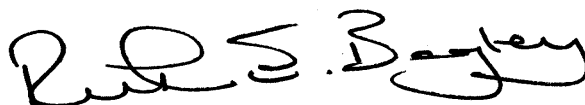


Date of issue: Wednesday 4th December, 2013

MEETING:	AUDIT AND RISK COMMITTEE (Councillors Nazir (Chair), Abe, Bal, Chohan, S K Dhaliwal and Sharif)
	CO-OPTED INDEPENDENT MEMBER Mr Ajay Kwatra
DATE AND TIME:	THURSDAY, 12TH DECEMBER, 2013 AT 6.30 PM
VENUE:	MEETING ROOM 3, 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

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
	Apologies for absence.		
1.	Declarations of Interest <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> <i>That Chair will ask Members to confirm that they do not have a declarable interest.</i> <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>		
2.	Minutes of the last meeting held on 22nd October 2013	1 - 4	
3.	Audit & Risk Management Update – Quarter 2 2013-14	5 - 34	All
4.	Annual Audit Letter 2012/13	35 - 44	All
5.	Members Attendance Record	45 - 46	
6.	Date of Next Meeting - 13th March 2014		

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



sustainable
forest

Audit and Risk Committee – Meeting held on Tuesday, 22nd October, 2013.

Present:- Councillors Nazir (Chair), Bal, Chohan and Mr Kwatra

Apologies for Absence:- Councillor Abe

PART 1

15. Declarations of Interest

Councillor Bal declared that his daughter worked for the Council.

16. Minutes of the last meeting held on 19th September 2013

Resolved – That the minutes of the meeting held on 19th September 2013 be approved as a correct record.

17. Update on Outstanding 2012-13 Draft Internal Audit Reports

The Assistant Director Finance & Audit provided an oral update from Baker Tilly (who had recently acquired RSM Tenon) on the position with regards to the outstanding internal audit reports from 2012-13, which had remained in draft at the time of the last meeting of the Committee.

Members were informed that three of the four outstanding reports – on Anti-social behaviour, Cash Handling & Management and the Asset Register – had now been finalised. The report on St Joseph's Catholic High School remained in draft, however it had received an Amber-Green opinion. The Assistant Director highlighted that all 2011-12 and 2012-13 reports relating to Council activities had been finalised and that updates on the tracking of recommendations would continue to be presented at future meetings of the Committee.

Resolved – That the update be noted.

18. Financial Statements 2012-13 / External Audit Governance Letter

The Assistant Director Finance and Audit updated the Committee on the progress made in relation to the external audit and Members noted the revised Financial Statements 2012-13 and the external auditors report.

It was noted that the draft financial statements had been approved by the Council on 26th September 2013, subject to the Committee being satisfied that the Council had made the required adjustments to errors identified during the audit; and the external auditor issuing of an unqualified opinion on the 2012-13 financial statements. The Assistant Director confirmed the financial statements had been revised with the necessary adjustments and that an unqualified opinion would be issued.

Members attention was drawn to the key aspects of the external auditors report, primarily the summary of key findings and the Action Plan set out in Appendix V. The Assistant Director recognised the issues that had arisen during the audit and reported that the Council had already established a full project plan to ensure the lessons were learned for the closedown and audit of the 2013-14 accounts.

The external auditor, Mr Grant of BDO, presented his report and highlighted the key messages for Members to consider. These included the significant changes between the draft and audited statements as set out on page 102 of the agenda; and a new Note, '1a Prior Period Adjustments' which set out the restated opening balances and included the adjusted balance sheets for 2010-11 and 2011-12. Mr Grant confirmed that the key errors identified during the audit had been corrected and that he intended to issue an unqualified opinion. It was noted that there were still some outstanding tasks required to complete the audit and it was expected this would be done by 31st October 2013. BDO would write to the Committee if any further issues were identified. It was expected that the Whole of Government Accounts (WGA) return would be submitted in November.

Members considered a number of matters including the basis on which the Value for Money conclusion was reached; the medium term outlook for activities such as the transactional services contract; and the implications of the errors with the balances from previous years accounts. The Committee also discussed the project plan and steps being taken to ensure the 2013-14 closedown and audit ran more smoothly. The Assistant Director stated that the plan included a number of aspects including the preparation of working papers to meet the external auditors requirements and the approval of the accounting policies at an earlier stage. It was noted that the Action Plan set out in the external auditors report from page 158 of the agenda made a number of recommendations on the process and management had set out how it proposed to respond on matters such as working papers, property valuations, and the fixed assets register. Mr Grant confirmed that the external auditors were satisfied with the management response to the Action Plan as set out in the report. It was agreed that the Committee receive an update on the progress of implementing this action plan at a future meeting.

After due consideration, the Committee were satisfied that the adjustments recommended had been made to the financial statements and that an unqualified opinion would be issued by the external auditor. The Council's decision to approve the financial statements 2012-13 was therefore confirmed and the Chair signed the relevant documents.

Resolved –

- (a) That the Council decision of 26th September 2013 to approve the financial statements 2012-13 be confirmed on the basis that the Committee were satisfied that:

Audit and Risk Committee - 22.10.13

- i. the Council had made the required adjustments as set out in the external auditor's final Governance letter; and
 - ii. the external auditors would issue an unqualified opinion on the 2012-13 financial statements.
- (b) That the Committee receive a progress report at a future meeting on the implementation of the Action Plan as set out in the external auditors report.

19. Members Attendance Record

Resolved – That the report be noted.

20. Date of Next Meeting - 12th December 2013

Resolved – That the next meeting of the Committee be held on Thursday 12th December, 2013 at 6.30pm.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 6.59 pm)

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 12th December 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
FOR COMMENT AND CONSIDERATION

AUDIT & RISK MANAGEMENT UPDATE – QUARTER 2 2013-14

1 Purpose of Report

The purpose of this report is to:

- Report to members on the progress against the 2013/14 Internal Audit Plan up to Quarter 2
- Report to members on the progress of the implementation of Internal Audit recommendations

2 Recommendation(s)/Proposed Action

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

3 Slough Joint Wellbeing Strategy (SJWS) Priorities

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the SJWS Priorities

Priorities:

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

4 Other Implications

4.1 Financial

There are no financial implications of proposed actions

4.2 Risk Management

This report concerns risk management across the Council

4.3 Human Rights Act and Other Legal Implications

n/a

4.4 Equalities Impact Assessment

There is no identified need for an EIA

5 Supporting Information

5.1 Overview

5.1.1 Baker Tilley have completed a number of audits from their work during the second quarter of 2013-14.

5.1.2 It should also be noted that overall Internal audit reports are continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2012-13 internal audits, only two remain outstanding and this is an amber-green report in respect of a school and an advisory report on the carbon Reduction Commitment. Of the 2013-14 Q2 internal audit opinions issued, there are ten outstanding, seven of which are schools. The three reports specifically referring to the Council that are currently in draft have been issued from the end of October.

5.1.3 The Council continues to monitor the progress of internal audit recommendations. As at the beginning of December, of the high and medium risk recommendations raised 85% have seen action being taken to progress these or these have been superseded, compared to a figure of 75% in the previous quarter.

5.1.4 Members of the committee should note that the children's services procurement audit report has moved from a draft red opinion to a draft amber-red opinion. Of the Council related audit reports completed during 2013-14, one has been given a 'red' overall opinion; which was reported to the previous committee concerned training & development.

5.1.5 During the past quarter, the council's external auditors (BDO) have issued their final audit opinion on the financial statements and accompanying governance reports. Officers will be presenting an update on the recommendations to the next Audit & Risk Committee.

5.2 Internal Audit Q2 2013-14 progress report

5.2.1 The full report is attached at appendix A.

5.2.2 There has been an improvement in comparative assurance levels and a reduction in high risk recommendations since 2012-13. It is pleasing to report

this and the Council hopes to be able to report continued improvements to internal assurance levels for the remainder of the financial year.

	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2013/14	13	55	47	115
% OF RECOMMENDATIONS 2013/14	11%	48%	41%	
% OF RECOMMENDATIONS 2012/13	18%	34%	48%	

	GREEN	AMBER GREEN	AMBER RED	RED
AUDIT OPINIONS 2013/14 (N.B ALSO 1 ADVISORY REVIEW)	3	9	5	3
% OF OPINIONS 2013/14	15%	45%	25%	15%
% OF OPINIONS 2012/13	13%	29%	36%	22%

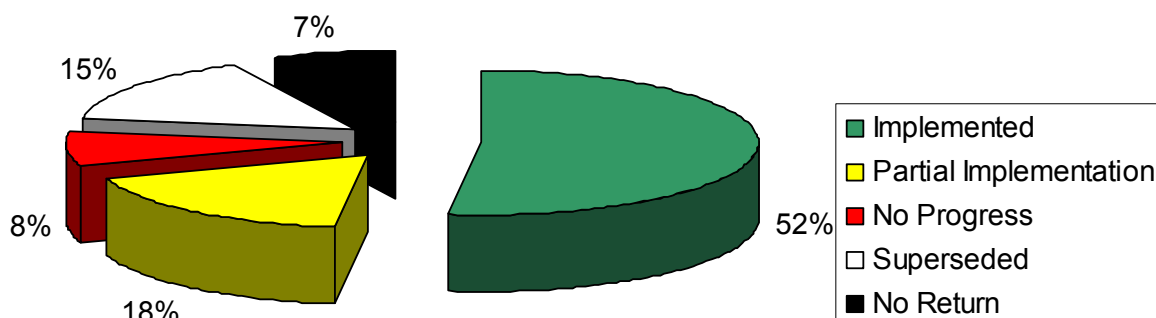
5.3 **Finalising Internal Audit Reports**

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at November 2013

Audit Title	Draft Issued	Responses due	Client sponsor
St Josephs 59 12 13 Carbon Reduction Management	23 May 2013	05 June 2013	Head
54 12.13 Foxborough	04 May 2013	18 May 2013	Not Listed
Lea Nursery 6 13.14	25 June 2013	08 July 2013	Head
Littledown School 7 13.14	05 July 2013	19 July 2013	Head
St Bernards 12 13.14	05 July 2013	19 July 2013	Head
Baylis Court Nursey 16 13.14	02 August 2013	16 August 2013	Head
	15 October 2013	29 October 2013	

5.3.2 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 30th Nov 2013 (excluding schools)



5.3.3 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		
Business Continuity Planning Arrangements 41 12.13	0	5
Council Tax 18 12.13	0	1
Data Quality 56 12.13	1	2
Debtors and Cash Management 42 12.13	0	3
Estates & Facilities Management 43 12.13	0	1
Housing Management	1	1
Sub Total	2	13
Schools		
Cippenham 2 13.14	0	4
Claycotts Primary 39 12.13	5	12
Priory School 3 13.14	0	2
St Josephs	0	3
Total	8	35

5.4 External Audit (BDO) report

5.4.1 The Audit & Risk Committee has already received the reports concerning the 2012-13 financial statements from the External Auditors. The audit opinion has been issued and the audit period closed. Contained within the report were a number of recommendations for the Council and these will be monitored closely. Officers will bring back the latest copy of the audit recommendations and the progress made against these for the March 2014 Audit & Risk Committee.

5.5 Fraud update

- 5.5.1 As presented to the previous Audit & Risk Committee, the Council has undertaken the National Fraud Initiative data matching exercise. The result of the final review showed that of the 825 matches investigated, up to 46 are recommended for further investigation. The Council will now review these cases in more detail and report back to the Audit & Risk Committee with any significant fraud related findings from these cases.

5.6 Corporate Risk Register

- 5.6.1 The Corporate Risk Register is summarised below. The full register is in the process of being updated in line with the recommendations from the audit highlighted in appendix B and will be brought to the next Audit Committee in March 2014.

Summary of Corporate Risks
Unpredicted demographic changes present significant issues for the Council
The impact of the Comprehensive Spending Review on the Council
Delivery of an ICT function that is robust and has the capacity to meet the needs of the organisation.
Adult Safeguarding
Impact of Welfare Reforms
The Curve
Business Continuity Management
Children Safeguarding

- 5.6.2 Baker Tilley undertook produced an advisory report into the Council Risk Management framework. Appendix B then highlights the progress made against the internal audit review.
- 5.6.3 It is important to note that Risk Management was one of the areas highlighted for consideration in the Head of Internal Audit's opinion to the Annual Governance Statement.

6 Comments of Other Committees

n/a

7 Conclusion

That the Audit Committee notes the latest updates from Internal Audit.

8 Appendices Attached (if any)

'A' - Internal Audit Q2 2013-14 report
'B' - Risk Management actions

9 Background Papers

Baker Tilley Audit Reports

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Slough Borough Council

Internal Audit Progress Report

Audit & Risk Committee Meeting: 12 December 2013

Introduction

The internal audit plan for 2013/14 was approved by the Audit and Risk Committee on the 25 March 2013. 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 September 2013 the following eight audit reports, relating to the 2012/13 and 2013/14 plans have been finalised:

2012/13

- Cash Handling and Management (Community Based Council Premises) (6.12/13)
- Anti-Social Behaviour (37.12/13)
- Asset Register (52.12/13)

2013/14

- Priory School (3.13/14)
- Training & Development – e-Learning (13.13/14)
- Montem Primary School (14.13/14)
- Trading Standards (15.13/14)
- Parlaunt Park Primary School (17.13/14)

A summary of the key issues contained within these reports and the high priority recommendations are detailed in the report below from page 3.

Key Issues

Outstanding audit reports from 2012/13:

Two audit reports remain outstanding from 2012/13. The first is a school audit report of St Joseph's Catholic High School for which an 'amber-green' opinion was provided. The report has been in draft for 144 days.

The remaining report was omitted in error from the previous Progress Report; this was the Review of the Carbon Reduction Commitment Programme. This review was an advisory review that did not provide a formal opinion. However, the report was distributed to management and included 13 recommendations raised for which the Council has not received assurance that suitable actions will be undertaken to address these recommendations and the report has been in draft for 157 days. We are continuing to liaise with management to enable the finalisation of this report.

Whilst management assurance had been provided in the audit debrief meeting that the weaknesses identified as part of these audits will be addressed, in the absence of a completed action plan, we cannot provide assurance that robust plans are in place to enable these to be completed in a timely manner. It is therefore possible that these weaknesses and risks are not being effectively managed.

The 2013/14 audit plan:

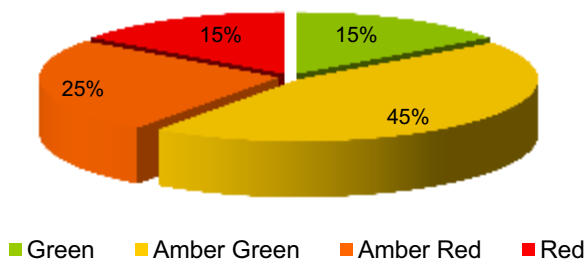
As at the 27th November 2013, 21 audit reports had been issued to the council, 11 of these had been finalised, the remaining 10 remain in draft. It should be noted that seven of the 10 draft reports relate to schools audits.

For the three draft reports outstanding within the council, two of these reports had been issued within the last three weeks. The remaining audit was a revised draft for Children's Services Procurement, where an 'Amber – Red' opinion was provided.

This represents a significant improvement in respect of the finalisation of audit reports relating to the Council in comparison to previous years.

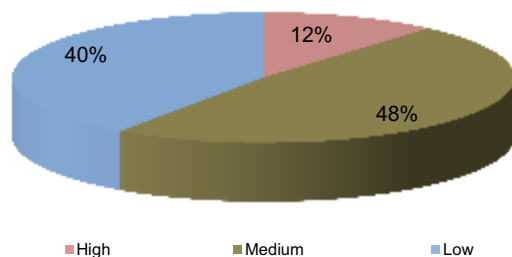
A significant number of key financial audits are due to take place in the months of December and January and will be reported to the March 2014 Audit & Risk Committee.

Assurance Levels 2013/14 to date



	GREEN	AMBER GREEN	AMBER RED	RED
AUDIT OPINIONS 2013/14 (N.B ALSO 1 ADVISORY REVIEW)	3	9	5	3
% OF OPINIONS 2013/14	15%	45%	25%	15%
% OF OPINIONS 2012/13	13%	29%	36%	22%

Recommendation categorisations in 2013/14 reports to date:



	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2013/14	13	55	47	115
% OF RECOMMENDATIONS 2013/14	11%	48%	41%	
% OF RECOMMENDATIONS 2012/13	18%	34%	48%	

The tables show some progression by the Council with a smaller proportion of high recommendations being raised in the year to date compared to the total for 2012/13 and similarly a smaller proportion of negative audit reports being raised.

Key Findings

Of the 21 reports issued for the current year to date where a formal opinion has been provided, and excluding school reviews, one of these has resulted in a red opinion, Training and Development – e-Learning. The key findings from this report are highlighted below.

Other Matters

Planning and Liaison:

The time-table for quarters three and four audits for 2013/14 has been agreed, and scoping meetings held for the majority of these audits. Monthly meetings continue to be held with the Assistant Director, Finance and Audit, where progress against the plans, responses to draft reports and upcoming audits being the main focus.

We have also commenced initial discussions regarding possible areas for inclusion within the 2014/15 Internal Audit programme.

Additional Internal Audit Coverage/Added Value Service:

We have regularly attended meetings of the Risk Management Group and provided guidance on the proposed content of Risk Management Tools, for instance, risk impact scenarios. We have also attended the most recent meeting of the Berkshire Internal Audit Group.

To assist in embedding risk management throughout the Council we have begun to attend Senior Management Team meetings across each directorate. During these meetings we have highlighted; outstanding reports, common themes fro audits, upcoming audits and enquired about emerging risks. This has proven successful in identifying progress made on remedial actions where weaknesses had been identified in previous Internal Audit reviews.

Given the issues identified in the past 18 months at schools we decided to issue a second version of our common themes paper. This highlighted to all schools across Slough the issues identified during audits in Slough and across our wider client base. The paper also highlighted the impact and potential solutions that schools could implement to avoid future issues arising.

We have assisted in the development of a training schedule to be provided to employees at Slough Borough Council on procurement. We will also be assisting the Council in the delivery of this training.

Internal Audit Plan 2013/14 – Change Control:

Two additional proposed changes have been made to the Internal Audit plan since the previous Audit & Risk Committee:

Action	Date	Agreed By
The postponement of the IT strategy review to 2014/15. The IT coverage for 2013/14 has been replaced with a number of social care system reviews planned for quarter 4.	15 October 2013	Internal Audit and Roger Parkin, Strategic Director, Customer & Community Services

Information and Briefings:

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


- CB LG 01.13 Spending Review 2013 – Outcomes for Local Government
- CB LG 02.13 Local Government Counter Fraud Briefing
- LGE Update LG eUpdate August 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. Copies of these are included within Appendix B of this report.


Key Findings from Internal Audit

2013/14 Internal Audit Plan

This key findings section highlights those reports finalised where an Amber Red or Red Opinion was provided and any high risk recommendations within these reports.

Assignment: Training & Development: e-Learning (13.13/14)		Opinion: Red	
<p>Effectiveness</p> <ul style="list-style-type: none"> ▪ Completion of training on the two courses considered mandatory through e-learning at the time of our review was at 68% for Information Security Awareness and 21% for the Introduction to Health & Safety training. This low level of completion of courses considered mandatory has adversely impacted on the audit opinion of this review. <p>Design of control framework</p> <p>We found the following weaknesses in relation to the design of the controls, which resulted in one high priority recommendation and two medium priority recommendations:</p> <ul style="list-style-type: none"> ▪ The Council have a Learning and Development Policy and Procedure which provides information on the key principles of learning and development, the procedures of learning development and the key roles of staff. The policy was approved in March 2006 and more recently, in 2010 and is made accessible on the Council's intranet site, SBCinsite. However, the policy did not provide any specific information on e-learning and did not include information on the courses which are mandatory to all staff and consequences of non-compliance. If this information is not included in the policy then staff may not be aware of courses considered mandatory and this could impact on completion rates of courses. Subsequently the Council could fail to deliver its objectives if staff are not appropriately skilled to fulfil the responsibilities of their role within the organisation. (Medium). ▪ The Council looks to develop e-learning which can ultimately increase the usage and reduce the cost of resources used for other means of training. However the Council have not defined how much training will be provided through e-learning. The Council have not considered elements such as the particular courses they would like to provide via e-learning and their target for transferring their courses to e-learning in a given time frame and any outcomes that are to be achieved as a result of courses being transformed to an e-learning platform. For instance, reduced costs and increased uptake. Without a project or documentation defining the objectives, benefits, deliverables, cost savings and outcomes of transferring courses to an e-learning platform then the Council has no method to appraise whether the provision of courses through e-learning has been ultimately successful. (High). ▪ The Council do not have a corporate forum dedicated to considering the delivery of training and development. Where serious issues arise, the Learning and Development team rely on the Assistant Director, Professional Services to raise such matters at CMT. Subsequently the Council may fail to collectively consider common themes across courses and how matters such as poor attendance can be tackled. Without a forum, the Council may fail to agree timely actions that need to be completed in order to improve the learning function at the organisation. This could adversely impact on the delivery of strategic objectives if employees are not adequately skilled. (Medium). <p>We also identified a further two low categorised recommendation that have been elaborated on in the Action Plan and Findings and Recommendations sections that follow.</p> <p>Application of and compliance with control framework</p> <p>We found that one of the control was not adequately complied with which resulted in a high priority recommendation:</p> <ul style="list-style-type: none"> ▪ The completion rates of training on the two courses considered mandatory (Information Security Awareness and Introduction to Health & Safety) was low. At the time of our review we noted only following a number of prompts by the Learning and Development Team by email to employees to remind them of the requirement to complete the training had the rates of completion increased to 68% for Information Security Awareness and 21% for the Introduction to Health & Safety training for employees who had undertaken the courses since its introduction. Incidents could occur that result in a breach of data protection or that result in staff or the community being put at risk if employees do not complete mandatory training. The requirement of staff to continually chase individuals to complete 			

training is also not the best use of resources.			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>Rec 2:</p> <p>A Project and strategy should be established for e-learning which outlines the extent to which the Council intend to expand learning from this platform with defined targets and outcomes.</p> <p>The Project Board could include representatives from Training & Development, each directorate and I.T. to ensure the organisation's needs and capacity respectively is fully explored.</p>	<p>Project Board for E Learning – Re established</p>	<p>January 2014</p>	<p>Learning & Development Manager</p>
<p>Rec 4:</p> <p>If the Council are investing in training and developing staff, Senior Management should endorse the need to adhere to mandatory training requirements through:</p> <ul style="list-style-type: none"> ▪ Ensuring these are clearly highlighted in the Learning & Development Policy; ▪ Performance managing non-compliance; and ▪ Consideration to restrict pay increases where staff do not attend mandatory training courses. <p>The Council should investigate whether their training platform can automatically notify users of training courses that require completion.</p>	<p>Performance Management and Reporting Mechanism to be put in place and incorporated within Council Balanced Scorecard.</p> <p>Reporting to show completion levels per Directorate and Division for mandatory Courses</p> <p>Automatic Notification investigated</p>	<p>March 14</p>	<p>Learning & Development Manager</p>

Assignment: Montem Primary School (14.13/14)		Opinion: Red	
<p>Design of control framework</p> <p>We identified the following weakness in relation to the design of the controls which resulted in two high and three medium categorised recommendations:</p> <ul style="list-style-type: none"> ▪ The Schools Financial Procedures did not provide guidance on requirements for budget Virements, write offs, use of bank cards and authorisation requirements for items that have been authorised as part of the budget. In addition, the Financial Procedures and the School's Scheme of Delegation had not been presented to the Governors for approval. Potentially inappropriate financial decisions could be made if the School's financial processes have not been endorsed by the Governing Body. (Medium and High). ▪ Financial reports were not sent to members of the Governing Body in advance of their meeting. This may result in Governors not being able to fully digest the information to provide the adequate level of challenge and scrutiny of presented information. (Medium). ▪ The Finance, Premises and Health & Safety Committee had not agreed with the Business Manager on the value or percentage variances to be reported to it on a monthly basis and there was no regular accompanying report with all explanations and any applicable remedial actions for agreed variances presented to the Governors. This may result in the Governors failing to identify the significant variances and give the appropriate challenge and scrutiny. Subsequently poor financial performance could continue if suitable actions are not identified and addressed. (Medium). 			

- The Safeguarding Policy did not provide details of who the Designated Officer is and what safeguards are to be undertaken to ensure children's safety in the event that a new member of staff commences work prior to receipt of their DBS clearance. If an appropriate procedure is not in place children may not be appropriately safeguarded which could potentially result in the welfare of children and other staff members could be compromised. (High)

A further weakness was identified in the segregation of duty regarding the Business Manager who was authorised to approve invoices for payment, create cheque runs for payments and sign cheques. There was no reason to suggest any of the sampled purchases were not for the purpose of the school. However, insufficient segregation could expose the school to fraudulent activity. At the time of our review a revised mandate was in the process of being implemented and therefore no further recommendation was made.

Application of and compliance with control framework

We found that a number of the controls were not adequately complied with which resulted in the following two medium categorised recommendations:

- Sample testing of ten purchases identified two instances where we were unable to confirm if authorisation had been appropriately obtained prior to the orders being made with the suppliers. If orders are not authorised by an appropriate level of authority goods/services may be purchased that are not appropriate use of School funds or where a suitable budget is not available. (Medium).
- Instances were noted where the school could not provide evidence of delivery notes or confirmation of goods or services prior to an invoice being processed for payment. This may result in the School paying for goods or services where the goods or services have not been received by the School.

An additional two low level recommendations have been made on the compliance of controls as detailed in the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
Area 1: Leadership and Governance			
Rec 1.1b The School should ensure that the Financial Procedures and Scheme of Delegation are reviewed and authorised by the Full Governing Body annually.	Completed	September 2013	Neelam Chawla, Finance Officer
Area 5: Payroll, personnel and safeguarding procedures			
Rec 5.2 The Safeguarding Children Policy should be updated to: <ul style="list-style-type: none"> ▪ Safeguards to be taken when employing new staff who commence prior to receipt of their disclosure; ▪ Outline who the designated officer is; and ▪ Reflect the name change to the Disclosure and Barring Service. Following the changes the Safeguarding Children Policy should be reviewed and authorised by the Governing Body.	In progress	Immediately	Charlie McGeachie, Head teacher

Assignment: Parlaunt Park Primary School
(17.13/14)

Opinion: Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls which resulted in two medium priority recommendations:

- The Financial Procedures were in draft form and they did not provide guidance on requirements for asset write offs, the purchasing process, asset management, the payroll processes or cash management. Inappropriate financial decisions could be made if financial processes have not been clearly defined and endorsed by the Governing Body.
- Apart from the Governing Body, the Resource Committee and the Headteacher the School's Scheme of Delegation did not provide guidance on authorisation limits for other individuals in the School authorised to approve orders such as the Bursar and the Deputy Headteachers.

In addition, the document inappropriately stated that authorisation of expenditure up to £100k is to be provided by the Resource Committee and authorisation between £100k and the EU limit is to be provided by the Full Governing Body. If the Scheme of Delegation is not in line with the Scheme of Financing School which states that authorisation above £60k is to be provided by the Council. The School could therefore make inappropriate purchases without appropriate approval.

A further weakness was identified on the segregation of duty regarding the Business Manager who was authorised to approve invoices for payment, create cheque runs for payments and sign cheques. There was no reason to suggest any of the sampled purchases were not for the purpose of the school. Insufficient segregation could expose the school to fraudulent activity. However, at the time of our review a revised mandate was in the process of being implemented and therefore no further recommendation was made.

An additional low level recommendation has been made on the design of controls as detailed in the Action Plan section that follows.

Application of and compliance with control framework

We found that a number of the adequately designed controls were not complied with which resulted in two high and three medium priority recommendations:

- Sample testing of ten purchases identified seven instances where we were unable to confirm if authorisation had been appropriately obtained prior to the orders being made with the suppliers. If orders are not authorised by an appropriate level of authority goods/services may be purchased that are not appropriate use of School funds or where there is insufficient funds available. (High).
- Sample testing identified seven instances where the school could not provide evidence of delivery notes or confirmation of receipt of goods or services prior to an invoice being processed for payment. This may result in the School paying for goods or services that have not been received by the School.(Medium)
- The School did not have Terms of Reference for the Resource Committee outlining the roles and responsibilities of the Committee in addition to the requirements for membership, the quorum for decision making as well as frequency of meetings. If the Terms of Reference are not clearly outlined the Committee may fail to provide appropriate support, challenge and scrutiny to the School. (Medium)
- The budget monitoring report was not always presented to the Resource Committee together with a commentary report to provide reasons for variances against the budget. If the budget reports do not clearly highlight the areas of significant variances nor have a commentary to explain variances the Resource Committee may fail to identify significant differences and provide adequate challenge and poor performance could potentially continue if appropriate remedial actions are not implemented. (Medium)
- A sample of five invoices over £5k were reviewed and it was noted that in four instances there were no quotations obtained for the purchases. If the School does not obtain adequate quotations when purchasing goods it may fail to demonstrate value for money. (Medium)

Three instances were noted where members of staff commenced employment without receipt of clearance from the Criminal Records Bureau (CRB). It was noted that there were no List 99 checks or a risk assessment carried out in any of these instances. Children and staff's welfare could be exposed to risk if subjected to individuals who could potentially be unsuitable for employment in a school.

(High)

An additional low priority recommendation has been made on the compliance of control framework which is elaborated on within the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
Area 3: Purchasing			
Rec 3.3 The School should ensure that staff members are reminded that no orders are to be made prior to a purchase order being authorised by an appropriate level of authority.	Training around purchasing as well as budget monitoring will be given to staff at a staff meeting to embed the process.	Autumn Term 2013	Alison Draycott, Bursar
Area 4: Payroll, personnel and safeguarding procedures			
Rec 4.1 The School should ensure that new employees who commence employment prior to receipt of satisfactory pre-employment checks have had appropriate Risk Assessments carried out in line with the Safer Recruitment Policy.	Agreed. To be implemented through the School HR Cooperative - Our Personnel Provider.	Completed	Nicky York, Acting Headteacher Kathryn Burden, HR Administrator

Appendix A – Summary Of Progress Against The Internal Audit Plan

2012/13 Plan (Drafts outstanding and those finalised since the September Audit & Risk Committee Meeting)

Assignment (Reports considered today are shown in bold)	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Customer & Community Services:					
Anti-Social Behaviour (37.12/13)	FINAL ISSUED 20/9/13	AMBER RED	1	3	2
Carbon Reduction Commitment Programme	Draft Report 7/5/13	ADVISORY	1	8	4
Resources, Housing & Regeneration:					
Cash Handling and Management (6.12/13)	FINAL ISSUED 18/10/13	AMBER RED	1	3	0
Asset Register (52.12/13)	FINAL ISSUED 16/10/13	RED	3	1	1
Schools:					
St Joseph's Catholic High School	Draft Report 23/5/13	AMBER GREEN	0	3	5

2013/14 Annual Plan

Assignment <i>Reports considered today are shown in italics and bold</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
Implementation of New Council Tax Support Rules (11.13/14)	FINAL ISSUED 31/7/13	GREEN	0	0	0
Blue Disabled Parking Badges (9.13/14)	FINAL ISSUED 19/8/13	GREEN	0	0	3
Trading Standards (15.13/14)	FINAL ISSUED 22/11/13	AMBER GREEN	0	2	0
Atkins Limited – Contract Management & Third Party Procurement	Review Stage				
Contract Management Arrangements – Amey Plc	Review Stage				
Use of Agency / Workforce planning	Audit in Progress				
Arvato Performance Management	Audit in Progress				
Business Rates	Audit starts: 2/12/13				
Council Tax	Audit starts: 6/12/13				
Housing Benefits	Audit starts: 10/12/13				
Youth Service	Audit starts: 16/12/13				
Rent Accounts	Audit starts: 17/1/14				
Payroll	Audit starts: 27/1/14				
Contract Management Follow Up	Audit starts: 10/2/14				
Procurement Follow Up	Audit starts: 11/2/14				
Social Care System Reviews	Audit starts: 20/1/13				
Wellbeing:					
Children's Service Procurement	Revised Draft Report 24/10/13	AMBER RED	2	2	1
Qualitative Monitoring & Block Nursing Contracts	Audit starts: 11/12/13				

Safeguarding Adult Social Operating Model Review	Audit starts: 18/3/14				
Chief Executive:					
Health and Safety (1.13/14)	FINAL ISSUED 2/9/13	AMBER GREEN	0	3	3
Training and Development e-Learning	FINAL ISSUED 27/11/13	RED	2	2	2
Freedom of Information Act Compliance	Audit starts: 11/2/14				
Governance	Audit starts: 11/2/14				
Project Management Support	Audit starts: 2/12/13				
Resources, Housing & Regeneration:					
School's Financial Value Standard (SFVS) (8.13/14)	FINAL ISSUED 19/8/13	ADVISORY	0	9	1
Budget Setting including Cost Improvement Plans	Draft Report 8/11/13 Responses received	AMBER RED	2	2	3
Data Quality: Corporate Balanced Scorecard	Draft Report 8/11/13	AMBER GREEN	0	2	3
Declaration of Interests	Audit in Progress				
VAT / Pensions	Audit starts: 6/1/14				
Creditors	Audit starts: 3/1/14				
Debtors & Cash Management	Audit starts: 6/1/14				
Budgetary Control & Financial Reporting	Audit starts: 15/1/14				
General Ledger	Audit starts: 27/1/14				
Treasury Management	Audit starts: 21/2/14				
Capital Projects	Audit starts: 26/2/14				
Asset Register	Audit starts: 7/3/14				
Risk Management	Audit starts: 7/3/14				
Schools:					
Cippenham Nursery School (2.13/14)	FINAL ISSUED 11/7/13	AMBER RED	0	5	3
Priory School (3.13/14)	FINAL ISSUED 5/11/13	AMBER GREEN	0	2	1
Beechwood School (10.13/14)	FINAL ISSUED 1/8/13	GREEN	0	1	3
Montem Primary School (14.13/14)	FINAL ISSUED 17/10/13	RED	2	5	3
Parlaunt Park Primary School (17.13/14)	FINAL ISSUED 25/10/13	RED	2	5	2
Foxborough School	Draft issued 25/6/13	AMBER RED	0	5	4
Littledown School	Draft issued 5/7/13	AMBER GREEN	0	3	0
Lea Nursery School	Draft issued 5/7/13	AMBER GREEN	0	2	4
St Bernard's Catholic Grammar School	Draft issued 2/8/13	AMBER GREEN	1	0	3
Baylis Court Nursery	Draft issued 15/10/13	AMBER GREEN	0	3	4
Our Lady of Peace Catholic Junior School	Draft issued 22/11/13	AMBER RED	1	6	2
Wexham School	Draft issued 22/11/13	AMBER GREEN	1	1	2
Slough Centre Nursery	Audit starts: 5/3/14				
St Ethelberts Catholic Primary School	Audit starts: 5/3/14				
Claycots School	Audit starts: 18/3/14				
Pippins School	Audit starts: 24/3/14				

APPENDIX B – Client Briefings

Spending Round 2013 - Outcomes for local government

8 July 2013

CB LG 01.13

Chancellor George Osborne announced the 2013 Spending Round on 26 June detailing the Government’s financial plans for 2015-16. The principles of the 2013 Spending Round are based on strengthening and enabling five key areas: prioritising growth; transforming public service delivery; controlling welfare spending; delivering efficiency savings; and ensuring fairness in spending plans. Government’s investment decisions for 2015-16 are projected to enable an increase in capital spending of £3bn a year from 2015-16 and by £18bn over the course of the next Parliament. However, the overarching message received from the Chancellor was the need to reduce outlay by a further £11.5bn.

In contributing to its aims, Government intends to deliver over £5bn of further efficiency savings in 2015-16 through addressing inefficiencies in its own working practices and reducing overall running costs. Savings and reductions announced for Whitehall in the 2015-16 Spending Round include:

- A £1.9bn reduction in departmental administration budgets – representing a total 40% decrease since 2010;
- Delivery of £1.5bn in savings from the Government’s projects portfolio through scaling back or discontinuing non-priority projects and promoting better project management; and
- £1bn of savings through the Government Procurement Service to include better use of IT and the promotion of digital technology as the preferred method for procuring all services.

This briefing provides an overview of key Spending Round settlements particularly focussing on those outcomes which affect local government.

Headline Departmental Settlements for 2015-16 Relevant to Local Government



Key outcomes for local government

Total government spending will amount to £745bn in 2015-16. Spending decisions for local government encompass efficiency measures affecting a number of public services and practices. Key settlements for local government include:

- Government workers to fall by an extra 144,000 by 2015-16.
- Limitation of public sector pay awards to an average of up to 1% in 2015-16; predicted to save at least £1.3bn.

- Automatic time-served progression pay in the civil service will cease by 2015-16 with new arrangements applicable to teachers, the health service, prisons and the police.
- The current council tax freeze will be extended to 2015-16.
- Plans to set the council tax referendum threshold at 2% for 2014-15 and 2015-16.
- £330m to support transformation of local services including £200m of extra funding for the Troubled Families initiative.
- £100m provided to local authorities to assist with initial costs associated with collaborative working relating to public service reform.
- Creation of a centre of excellence which will work to reduce the complexity of data sharing between services.

Health and social care

- Spending on health will be protected in 2015-16.
- £3.8bn will be pooled for health and social care services to assist joint commissioning, to include an additional £2bn from the NHS.
- £200m will be provided to local authorities from the NHS in 2014-15 to enable upfront investment in new systems and ways of working.
- £335m will be available to local authorities in 2015-16 to support preparations for the capped social care funding system from April 2016 and deferred payment agreements from April 2015.

Education

- The roll-out of academies will continue and funding will be provided for up to 180 new Free Schools, 20 University Technical Colleges and 20 Studio Schools each year.
- A consultation will be launched concerning how best to introduce a fair national funding formula for schools in 2015-16.

Police and Fire

- £45m in capital funding will be available for the Fire and Rescue Service in 2015-16.
- A 7.5% reduction will be applied to Fire and Rescue Authority budgets overall.
- An innovation fund of up to £50m will be established for police forces to support joint working with local authorities on developing new and more efficient ways to prevent crime and ensure public safety and confidence.
- A £30m resource fund will be introduced to encourage greater collaboration between the fire service and other emergency services. The fund will help authorities to meet upfront costs associated with recommendations identified by the Knight Review which include sharing back office functions and running joint response systems.

Social Housing

- Government will invest £3bn of capital into affordable housing between 2015-16 and 2017-18.
- It will also provide certainty that social rents will increase by consumer price index plus 1% a year from 2015-16 to 2024-25.
- Its approach to affordable housing is set out in *Investing in Britain's Future*, which presents Government's vision for the future of British infrastructure. This is available at <http://tiny.cc/oecrzw>.

Welfare Reform

A significant announcement in the Spending Round is the introduction of the welfare spending cap. Excluding the basic and additional state pension, a nominal cap on national welfare spending will be introduced from April 2015. Government will set the cap limit at Budget 2014 and must try to keep spending within this limit. If the cap, which will be enforced by the Office for Budget Responsibility, is exceeded, Government will be expected to explain the reasons to Parliament.

Other welfare outcomes include an overhaul of the current benefit system for jobseekers which includes:

- 'Upfront work search' requiring all claimants to prepare for work and search for jobs from the very start of their claim;
- Weekly rather than fortnightly visits to Jobcentres;
- A seven day waiting period before claimants are eligible for financial support; and
- Annual verifications of Jobseeker entitlement.

Additionally, claimants with poor spoken English (considered a barrier to work) will be required to improve their English language skills and unemployed lone parents will be required to prepare to return to work once their youngest child turns three years of age.

The Spending Round 2013 documents are available at <http://tiny.cc/9gcrzw>.

Local Government Counter Fraud Briefing

8 July 2013

CB LG 02.13

The National Fraud Authority (NFA) estimates that fraud costs the public sector around £20.6bn a year¹. The majority of this can be attributed to fraud occurring within the tax and benefits system. Examples of fraud risks within the benefits system include:

- Claimants misrepresenting themselves or their circumstances so as to appear entitled to a reduction, discount or exemption;
- Claimants failing to declare applicable changes in circumstances;
- Claimants failing to notify changes in employment status;
- Claimants failing to disclose capital assets; and
- Claims for benefit in respect of a property which the claimant has never habited or has since vacated.

Estimated levels of fraud and error

In May 2013, the Department for Work and Pensions published a statistical release which set out the latest preliminary estimate figures for fraud and error levels in the benefit system in the UK in 2012-13. The report projects that 2.1% of total benefit expenditure will have been overpaid due to fraud and error in 2012-13 with a projected value of £3.5bn; a rise from 2011-12 estimations of £3.4bn. Headline projections from the report include:

- 0.7% (£1.2bn) of total benefit expenditure overpaid due to fraud;
- 0.9% (£1.6bn) of total benefit expenditure overpaid due to claimant error;
- 0.4% (£0.7bn) of total benefit expenditure overpaid due to official error;
- 0.6% (£0.9bn) of total benefit expenditure underpaid due to claimant error; and
- 0.3% (£0.5bn) of total benefit expenditure underpaid due to official error.

Welfare Reforms

The Welfare Reform Act 2012 came into force on 1 April 2013. The Act legislates for a number of significant changes to the welfare system including the replacement of a number of established benefits such as income support, housing benefit and child tax credits. In place of these benefits, the Welfare Reform Act introduces the single 'Universal Credit' payment, a new system currently being piloted in a number of areas across the UK with a view for national roll out in October 2013. One of the key aims of Universal Credit is to reduce the risk of fraud and error through more efficient identification of financial irregularities in the system, such as the payment of unemployment benefits where an income is apparent, using real-time information linked to the PAYE system.

¹ NFA Annual fraud indicator 2013

To support this, in April 2013 the Government introduced a single integrated fraud investigation service with statutory powers to investigate and sanction Universal Credit fraud as well as all legacy benefit and tax credit offences. This is intended to improve efficiency, ensure all offences are taken into account and increase the number of investigations and sanctions.

Fighting Fraud Locally

The National Fraud Authority publication *Fighting Fraud Locally* identifies a number of areas of non-benefit related expenditure as vulnerable to fraud. Local authorities are encouraged to develop effective counter fraud strategies to mitigate the risk of fraud in these areas:

- Procurement (pre and post contract stages);
- Housing tenancy;
- Direct payments (social care / personal budgets);
- Blue Badges;
- Schools;
- Employees (including payroll / recruitment, Declaration of Interest / gifts and hospitality);
- Insurance; and
- Grants.

Understanding the key fraud risks in each of these areas will assist in the prevention and detection of fraud, which in turn will help reduce financial pressures on local authorities and protect frontline services. A key objective for local authority counter fraud teams is to develop into 'corporate fraud teams' to proactively reduce opportunities for fraud to occur within the highlighted areas, to detect fraudulent activity promptly and to apply relevant sanctions where it is proven. Local authorities should have an effective counter fraud strategy in place underpinned by a service plan to ensure that resources are directed to areas of high risk outside of the traditional benefit related fraud areas. The strategy should mobilise staff at all levels and all those who do business with the authority, ranging from members of the public, to contractors, suppliers and elected members. Local authorities should ensure they are 'fraud-aware' and equipped to take preventative and reactive action.

How we can help

Changes to the welfare system, together with the current economic climate, provide the opportunity for local government to evaluate existing counter fraud arrangements to ensure they remain effective and respond to the changing welfare landscape and related fraud risks. RSM Tenon can assist local authority counter fraud teams in developing effective strategies and service plans as they work to become corporate fraud teams. We have over 40 counter fraud specialists who provide a high quality and professional counter fraud service supported by an extensive client base to facilitate the sharing of good practice and benchmarking. Our specialists investigated over 300 cases last year, helping our clients take out criminal, civil disciplinary and regulatory sanctions.

For further details of how we can help please contact Baker Tilly's Fraud Solutions team who will be happy to assist.

John Baker Fraud Solution 07753 584 973 john.baker@bakertilly.co.uk

David Foley Fraud Solutions 07721 977 523 david.foley@bakertilly.co.uk

Baker Tilly's Local Government Update – August 2013

This eUpdate provides information on some of the recent key publications and issues concerning local government.

Leadership and Standards in the Police

The House of Commons Home Affairs Committee has published a report which considers leadership and standards in the police force. The report presents a number of recommendations for addressing current inconsistencies in police operations including 'grey areas' within expected standards of conduct and low levels of morale amongst officers. The report recommends higher levels of accountability in the police service by introducing a new ethics code for officers and greater use of fines for misconduct. Key proposals include: introduction of a 'Certificate of Knowledge in Policing' for all levels of the force which must be obtained by all new officers; introduction of a new Code of Ethics and Integrity for police officers by the College of Policing; requirement for the interests of all new Chief Constables and Police and Crime Commissioners to be recorded on a National register; introduction of a scale of fines deductible from officers' pensions in cases of serious misconduct; and a change in the law to allow 'positive' action on diversity. Further information is available [here](#).

Giving Tenants Control: Right to Transfer and Right to Manage Regulations

The Communities and Local Government (CLG) department has published a summary of responses to its consultation on the 'Right to Transfer'. The Right to Transfer, which will come into force from autumn 2013, brings about a number of measures to enable social housing tenants to request a transfer of ownership on their properties from their local authority, either taking over responsibility for managing housing services themselves or transferring management and maintenance of their homes to a housing association. Local authorities will be obliged to consider all requests on their own merit and as part of the measures housing associations will be required to demonstrate how they will ensure value for money for taxpayers and how transfers will lead to the construction of new affordable homes or the improvement of existing housing stock. Further details on the measure will be set out in statutory guidance to be published in the autumn. Further information is available [here](#).

Universal Credit: Roll out from October 2013

The Government has confirmed arrangements for the next stage of the roll out of Universal Credit, currently already piloting in two areas of the north-west. National roll-out of Universal Credit will expand to six new Jobcentres starting from October 2013: Hammersmith; Rugby; Inverness; Harrogate; Bath; and Shotton. Alongside this, the 'Claimant Commitment' will also roll out to all Jobcentres from October together with further support to improve access to digital services. Widespread roll out of Universal Credit nationally is expected to complete in 2017. The Government intends to publish further details on development plans in the autumn. Further information on Universal Credit is available [here](#). Further information on the Claimant Commitment is available [here](#).

Survival of the fittest: The difficult world of Alternative Service Delivery and 'Spin-Offs'

Baker Tilly is witnessing more and more councils considering alternative service delivery models as part of their future and how their sustainability might be increased through a more independent and commercial footing. This document considers the nature and benefits of the 'Spin-off' for councils before discussing the inevitable risks that accompany the design, set-up, operation, development and growth stages of their implementation. To access the document, click [here](#).

Finance Transformation: Is your finance function fit for the future?

In this new circular, Baker Tilly considers how local government can take action to ensure that council finance functions are resilient and sustainable enough to support authorities in tougher times. The document sets out a series of case studies and delivery models to demonstrate how Baker Tilly has assisted councils using its Finance Transformation Programme which supports authorities to achieve their finance function objectives. To access the circular, click [here](#).

Baker Tilly's Welfare Reforms Survey

In response to the significant implications of the Welfare Reform Act 2012 Baker Tilly is undertaking research to examine the impacts of, and responses to, the introduction of welfare reforms. In this aim, we would be grateful if you could take the time to complete our short survey, which is now live, and can be accessed [here](#). We are seeking responses from arm's length management organisations (ALMOs) and local authorities that have retained ownership and management of their housing stock. Respondents' data will be treated in confidence and all participants will receive a copy of our report, which will follow once our survey has closed. The survey will remain open until 19 August 2013.

New support for adult social care data collections

The Department of Health (DH) is to provide an extra £11.8m in funding to assist local authorities in implementing new measures for the annual collection of data by the Health and Social Care Information Centre (HSCIC). Following a review of the types of data necessary for authorities to adequately assess their performance in providing care and support, it was decided that the certain changes to data collections would take place as follows: (from 1 April 2013) a new Adult Safeguarding Return (to replace the Abuse of Vulnerable Adults return); a revised annual Deprivation of Liberty Safeguards (DoLS) return; extension of the National Minimum Data Set for Social Care (NMDS-SC) return to include information on qualifications; (from 1 April 2014) existing social care activity collections to be replaced by a new collection on Short and Long-Term Support (SALT); existing Personal Social Services Expenditure Return to be replaced by a new finance collection; and both the SALT and Finance collections to draw on a new Equalities and Classifications Framework (EQ-CL). The DH provides further information on the new burden funding to be received by local authorities in 2013-14 in a letter to UK local authorities. This is available [here](#).

Draft national eligibility criteria for adult care and support

The DH has published a discussion document which sets out draft proposals and regulations for a new national minimum threshold for eligibility criteria for adult care and support. The national eligibility criteria is introduced as part of the 2013-14 Care Bill and from April 2015 will set a minimum threshold for individuals' care and support needs which must be met by local authorities. The eligibility criteria are being introduced to address perceived confusion with current arrangements and to offer clarity by reducing the variation in what local authorities consider to be eligible needs through introduction of a national minimum threshold. A formal consultation on the plans will be launched in 2014. Further information is available [here](#).

Changes to direct payments for healthcare

The Government's response to a consultation on proposed changes to the direct payments for healthcare regulations has been published by the DH. The proposals extend personal health budgets, including direct payments for healthcare, beyond the pilot programme. Personal health budgets were piloted in over 60 sites across England between 2009 and 2012. This document summarises feedback received from the consultation and sets out the Government's decisions on changes to be made to the direct payments for healthcare regulations as a result. Further information is available [here](#). Information on personal health budgets is available [here](#).

Stop, Start, Continue

Baker Tilly recently canvassed a number of senior people in local government asking them to describe, in a single word or phrase, the sector 'now' and what it might look like in five years' time. Responses fell into two distinct groups: those with the glass half full; and those with it half empty. Baker Tilly Partner and National Chair of the local government and emergency services sector group, Matt Humphrey, considers the results of the survey in a new article for the Local Government Chronicle. To read the commentary, click [here](#).

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.

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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Risk Management Plan

The plan set out below responds to the recommendations made by the internal Audit Review of 2013.

The recommendations were:

- Provide greater clarity on the agreed risk management roles and responsibilities within the governance structure (accountabilities, monitoring and reporting) and then present to the Corporate Management Team and Cabinet for sign-off.
- Devise a revised risk management format to improve the quality of the risk management information captured
- Re-develop the existing Risk Management Strategy to take into account the recommendations within this review and ensure it clearly outlines the way risk management is undertaken across the Council.
- Introduce a formal risk identification exercise for the Corporate Management Team and Cabinet.
- Implement the use of cause and effect analysis to improve the quality of risk descriptions.
- Further develop the risk matrix to ensure it has a greater degree of weighting based on the impact assessment.
- Enhance the current probability and impact descriptors to provide a greater degree of clarity when assessing risk severity.
- Review the existing management data to ensure that controls and actions are defined properly.
- Develop a suite of dashboard style reports that can be used for each element of the governance structure based on their responsibilities and reporting requirements.
- Develop clearly defined reporting and escalation criteria based on initial and current risk severity.

Recommendation	Actions	By When
Provide greater clarity on the agreed risk management roles and responsibilities within the governance structure (accountabilities, monitoring and reporting) and then present to the Corporate Management Team and Cabinet for sign-off.	Amend Strategy and get approved at CMT for the roles and responsibilities fir Risk management action	1 st Jan 2014
Devise a revised risk management format to improve the quality of the risk management information captured		Completed
Re-develop the existing Risk Management Strategy to take into account the recommendations within this review and ensure it clearly outlines the way risk management is undertaken across the Council.	Take into account all the suggested revisions and get strategy amended bit by bit	31 st March 2014
Introduce a formal risk identification exercise for the Corporate Management Team and Cabinet.	To be confirmed	
Implement the use of cause and effect analysis to improve the quality of risk descriptions.	Amend strategy and get approved by CMT	30 th Nov 2013
Review the existing management data to ensure that controls and actions are defined properly.	Amend strategy and get approved by CMT	31 st Jan 2014
Further develop the risk matrix to ensure it has a greater degree of weighting	Amend strategy and software to reflect weighting change	31 st October 2013

Recommendation	Actions	By When
based on the impact assessment.		
Develop a suite of dashboard style reports that can be used for each element of the governance structure based on their responsibilities and reporting requirements.		31 st March 2014
Develop clearly defined reporting and escalation criteria based on initial and current risk severity.	Amend Strategy and get approved by CMT	31 st March 2014

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SLOUGH BOROUGH COUNCIL

Annual Audit Letter 2012/13

October 2013



EXECUTIVE SUMMARY

Background

This Annual Audit Letter summarises the key issues arising from the work we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders and members of the public.

The Audit Commission will publish this letter on its website after 1 November 2013. The Council should also publish the letter on Slough Borough Council’s website.

Responsibilities of auditors and the Council

We were appointed as the Council’s independent external auditors with effect from 1 April 2012 by the Audit Commission, the body responsible for appointing auditors to local public bodies in England. As the external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Scope of the audit

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council’s Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council’s Annual Governance Statement, Whole of Government Accounts (WGA) submission and whether we have exercised our statutory powers under the Audit Commission Act 1998 on any matter.

Our work on the audit of the grant claims and other returns is in progress and we will report the findings from this work separately.

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council’s own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Key findings

	STATEMENT OF ACCOUNTS
1	Our audit of the financial statements for the period ended 31 March 2013 is due to be completed by 31 October 2013. Our Annual Governance Report was considered by the Audit and Risk Committee on 22 October 2013 when the revised financial statements were approved. We expect to issue an unqualified opinion. Our audit opinion was not given by the statutory deadline of 30 September 2013 and we reported the reasons for the delay to the Audit and Risk Committee and the Council (in September 2013). Our Annual Governance Report contains a range of recommendations for strengthening Slough’s arrangements for preparing the annual financial statements officers will be implementing.
	USE OF RESOURCES
2	We will be issuing an unqualified value for money conclusion. We found some strengths in the Council’s arrangements for ensuring financial resilience and other positive outcomes in the areas of significant risk we identified for securing economy, efficiency and effectiveness in the use of resources.
	OTHER MATTERS
3	We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE). The delay in completing the audit of the 2012/13 financial statements also delayed the completion of our audit of the final Whole of Government Accounts return. The Government’s deadline for submitting the audited return was therefore not met. Our review of operational performance found the Council reported positive performance in many areas in 2012/13. There is scope to improve further the performance management approach.

STATEMENT OF ACCOUNTS

1

OPINION

We anticipate issuing an unqualified true and fair opinion on the financial statements by 31 October 2013.

Financial statements

The audit of the 2012/13 financial statements has been challenging. Significant additional audit resources were required to progress our audit work. The Finance Team has also undertaken additional work to respond to audit queries and prepare the revised financial statements for approval. Previous audit reports have detailed the difficulties the Council has had in closing the financial statements and the predecessor auditors highlighted the need to ensure sufficient, permanent resource was available to the Finance Team. The more significant issues arising from our audit were:

- the Council's arrangements for preparing and publishing the annual financial statements are not fully effective. In particular, the closedown timetable does not allow sufficient time to complete a critical review of the financial statements before submission to external audit. In addition, the audit trails and working papers made available to us when our fieldwork commenced were incomplete and in many areas did not support the balances contained in the draft financial statements
- roles and responsibilities for producing data and other information for consolidation into the financial statements are not consistently understood across the organisation. In particular, we found inconsistent understanding of accounting policies (in accruing expenditure for instance) and the scope and extent of evidence necessary to support management estimates
- the draft financial statements presented to us on 30 June 2013 contained material and other significant errors and inconsistencies. Some material errors affected the opening balances (the audited closing balances for period ended 31 March 2012) which meant we identified a pervasive audit risk and additional audit procedures were completed on the opening balances accordingly.

The Council has taken action to strengthen the capacity of the Finance Team through the permanent appointment of senior officers (in April 2013). However, strong leadership is required to establish and then embed an effective closedown programme and timetable for preparing and publishing the annual financial statements. The Audit and Risk Committee has established procedures to monitor the implementation of internal and external audit recommendations to oversee this process.

Internal controls

Working with internal audit, we found significant deficiencies in the Council's systems for:

- maintaining the fixed assets register
- authorising and confirming on-going entitlement to reliefs granted to business ratepayers (deficiency now addressed)
- declaring Members' and officers' interests (this issue has now been substantially addressed).

We completed additional audit procedures to gain assurance that the balances produced by these systems were materially correct. Management has agreed to review the deficiencies and strengthen internal controls.

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We will be issuing an unqualified value for money conclusion by 31 October 2013.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

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

Financial resilience

The Council's financial governance arrangements provide clear leadership on financial matters through the work of the Cabinet and the Corporate Management Team. The Council's financial performance and associated financial risks are consistently understood across the organisation with financial information regularly reported to the Cabinet and the Overview and Scrutiny Committee. Amongst officers, financial management responsibilities are clearly assigned and the Corporate Management Team oversees the corporate response to expenditure pressures, other financial risks emerging in the year and the overall achievement of the annual budget. The outcome of our audit of the 2012/13 financial statements is summarised earlier in this letter and we have made recommendations which the Council has accepted to strengthen arrangements for preparing the annual financial statements and to embed these effectively.

The Council spent around £400 million on services in the year which was in line with expenditure plans. The net budget requirement to be resourced from council tax and other income was £105 million. While some overspends were identified early in the year, management action ensured the overall budget was met. The Council's arrangements for managing its budgets continued to work well throughout the year. earmarked reserves as at 31 March 2013 amount to £30.5 million which is in line with the Medium Term Financial Strategy (MTFS). The General Fund balance amounts to £8.1 million and is considered to be sufficient based on the Chief Financial Officer's assessment of future spending plans, identified financial risks and to protect the Council from unforeseen events

The MTFS indicates that the financial position is balanced for the 2013/14 period and officers have identified savings of £9.6 million to achieve this, which is above the original MTFS requirement for the year of £4.4 million. There is a cumulative resource gap of £30 million for the next four years (2013 to 2017), including about £12 million in 2014/15 and £7 million in 2015/16.

Officers are reviewing various options to address identified resource gaps, including further reducing expenditure and increasing efficiency savings, opportunities for joint working with other local authorities (such as a shared service for Adult Learning services), securing further procurement efficiencies and increasing income streams.

Challenging economy - efficiency - effectiveness

Our risk assessment and review of economy, efficiency and effectiveness considered the Council's arrangements for prioritising resources within tighter budgets and improving efficiency and productivity. Our key findings in response to such risks are the Council:

- has appropriate governance and performance monitoring arrangements in place for managing its contract with the transactional services provider. Management has reported a number of positive achievements for the first year of the Partnership's operation
- is aware of the key risks associated with the Slough Regeneration Partnership and is taking appropriate steps to mitigate these. Work is underway to review the Council's governance arrangements to ensure these consistently support the work of the Partnership and achievement of Slough's priorities for the area
- has taken appropriate steps to establish the Slough Wellbeing Board with its partners
- has implemented a local Council Tax support scheme to replace the previous Council Tax benefit scheme in accordance with the national timetable.

Management has implemented a process to log and track Internal Audit recommendations in the 2013/14 year. Further assurance is required to ensure that all outstanding high priority recommendations are addressed, particularly in respect of weaknesses in the governance, procurement and financial management arrangements within schools under the control of the Council (as identified by Internal Audit). This assurance is due to be provided through the programme of follow up work planned by Internal Audit.

Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).

Audit of grant claims and other returns

Our audit of grant claims and other government returns remains in progress for the period ended 31 March 2013. The overall value of claims and returns submitted to the predecessor auditors as at 31 March 2012 was £193 million. The predecessor auditors reported no amendments were made to any claims or returns they audited in 2011/12. However, the auditors did issue qualification letters following the audit of the housing and council tax benefit grant claim and the national non-domestic rate return. The Council agreed an action plan to implement the recommendations made by the predecessor auditors to improve the scope and quality of supporting documentation and monitor the extent of compliance with grant conditions and quality standards.

Whole of Government Accounts

The delay in completing the audit of the 2012/13 financial statements also delayed the completion of our audit of the final Whole of Government Accounts return. The Government’s deadline for submitting the audited return to the Department for Communities and Local Government by 4 October 2013 was therefore not met.

INTRODUCTION

The Council publishes its performance (in the quarterly balanced scorecard report) towards key performance indicators underpinning its priorities for Customer Focus and People (specifically workforce development and well-being) as well as the five corporate plan themes of Economy and Skills, Health and Wellbeing, Housing, Regeneration and the Environment and Safer Communities. A red, amber or green, ('RAG') rating is published for each indicator along with the direction of travel. The Council reported positive performance in many areas in 2012/13 and 22 out of 31 (72 per cent) of the key performance indicators in the Council's balanced scorecard met or exceeded the published target for the year. The direction of travel was positive for 17 of the 31 indicators (55 per cent). A summary of performance in the year towards the Council's corporate plan themes and (where available) to 30 June 2013, is provided below.

Customer Focus and People

Where data was available to publish, all targets for Customer Focus and People were met. The number of on-line payments increased from 1,462 payments in the month of March 2012 to 2,034 payments in the month of March 2013. The performance is now above the Council's target to achieve over 2,000 on-line payments per month. The number of stage 1 complaints against the Council reduced from 638 to 442 compared to the previous year. The performance is notable because the new transactional services hub was established on 1 April 2012, with the transfer of Slough staff to the external contractor. Reducing the number of stage 1 customer complaints by 31 per cent at a time of considerable change for the service is a positive outcome for the Council.

The Council publishes targets and performance for sickness absence among full time equivalent (FTE) staff, the number of staff in post (headcount and FTE), the number of temporary staff and staff turnover. As at 31 March 2013, the average number of FTE days lost to sickness absence was 9.4 days and this represented a reduction compared to the previous year, when the average number of days lost was 11.6 days. The Council expects to meet its target to reduce sickness absence to 8.5 days by 30 September 2013. Other 'People' targets were reported as

'Green' (on track) under the 'RAG' rating system and the direction of travel was reported as positive.

However, the targets set are not consistently 'SMART' ('Specific, Measureable, Achievable, Realistic and Time-bound'). For example, the target for the number of staff in post is simply to 'reduce staff numbers'. No target is published for the number of temporary staff and the range set for staff turnover is between 5 per cent and 15 per cent which is extremely wide. The target and outcome would benefit from being set in the context of local economic conditions and organisational change.

The Council should undertake a review of all performance indicators and targets to ensure these follow the 'SMART' principles highlighted above.

Economy and Skills

The Council's vision for the area, which it aims to achieve by 2028, is that Slough will be an accessible location, competitive on the world stage with a sustainable and varied business sector and strong knowledge economy, supported by a local workforce which has the skills to meet local businesses' changing needs. The Council aims to achieve the vision through its published objectives as measured by its progress towards targets for educational achievement, schools performance and employment. Performance towards targets involving schools was mixed in the year ('RAG' rating green or amber). Positively:

- performance improved compared to the baseline (62 per cent) to 64 per cent for the percentage of pupils achieving at least 78 points across the Early Years Foundation Stage (with at least six in each of the scales in Personal, Social and Emotional Development and Communication, Language and Literacy)
- the percentage of pupils achieving level 4 or above in both English and Maths at Key Stage 2 improved compared to the baseline of 74 per cent in 2010/11 (academic year) to 77 per cent for the 2011/12 academic year. While the performance is rated 'green' the Council recognises it is now behind the national average (79 per cent) for Key Stage 2 performance

However:

- the number of Slough primary schools in special measures or with notices to improve increased from two to three schools
- the percentage of pupils achieving five or more GCSEs at A* - C (including English and Maths) reduced from 68.1 per cent (2010/11 academic year) to 66.1 per cent (2011/12 academic year)
- the percentage of pupils achieving 5 or more GCSEs at A* - C (including English and Maths) reduced from 68.1 per cent (2010/11 academic year) to 66.1% (2011/12 academic year). Performance remains above the national average (59.4 per cent for the 2011/12 academic year)

The Council is keeping the performance of its schools under close review through the work of the schools forum and the Schools Improvement Project Board.

Housing

The Council's performance in administering housing and council tax benefit claims was adversely affected by the upgrades to systems necessary to implement the new local scheme for the award of council tax support with effect from 1 April 2013. Overall performance in the year to administer new claims (27.5 days) and changes in circumstances (14 days) was behind the Council's targets (20 days and 10 days respectively) and the national average (24 days and nine days). With effect from 1 April 2013, the Council no longer reports performance in administering benefit in its balanced score card.

As at 31 March 2013, 87 households were in temporary accommodation which was just behind the target level of 85 households and better than the prior period performance of 90 households. However performance as at 30 June 2013 is behind target with 95 households in temporary accommodation and the Council is examining ways of increasing the capacity of the social and the private housing sectors to address this.

Regeneration and Environment

The Council's vision is that by 2028, Slough will be distinctive from its competitors, harnessing the diversity and creativity of its people and its cultural and physical fabric to create an attractive local environment for our residents and businesses. To underpin achievement of the vision, the Council has published targets to improve public transport and waste management services. As at 31 March 2013, the Council's target for improving the punctuality of non-frequent bus services was ahead of the baseline (77.5 per cent on time) at 83 per cent. The percentage of household waste sent for reuse, recycling or composting was in line with the target level (30.7 per cent). However, the percentage of

municipal waste sent to landfill (9.9 per cent) was behind the target level of 6.6 per cent.

Safer Communities

The Council's vision is that by 2028, Slough will have levels of crime and disorder that are not significantly higher than in any other town in the Thames Valley. Agencies will be working collaboratively to address the underlying causes of crime and communities will feel safe and able to play an active part in making Slough a better place to live, work and visit. Underpinning achievement of the vision are two cross-cutting themes of civic responsibility and improving the image of the town.

While the percentage of Initial (social care) assessments completed and authorised within 10 working days (64.8 per cent) was behind the target of being above 80 per cent progress towards other targets for Safer Communities was positive as at 31 March 2013 as summarised below.

Performance Indicator 2012/13	Target	Actual
Percentage of Social Care Core Assessments completed and authorised within 35 working days (in month)	over 80%	84.7% (in month of March 2013)
Children looked after by the council at month end (excluding respite care arrangements - Rate per 10,000 local children	59.1	48.9
Children subject to Child Protection Plans at month end - Rate per 10,000 local children	between 37 and 50	38.8
Percentage of children looked after adopted from care or granted a special guardianship order	above 8%	14.9%
Number (and percentage) of Adult Safeguarding Alerts that led to a strategy meeting per month	low number - 30% to 40%	6 out of 35 cases (38%)

None of the published performance information for Safer Communities compares the Council's relative performance to the Thames Valley area. The Council should review the benchmark information available to it and ensure performance towards its overall vision for safer Communities in Slough can be measured against the Thames Valley benchmark and then published.

Health and Wellbeing

The Council's vision is that by 2028, Slough will be healthier, with reduced inequalities, improved wellbeing and opportunities for its residents to live positive, active independent lives. The establishment of the Slough Wellbeing Board on 1 April 2013 is an important achievement and with its partners, the Council is now developing appropriate performance objectives and measures for the area.

Children's Services - reports by the external regulator

In April 2011 Ofsted carried out an unannounced inspection of the Council's safeguarding services and concluded that the effectiveness of the service was inadequate (below minimum requirements). In the aftermath of the inspection, the Council undertook a comprehensive review of the service with its key strategic partners and involving peer support as directed by Ofsted. A Safeguarding Improvement Plan was published and achievement monitored by a newly established Improvement Plan Project Board. The Council took immediate action to implement Ofsted's recommendations to improve the leadership and management of the service and address the examples of poor professional practice found at the time of the inspection.

The Council continues to focus on the performance of individual practitioners and the quality of work and case files produced. In 2012/13 and to date, the Improvement Plan Project Board continues to oversee outcomes following the implementation of the Improvement Plan. Improvement in the service is one of the Council's 'Gold' projects, with the Cabinet receiving regular reports on progress. Ofsted has now updated its methodologies and the Council has not yet been inspected under the new arrangements.

Recommendation

To further enhance the performance management approach, the Council should develop further its performance targets to consistently follow 'SMART' principles and to underpin achievement of the overall vision for Slough.

APPENDIX

Reports issued

We issued the following reports in respect of the 2012/13 financial year.

REPORT	DATE
Planning letter	December 2012
Audit Plan	March 2013
Letter to Audit and Risk Committee regarding areas of significant risk	July 2013
Interim Annual Governance Report to Audit and Risk Committee	September 2013
Interim Annual Governance Report to Council	September 2013
Annual Governance report to Audit and Risk Committee	October 2013
Annual Audit Letter	October 2013

Fees update

We reported our fee proposals in our Audit Plan issued in March 2013. The Audit Commission's scale fee amounts to £168,960 for the year. We are currently discussing with management the impact on resources and fees of the additional work required to complete the audit of the 2012/13 financial statements. The audit fee is therefore likely to increase. We will update the Audit and Risk Committee when this process is completed.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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MEMBERS' ATTENDANCE RECORD 2013/2014

AUDIT AND RISK COMMITTEE

COUNCILLOR	25/06	19/09	22/10	12/12	13/03
Abe	P	Ap	Ap		
Bal	Ab	Ap	P		
Chohan	P	P	P		
S K Dhaliwal	P	Ab	Ab		
Nazir	P	P	P		
Sharif	P	P*	Ab		
Mr Kwatra	P	Ap	P		

P = Present for whole meeting
 Ap = Apologies given

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

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