012 and therefore was not able to inform the DfE of those which had attained the standard to date. The Council was therefore not aware of whether those which had completed the SFVS had carried out their requirements in terms of a Governors review, Chair of Governors sign off and creation of an assigned and time-bound action plan for all areas of non-achievement.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 2: The Council should ensure that they carry out Department for Education requirements by:</p> <ul style="list-style-type: none"> ▪ Agreeing a deficit recovery programme with schools that fall into deficit; and ▪ Challenging excess surplus balances, held by schools without good reason. 	The Assistant Director Achievement and Inclusion explained that this will be brought to the attention of the Finance Department.	31 st July 2013	George Grant, Finance Manager (Wellbeing)

Assignment: Debtors & Cash Management (42.12/13)

Final report issued 16/5/13

Opinion: Amber Red



Design of control framework

We identified the following weaknesses in the design of the framework, which resulted in two medium categorised recommendations:

- Although progress had been made to investigate aged debts in areas such as Adult Social Care and Asset Management, there was not a robust process in operation across the Council. The Council did not have regular case reviews with Recovery Officers to review the recovery of outstanding debt across all departments of the organisation. If the Council do not regularly meet with recovery officers it cannot gain assurance that appropriate action is being taken to recover outstanding debt. This could result in financial loss to the Council if debt is not actively chased within appropriate timescales.
- There was no insurance in place for the cash held at Landmark Place. Without appropriate insurance in place the Council may be unable to recover money held in the event of loss.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with. Notably the following weaknesses were identified which resulted in one high and two medium categorised recommendations:

- Automatic reminders for debt recovery were produced more than 14 days after the original invoice which is not in line with the Income and Debt Recovery Policy. In addition pre-court letters were sent to customers more than 35 days after the date of the original invoice which is longer than specified in the organisation's policy. The policy did not suggest instances where exceptions were permitted. If the Council does not undertake timely recovery action, outstanding debt may become irrecoverable.
- The Council did not regularly review the Aged Debt reports to ascertain actions to be taken on recovering outstanding debt. If this is not reviewed regularly the Council may fail to make decisions on either recovering or writing off outstanding debt which could result in financial loss.
- No action was taken on recovery of Social Care Debt further to sending a final reminder. If no action is

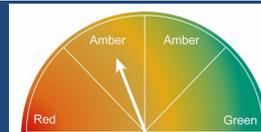
taken on outstanding social care debt the Council may fail to recover outstanding debt.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 1: To ensure the Council receive assurances that debts are being appropriately managed Finance Partners should be required to provide feedback to the Financial Controller to confirm that the aged debtor analysis has been appropriately discussed and action taken within their directorate.	This can be introduced by Finance Partners and a record retained to close the feedback loop.	End of April 2013	Barry Stratfull, Corporate Financial Controller

Assignment: Governance (51.12/13)

Final report issued 21/5/13

Opinion: Amber Red



Design of control framework

We found the following weakness in relation to the design of the control framework, which resulted in one medium categorised recommendation:

- The Council did not have a policy in place that clearly outlined requirements for ensuring the safe and secure communication of Council information that is sent and received by Councillors. Information could potentially be accessed by inappropriate individuals and could potentially damage the reputation of the Council if there is not clear guidance and requirements on the secure communication of information.

We also identified a further two weaknesses in the design of the control framework which resulted in two low categorised recommendations.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with which resulted in three medium categorised recommendations and eight low categorised recommendations. The medium categorised recommendations relate to the following:

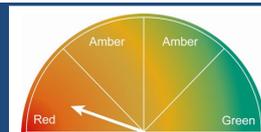
- Not all Members had completed and submitted a Declaration of Pecuniary Interest form. If correct practice is not adhered to with regards to declaring interests at meetings there is a potential risk of, or perception that malpractice may be carried out and that members may be utilising their power for their own personal interests.
- Member attendance at some committee meetings was low and failed to reflect their commitment to their role. Non-attendance by a Councillor increases the risk that the views of that Councillor may not be represented which may have an impact on the effectiveness of Committees of the Council and which may also be a disservice to that Councillor's Ward.
- Not all members had attended their mandatory induction course. There is a risk that if Councillors are not attending training meetings they may not have the skills set or knowledge to effectively carry out their role.

A further eight low recommendations have been made.

Assignment: Willow Primary School (4.12/13)

Final report issued 16/5/13

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls:

- The School did not hold Terms of Reference at the time of our review for its Governing Body or Finance & Resources Committee.
- The School did not possess a job description for the Headteacher.
- The Financial procedure Manual did not specify the authorisation required for employee appointments.

- The Council do not hold a preferred supplier list.

Application of and compliance with control framework

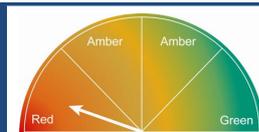
We found that a number of controls identified above were not adequately complied with. We identified the following weaknesses during our testing:

- A declaration of Interest exercise had not been undertaken for all governors, the Headteacher and any other staff who influence financial decisions, in order for any interests to be recorded and evaluated by the School.
- Financial reporting to the governing bodies' forums did not provide the reasons and suggested corrective actions for variances or other financial issues that were being raised.
- Sample testing found that orders were not authorised by the appropriate level of authority in all instances. Specifically orders where authorisation was required from the governing body.
- Sample testing identified that competitive quotes were not being obtained and retained for purchases above £5,000.
- Sample testing found that invoices were not being countersigned to demonstrate that the good/services had been fully received in all instances where a goods receipt note was not available.
- The inventory list was not completed with assets other than I.C.T equipment or details of their value, purchase date and depreciation.
- The physical verification of assets exercise was not recorded to retain an audit trail of this task.
- Loan agreement forms were not signed off by the individuals holding the assets.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1.2: The Financial Procedure Manual should be regularly reviewed by the Full Governing Body and details of its approval and next review date should be recorded on the document.</p> <ul style="list-style-type: none"> ▪ The Manual should be enhanced to include: ▪ The level of authority required to approve timesheets for overtime. ▪ The number of individuals and level of authority required as a bank mandate for the School. ▪ The requirement and level of authorisation to approve new employees. ▪ The level of authority required to approve expenses and overtimes should be specifically recorded. 	Willow School became part of Marish Academy Trust in February 2013 and have endorsed the recommendations of this review and have addressed the matters that were outstanding at the time of the transfer.	Completed	Sheila Bond, Academy Business Manager
<p>REC 3.2: The School needs to ensure approval is obtained for all expenditure in compliance with their Financial Procedures Manual.</p>	As above	Completed	Sheila Bond, Academy Business Manager

Assignment: Parlaunt Park Primary School (10.12/13)
Final report issued 16/5/13

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls, which has resulted in six medium rated recommendations:

- The Financial Delegated Limits matrix did not clearly state where more than one group/individual was ticked to authorise, whether the authorisation could be provided by either of those ticked or if all those

ticked were required to provide authorisation. Inappropriate authorisation may be obtained for expenditure if the levels of authorisation are not clear.

- The budgeting reports presented to the Finance Committee did not include the reasons for adverse significant variances and relied on the attendees at the Finance Committee to raise these matters. The School could fail to improve their financial position if poor financial performance is not addressed in a timely manner.
- The School did not obtain quotes for goods or services and carry out investigational checks on new suppliers. There is a risk that value for money cannot be demonstrated and that the likelihood of the School being subject to a fraudulent supplier increases.
- The School does not have an inventory list with asset values and date of purchase therefore the School could incorrectly value its assets if they are unable to identify any assets that have devalued, disposed of or any that may have been stolen.
- School property loaned out to employees should be signed off. If the School does not do this it may incur expenditure in replacing lost, stolen or damaged goods.
- Inappropriate records of income received for school meals are retained. This has resulted in the school not being able to verify that all income has been received for school meals.

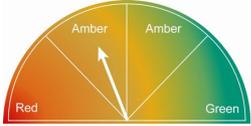
Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses, which have resulted in three high and five medium rated recommendations, during our testing:

- The School's budget was not presented to the Full Governing Body after it was authorised by the Finance Committee in 2011/12. If the budget is not endorsed by the Full Governing Body, any inaccuracies may fail to be identified and the School may fail to manage its finances effectively.
- Staff involved with making financial decisions in the school had not declared other interests.
- The Headteacher, who was providing additional one-to-one tuition to students of the school, had not formally declared to the Governing Body this activity was undertaken for which the School provides additional payments. However, we were informed that they were aware of this provision of tuition provided by the Headteacher.
- Additional Payments for the Headteacher were authorised by the claimant, this lack of segregation could potentially result in inappropriate payments being processed. However it does not demonstrate transparent governance.
- The Financial Regulations were not approved by the Governing Body forums. Employees could potentially follow obsolete or inappropriate procedures if the Financial Regulations and Scheme of Delegation are not reviewed regularly and details of their approval are not recorded on the document.
- There was not evidence that the School had obtained approval from the Finance Committee or Governing Body for all nine sampled purchases over £5,000 and therefore the School did not comply with their Financial Regulations and could potentially be committing the School to expenditure that the Governing Body or the Finance Committee would not agree was required.
- The Budget monitoring report presented to the Finance Committee did not highlight areas of overspend or reasons for such overspend. This could result in remedial actions not being implemented timely to improve the School's financial position.
- The School Meals report was not up to date. This could potentially result in the School incurring additional expenditure by providing free school meals for students who are not eligible.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 4.2: The School should remind all staff that all purchase orders for goods and services should be created prior to orders being made and approved in line with the financial limits as set in the Financial Procedures.	This will be conducted and the financial regulations will also be revised if permitted by the Governors to allow the Headteacher to authorise up to £10,000, which Internal Audit informed the School was consistent with other Schools.	End of September 2012	Tara Moran, Headteacher

<p>REC 4.3: The Bursar should send invoices back to the relevant staff member if either:</p> <ul style="list-style-type: none"> ▪ A Goods Received Note has not been signed; or ▪ The invoice has not been annotated and signed to state the goods/service has been fully received/ completed. 	<p>All invoices will be signed going forward in the absence of a signed goods received note.</p>	<p>End of June 2012</p>	<p>Alison Draycott, Bursar</p>
<p>REC 7.1a: The Governing Body should ensure that any timesheets for the Headteacher are authorised by the Chair of Governors to ensure that appropriate authorisation is provided for additional payments.</p>	<p>This has now been completed.</p>	<p>End of February 2013</p>	<p>Tara Moran, Headteacher</p>

<p>Assignment: Haybrook College (9.12/13) Final report issued 13/5/13</p>	<p>Opinion: Amber Red</p>	
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Design of control framework

We identified the following weaknesses in relation to the design of the controls, which have resulted in four medium recommendations:

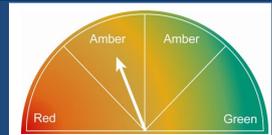
- The roles and responsibilities of the Governing Body, Finance Committee, the Headteacher and the Bursar have not been clearly defined in the Finance Manual.
- The Governing Body has not set up a Terms of Reference which specifies its role and the minimum frequency, level of detail and general format of the financial information to be provided to it.
- The Scheme of Delegations and the Finance Manual had inconsistent authorisation requirements for expenditure over £60,000. Inappropriate authorisation may be obtained for expenditure if the levels of authorisation are not clear.
- The College's inventory listings did not all include asset values and date of purchase therefore the College could incorrectly value its assets if they are unable to identify any assets that have devalued, been disposed of or has been stolen.

Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing which have resulted in one high and two medium recommendations:

- The College did not obtain approval from the Chair of the Finance Committee for purchases over £10,000 and therefore did not comply with their Scheme of Delegations and could potentially be committing the College to expenditure that the Finance Committee would not agree was required.
- Purchase Orders were created after receipt of an invoice therefore without prior approval from an appropriate level of authority. This could commit the College to expenditure when funds are not available.
- Three Governors and staff who were involved with making financial decisions in the College did not complete a declaration of interest form to declare any interests held. Individuals could be making decisions in their best interest and not the College's' interest if they are not robustly subject to this exercise.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 2.1: The College should ensure that all expenditure between £10,000 and £35,000 receives authorisation from the Head of the Finance Committee prior to the order being made as stipulated in the Scheme of Delegation. Approval should be received in writing either by signature or via e-mail.</p>	<p>Agreed.</p>	<p>Immediately</p>	<p>Wendy Andrews, Bursar</p>



Design of control framework

We identified the following weaknesses in relation to the design of the controls, which have resulted in one high and one medium rated recommendations:

- The school does not undertake any investigations before using new suppliers to check their credentials.
- The School does not have any form of asset register or inventory list and therefore the School could potentially be incorrectly valuing its assets.

Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing which have resulted in two high and two medium rated recommendations:

- The Budget Monitoring reports were not presented at the main IEB meeting and therefore do not get a review from all IEB members. Discussions held on the reports are not recorded within minutes of the meeting.
- The School did not obtain approval from the IEB for purchases over £10,000 and therefore did not comply with their Financial procedures and could potentially be committing the School to expenditure that the IEB would not agree was required.
- Purchase orders were not created and authorised at the appropriate level prior to orders being made and therefore the School could be committing to expenditure that may not be required.
- Delivery notes were not signed to confirm receipt of goods or services. Verbal confirmations do not provide a sufficient audit trail and potentially the School could incur expenditure for orders that have not been fully received. Claimants did not sign timesheets and therefore the value of claims could be inaccurate which could potentially result in the School incurring expenditure that is not valid.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1.1: The Financial Procedures should be regularly reviewed by the Full Governing Body and details of approval and next review date should be recorded on the document.</p> <p>The Procedures should be updated to:</p> <ul style="list-style-type: none"> ▪ Include the responsibility of the Bursar to monitor expenditure and to produce financial reports to the Governing Body that provides reasoning and suggested corrective actions for poor performance. For instance, variances to budget. ▪ Provide consistent requirements on the value in which tendering procedures should be adopted within both the Scheme of Delegation and Procurement section. ▪ Remove the use of a Preferred Supplier List if the School is satisfied that sufficient value for money can be obtained through obtaining quotes on purchases. ▪ Include a section on the approval of staff appointments and the level of 	<p>The Financial Procedures have been updated and Financial procedures are due for review again in July 2013</p>	<p>Completed</p>	<p>Gill Overall, Headteacher</p>

<p>authority required to approve staff of different levels of seniority.</p>			
<p>REC 2.1: The IEB should ensure that a regular agenda item is to review a Finance Report and the IEB should ensure that the review and scrutiny of the school's actual spend compared to the budget is recorded within their minutes.</p>	<p>This will be carried out in future meetings. - IEB do regularly review finance reports.</p>	<p>Completed End of June 2012</p>	<p>Gill Overell, Headteacher</p>
<p>REC 3.2: The Headteacher should remind all employees that the School is required to produce a purchase order in all instances (except utilities, rents, rates and petty cash payments) for approval by the appropriate authorisation level before making an order with a supplier in adherence with the Finance Procedures.</p> <p>The purchase order should be signed as evidence of approval and retained.</p> <p>Where purchase orders are not appropriate invoices should be presented to the appropriate level of authority for approval.</p>	<p>An email was sent to all staff to ensure this is enforced from the Headteacher in May 2012</p>	<p>Completed May 2012</p>	<p>Gill Overell, Headteacher</p>

APPENDIX A - Summary of Progress against the Internal Audit Plan

2011/12 Audit Plan

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Purchase Cards (4.11/12)	Draft Report Issued 23 March 2012 – awaiting management comments	Amber Red	2	4	1

2012/13 Plan (included with 2012/13 Annual Report)

2013/14 Annual Plan (Quarter One Only)

Assignment <i>Reports considered today are shown in italics and bold</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
Trading Standards	Starts 28/6/13				
IT Strategy	Starts May 2013				
Wellbeing:					
School's Financial Value Standard (SFVS)	Review stage				
Children's Service Procurement	Review stage				
Resources, Housing & Regeneration:					
Council Tax – Implementation of new rules	Fieldwork in progress				
Freedom of Information Act Compliance	TBC				
Chief Executive:					
Health and Safety	Draft issued 8/5/13	Amber Green	0	3	3
Training and Development	starts 20/6/13				
Schools:					
Cippenham Nursery School	Draft issued 13/5/13	Amber Red	0	5	3
Foxborough School	Review Stage				
Priory School	Review Stage				
Littledown School	Fieldwork in progress				
Lea Nursery School	starts 14/6/13				
St Bernard's School	starts: 24/6/13				

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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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit and Risk Committee **DATE:** 25th June 2013

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368

WARD(S): All

PORTFOLIO: Cllr. Rob Anderson; Commissioner for Finance and Strategy

PART I

ANNUAL GOVERNANCE STATEMENT

1 **Purpose of Report**

The purpose of this report is to approve the Annual Governance Statement

2 **Recommendation(s)/Proposed Action**

That Audit & Risk Committee is requested to approve the Annual Governance Statement

3 **Slough Wellbeing Strategy Priorities**

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Slough Wellbeing Strategy Priorities

Priorities:

- *Economy and Skills*
- *Health and Wellbeing*
- *Regeneration and Environment*
- *Housing*
- *Safer Communities*

4 **Other Implications**

(a) **Financial**

There are no financial implications of proposed actions

(b) **Risk Management**

This report concerns governance across the Council

(c) **Human Rights Act and Other Legal Implications**

None identified.

(d) Equalities Impact Assessment

There is no identified need for an EIA

5 Supporting Information

5.1 The draft Annual Governance Statement is attached at Appendix A.

6 Conclusion

6.1 The Annual Governance Statement is prepared in order to report publicly on the extent to which the Council complies with its own governance procedures on an annual basis, including how the Council has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming years. A draft Annual Governance Statement is attached to this report for approval by the Audit Committee.

7 Appendices Attached

'A' - Draft Annual Governance Statement

8 Background Papers

None

ANNUAL GOVERNANCE STATEMENT 2012-13

1. Scope of Responsibility

- 1.1 Slough Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The code of corporate governance approved and adopted by the Council is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. Our Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of the Annual Governance Statement and from 1st April 2011 regulation 4[2,3] The Accounts and Audit (England) Regulations 2011.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and the culture and values, by which the Authority is directed and controlled and the activities through which it leads, accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively.
- 2.3 The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the statement of accounts. Appendix One outlines the key factors in preparation of the Annual Governance Statement.

The Governance Framework

Identifying, communicating and reviewing the achievement of the Authority's vision and intended outcomes for citizens and service users and its implications for the Authority's governance arrangements

Key References:

- The Council's Strategic Plan and Corporate Plan;
- Local Strategic Partnership and Shadow Health and Wellbeing Board; and
- The Strategic Planning Framework.

Commentary:

The Council's Corporate Plan outlines how the political direction of the Council's leadership combines with the long term vision for the town. The Corporate Plan explains the Council's role in delivering *Slough's Sustainable Community Strategy* – which sets out the 20 year long-term vision. In January 2013 a new Slough Joint Wellbeing Strategy was agreed to replace the Community Strategy and to meet the requirements of the Health and Social Care Act 2012. The Corporate Plan is part of the 'golden thread' of performance management, linking the Council's vision and priorities into the everyday activities of our staff.

The Shadow Slough Wellbeing Board (SWB) operated during 2012/13 and has become the umbrella partnership for the borough, replacing the former Local Strategic Partnership. The SWB oversees the implementation of the Joint Wellbeing Strategy and is supported by six Priority Delivery Groups which report into the Board.

The Council's strategic planning is informed by a strong evidence base including the Slough Story and Joint Strategic Needs Assessment.

The Council's Performance Management Framework is used to monitor financial, service and project performance on a monthly basis and is reported to the Corporate Management Team, Cabinet and Overview and Scrutiny. The Council reintroduced service planning in 2012/13 with service plans being produced at Assistant Director level.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources.

Key References:

- Citizen Satisfaction Surveys;
- Service Planning Framework;
- Internal & External Inspection; and
- Performance Management Framework.

Commentary:

The Council has produced a Community Engagement toolkit to provide practical guidance for staff on how to engage with local communities. The U-engage consultation portal continues to be used and additional staff have been trained to make use of this method. It has been decided not to continue to carry out Attitude Surveys but to focus on targeted consultation on specific topics and as part of proposed service changes.

A Service Plan template has been developed which includes key performance from the previous year and objectives for the year ahead. Plans also include financial and workforce planning information.

The Council has a comprehensive internal audit programme to ensure that there is sufficient coverage across the organisation to enable senior management to gain assurance over the control framework. The Council is also subject to rigorous external inspection from independent agencies such as OFSTED or the Audit Commission's appointed auditors, BDO. As part of the external audit work there is coverage on Value for Money where a conclusion is provided.

The Council has a robust performance management framework with regular reporting to senior management and members of the Council, highlighting performance against a performance Balanced Scorecard. The Council also monitors progress against its 'gold' projects to ensure that key projects are being delivered and progress against delivery.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Key References:

- Clearly defined roles and responsibilities;
- Policy & Budgetary Framework;
- Decision making Structure;
- Formal Delegation of Responsibilities; and
- Public Inspection of Key Documents.

Commentary:

The Council is composed of 41 Councillors. The overriding duty of Councillors is to the Borough as a whole but they are democratically accountable to residents of their Ward. All Councillors meet together as the full Council.

The Executive is the part of the Council which is responsible for most day-to-day decisions. The Executive is made up of a Cabinet appointed by the Leader of the Council with eight lead Councillors, called Commissioners. Each Commissioner has a specific portfolio of areas for which s/he is responsible. All services of the Council fall within the portfolios of one or more of the Commissioners. When key executive decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be anticipated. The Cabinet has the power to make decisions which are in line with the Council's overall policy and budgetary framework. If it wishes to make a decision which is outside the framework, this must be referred to the full Council to decide.

All items of business at meetings of the Council, its Committees, Sub-Committees and the Cabinet will be set out in an agenda together with reports and supporting papers. Generally, these documents are open to public inspection on the Council's website and Council. Copies of these documents are also available free of charge on request. Normally the meetings will be held in public but where personal or confidential information, known as exempt information, is to be discussed, the meetings will be held in private and the reports and supporting papers will not be available.

The Council's decision-making structure has delegated many decisions to the senior officers and statutory chief officers. These decisions are taken after verifying that they are in accordance with the budget and policy and budgetary framework and a range of financial, legal and other relevant advice. The Council, through its Overview and Scrutiny Committee, holds the Cabinet to account and monitors performance and also considers certain executive items referred for comment. The Council also provides an opportunity for citizens and Councillors to ask questions and raise issues of broad public interest.

The Corporate Management Team (CMT) consisting of the Chief Executive and Directors meets weekly to oversee and direct the delivery of all Council services in accordance with policy, financial and legislative requirements.

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

Key References:

- Member and Officer Local Codes of Conduct;
- Council's Constitution;
- The Standards Committee; and
- Member and Officers Relations Code.

Commentary:

Councillors have to agree to abide by the Local Code of Conduct to ensure high standards of behaviour in the way they undertake their duties. The Local Code of Conduct forms part of the Council's Constitution and was reviewed and updated in July 2012 in line with Localism Act changes. The Standards Committee has overall responsibility for ethical matters including training and advice on the application of the Local Code. Since May 2008, the review and determination of complaints about Member conduct has been delegated by the Committee to specially designated Sub-Committees.

Specific Codes of Conduct have been adopted for Councillors who carry out the Council's Planning and Licensing functions. The Council has designated the Assistant Director of

Professional Services as the Monitoring Officer, in accordance with Section 5 of the Local Government and Housing Act 1989.

The Officer Code of Conduct sets out the standards of behaviour the Council expects of employees in the carrying out of their duties to ensure that the Authority maintains a deserved reputation for the high standards of its activities and the integrity of its employees at all levels.

A Member and Officer Relations Code sets out standards of behaviour and levels of expectations between Councillors and Officers of the Council.

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

Key References:

- The Constitution;
- The Financial Procedure Rules;
- An established Budget Monitoring Process;
- Monitoring Officer role
- Internal & External Reviews; and
- Council wide Risk Registers.

Commentary:

The financial management of the Authority is conducted in accordance with various procedures set out in the Constitution, but in particular with the Financial Procedure Rules. The Council has designated the Assistant Director, Finance & Audit as Chief Finance Officer (CFO) in accordance with Section 151 of the Local Government Act 1972.

The forecast position against budget is reported to Councillors quarterly, and is considered monthly by Directorate Management Teams and the Council's Corporate Management Team. This is supported by an established budget monitoring process by Managers and Finance staff.

The Council maintains a Corporate Risks Register that is supported by service risk registers. These are considered regularly by a cross directorate Audit & Risk Group and are reported to CMT.

The Cabinet or any Committee/Sub Committee of the Council, or any Officer are duty bound to consult the Monitoring Officer and/or the Interim Director of Finance and Property Services (or their representatives) as to whether any proposed decision would be lawful and/or contrary to the policy framework, and/or contrary to or not wholly in accordance with the budget. If the advice of the Monitoring Officer is that the proposed decision would be unlawful then the matter will be reviewed with appropriate advice from the Monitoring Officer on how to proceed if at all. If either of those officers consider that the decision would not be in line with the existing budget and/or policy framework then the proposal will be referred to the Cabinet or Committee/Sub-Committee for consideration. If

an urgent decision is required the Budget and Policy Framework Rules relating to urgent decisions, will be applied.

After consulting with the Chief Executive and the Section 151 Officer, the Monitoring Officer will report to the Full Council or to the Cabinet (if the decision relates to an executive function) if s/he considers that any proposal, decision or omission would be unlawful or give rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Ensuring the Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

Key References:

- Key Member of the Leadership Team;
- Reports directly to the Chief Executive; and
- Professionally qualified and suitably experienced.

Commentary:

The Authority's financial management arrangements conform to the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

The Chief Financial Officer (CFO) is a key member of the Leadership Team and is actively involved in, and able to bring influence to bear on, all material business decisions. The CFO receives all Corporate Management Team (CMT) papers and is present for all CMT discussions on items with a financial relevance. As the principal advisor to senior management and members on financial matters, the CFO leads the promotion and delivery by the whole Council of good financial management.

The CFO is responsible for leading, and directing, the Finance function within the Council and is professionally qualified and suitably experienced, thereby meeting the requirements of the CIPFA statement.

Undertaking the core functions of an Audit Committee as identified in CIPFA's Audit Committee- Practical Guide for Local Authorities

Key References:

- Clearly established Audit Committee;
- Regularly convenes with clear agendas;
- Independent challenge; and
- Independent assurance.

Commentary:

The Audit and Risk Committee comprises both Council Members and independent Members who bring a wide range of commercial and governance experience, knowledge and challenge to the Council.

The purpose of this Committee, as governed by the Terms of Reference, 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 non-financial 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.

The Committee comprises seven people (six Councillors on a proportional basis), with one co-opted member from outside the Council with suitable experience. The quorum for the Committee is two elected members and one co-opted member.

The Committee meet four or more times per year and in order to promote the independence of the Committee, there is limited cross membership between the Overview and Scrutiny Committee and the Audit Committee.

The Committee reports annually to the Council and reports on an exception basis through the Chief Financial Officer to Cabinet.

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

Key References:

- Identification of corporate priorities;
- Service planning and performance monitoring;
- The Learning & Development Policy & Procedure;
- Induction Processes; and
- Ongoing appraisal process.

Commentary:

Training needs are identified through a range of mechanisms, including:

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

To address the identified learning and development needs, the Council provides a range of training to both Councillors and Officers. This is in accordance with the Council's Learning and Development Policy and Procedure. The provision includes both formal and informal induction programmes for all new staff and councillors, a range of service related knowledge and skills programmes for all staff and councillors, and a programme of

leadership and personal skills training. The training for Councillors is mainly delivered through the Members Services Team working with the Overview and Scrutiny Officer.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation including the identification and monitoring of whistleblowing and raising concerns from members of the public

Key References:

- Effective Local Media;
- Work with Local Businesses;
- Proud to be Slough Partnership Group; and
- The Community Strategy- consultation and participation.
- The Whistleblowing Policy & Procedure; and
- Public Concerns & Complaints Procedure.

Commentary:

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

The Council is increasing its use of SMS and social media, including Twitter, as an additional way of communicating with new and existing audiences. These forms of media tend to encourage two way communications.

Slough Borough Council consults and works with the business community through a number of business-oriented and representative organisations, these include Slough Business Community Partnership, Thames Valley Chamber of Commerce and the Federation of Small Businesses. In addition where a policy or activity directly impacts specific businesses, those businesses are also consulted and involved. We are developing an Economic Development Strategy to focus on achieving real outcomes to improve the skills of local people and encourage business growth.

The Council has a long history of community consultation and participation. Work with, and support to, the local community has led to well-established systems of residents' and tenants' associations, and community groups. These groups are involved in the decision making process at a variety of levels, from projects to neighbourhood action groups. Our service planning process is informed by on-going consultation and involvement.

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

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

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

Key References:

- The Partnerships' Register; and
- Partnerships Guidance, including the Partnerships Protocol.

Commentary:

The Council works in partnership with other public sector organisations, the private and voluntary and community sectors. Partnership Guidance has been published and this defines the types of partnerships and the procedures for entering into a new partnership.

This Partnership Guidance covers key governance issues, including:

- A common vision of work that is understood and agreed by all parties;
- A clear statement of the partnership principles and objectives;
- Clarity over each partner's role;
- A definition of the role of partnership board members and any staff who support the partnership;
- A statement of funding sources and clear accountability for financial administration;
- A protocol for dispute resolution;
- A complaints procedure to identify and deal with failure in service delivery; and
- How value for money is to be measured and making sure the authority or partnership has the information needed to review value for money and performance effectively.

A Partnership Toolkit has been produced and a number of partnerships have been reviewed. Additional partnerships have been identified and reviews will continue during the forthcoming year. Internal Audit have undertaken a review of our partnership arrangements during 2012/13 and a positive assurance opinion has been provided.

Review of effectiveness

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

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

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

The Directors Annual Statement of Assurance

As detailed above, in order to provide confirmation that each Directorate within the Council has a sound system of internal control in operation, which in turn helps to manage and control business risk, each Director has been required to complete, certify and return a statement of their Directorate's current position.

Each Director and Assistant Director has been provided with a model format for completion and, in completing the statement, has facilitated the involvement of their Direct Reports to ensure that sufficient input has been obtained to provide a clear and coherent statement of all risk and control issues within any given area.

Each Director has fully engaged in this process and responded to the request for information within the designated deadline. The statements obtained are as follows:

- Resources, Housing and Regeneration
- Customer and Transactional Services
- Community & Wellbeing
- Strategic Policy and Communications

Signed hard copies are held by the Head of Internal Audit.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Annual Governance Statement review through:

- an analysis of the departmental risk registers;
- internal audit work during the year;
- external audit reports;
- inspections and assessments undertaken by independent regulators;
- assurances and areas for improvement supplied by Directors to support the annual governance statement; and
- discussions with Directors and Assistant Directors as part of the audit planning process.

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues were identified as part of the Annual Governance Statement for 2011-12. The table below highlights the actions that have been taken in the year to resolve, and the improvements which have been made to the service provision.

Risk	Extract of mitigating factors from the Annual Governance Statement (2011/12)	Update April 2013
<p>1 Safeguarding services and Safeguarding outcomes for children and young people Ofsted inspection has judged services as inadequate and 4 of the 10 areas in outcomes as inadequate Failure to safeguard Children Reputational damage to the Council Failure to identify high risk/ problem areas prior to inspection Statutory requirements not being met</p>	<ul style="list-style-type: none"> • Improvement Plan Project Board (internal staff) meets twice monthly to oversee progress against the Safeguarding Improvement Plan (which is one of the SBC GOLD projects). • Improvement Board (externally chaired and with representation from DfE, SBC Members and Officers, police, health and the LSCB) meets every two months to oversee progress Improvement Plan is updated for each meeting. • Risk register in place based on the Improvement Plan • CMT scrutiny of the Safeguarding Improvement Plan through monthly GOLD project highlight report • Member Scrutiny of the Safeguarding Improvement Plan through reports to Cabinet and the Education and Children's Services Scrutiny Panel. • Member updates on progress through the monthly GOLD project highlight reports which are included on the agenda for Overview and Scrutiny and Cabinet meetings • Funding provided for improvement. Very close and tight monitoring. • Employment of specialist interim staff New structure and recruitment plan for Children's Social Care agreed. • Bridging strategy into new structure in place and phased recruitment of new staff to start in May. 	<p>Internal Management Governance:</p> <ul style="list-style-type: none"> • Project Board continues to meet, chaired by Assistant Director. • New Quality Assurance and Performance Board established that includes all managers across CIN/LAC and CP teams. • Monthly performance reporting performance to Senior Management Team – Chaired by Director. <p>External & Scrutiny Challenge:</p> <ul style="list-style-type: none"> • Improvement Board continues to meet - externally chaired and with representation from DfE, SBC Members and Officers, police, health and the LSCB meets every two months to oversee progress. • Peer Review undertaken in November 2012 – External multiagency team led by Experienced Director of Children's Services • Improvement Plan revised following feedback from Peer Review (external challenge) • Risk register revised to align with new Council approach. Risks presented to partner agencies now also included in register. • Gold project reporting to CMT, O&S and Cabinet • Regular reports to Education and Children's Services Scrutiny Panel (quarterly) <p>Building Capacity:</p> <ul style="list-style-type: none"> • New senior management team and appointment of permanent Assistant Director.

		<ul style="list-style-type: none"> • Funding approval (growth) by Cabinet as part of MTFF for new safeguarding team arrangements including substantive capacity building to meet recommendations of sector led review. • Appointment of Independent Chair of the Safeguarding Board. • New team structure implemented • Monitoring of vacancy rates and review of strategies to recruit to vacancies • Time limited capacity building for specialist input for – case work quality improvement programme, early intervention model, commissioning strategy, engagement & participation strategy, multiagency workforce strategy. Funding commenced winter 2012 and agreed for 2013/14. <p>Partnership Working:</p> <ul style="list-style-type: none"> • LSCB completed sector led recommendations – business plans agreed • CYPPB refreshed. • Protocols between LSCB, CYPPB, SWB and SWB subgroups eg SSP agreed.
<p>2 Continued Economic Instability eand Turbulence at a national level Comprehensive Spending Review Reduction in spending power circa £25million to the Council over next 4 years Reduction of service provision and services Risk of insolvency of key</p>	<ul style="list-style-type: none"> • New MTFS agreed supporting four year balanced budget. (evidence MTFS) • Monitoring savings has taken place in year. Completed – revenue budget delivered under-spent in accordance with planned early implementation of coming years savings (evidence monthly budget monitor reports) • All savings/growth proposals presented to PPRG • Reserve levels increased in line with expectations • Additional savings identified in line with agreed 	<ul style="list-style-type: none"> • Council approved MTFS in place for future financial years • Savings monitoring put in place for current and future financial years • Reserves in line with expectations at just over £8m • Savings levels delivered overall • New Council Tax Support scheme approved and in place for 1st April 2013

<p>suppliers Financial pressure on partner agencies particularly the voluntary sector</p>	<p>approach to transformation of services and continued protection of front line services to effectively support end users. (evidence revised appendices A and PPRG agreed savings areas approved throughout the year)</p> <ul style="list-style-type: none"> • Effective dialogue with all major suppliers (evidence successful transfer Southern Cross care homes, profit share increase enterprise) The voluntary sector has been actively encouraged and supported to participate in tender processes, shift in focus towards commissioning 3rd sector services – (evidence cabinet report, and successful tender awards, Age Concern etc • Localism, finance training delivered to all key staff (evidence programme slides /notes). Briefing notes provided to CMT & Scrutiny (evidence - see respective reports). Provision made in revenue budget for £1million impact of ctax benefit reduction (evidence 4 year revenue budget) 	
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<p>3 Business Continuity Failure of Council and partners to provide services Loss of reputation Loss of performance</p>	<ul style="list-style-type: none"> • Kpmg Business Continuity Specialists commissioned to develop and test comprehensive and robust BCP. 	<ul style="list-style-type: none"> • Corporate Business Continuity Group established • KPMG report delivered and appropriate actions taken • Business Continuity Plan (BCP) reviewed by all Directorates, amendments made as necessary and signed off by CMT. • BCP shared with arvato. • Agreed that Service BC Plans will be focused at 'service' level to ensure they remain relevant after any reorganisation process. • Initial Audit carried out by RSM Tenon BIA's to be signed off by each Directorate.
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		<ul style="list-style-type: none"> • Further review of potential sites/office locations identified as part of BC • Business Continuity Plan to be implemented by each Directorate. • IT Disaster Recovery Plan being developed SBC ICT Manager and arvato. • Business continuity Plan to be posted on the intranet. • Business Impact Assessments being reviewed in line with Directorate restructures • Desk Top exercise to be arranged for 2013 to test the BC plan and BIA's
<p>4 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>	<ul style="list-style-type: none"> • CMT draft revised workforce strategy produced (evidence CMT report) • Strategic task and finish project team established led by Chief Executive (evidence CMT minutes) • Action plan to develop and deliver the strategy drafted • Corporate wide ongoing monitoring of all of interims/temps in place and regularly monitored (evidence through SMT minutes and O&S agenda papers). Overall reduction from 199 temps/interims in July 11 to 159 Jan 12. 	<p>Implementation of Workforce Strategy (evidence minutes of Strategy project team) prioritising:</p> <ul style="list-style-type: none"> • Healthy staff initiatives and sickness absence management (posters, policy) • Leadership programme (promotion and programme) • Management development initiatives – charter, competencies framework, performance management training et al • Development of new skill sets, e.g. commercial expertise (programme) <p>Temps and interims (see Matrix):</p> <ul style="list-style-type: none"> • Introduction of neutral client streamlining some agency relationships • Computerised system to improve consistency of record, audit trail and management information • Focus on temps whilst creating flexibility for change • Reduction of interims at senior level and e.g. Finance • Gradual stabilisation of C&F workforce.

<p>5. Partnership and Governance arrangements Relationships with major partners needs to be managed Localism Bill due to be passed in November 2011 will drive a transformation in the role of others in the provision of local services, raising the importance and impact of accountability and governance key aspects.</p>	<ul style="list-style-type: none"> • Completed (evidence Cabinet report/CMT and SMT minutes). • Review of key partnerships completed using toolkit and gaps identified being addressed. Phase 2 review of other partnerships underway. • Risk, performance and business continuity assessed as part of the toolkit. • Partnership Register drafted and reported to CMT. • Local Strategic Partnership wound up in December 2011 with formation of Shadow Health and Wellbeing Board • Localism Act implications assessed (reports to CMT, Cabinet Members and Overview and Scrutiny Committee). 	<ul style="list-style-type: none"> • Partnerships review reported quarterly to CMT (last April 2013, next July 2013) • Further audit completed March 2013 and reported to CMT. Actions identified being implemented. • Additional partnerships identified for review. • Partnership toolkit publicised with staff. • Risk management of partnerships being progressed. • Slough Wellbeing Board now formally constituted council committee (from April 2013) • Localism Act aspects being led by relevant officers, e.g. April report to Cabinet on Community Assets.
<p>6 Risk Management Failure to manage risks in accordance with the BSI Standard for Risk management or to follow leading practice in place at other local authorities Failure to integrate and embed risk management within the culture of the Council. Need for top down and bottom up with both a strategic risk register; operational; project and partnership risk registers in all areas of the Council.</p>	<ul style="list-style-type: none"> • Framework, strategy and policy document in place. • Risk management training done • Strategic Risk register done and reviewed • Evidence CMT minutes 	<ul style="list-style-type: none"> • Risk Management Strategy and framework in place • Ongoing training for staff • Quarterly review of the Strategic Risk Register by CMT • Internal Audit advisory review of Risk Management • Risk Management Group in place and operating effectively.
<p>7 Procurement Reputational damage to Council if processes are not fair and transparent</p>	<ul style="list-style-type: none"> • New toolkit and templates written and to be rolled out in line with March training • Strategy agreed by Cabinet 12th March 	<ul style="list-style-type: none"> • All toolkits and templates rolled out in 2012. • Central contracts register updated bi-monthly. In-tend development site underway, data

Failure to achieve best Value	<ul style="list-style-type: none"> • Central contracts register in place commenced April 2011 • Exemptions process captured in draft contract procedure rules • Training programme scheduled for March 2012 	<p>currently being cleansed</p> <ul style="list-style-type: none"> • All tier 1, 2 and 3 managers trained during 2012. Quarterly training for new starters held during 2013.
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The following issues which may be regarded as significant were identified during 2012/13 as a result of the review of arrangements and by the work of internal audit.

2012/13 Issue	Proposed Actions for 2013/14
<p>Procurement: The audits of procurement, undertaken throughout the year have identified that whilst there was a procurement framework in place, this was not being complied with consistently, and as a result the Council cannot gain assurance that value for money was being obtained through the procurement process.</p>	<p>Following on from the quarter 2 and quarter 4 Corporate Procurement audits Procurement are implementing actions and recommendations. As an interim measure Procurement Specialist have been allocated on a Directorate basis this should enable closer assistance to procurement activity previously undertaken without involvement of Corporate Procurement undertaken.</p>
<p>Contract Monitoring: The audits of contract management and block nursing contracts identified that an effective contract management framework was not in place within the Council, therefore assurance could not be provided that contracts were being let and managed effectively to ensure value for money was being obtained.</p>	<p>The position at April 2013 is as follows:</p> <ul style="list-style-type: none"> • During 2011/12 100 % block contracts (nursing) were monitored through a contract monitoring on site assessments and for some providers more than one monitoring visit was undertaken. In the period July 2012-March 2013 a total of 50 comprehensive visits were completed, of which 62% were planned, 34% conducted in light of emerging issues and 4% were a planned visits superseded by triggered concerns. • The new contract documentation which was with block contract providers for their signing at the time of the audit have been signed. • The planned tender of nursing care was delivered within the timescales set out in the project proposals. The evaluation of need for the Gurney House resource, the public consultation and subsequent closure programme was also delivered within the timescales agreed by Commissioners and Cabinet and in accordance with the programme shared with audit when the

	<p>audit was undertaken.</p> <ul style="list-style-type: none"> • The quality monitoring framework for care services has been finalised. The framework was in draft form at the time of the audit awaiting the outcome of the West Sussex judicial review, which it was anticipated would result in changes in case law that would impact on the practice for local authorities nationally. The final version of the framework includes the outcome of this JR <p>Actions for 2013/14:</p> <ul style="list-style-type: none"> • The quarterly reporting to the SMT will continue • The use of call monitoring to support the monitoring of domiciliary care providers will be fully implemented and findings, themes and trends included within the quarterly monitoring. • The annual timetable for planned monitoring visits to all block contracted providers implemented. • Unplanned monitoring visits in response to quality/safeguarding concerns to continue as required and duplicate records to be held on Controcc, as well as the safeguarding electronic files as has been practice.
<p>Safeguarding (risk assessments): The audit of the safeguarding risk assessment process identified that in a significant number of cases risk assessments had not been undertaken, and that completed forms had not been subject to timely management review. This could result in children not receiving timely intervention from the Council which could expose them to further risk of harm.</p>	<p>See 1 Safeguarding services and Safeguarding outcomes for children and young people, above for governance and capacity building measures in place at April 2013.</p> <p>In addition the position at April 2013 is as follows and will continue through 2013/14:</p> <ul style="list-style-type: none"> • QAF revised and re-launched – supported by revised risk tools and guidance for staff and managers. • New case audit process introduced providing monthly comparator across 5 points in the care pathway. 194 case audits undertaken by the service between November 2012-April 2013. • Independent auditor commissioned to undertake audits, provide additional oversight and moderation process introduced by senior team. • Learning Loop approach introduced, supported by mentoring and Reconstruct training. • Audit extended to include CIN

	<ul style="list-style-type: none"> • Signs of Safety model being introduced to IRO and case conferencing activity • Reconstruct training refreshed to focus on risk identification and assessment approaches • Monthly performance monitoring of related PIs continues • Audit outcome reporting to the Improvement Board as part of the balance score card continues.
<p>Asset Register: The asset register audit identified that the Council did not undertake regular reconciliations to confirm the accuracy of information held on the asset register or the Land Terrier. Therefore regular assurance was not being received that the value of assets recorded in the register was accurate. In addition testing undertaken on the accuracy of information held on the asset register identified a number of discrepancies with regards to the recording of asset purchases and disposals and therefore assurance could not be provided the asset register was accurate.</p>	<p>Whilst this audit report remains in draft, action plans are being developed by management to address the weaknesses identified within this review, with actions assigned to responsible officers. Through the recommendation tracking process which has been introduced, on-going monitoring will be undertaken to ensure that these recommendations are implemented on a timely basis and this area will be subject to further internal audit review during 2013/14.</p>

Although not classed as significant, the following issues have been identified by officers as meriting attention to further strengthen effective corporate governance:

2012/2013 Recommendation	Action Planned for 2013/2014
<p>Ensure the improvement in the internal control environment within Schools still under the control of the Council, particularly with regards to ensuring effective financial management and use of resources.</p> <p>The internal audit programme covered a significant number of schools and identified particular weaknesses in the internal control framework in respect of:</p> <ul style="list-style-type: none"> - Governance - Procurement - Financial Management 	<p>A significant proportion of the Internal Audit plan for 2013/14 has been directed towards ensuring that schools are complying with SFVS and best practice financial management and governance requirements.</p>

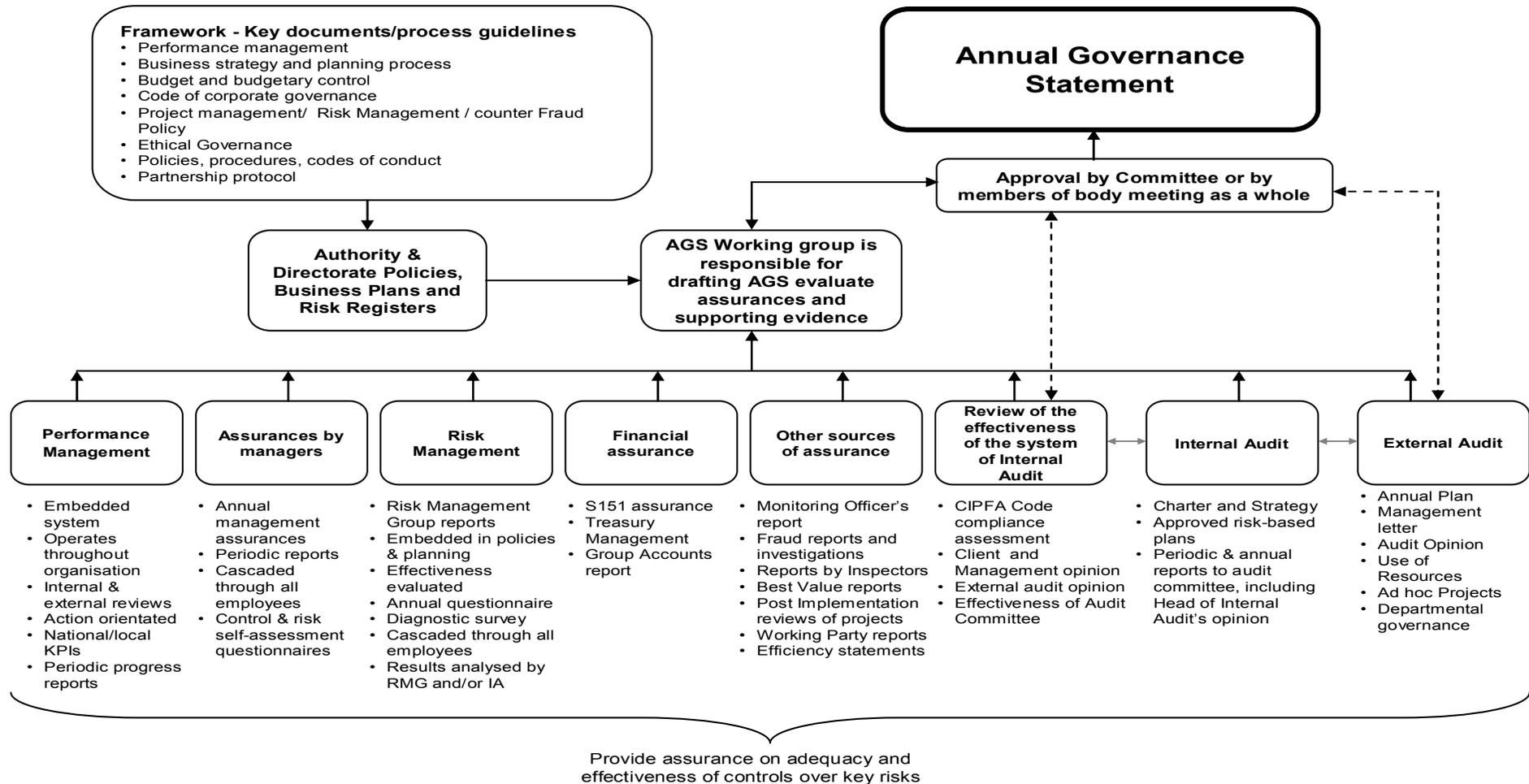
Our Internal Audit programme of work has rightly focussed on areas of known risk and areas of management concern. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. Action plans have been agreed for all recommendations, with responsible officers and implementation dates documented. The Council has also introduced a formal recommendation tracking process which will be regularly reported to CMT and the Audit and Risk Committee to provide regular assurance that weaknesses in the control framework have been addressed.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will also monitor their implementation and operation as part of our next annual review.

Signed:

Lead Member & Chief Executive on behalf of Slough Borough Council

Production of the Annual Governance Statement



SLOUGH BOROUGH COUNCIL

REPORT TO: Audit and Risk Committee **DATE:** 25th June 2013

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368

WARD(S): All

PORTFOLIO: Cllr. Rob Anderson; Commissioner for Finance and Strategy

PART I

EXTERNAL AUDIT PLANNING LETTER: 2013-14

1 **Purpose of Report**

The purpose of this report is to approve the External Audit Planning letter for 2013-14

2 **Recommendation(s)/Proposed Action**

That Audit & Risk Committee is requested to approve the External Audit Planning letter.

3 **Slough Wellbeing Strategy Priorities**

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Slough Wellbeing Strategy Priorities

Priorities:

- *Economy and Skills*
- *Health and Wellbeing*
- *Regeneration and Environment*
- *Housing*
- *Safer Communities*

4 **Other Implications**

(a) **Financial**

There are no financial implications of proposed actions.

(b) **Risk Management**

This report concerns governance across the Council

(c) **Human Rights Act and Other Legal Implications**

None identified.

(d) **Equalities Impact Assessment**

There is no identified need for an EIA

5 Supporting Information

5.1 The draft planning letter is attached at Appendix A.

6 Conclusion

6.1 The Council's external auditors, BDO, are required to present an audit planning letter and indicative fees for future years. The appendix attached to this report details the above.

7 Appendices Attached (if any)

'A' - BDO planning letter: 2013-14 audit year

8 Background Papers

None

PLANNING LETTER 2013/14

Report to the Audit and Risk Committee

Slough Borough Council

APRIL 2013



<http://www.bdo.co.uk/>

PROPOSED FEES

Introduction

We are required to report to you our proposed fees and programme of work for the 2013/14 financial year.

The proposed fee is based on the work required under the Audit Commission's *Code of Audit Practice* and our expectation of the audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and risks.

The audit fee covers the:

- audit of the financial statements and associated Whole of Government Accounts return
- value for money conclusion.

Indicative audit fee

A summary of the proposed fee, and how it compares to the published Audit Commission scale fee for 2013/14 and the current proposed fees for 2012/13, is shown below.

Audit area	Proposed fee 2013/14 (£)	Current proposed fee 2012/13 (£)
Code audit work		
Scale fee	168,960	168,960
Variation	-	16,000
Total Code audit work	168,960	184,960
Objections and complaints	-	-
Certification fees		
Scale fee	17,200	19,150
Variation	-	-
Total certification fee	17,200	19,150
Total proposed fees	186,160	204,100

The proposed indicative audit fee is in accordance with the current published Audit Commission scale fee for 2013/14.

Audit commission scale fee

In December 2012, the Audit Commission published a consultation document setting out the work that auditors should undertake at Local Authorities during 2013/14 and the associated scales of audit fees. The Commission confirmed the final work programme and scales of fees for 2013/14 in March 2013.

The Audit Commission has not made any changes to the work programme for Local Government bodies for 2013/14. The fees proposed for the code audit work remain at the same level as the fees applicable for 2012/13. The Certification scale fee proposed has reduced by £1,950 compared to the proposed scale fee in 2012/13.

The Commission has committed to undertaking an annual review of the work programme and fees and will be revisiting scale fees for future years in due course.

Questions and objections

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Non-Code audit assurance work

We have not proposed undertaking any non-audit work

Changes to proposed work and fees

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Assistant Director of Corporate Resources and seek approval from the Audit Commission for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Corporate Management Team and the Audit and Risk Committee.

Billing arrangements

The Code audit fee will be billed as four equal instalments of £42,240 in June 2013, September 2013, December 2013, and March 2014. Fees for the certification of grants and returns will be billed upon completion of each relevant return.

PROPOSED WORK AND REPORTS

Introduction

A separate Audit Plan will be issued once we have completed our detailed risk assessment and the audit of the 2012/13 financial statements. This will detail the significant financial statements risks and value for money risks that we have identified, our planned audit procedures to respond to those risks and any associated changes in fee.

In this Planning Letter we outline the proposed work programme.

Financial Statements

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the financial statements, and analytical procedures.

We will seek to rely on the work of any management expert used to prepare items in the financial statements, such as land and property valuations provided and pensions actuaries for valuation of the Council's share of the pension fund assets and liabilities

To date, we have noted the following that may impact on our proposed approach to the audit of the financial statements for 2013/14:

- accounting for the transactions of the local asset backed vehicle (LABV)
- valuation of infrastructure on a depreciated replacement cost rather than historical cost to align with HM Treasury guidance
- CIFPA consultation on recognition of schools' assets
- impact of localisation of business rates and council tax on the Collection Fund.

Preparation of financial statements

The Council should continue to work towards its improvement plans for ensuring that fully effective arrangements for producing the annual financial statements are embedded.

We will continue to work with officers and undertake an early review of the financial statements and the proposed accounting treatment of any contentious areas in the lead up to producing the 2013/14 financial statements.

Value for money

We are required to assess the Council's arrangements to:

- secure financial resilience: the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- challenge how it secures economy, efficiency and effectiveness: the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have noted the following that may impact on our value for money audit:

Medium term financial strategy

The Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will continue to have a significant impact on Councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme, along with the transfer of responsibility for public health, also bring added uncertainty to the medium term financial strategy.

Local asset backed vehicle

The Council has entered into a LABV, a joint venture involving a private sector partnership, which will oversee investment in agreed community and commercial projects with the aim of improving the quality of infrastructure and buildings throughout the borough. Increasing the supply of housing and future capital receipts and revenue income flows for the Council are other key aims of the joint venture.

We will continue to review the project management and governance arrangements for the partnership to ensure these become embedded in the operations of the LABV, and the Council's arrangements for ensuring that it is achieving value for money from the joint venture.

Slough Wellbeing Board

The Slough Wellbeing Board assumed its full statutory powers from April 2013, bringing together all areas of local government, the NHS and Slough residents. We will assess the progress made by the Slough Wellbeing Board in addressing its agreed strategy and objectives.

Reports and opinions

We plan to issue the following reports and opinions over the course of the audit:

- Audit Plan (January 2014)
- if appropriate, report on significant deficiencies in internal controls (May 2014)
- Annual Governance Report (September 2014)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2014)
- auditor's report and assurance statement on the Whole of Government Accounts return (September 2014)
- Annual Audit Letter (October 2014)
- grant claims and returns certification report (January 2015).

AUDIT TEAM

Key members of the audit team

Engagement Lead - Robert Grant

email: Robert.Grant@bdo.co.uk Tel: 020 7065 0170

Robert will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager - Janine Combrinck

email: Janine.Combrinck@bdo.co.uk Tel: 020 7065 0440

Janine will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Robert Grant in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

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MEMBERS' ATTENDANCE RECORD 2012/2013

AUDIT AND RISK COMMITTEE

COUNCILLOR	13/06	24/09	08/11	25/03
Abe	P	Ab	Ab	P
Brooker	P	P	P	P
Chohan	Ap	Ap	Ab	P
A S Dhaliwal	P	Ap	P	P
Dhillon	P	P	P*	Ab
Nazir	P	P	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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