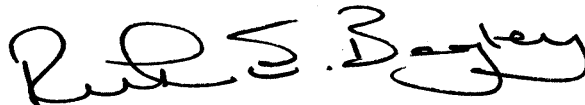


Date of issue: 14th March 2013

MEETING:	AUDIT AND RISK COMMITTEE (Councillors Nazir (Chair), Abe, Brooker, Chohan, A S Dhaliwal and Dhillon)
	CO-OPTED INDEPENDENT MEMBER Mr Ajay Kwatra
DATE AND TIME:	MONDAY, 25TH MARCH, 2013 AT 6.30 PM
VENUE:	MEETING ROOM 2, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	NICHOLAS PONTONE 01753 875120

NOTICE OF MEETING

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



RUTH BAGLEY
Chief Executive

AGENDA

PART I

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

Apologies for absence.

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

1. Declarations of Interest

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.

The Chair will ask Members to confirm that they do not have a declarable interest.

All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.

2.	Minutes of the last meeting held on 8th November 2012	1 - 2	
3.	Internal Audit Progress Report	3 - 22	All
4.	Annual Internal Audit Plan	23 - 42	All
5.	External Audit Plan	43 - 70	All
6.	Risk Management	71 - 72	All
7.	Members Attendance Record	73 - 74	
8.	Date of Next Meeting - 25th June 2013		

Press and Public

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

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



Audit and Risk Committee – Meeting held on Thursday, 8th November, 2012

Present:- Councillors Nazir (Chair), Brooker, A S Dhaliwal and Dhillon (arrived 6.47pm)

Apologies for Absence:- Mr Kwatra

PART 1

21. Declarations of interest

There were no declarations of interest.

22. Minutes of the last meeting held on 24th September, 2012

The minutes of the meeting held on 24th September 2012 were approved as a correct record, subject to an amendment to minute number 19, Internal Audit Progress Report, to amend the title of Mr Daniel Harris to 'Head of Internal Audit'.

23. Internal Audit Progress Report

The Head of Internal Audit, Mr Daniel Harris, presented the Internal Audit Progress Report to the Committee. Members were informed that a number of audit reports remained in draft and that 8 of the 32 reports for the current year had a red opinion. It was noted that some of these opinions related to schools, although four related to the Councils control framework. A structure programme of meetings between Internal Audit and management was in place to address the weaknesses identified, including engagement between Internal Audit and the Risk Management Group.

Members asked a number of questions regarding the status of draft reports and the red opinions for Declarations of Interest, Business Rates and Contract Management. Mr Harris highlighted that the audit report on business rates had been finalised and the recommendations had clearly defined management responses and timescales.

Resolved –

- (a) That the Internal Audit Progress Report be noted.
- (b) That the Chair would meet the Head of Internal Audit prior to the next meeting to discuss progress.

24. Audit Commission Grant Claims Report 2011/12

The Interim Financial Controller, Mr John Burke, presented the Audit Commission Grant Claims Report 2011/12. Mr Burke reported that the vast majority of claims had been certified without qualification by the Audit Commission, however, a qualification letter had been issued regarding the National Non-Domestic Rates Return.

Members noted the summary of recommendations from the Audit Commission and expressed concern that the recommendation from last year regarding the provision of working papers at the compilation stage had not been implemented due to staff turnover and an absence of central co-ordination. Mr Burke reported that the recruitment process for key staff was well advanced and this should ensure that future deadlines would be met.

Resolved - That the report be noted.

25. Fraud and Risk Update Report

Mr Burke introduced the Fraud and Risk Update Report in the absence of the Risk Officer. The Committee discussed a number of issues relating to the Corporate Risk Register and the Risk Management Strategy including:

- The way in which the Risk Register was embedded and managed across the organisation.
- The need to complete some sections of the Risk Register, particularly the definition and understanding of some of the risks and agreeing the target dates.
- The need to properly integrate risk management with performance and financial management.

The Committee welcomed the report however they expected that significant progress be made on these issues before the next meeting and Mr Burke stated that he would report this to the Risk Management Group. It was agreed that a presentation be made on risk management at the next meeting.

The Committee also considered the Corporate Investigations Team Report and requested more detailed information for future meetings, particularly in relation to the housing investigations.

Resolved - That the Update Risk Management Strategy be endorsed by the Committee and that a presentation on risk management be made at the next meeting.

26. Members Attendance Record

Resolved - That the report be noted.

27. Date of Next Meeting - 4 March 2013

Resolved - That the date of the next meeting be Monday, 4th March 2013.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.32 pm)



Slough Borough Council

Internal Audit Progress Report
Audit and Risk Committee Meeting: 25 March 2013

Introduction

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

Since the last Audit and Risk Committee held in November 2012 the following 19 audit reports, relating to the 2012/13 plans have been finalised:

- Additional Devolved Budgets to Schools (3.12/13)
- Baylis Court Nursery School (11.12/13);
- Budget Setting Process (13.12/13);
- Council Tax (18.12/13)
- Gold Projects – Project Management Arrangements (19.12/13);
- Housing Management System (23.12/13)
- Procurement (24.12/13);
- Children's and Families Assessment Teams (26.12/13)
- James Elliman Primary School (27.12/13)
- Recruitment (28.12/13);
- Data Protection Act (29.12/13);
- IQRA Islamic School (30.12/13);
- Arbour Vale (31.12/13);
- Contract Management – Block Nursing Contracts (32.12/13);
- St Ethelberts School (34.12/13);
- Tenancy Fraud (35.12/13);
- Safeguarding – Risk Assessment Process (38.12/13);
- Payroll (40.12/13);
- Estates and Facilities Management (43.12/13).

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

KEY ISSUES

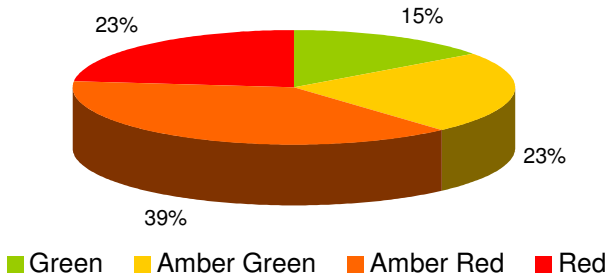
Two RSM Tenon audit reports in respect of the 2011/12 Internal Audit plan remain in draft. (Note – RSM Tenon provided the IA service for Quarter 4 of 2011/12 only).

Of the 48 reports which have been issued to management in respect of the 2012/13 Internal Audit plan, 16 of these still remain as draft reports. Of these 16, 11 of these have been outstanding for more than 30 working days (average time 11 draft reports outstanding is 88 working days). Whilst management assurance has been provided in the audit debrief meetings that the weaknesses identified as part of these audits will be addressed, in the absence of a completed action plan, we cannot provide assurance that these weaknesses are being addressed in a timely manner. It is therefore possible that these weaknesses and risks are not being effectively managed.

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

Of the 48 reports (including the 16 that remain in draft) issued to the Council to date for the current financial year, the breakdown of the levels of assurance provided is as follows:

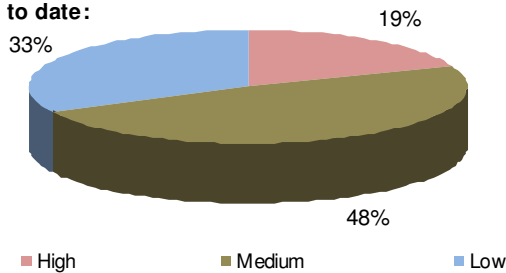
Assurance Levels 2012/13 to date



	Green	Amber Green	Amber Red	Red	Advisory	Total
Assurance opinions 2012/13	7	11	18	11	1	48

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

Recommendation categorisations in 2012/13 reports to date:



	High	Medium	Low	Total
Recommendations raised 2012/13	55	142	95	292

Of the 48 reports issued for the current year to date where a formal opinion has been provided, 11 of these have resulted in a red opinion (please note five of the 11 remain in draft at this stage). Five of the red opinions relate to audits of schools. We have also issued six red opinions relating to the Councils control framework:

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

It is therefore imperative that actions to address the weaknesses identified within these reports are undertaken on a timely basis to ensure that these systems can operate effectively in the future. Failure to do so may impact on our ability to provide an unqualified Head of Internal Audit Opinion for the year, which may also have implications for the Annual Governance Statement.

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

Other Matters

Planning and Liaison:

Monthly meetings have continued with the Interim Assistant Director, Finance. We have also attended the most recent meeting of the Risk Management Group and provided guidance on the proposed content of the Risk Management Policy. We have also attended the most recent meeting of the Wellbeing SMT and met with key Officers to produce a draft 2013/14 detailed plan.

We have also met with the new Assistant Director Finance and Audit and the Chair of the Audit and Risk Committee since the last meeting.

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

Internal Audit Plan 2012/13 - Change Control:

No proposed changes have been made to the Internal Audit plan since those which were highlighted to the previous Audit Committee.

Information and Briefings:

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

LGE eUpdate LG eUpdate January 2013

GEN 04/14 Real Time Information

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.

We have also provided a good practice guidance document to assist the Council in implementing a risk-based approach to budget monitoring.

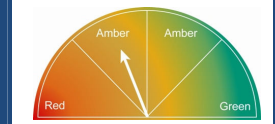
Key Findings from Internal Audit

2012/13 Internal Audit Plan

Since the last Audit and Risk Committee, we have finalised 14 audit reports, of which five were Amber-red and two were Red. We have included an extract from the **amber-red** and **red reports** finalised since the last progress report to the Audit & Risk Committee below. We have also included the action plan for all of the High category recommendations within these reports:

Assignment: Council Tax (18.12/13)
Final report issued 19/11/12

Opinion: Amber /
Red



Design of control framework

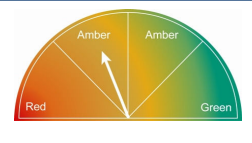
We found the following weaknesses in relation to the design of the controls:

- Procedures relating to Council Tax processes had not been subject to a regular review and therefore could be obsolete and not be consistent with National legislation.
- No annual review was conducted for customers claiming discounts for disabilities. Some disabilities might potentially be temporary and therefore without a regular check the Council could be failing to receive the correct level of income.
- Checks that are completed on the accuracy of bills produced are not recorded and retained and therefore we were unable to verify that this task is regularly performed. If checks are not completed, inaccurate bills could be submitted to the community which could result in the Council's reputation being affected through inaccurate bills or a loss of potential income if incorrect charges below the correct value has been charged.
- Council Tax bank accounts for payments made by Bank Transfer as well as Bank Giro and related suspense account are reconciled on a daily and annual basis. However, the reconciliations are not subject to a peer review to demonstrate segregation of duty or accurateness of the reconciliation. Items may not be removed from the suspense account if this is not subject to a separate review on a month basis.

Application of and compliance with control framework

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

- A member of staff was not currently in post to ensure new or amended properties are updated on the system to ensure the Council receive the full Council Tax entitlement. At the time of our review no information on these properties were being updated. Given that a member of staff had been recruited to undertake this at the time of our review we have downgraded the risk categorisation of this area from a high to a medium-rated recommendation.
- Procedures relating to Council tax processes had not been subject to a regular review and therefore there is an increased risk that the processes followed could potentially fail to adhere to legislation or not be utilising resources in the most effective manner.
- During sample testing we identified two instances (from 20 sampled) where suitable documentation had not been retained to demonstrate the eligibility of a discount applied to an individual's Council Tax.



Design of control framework

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

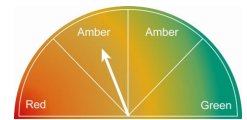
- The Council did not possess an overarching register/list of all Gold Projects that was accessible to employees or the public through a dedicated project management section on the website or intranet, which included key details on each project (although a list of Gold Projects was available on the Councils website within the Cabinet papers). The only form of list that existed was an out of date list of project names dated 2010 and the Highlight Reports which are only presented to CMT.
- The Council did not hold a supporting documentation to guide employees on the completion of their Project Management documentation.
- The PID did not request the specific date of the CMT meeting to be captured in the approval section. Failing to request this could potentially result in projects being approved solely by a member of CMT rather than the entire forum considering the project. If CMT as a collective are not approving Gold Projects, inappropriate resources could be utilised in projects that are not assisting the organisation achieve their strategic objectives.
- The PID also did not include details of the Project Managers relevant project qualifications/experience to be recorded. Gold Projects could commence without the appropriate expertise if the Council is not ensuring their qualifications and experience of the Project Team is not being appropriately considered.
- Highlight Reports to CMT did not include a field for the PID stated completion date to be recorded, nor did guidance exist to explain how to classify a project as red, amber or green.

Application of and compliance with control framework

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

- Sample testing identified that PIDs were being approved by a member of CMT, rather than the group as a collective. Inappropriate resources could be incurred if Gold Projects commence that are not appropriately approved.
- Project Board meetings did not follow the Project Board Agenda template and sampled meetings identified that meetings were occurring which discussed the progress of the project. However, they did not all consider the original objectives to ensure that the Gold Project was still on the correct path, nor did they all consider the risks, budget or timeline of the project to ensure it will be delivered on time.
- Change Request Forms were not being utilised by Project teams to document changes to a project and to obtain CMT approval for the change. Subsequently Gold Projects could change their scope without CMT being fully aware and change in a manner which would not be endorsed by CMT.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 2B: In the absence of resources for a dedicated PMO quality assurance individual, the Council would benefit from having a dedicated drive where project management documentation is retained and available for a governance review by CMT and the Policy Team. The Policy Team should be appropriately trained to be able to provide suitable assistance on projects.	Agreed.	December 2012	Kevin Gordon, Assistant Director Professional Services



Design of control framework

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

- The Council had not agreed any performance outcomes with Capita that are regularly reported against. This could result in aspects of the service not being adequately provided by Capita and the Council failing to address this at the earliest opportunity. We have made a high-rated recommendation that addresses this matter amongst other concerns.

Application of and compliance with control framework

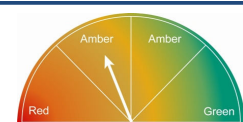
We found that a number of controls were not adequately complied with. We identified the following weaknesses:

- During the implementation phase minutes were not taken in meetings held between users or with Capita. This could potentially result in actions to deliver issues raised in meeting not being appropriately tracked to ensure the concerns are resolved in a timely manner.
- The contracts in place had not been signed and held on file for all members of the IT Department. The provider could potentially fail to deliver the required service if the Council does not hold a signed agreement of the contract.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 3: The Council should agree with Capita:</p> <ul style="list-style-type: none"> ▪ Performance indicators and a requirement for Capita to report against agreed performance outcomes regularly; and ▪ A revised contract which should include specification of each addendum. Until this is in place signed copies of each of the Original Agreement and the Addendums should be held on file and made assessable to relevant employees. 	<p>The Council will draft potential performance indicators.</p> <p>This will be raised with Capita in the next contract meeting.</p>	<p>End of December 2012</p>	<p>Neil Aves, Assistant Director Housing Services</p>

Assignment: Procurement (24.12/13)
 (Management request for coverage)
 Final report issued 10/12/12

Opinion: Amber /
 Red



Design of control framework

- We did not identify any significant weaknesses in the design of the Procurement control framework.

Application of and compliance with control framework

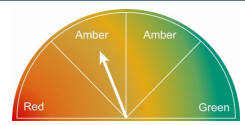
We found that a number of controls were not adequately complied with. We identified the following weaknesses:

- The current activity spreadsheet utilised to record existing tendering activity by Corporate Procurement was only maintained to record whether the reference and name of existing tender activity. No update was recorded to enable monitoring of each stage reached of the tender process. The Corporate Procurement Team could fail to identify delays in the process if this tool is not appropriately utilised. Subsequently the Council could be failing to obtain value for money if a contract is not in place in a timely manner.
- Sampled procurement activities had not been completed in a timely manner, as per their timescales recorded in their respective business cases. If tendering activity is not completed efficiently, the Council could be failing to deliver potential savings.
- At the time of our review Corporate Procurement had not completed their review of expenditure in 2011/12. The Council could potentially be missing out on efficiencies and savings through the procurement of a contract on any areas of expenditure not included within a contract or included within a number of separate contracts.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1: The draft Procurement Operating Procedures should be revised to ensure that they denote the responsibilities of the following at the Business Case approval stage:</p> <ul style="list-style-type: none"> ▪ The Assistant Director-Commissioning, Procurement & Shared Services to determine the level of involvement required from Corporate Procurement in the tender exercise. For instance, whether they are required to lead the tendering exercise, support the exercise or whether no-involvement is required; and ▪ The Assistant Director of finance to nominate a Finance Representative for all tendering activity. <p>The procedures should be made available to employees following its approval.</p>	<p>The responsibilities will be included in the POPs.</p> <p>The PoP is currently being reviewed by L&D employee regarding usability.</p>	<p>End of March 2013</p>	<p>Joanna Anderson, Assistant Director of Procurement and Commissioning</p>

Assignment: Children's & Families Assessment Teams (26.12/13)
 (Management request for coverage)
 Final report issued 26/2/13

Opinion: Amber / Red



Design of control framework

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

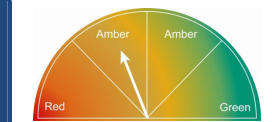
- The Council had not introduced a formal process whereby the feedback loop for audits classified as inadequate are closed. The individual social worker did not currently have to provide confirmation that the necessary actions had been taken. Subsequently if actions are not taken, a child's welfare could potentially be jeopardised.

Application of and compliance with control framework

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

- From sample testing of ten audit cases completed by the Council (External Independent Audit and Child Protection & Independent Reviewing Service) we identified one instance where a number of questions in two different sections remained outstanding. If an audit is not fully completed and there are areas of concern in these sections the relevant employee may fail to address the concern and improve performance on future cases. Subsequently the management of a child's welfare could be jeopardised.
- We noted that attendance at Steady State meetings sampled was below 60%. If meetings are not attended by management corrective actions on specific cases may not be identified by the relevant managers and raised with their employees. Subsequently these issues could fail to improve and the same incidents could continue to occur in the future.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 2: The Council should formalise a process whereby the feedback loop is closed for inadequate audits through confirmation that management have witnessed sufficient improvements and/or performing follow up audits.	This is currently being considered.	End December 2012	Kitty Ferris, Assistant Director, Children's Services



Design of control framework

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

- The Council had established a Recruitment and Selection Policy and Procedure, however, the documentation was in draft format and had not been approved or distributed to employees. The draft version failed to explain the requirement to gain authorisation for recruitment and did not reference the forms to be utilised in the recruitment process and the need to justify and retain evidence on decisions made. Without guidance to employees on the recruitment process, the Council could potentially:
 - Fail to employ competent individuals;
 - Not have the budget available to recruit; or
 - Be seen to discriminate against individuals where sufficient justification is not retained to support decisions.

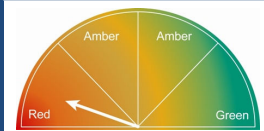
Application of and compliance with control framework

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

- From a sample of 15 Recruitment Checklists, we found instances where either the Finance Manager or a HR Business Partner had not approved the checklist. Also, we found instances where the Checklists did not elaborate on what testing was required. There is a risk that sufficient budget may not be available to advertise a position or candidates may not be sufficiently tested, which could result in inappropriate individuals being recruited if this checklist is not appropriately completed and authorised (two recommendations have been made on this area).
- Evidence had not been retained to justify why in one instance the highest scoring candidate was not offered the position at the Council. The Council could be seen to be discriminating if evidence on this matter is not retained. There was also a further instance where an applicant was offered a job where they only scored 27% of the total marks available during the interview process. The Council may fail to recruit staff of a suitable calibre to enable organisational objectives to be achieved if candidates are recruited who do not possess sufficient competencies. A high category recommendation has been made with regards to this matter.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1: The Council should review the existing draft version of the Recruitment and Selection Policy and Procedure and ensure it sufficiently explains:</p> <ul style="list-style-type: none"> ▪ The authorisation process to recruit; ▪ The services provided by Arvato Public Services Limited. ▪ Requirements on utilising the pro-forma and retaining suitable documentation that justifies why a highest scoring candidate may not have been offered the job or where a low scoring candidate is offered the role. 	<p>Policy & Procedure will be discussed at the next Senior Management Team meeting with the aim for it to be finalised in the next six months.</p>	<p>End of March 2013</p>	<p>Kevin Gordon, Assistant Director Professional Services</p>

<ul style="list-style-type: none"> ▪ The importance of retaining sufficient documentation, for instance, evidence of testing completed at the interview stage. <p>Following its review this document should be formally approved and made accessible to relevant employees.</p>			
<p>REC 3: On receipt of completed job files Arvato should ensure that the job post file includes:</p> <ul style="list-style-type: none"> ▪ Evidence of testing conducted at the interview stage. ▪ Justification for decisions made (in the form of the pro-forma) or where the highest scoring candidate has not been offered the post that further documentation justifying this decision is retained. ▪ Completed references for the successful candidate are retained. Suitable chasing is conducted for references not provided and returned references should be reviewed to ensure they include suitable information and where key details (i.e. attendance history) are missing that the referees are requested to re-submit this data. <p>Where this information is not held Arvato should ensure an audit trail is retained to demonstrate that this information has been requested from the Recruiting Officer/HR Business Partner.</p>	<p>This recommendation will need to be communicated to Arvato to implement.</p> <p>Arvato can have a check list and can tick off that the following is in the file</p> <ul style="list-style-type: none"> ▪ Evidence of testing conducted at the interview stage. ▪ Justification for decisions made ▪ References are provided <p>It is our opinion that Arvato cannot put this information into the file and can only return the file to the recruiting officer or HR Business Partners if the information is not in the file</p> <p>After discussion with Arvato who would be happy to complete a checklist but Assistant Director Professional Services should ensure that SBC staff are aware of the policy and are complying with it</p> <p>With regard to references again this is a retained function to review and accept the references, Arvato carry out the transactional function of requesting and receiving a reference it cannot be for them but the appointing manager to agree that the reference is of standard.</p> <p>It must be noted that many employees do not provide this level of details on references now many especially private companies only state that the person was employed and the dates.</p>	<p>End of October 2013</p>	<p>Kevin Gordon, Assistant Director Professional Services</p>



Design of control framework

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

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

There is a risk that the Council may fail to obtain value for money as the appropriate mix of care beds may not be allocated correctly to demand. In addition the Council may not have valid contracts in place to ensure delivery meets the required standard in any interim period.

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

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

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

Application of and compliance with control framework

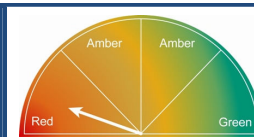
We found that a number of controls were not adequately complied with. We identified the following weaknesses which resulted in one medium category recommendation:

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

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

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1: The Council need to monitor the return of the agreements for the three block contracted care homes (Oxford House, Windmill Care Centre and Burnham House) to ensure that all individual placements are appropriately included within an approved agreement by both parties until the end of the financial year.</p> <p>At Gurney House, the Council need to</p>	<p>At the time of the review, new updated contracts had been drafted and sent to providers (Windmill Care Centre, Oxford House and Burnham House) for signature and return. One signed copy has been returned (Oxford House), others are being pursued. In addition, and to</p>	<p>End of March 2013</p>	<p>Mike Bibby - Assistant Director Personalisation, Commissioning and Partnership</p>

<p>accept the risk that no formal agreement will be in place to ensure that the existing supplier continues to provide an appropriate service to the 13 placed individuals that are in their care - that is until alternative care home facilities are arranged (in the event that no interest is derived from the current expression of interest exercise).</p>	<p>ensure appropriate contractual arrangements prior to return of the signed contracts, individual placement agreements have been completed for all people in these homes (new and existing residents). These are monitored through the contracts team.</p> <p>Re Gurney House, consultation on future service options has now concluded and been approved by Cabinet. On-going work with the provider underpinned by legal agreement following the Cabinet decision will ensure continuity of the service prior to its closure in early 2013.</p> <p>Tendering for new commissioning arrangements commenced in December 2012 and will be completed by the end of March 2013.</p>		
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Design of control framework

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

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

Application of and compliance with control framework

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

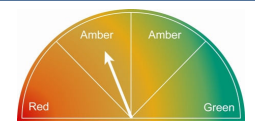
- On review of the extracted data from ICS between April and September 2012 we noted that 559 cases had a completed the initial assessment stage in this sampled period. For this sample we found that 164 cases had a completed risk assessment form on ICS, this equated to only 29% compliance. If cases are not appropriately risk assessed children may not have the appropriate and timely intervention from the Council and subsequently children in need could be at risk, unsafe and not feel safe as a result of poor social care practice (recommendation consolidated with issue raised in the design of the control framework).
- Sample testing of 30 uploaded risk assessments on ICS identified weakness in the completion of the form. Notably, in one instance the primary risk had not been concluded upon by the assessor, however, the manager had highlighted this risk within their peer review. In the remaining eight instances the risk assessment was more of a detailed description of what had occurred to date, which in most instances covered the entire family rather than what the potential risks to the individual child may have been. If risks are not clearly defined the required plan to address those that require safeguarding may not be recognised. This could potentially result in future harm to individuals in the community.
- Sample testing of the 30 uploaded risk assessments identified weaknesses in the management review of the form. This included the lack of management sign off, segregation of duty in the management review and timeliness of the review. If an independent management review is not undertaken in a timely manner of the risks assessed at the initial assessment stage the Council may not identify instances where risks have not been correctly evaluated and may fail to implement corrective actions to ensure children in the community are appropriately safeguarded.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1: The Council needs to ensure that employees are explicitly informed of the requirement:</p> <ul style="list-style-type: none"> ▪ For Practitioners to complete the Risk Assessment Matrix Form; ▪ For a separate manager to review and sign off the risk assessment in a timely manner. 	<p>This recommendation is accepted and will be actioned.</p> <p>Assistant Director (Kitty Ferris) to issue instruction to staff and managers by 30th</p>	<p>End of November 2012</p>	<p>Kitty Ferris, Assistant Director, Children's Services</p> <p>Geoff Gurney, Head of</p>

<p>These requirements could be added to the Risk Management Strategy. The Council will need to ensure that these requirements are communicated to employees once updated and that any revised process for assessing risks is adequately and clearly explained to practitioners and managers within the social care procedures.</p>	<p>November.</p> <p>Head of Safeguarding and Quality (Geoff Gurney) to ensure TriX are notified of need to include this is electronic procedures at next upgrade by 30th November and take into account in the revision of risk management procedures.</p>		<p>Safeguarding and Quality</p>
<p>REC 2A: The Council should explore a new approach to assessing risk and whether management can record within ICS that risks have been assessed sufficiently on each case to enable a performance indicator to be derived.</p> <p>If possible this should be included as a performance indicator and where not possible more focus should be made within the independent audits completed to verify to senior management that risks have been appropriately assessed.</p>	<p>Work is currently being undertaken by the new (interim) Head of Safeguarding and Quality – both to revise and strengthen the approach to risk assessment and management and to review our case audit programme. This recommendation will inform this work. The work will be completed by 7th January 2013.</p>	<p>7th January 2013</p>	<p>Geoff Gurney, Head of Safeguarding and Quality</p>
<p>REC 2B: Risk Assessment Matrix Forms should be appropriately completed and reviewed for all initial assessments.</p>	<p>Staff to be informed.</p>	<p>End of November 2012</p>	<p>Kitty Ferris, Assistant Director, Children's Services</p>

Assignment: Estates & Facilities Management
(43.12/13)
Final Report issued 11/2/13

Opinion: Amber /
Red



Design of control framework

The following weaknesses were identified which resulted in three medium categorised recommendations:

- The Council does have an approved strategy in place for Corporate Property Maintenance. The Council could potentially be failing to manage their properties in the most appropriate manner in the absence of a strategy to measure activity and progress against this. However, it was noted that a strategy is currently being drafted.
- The Council does not have a Planned Preventative Maintenance schedule in place for corporate property. Without this tool in place the Council could potentially be incurring excessive costs in repair work. However, a Gap Analysis is being conducted by the organisation to identify the extent of work required in order to establish a maintenance programme in the future and we noted that scoping and preparatory work had been undertaken in relation to some major properties including the Montem Leisure Centre and Ice Rink
- The Council does not have a management forum at which the Housing Management team performance scorecard can be discussed between members of Senior Management from Estates and Facilities. Without such a forum, poor performance may not be adequately challenged and rectified and there is also no audit trail to demonstrate that this occurs outside of any management forum and the Council may heavily rely upon the Divisional Management Team and for the any performance issues to be escalated to the Directorate Management Team or if essential the Corporate Management Team.

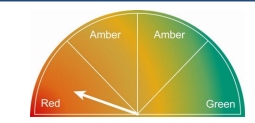
Application of and compliance with control framework

We found that three controls were not adequately complied with. These weaknesses resulted in one medium categorised recommendation within this report:

- There is no robust physical verification process by the Council for works completed by the service provider. We were informed that inspection work is undertaken by the Council, however, no audit trail was retained to demonstrate this. There was also no defined approach in the form of a procedure on how physical inspections would be conducted. The Council could be incurring costs for work not completed if work completed by the service provider and cannot currently demonstrate that this process is in place.
- The copy of the contract held by those charged with managing the service provided by Interserve Limited was not a signed version. If the individuals assigned with managing the contract do not have the final signed version the Council cannot be assured that they are ensuring that all agreed requirements of the contract are being fulfilled by the service provider (recommendation raised within the Contract Management 2013/14 review).

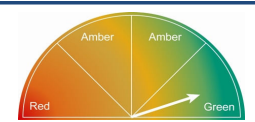
Assignment: Baylis Court Nursery School (11.12/13)
(Management request for coverage)
Final report issued 25/2/13

Opinion: Red



Assignment: Additional Devolved Budgets to Schools
(3.12/13)
Final report issued 11/3/13

Opinion: Green



APPENDIX A - Summary of Progress against the Internal Audit Plan

2011/12 Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Purchase Cards (4.11/12)	Draft Report Issued 23 March 2012 – awaiting management comments				
St Anthony's Primary School (7.11/12)	Draft Report Issued 5 April 2012 Revised Drat issued 28/2/13 – awaiting management comments				

2012/13 Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Customer & Community Services:					
Thames Valley – Governance Arrangements (12.12/13)	FINAL	GREEN	0	1	2
Hire of Council Buildings (16.12/13)	FINAL	AMBER RED	0	4	4
Leisure Services (17.12/13)	FINAL	AMBER GREEN	0	2	1
Council Tax (18.12/13)	FINAL	AMBER RED	0	2	4
Housing Benefits (20.12/13)	FINAL	GREEN	0	0	3
Rent Accounts (21.12/13)	FINAL	AMBER RED	1	2	2
Data Image Management (22.12/13)	FINAL	GREEN	0	1	1
Business Rates (25.12/13)	FINAL	RED	4	4	2
Payroll (40.12/13)	FINAL	GREEN	0	0	2
Anti-Social Behaviour (37.12/13)	Draft Report 7/12/12	AMBER RED	1	3	2
Business Continuity Arrangements (41.12/13)	Draft Report 21/12/12	AMBER RED	1	6	2
Thames Valley Transitional Hub – Contractual Performance Management (44.12/13)	Draft Report 28/1/13 Revised draft 25/2/13	AMBER GREEN	0	3	2
Wellbeing:					
Registered Bed Based Services (5.12/13)	FINAL	AMBER RED	1	0	6
Care Home Fee Increase Project – Project Management Arrangements (15.12/13)	FINAL	GREEN	0	0	2
Procurement (24.12/13)	FINAL	AMBER RED	1	1	2
Children's and Families Assessment Teams (26.12/13)	FINAL	AMBER RED	1	1	1
Contract Management – Block Nursing Contracts (32.12/13)	FINAL	RED	1	3	1
Safeguarding – Risk Assessment Process	FINAL	RED	3	1	0

(38.12/13)					
Contract Management (33.12/13)	Draft Report 19/10/12	RED	3	5	0
Supported People Contract Management (45.12/13)	Draft Report 25/02/13	AMBER GREEN	1	0	1
Procurement – Quarter Four Review (12/13)	Draft Report 04/03/13	RED	2	3	0
Resources, Housing & Regeneration:					
Multiple housing occupation (7.12/13)	FINAL	AMBER GREEN	0	3	1
Budget Setting Process (13.12/13)	FINAL	ADVISORY	0	6	1
Housing Management System (23.12/13)	FINAL	AMBER RED	1	1	2
Tenancy Fraud (35.12/13)	FINAL	AMBER GREEN	0	1	4
Estates and Facilities Management (43.12/13)	FINAL	AMBER RED	0	4	1
Additional Devolved Budgets to Schools (3.12/13)	FINAL	GREEN	0	0	4
Cash Handling and Management (6.12/13)	Draft Report 28/6/12	AMBER RED	1	3	0
Schools Financial Value Standard (36.12/13)	Draft Report 28/11/12	AMBER RED	1	3	1
Debt and Cash Management (42.12/13)	Draft Report 7/1/13	AMBER RED	1	4	1
Creditors (46.12/13)	Draft Report 27/2/13	AMBER GREEN	0	1	2
General Ledger	Review Stage				
Cash and Treasury Management	Review Stage				
Budgetary Control & Financial Reporting	Review Stage				
Asset Register	Review Stage				
Capital	Fieldwork stage				
Risk Management	Fieldwork start 08/03/13				
Top-Up testing across Finance Systems	Fieldwork start 16/04/13				
Chief Executive:					
Performance Management (1.12/13)	FINAL	AMBER GREEN	0	3	1
Employee Declaration of Interests (2.12/13)	FINAL	RED	2	4	0
Gold Projects – Project Management Arrangements (19.12/13)	FINAL	AMBER RED	1	4	1
Recruitment (28.12/13)	FINAL	AMBER RED	2	2	0
Data Protection Act (29.12/13)	FINAL	AMBER GREEN	0	2	0
Partnership Arrangements	Review Stage				
Governance	Fieldwork start 18/02/13				
Data Quality – Establishment Controls	Fieldwork start 25/02/13				
Sickness Management	Fieldwork start 19/03/13				
Use of Agency / Workforce Management	Fieldwork start 15/04/13				
Schools:					

Penn Wood School (14.12/13)	FINAL	AMBER RED	1	2	4
James Elliman Primary School (27.12/13)	FINAL	AMBER GREEN	0	1	5
IQRA Islamic School (30.12/13)	FINAL	GREEN	0	0	2
St Ethelberts School (34.12/13)	FINAL	RED	5	7	3
Bailys Court Nursery School (11.12/13)	FINAL	RED	4	5	3
Arbour Vale School (31.12/13)	FINAL	AMBER GREEN	0	2	1
Willow School (4.12/13)	Draft Report 6/6/12	RED	2	8	4
Western House School (8.12/13)	Draft Report 2/7/12	AMBER RED	3	3	4
Haybrook School (9.12/13)	Draft Report 5/7/12 Revised Draft 31/7/12	AMBER RED	1	6	2
Parlaunt School (10.12/13)	Draft Report 5/7/12	RED	3	11	3
Claycots Primary School (39.12/13)	Draft Report 17/12/12	RED	7	11	4
St Joseph's School	Fieldwork start 18 April 2013				

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

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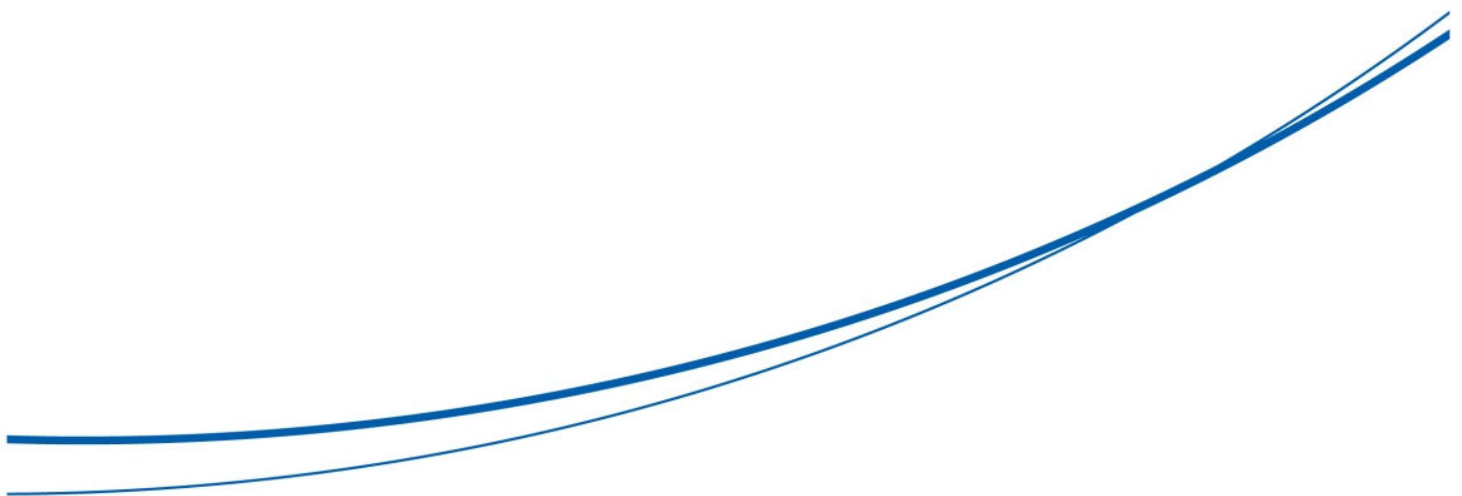
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Slough Borough Council

Internal Audit Strategy 2013/2014 – 2014/2015

Presented at the Audit & Risk Committee meeting of: 25 March 2013

Daniel Harris
Head of Internal Audit

1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Definition of Internal Audit: Chartered Institute of Internal Auditors)

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help Slough Borough Council to achieve its objectives. The opinion may also be used by the S151 Officer, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Committee.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

2.1 Issues influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of our strategy for delivery of internal audit services.

We have considered our previous work and findings on your risk management processes and consider that we can place an element of reliance on your risk registers to inform the internal audit strategy. We have therefore met with a range of key individuals within the Council, as detailed below, to assist us in identifying your audit needs.

Appendix A reflects the range of potential issues that may affect the Council. These were used to focus our conversations along with the Council's assurance priorities with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with:

- Roger Parkin, Strategic Director, Customer & Community Services;
- Joseph Holmes, Assistant Director, Finance & Audit;
- Mark Taylor, Interim Assistant Director, Finance;
- Jane Wood, Strategic Director, Wellbeing;
- The Wellbeing Senior Management Team;
- Joanna Anderson, Assistant Director, Procurement;
- Tony Zaman, Assistant Director, Adult Social Care;
- Alexander Deans, Head of Highways;
- Kevin Gordon, Assistant Director, Professional Services;
- Neil Aves, Assistant Director, Housing & Environment.

The key areas discussed are summarised below:

Key Areas discussed with Management and their impact on the 2013/2014 plan	
1	The embedment and further utilisation of the HUB Transactional Services and partnership with Arvato . A large number of the Council's services were transferred to this hub in 2012/13, such as financial systems, council tax and housing benefit. Therefore, a significant proportion of our audit plan has been dedicated to providing assurance on the effective operation of these systems. Furthermore, two additional services, IT & Customer Service are also scheduled to transfer to Arvato in 2013/14.
2	Procurement undertaken without the consultation or involvement of the Corporate Procurement Team could potentially be failing to adhere to local and E.U Procurement Rules without the input from trained Procurement staff.
3	That the Local Asset Backed Vehicle (LABV) reflects a significant risk to the Council and suitable audit coverage has been aligned to this project to provide assurance to management. However, the Council confirmed that this project will be subject to scrutiny from External Audit, and therefore this does not form part of our Internal Audit plan for this year.
4	The Strategic Director, Wellbeing confirmed that the Council would be receiving suitable assurances on Safeguarding Children through the 2012/13 Internal Audit Review, Peer Review and impending OFSTED review and therefore audit attention should be directed towards Adults Social Care.
5	The Council continues to develop and embed the Risk Management framework and culture. We will therefore be providing assurance that this continues to evolve in a timely and effective manner.
6	Following a number of red (negative) opinions in 2012/13 audits we have agreed to carry out either follow up visits to independently provide assurance that recommendations have been implemented or re-audit some of these areas (Schools, Contract Management, Business Rates, Declarations of Interest).
7	The ability of the Council to attract a high calibre of potential candidates through their Recruitment process for key roles within the organisation in order to deliver their Corporate Plan. CMT requested this area to be deferred until 2014/15.
8	The Council considers that significant improvements are required in Emergency Planning . CMT requested this area to be deferred until 2014/15.

The strategy is set out in Appendix B, with the more detailed annual plan for 2013/14 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Partner and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Audit Committee.

2.2 Working with other assurance providers

We intend to meet with the Council's External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/2014.

The Audit Committee are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes at the Council. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 INTERNAL AUDIT RESOURCES

3.1 Your Internal Audit Team

Your engagement Partner is Mark Jones.

Your internal audit team is led by Daniel Harris, Director as Head of Internal Audit.

Your Senior Manager is Chris Rising and your Assistant Manager is Andrew Patterson.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

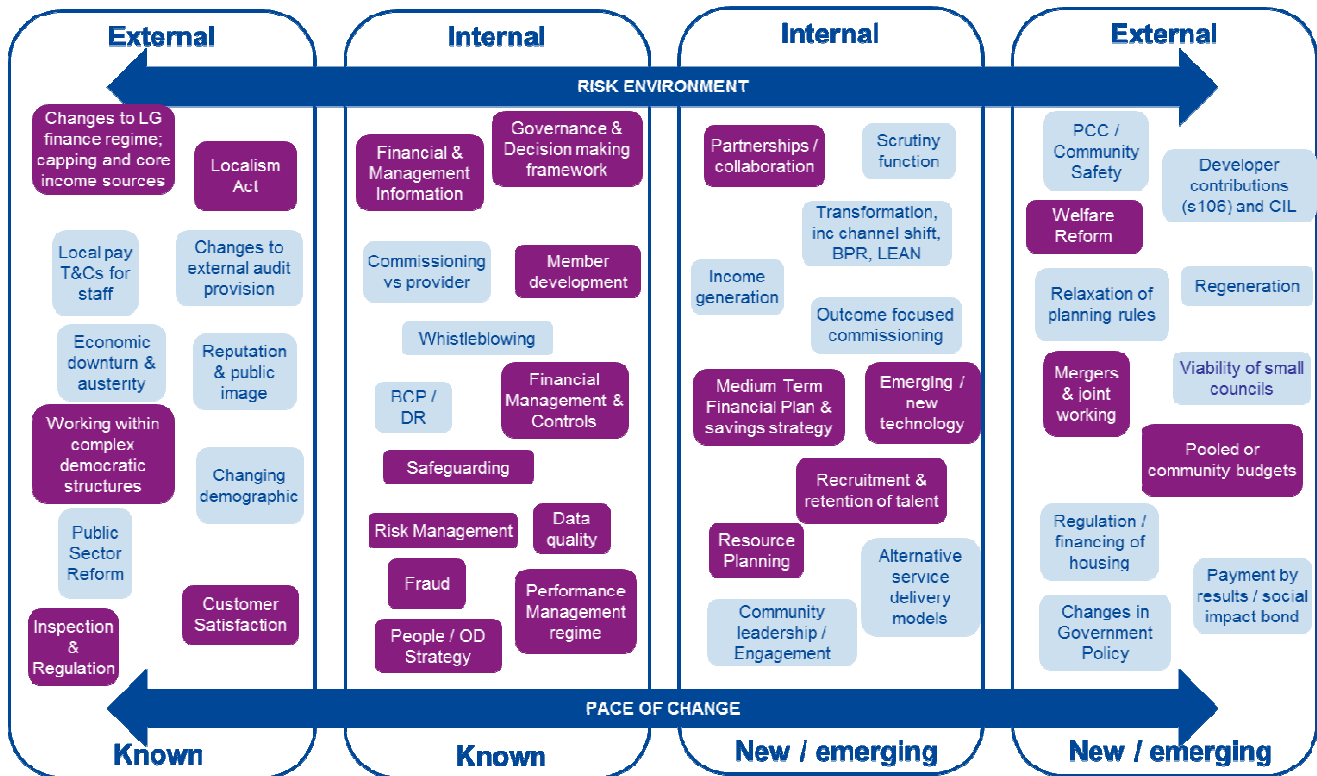
4 CONSIDERATIONS FOR THE AUDIT COMMITTEE

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit Committee?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix C) reflect the areas that the Audit Committee believes should be covered as priority?
- Do any of the auditable areas identified for consideration, but not for inclusion within the audit plan for the current financial year (as set out in Appendix D) require inclusion within the audit plan for the current financial year?
- Is the Committee satisfied that sufficient assurances are being received by the Council to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

APPENDIX A:

ISSUES AFFECTING SLOUGH BOROUGH COUNCIL

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in purple) are those where internal audit coverage is planned in the coming year.



APPENDIX B:

STRATEGY FOR INTERNAL AUDIT 2012/13 – 2014/15

We have updated our strategy as presented to the Audit Committee in April 2012 to detail the audits undertaken as part of the current year audit plan (2012/13), the proposed audit plan for the forthcoming year (2013/14) and the proposed plan for the following year (2014/15).

Risk Based Assurance

Auditable Areas		Relevant Risks	2012/13	2013/14	2014/15
Wellbeing					
Children's and Assessment Teams	Families	Children's and Families Assessment teams are not operating effectively, resulting in safeguarding referrals not being made or managed in a timely manner (Management concern).	✓		✓
Safeguarding		Strategic Risk (ORG0035) - Safe Guarding Strategic Risk (ORG0019) - Safe Guarding	✓	✓	✓
Contract Management Supporting People		Ineffective contract monitoring arrangements leads to non-delivery of services to the required standard (Management concern)	✓		
Registered Bed Based Services		Provider Services are not effectively managed leading to poor service provision.	✓		✓
Fee Increase Project		The fees increase project fails to ensure an appropriate agreement of fees for nursing care provision.	✓		
Demand Management in Schools		Risk ECB0001 - Managing Increased Demand Note: through discussion with Council staff this has not been identified as a key area of focus for 2013/14, and therefore we are proposing that this area be subject to audit in 2014/15.			✓
Schools Audits		Risk: ECB0002 - Service taken over by Government or other agency	✓	✓	✓
School's Financial Value Standard (SFVS)		Risk: ECB0002 - Service taken over by Government or other agency	✓		✓
Contract Management - Block Contract Nursing Homes		CW0042 - Failure of key supplier	✓	✓	
Procurement		Strategic Risk (ORG0025) - Failure in Procurement	✓	✓	✓
Contract Management		GBEG0001 Failure to deliver services at agreed cost/specification/quality	✓	✓	✓
Customer & Community Services					
Business Continuity Arrangements		Strategic Risk (ORG0024) - Business Continuity Risk	✓		
Leisure Services		Risk = Inability to deliver innovation in the provision of leisure services.	✓		
Data Protection / Security		Strategic Risk (ORG0034) - Loss of IT / Communication facilities	✓		✓
IT Strategy		Strategic Risk (ORG0034) - Loss of IT / Communication facilities	✓		

Auditable Areas	Relevant Risks	2012/13	2013/14	2014/15
IT Applications Review	Strategic Risk (ORG0034) - Loss of IT / Communication facilities			✓
Claims Management	GBCC0003 Increased costs/reduced budgets			✓
Adult Learning Services	The Council is taking on the management of Adult Learning Services for Windsor and Maidenhead. Risk that ineffective systems are in place to ensure the effective management of service. Note: this is not considered to represent a high risk area and is therefore not proposed to be audited until 2014/15.			✓
Thames Valley Transactional Hub – Governance Structure Setup Arrangements	Prior to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join “the Hub”.	✓		
3 rd party Procurement – Atkins	Strategic Risk (ORG0025) - Failure in Procurement		✓	
Highways Management	GBCC0004 – Communication Infrastructure			✓
Transactional Service HUB – Contract / Performance Management	Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join “The Hub”.	✓	✓	✓
Resources, Housing & Regeneration				
Budgetary Control & Financial Reporting	Strategic Risk (ORG0021) - Economic climate	✓	✓	✓
Risk Management	Strategic Risk (ORG0023) - In House Commitment to Risk Management	✓	✓	✓
Housing Management System	Housing Management system – A Problematic installation that has led to the system not being used to its full capacity. CMT are aware of this issue. There is a maintenance agreement with Capita. This system also assists in the management of Council Tax and Housing Benefit as well as Housing Management issues. The system can also perform a weekly uplift into rent accounts. Issue of not knowing where income is credited to rather than not collecting income. Skilled knowledgeable staff required to user test the system to identify issues. Phase 1 now fully implemented, phase 2 and 3 now underway with no significant risks now remaining or expected	✓		✓
Housing Demand Management	GBE0007 - Managing Increased Demand			✓
Homelessness	GBE0007 - Managing Increased Demand			✓
Housing Stock	GBE0006 – Business Continuity Risk			✓
Multiple Housing Occupancy	GBE0004 - Managing Increased Demand	✓		
Estates & Facilities inc. Interserve	GBE0008 - Failure of key supplier	✓		✓

Auditable Areas	Relevant Risks	2012/13	2013/14	2014/15
Contract Management				
Lettings & Voids	GBE0009 - Failure of internal controls			✓
Tenancy Fraud	GBE0009 - Failure of internal controls	✓		✓
Emergency Planning	Ineffective management of emergency planning services. Note: this is not considered to represent a high risk area and is therefore not proposed to be audited until 2014/15.			✓
Council Tax – Implementation of new rules	Strategic Risk (ORG0022) - Delivery of Change		✓	
Local Asset Backed Vehicle (LABV)	Strategic Risk (ORG0033) - Failure to deliver services at agreed cost/specification/quality Note: this are will be subject to significant External Audit coverage and so has not been included in our plan for 2013/14.			✓
Budget Setting	RSF0016 – Failure to prepare statutory accounts, and failure to set a balanced budget.	✓	✓	✓
Capital Expenditure	RSF0006 – Budget control failure	✓	✓	✓
Treasury Management	RSF0015 – Business Continuity Risk	✓	✓	✓
Chief Executive				
Partnership Arrangements	Strategic Risk (ORG0022) - Delivery of Change	✓		✓
Performance Management	Risk CWC0008 – Performance Management	✓		✓
Data Quality	Risk CWC0008 – Performance Management	✓	✓	✓
Gold Projects / Project Management	Failure to meet planned expectations with regard to attracting investment or completion of the project by required deadlines	✓	✓	✓
Health & Safety	Risk CEC0008 – Failure to adhere to Health and Safety practice		✓	
Workforce Planning and Use of Agency	Strategic Risk (ORG0020) - Delivery of Change	✓		
Flexible Workforce Management	Strategic Risk (ORG0020) - Delivery of Change			✓
Training and Development	Strategic Risk (ORG0020) - Delivery of Change		✓	
Appraisals	Strategic Risk (ORG0020) - Delivery of Change			✓
Absence/Sickness Management	Strategic Risk (ORG0020) - Delivery of Change	✓		
Recruitment	Risk RSF0001 – Failure to retain and recruit suitable staff	✓		✓

Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2012/13	2013/14	2014/15
General IT audit Coverage	A strategic Internal Audit Plan needs to have some coverage of IT systems. We will agree the exact scope of this work with management.		✓	
General Ledger	External audit will place reliance on our work to inform their audit.	✓	✓	✓
Creditors		✓	✓	✓
Treasury Management		✓	✓	✓
Debtors and Cashiers		✓	✓	✓
Asset Register		✓	✓	✓
Housing Benefit		✓	✓	✓
Council Tax		✓	✓	✓
Rent Accounts		✓	✓	✓
Business Rates		✓	✓	✓

Other Internal Audit Activity

Activity	Rationale	2012/13	2013/14	2014/15
Wellbeing Systems Based Audits:				
Personalisation	To provide assurance that personalised budgets are appropriately approved and supported by suitable assessments. Note: this area was audited as part of the 2011/12 Internal Audit plan and a positive assurance provided and therefore is not proposed for audit until 2014/15.			✓
Customer & Community Services Systems Based Audits:				
Youth Services	Management request to determine whether: <ul style="list-style-type: none"> - A clear strategy is in place. - New service is delivering against objectives and outcomes (e.g. service is being utilised); - Governance arrangements to ensure performance against objectives is reported. 		✓	
Children's Centres	To provide assurance that the utilisation of childcare vouchers is supported by appropriate issuing and validation processes to ensure eligibility. Note: this is not considered to represent a high risk area and is therefore not proposed to be audited until 2014/15.			✓
Data Image Management	Management request to consider the completeness and timeliness of the data image management function within the Council.	✓		✓

Activity	Rationale	2012/13	2013/14	2014/15
Blue Badges	Within other Berkshire Local Authorities there has been positive feedback from members on proactive actions on the issuing and continued use of disability 'blue' badges.		✓	
Trading Standards	Management request to ensure a fair and safe trading environment for consumers and businesses in Slough.		✓	
Licensing	Management request to ensure suitable guidance and advice on licensing is provided and adhered to and that the Council engages with external organisations. Note: this is not considered to represent a high risk area and is therefore not proposed to be audited until 2014/15.			✓
Carbon Reduction Commitment	To provide assurance that the Council continues to have in place effective processes for carbon management and reduction. The scope of our future work programme will be dependent on the results of our most recent review.	✓		✓
Hiring of Council Buildings	To provide assurance that there are effective processes in place for the hiring of Council buildings to third parties.	✓		✓
Resources Housing & Regeneration Systems Based Audits:				
Additional Devolved Budget for Schools	To provide assurance that effective processes are in place for the allocation of funds from the schools development budget, and to ensure that monitoring mechanisms are sufficiently robust to ensure that these funds are utilised for their designated process only.	✓		
VAT	To provide assurance that the Council has effective arrangements in place for the accounting and management of VAT.	✓	✓	✓
Pensions	To provide assurance that the Council has effective arrangements in place for the accounting and management of pensions.	✓	✓	✓
Procurement Cards	To provide assurance over the effective management of procurement cards held by the Council. Note: audit undertaken in 2011/12 and positive assurance provided therefore not considered for audit until 2014/15.			✓
Community based Cash Handling and Management	Management concern that a number of discrepancies have been identified in the handling of cash and community centres and other cash handling facilities. Our audit will provide assurance over the robustness of cash handling processes in these localities.	✓		✓
Chief Executive Systems Based Audits:				
Annual Governance Statement	To assist the Council in the production of the Annual Governance Statement.	✓	✓	✓
Governance	We will undertake a yearly review of Governance, the exact scope of these audits will be agreed with management and may include reviewing progress made to address any weaknesses identified in the AGS.	✓	✓	✓

Activity	Rationale	2012/13	2013/14	2014/15
Declarations of Interest	To provide assurance that robust processes are in place to ensure that declarations of interest are obtained for all Councillors, Members and senior members of staff within the Council.	✓	✓	
Members Expenses and Allowances	To provide assurance that effective systems are in place for the review of Members Expenses and Allowances. Note: some assurance will be provided over the robustness of expense claims as part of our payroll audit. A full audit of the Members Expenses and Allowances system is therefore proposed for 2013/14.			✓
Freedom of Information Act Compliance	To provide assurance that the Council is complying with the key requirements of the Freedom of Information Act.		✓	
Policy Management Review	To provide assurance that policies are subject to regular review/approval, are consistent in their format and made accessible to employees. Note: this is not considered to represent a high risk area and is therefore not proposed to be audited until 2014/15.			✓
Contractual Management Arrangements	An advisory review at the the request of the Assistant Director, Finance & Audit, which will be scoped in year.		✓	
General:				
Management Meeting attendance	Management Meetings (Berkshire Audit Group, Risk Management Group, Schools Forum, Bursars Forum, SMT, DMT, CMT)			
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Audit Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT PLAN 2013/2014

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Wellbeing					
Safeguarding Adult Social Operating Model Audit Reviews	<p>Risk: ORG0035 - Safe Guarding</p> <p>Serious safeguarding, public protection or other failure.</p> <p>Adult Safeguarding Board experiences high level of change which makes partnership working difficult</p> <p>Social Work and multi-agency practice is insufficiently developed to provide excellent services.</p> <p>Coverage:</p> <p>Management request to provide reviews on</p> <ul style="list-style-type: none"> - the operating model and interactions with legal and; - finance systems in terms of Financial Assessments, Personal Budgets and Individual Care Budgets. 	Assurance	30	Q1	September 2013
Procurement – Follow Up	<p>Risk: ORG0025 - Failure in Procurement</p> <p>Reputational damage to Council if processes are not fair and transparent</p> <p>Failure to achieve best value.</p> <p>Fear of challenge from unsuccessful tenderers.</p> <p>Coverage:</p> <p>A follow up the recommendations made as part of our 2012/13 audit where a red opinion was provided.</p>	Assurance	10	Q4	March 2014
School's Financial Value Standard (SFVS)	<p>Risk: ECB0002 - Service taken over by Government or other agency</p> <p>Schools fail to provide acceptable quality of education for children and young people in Slough</p> <p>Children and young people do not receive high quality education, affecting their current and future achievements.</p> <p>Coverage:</p> <p>Providing the assurance to the Council on the appropriate completion of each school's SFVS. This service will ensure the Council has a thorough assessment of each school to meet requirements of the Education Funding Agency.</p> <p>This will include a review as to whether supportive information including Internal Audit opinions are consistent with statements within each schools completed standards.</p>	Advisory	30	Q1	September 2013
Contract Management	<p>Risk: GBEG0001 Failure to deliver services at agreed cost/specification/quality</p> <p>Coverage:</p> <p>Management request to review of the</p>	Assurance	20	Q3	December 2013

	councilwide approach to managing the Council high risk 'top' contracts and a follow up the recommendations from the negative 12/13 review.				
Qualitative Monitoring and follow up of Block Contract Nursing Homes	<p>CW0042 - Failure of key supplier</p> <p>Southern Cross Homes Burnham House and Windmill Care Centre to be sold off to new operators by landlords.</p> <p>Potential to find alternative care services for 125 residents.</p> <p>Coverage:</p> <p>Management request to provide a review of how the Council is or could further enhance their approach to gathering data, analysing 'soft' information on areas such as customer experience to determine whether the Council can utilise their existing resources to greater affect. This will also include a follow up review of the issues identified in the Block Nursing Contract Management Review for which two separate opinions will be provided.</p>	Advisory & Assurance (Follow Up)	30	Q3	December 2013
Children's Service Procurement	Management request to provide assurance on the adherence to the appropriate procurement rules and effective implementation of a procurement plan within Children's Services.	Assurance	15	Q1	September 2013
Schools Audits	<p>Risk: ECB0002 - Service taken over by Government or other agency</p> <p>Schools fail to provide acceptable quality of education for children and young people in Slough</p> <p>Children and young people do not receive high quality education, affecting their current and future achievements.</p> <p>Coverage:</p> <p>To provide assurance over the effectiveness of governance and financial management arrangements within schools. A schedule of the proposed schools for audit during 2013/14 is detailed in appendix D below. It is proposed that our audits will cover the following areas:</p> <ul style="list-style-type: none"> - Follow up of any previous recommendations made; - Leadership and governance - Financial planning and budget monitoring - Security of assets including maintenance - Payroll - Purchasing - Safeguarding 	Assurance	90	Q1-4	Throughout the year
Customer and Community Services					
Transactional Service HUB - Contract / Performance Management	<p>Risk</p> <p>Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".</p> <p>Proposed Audit Approach</p> <p>The audit will consider the following:</p> <ul style="list-style-type: none"> - The robustness of performance monitoring arrangements which have been established between the Council and the HUB to ensure that contractual performance can be effectively 	Assurance	15	Q3	December 2013

	<p>monitored;</p> <ul style="list-style-type: none"> - The effectiveness of the operational of these arrangements in practice; - The quality and timeliness of data provided to support the meeting of performance targets. 				
3rd party Procurement - Atkins	<p>Risk: ORG0025 - Failure in Procurement</p> <p>Reputational damage to Council if processes are not fair and transparent</p> <p>Failure to achieve best value.</p> <p>Fear of challenge from unsuccessful tenderers.</p> <p>Coverage:</p> <p>Management request to review how a supplier procures services on behalf of the Council and adheres to the Council's and E.U Procurement Rules.</p>	Assurance	15	Q2	December 2013
Blue Badges	<p>Management request to provide assurance on the service including:</p> <ul style="list-style-type: none"> - Appropriateness of applications; - Monitoring of usage. 	Assurance	10	Q3	December 2013
Youth service	<p>Management request to determine whether:</p> <ul style="list-style-type: none"> - A clear strategy is in place. - New service is delivering against objectives and outcomes (e.g. service is being utilised); and - Governance arrangements to ensure performance against objectives is reported. 	Assurance	15	Q4	March 2014
Trading Standards	<p>Management request to ensure a fair and safe trading environment for consumers and businesses in Slough through:</p> <ul style="list-style-type: none"> - The provision of suitable advice; - Appropriate investigation; - Management of complaints; and - Inspection of trade premises. 	Assurance	10	Q1	June 2013
Resources, Housing and Regeneration					
Risk Management	<p>A maturity review to consider the approach to risk appetite and identifying controls and assurances on key risks.</p>	Advisory (Contract)	15	Q4	March 2014
VAT / Pensions	<p>Management decision to focus audit on either VAT or pensions to provide assurance that the Council has effective arrangements in place for the accounting and management of VAT or pensions.</p>	Assurance (Contract)	20	Q2	September 2013
Council Tax – Implementation of new rules	<p>Risk: ORG0022 - Delivery of Change</p> <p>Localism Bill due to be passed in November 2011 will encourage a mixed economy approach to local service provision accountability and governance key aspects.</p> <p>Coverage:</p> <p>Following Government required changes, we will review the process followed by the Council to ensure suitable communication and engagement with public and whether a fair approach was adopted.</p>	Assurance	15	Q1	September 2013

Chief Executive					
Annual Governance Statement	To assist the Council in the production of the Annual Governance Statement.	Advisory (Contract)	10	Q4	N/A
Governance	<p>Risk Reputational damage to Council if processes are not fair and transparent</p> <p>Proposed Audit Coverage To provide assurance that key Corporate Governance process are in place within the Council and that these are operating effectively to enable the Council to be provided with sufficient information to enable them to discharge their responsibilities.</p>	Assurance	10	Q4	March 2014
Data Quality	<p>Risk: CWC0008 – Performance Management Weak performance management leads to lack of informed decision making, poor analysis and weak planning and improvement, both of core business management and achievement of transformational change.</p> <p>Coverage: The audit will perform a deep dive review in to a chosen area of performance within the Council and consider the following:</p> <ul style="list-style-type: none"> - The robustness of the data quality framework; - Have robust processes for data quality been established throughout the Council - The accuracy of performance management data. - Validation process undertaken. 	Assurance	15	Q3	December 2013
Declarations of Interest	<p>To provide assurance that robust processes are in place to ensure that declarations of interest are obtained for all Councillors, Members and senior members of staff within the Council. This will include ensuring that:</p> <ul style="list-style-type: none"> - Adequate records are maintained of all staff needing to complete a declaration of interest - Completed returns are received from all relevant individuals; - Regular monitoring is undertaken. - All previous recommendations from the negative 12/13 review have been implemented. 	Assurance	10	Q3	December 2013
Freedom of Information Act Compliance	A review to consider how the Council can manage resources required in responding to requests.	Advisory (Contract)	15	Q1	June 2013
Project Management Support Function	<p>Risk: Failure to meet planned expectations with regard to attracting investment or completion of the project by required deadlines</p> <p>Coverage: Advice on appropriateness of Project Initiation Documents (PIDs) and assistance on Project Board meetings where requested to assist in applicacne of PRINCE2 principles.</p>	Advisory (Contract)	20	Q1-4	tbc

Training and Development	<p>Risk: ORG0020 - Delivery of Change</p> <p>Managing a mixed economy workforce, utilising a suite of contractual relationships internal, external temporary and permanent, Anticipating areas of service change and acting early to minimise compulsory redundancy.</p> <p>Significant risk associated with business failure of major supplier</p> <p>Coverage:</p> <p>A review of the development of initiatives adopted for training delivery, including e-learning and the adherence to mandatory training.</p>	Assurance	10	Q2	September 2013
Health and Safety	<p>Risk: CEC0008 – Failure to adhere to Health and Safety practice</p> <p>Severe implications of breach of health and safety policies and procedures for client and public as well as staff.</p> <p>Coverage:</p> <p>Management request to determine adherence to requirements on compliance testing on key areas, e.g. Fire and DSE. We will also consider the development of appropriate policies on Health & Safety and training delivered in accordance to policy.</p>	Assurance	10	Q1	September 2013
Contractual Management Arrangements	An advisory review at the request of the Assistant Director, Finance & Audit, which will be scoped in year.	Advisory (Contract)	10	Q2	September 2013
Systems and Financial Controls					
General IT audit Coverage	A strategic Internal Audit Plan needs to have some coverage of IT systems. We will agree the exact scope of this work with management. The timing of the work will also need to be determined and consider phase 2 of the Avaro contract.	Assurance	30	tbc	tbc
Housing Benefit	Coverage to meet External Audit / Regulatory Requirements and any management concerns.	Assurance	12	Q4	March 2014
Council Tax		Assurance	15	Q4	March 2014
Business Rates		Assurance	15	Q4	March 2014
Rent Accounts		Assurance	12	Q4	March 2014
Payroll		Assurance	12	Q4	March 2014
Creditors		Assurance	15	Q4	March 2014
Debtors & Cash Management		Assurance	15	Q4	March 2014
Treasury Management		Assurance	15	Q4	March 2014
General Ledger		Assurance	12	Q4	March 2014
Asset Register		Assurance	15	Q4	March 2014
Capital Expenditure	<p>Risk: RSF0006 – Budget control failure</p> <p>Over and under spends of Capital – Either overall or individual schemes.</p> <p>Coverage:</p> <p>A review to consider:</p> <ul style="list-style-type: none"> - Development and approval of the Capital Programme for the year; 	Assurance	15	Q3	March 2014

	<ul style="list-style-type: none"> - Capital project approval - Monitoring of the delivery of the capital programme 				
Budget Setting inc. CIP plan	<p>Risk: ORG0021 - Economic climate Continued Economic Instability and Turbulence at a national level. Comprehensive Spending Review Reduction in Income of £25million to the Council over next 4 years Reduction of service provision and services</p> <p>Coverage: The audit will consider the following:</p> <ul style="list-style-type: none"> - The robustness of the budget setting process including the development of CIPs; - The involvement of budget holders in the development of budgets; - The budget sign off approval process. 	Assurance	15	Q2	September 2013
Budgetary Control inc. CIP monitoring	<p>Risk: ORG0021 - Economic climate Continued Economic Instability and Turbulence at a national level. Comprehensive Spending Review Reduction in Income of £25million to the Council over next 4 years Reduction of service provision and services Risk of insolvency of key suppliers</p> <p>Coverage: The audit will consider the following:</p> <ul style="list-style-type: none"> - The robustness of the month end processes and budget report production; - The involvement of budget holders in management of individual budgets; - The timeliness and accuracy of financial reporting information 	Assurance	15	Q3	March 2014
Other Internal Audit Coverage					
Management Meeting attendance	Management Meetings (Berkshire Audit Group, Risk Management Group, Schools Forum, Bursars Forum, SMT, DMT, CMT)	-	25	Ongoing	As used
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	34	Ongoing	Ongoing
Management	<p>This will include:</p> <ul style="list-style-type: none"> ▪ Annual planning. ▪ Preparation for, and attendance at, Audit Committee meetings. ▪ Regular liaison and progress updates. ▪ Liaison with external audit. ▪ Preparation of the annual internal audit opinion. 	-	75	Ongoing	As used
Total			797		

APPENDIX D: ADDITIONAL AUDITS FOR CONSIDERATION FOR 2013/14

The following audits have not been included as part of the Internal audit plan for 2013/14 due to the need to maintain the number of planned audits within the overall days envelope as agreed in previous years. These were provisionally scheduled for 2013/14 coverage but have been replaced by higher risk areas or management request for coverage. The Audit Committee should consider as to whether any of them warrant inclusion within the audit plan for 2013/14.

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
Partnership Arrangements	The audit will consider the following: <ul style="list-style-type: none"> - Follow up of 2012/13 recommendations; - Delivery of phase three of review process; - Review of the use of the new Partnership Toolkit; - Effectiveness of processes for ensuring all key partnership arrangements are identified; - Whether a periodic assessment is undertaken regarding the effectiveness of individual partnership arrangements. 	Assurance	10	Q4	
Insurance	Advice on whether specification for new insurance contract is consistent with existing instances and usage.	Advisory (Contract)	10	Q1	
Licencing	Management request to ensure: <ul style="list-style-type: none"> - Suitable guidance and advice is provided; - The appropriateness of approved licenses; and - The engagement with other organisations, e.g. Thames Valley Police. 	Assurance	15	Q2	
Highways Management	Management request to provide assurance on the adherence to maintenance protocol, i.e. the Highways Act 1980, and to determine how the Council is considering value for money in their maintenance works.	Assurance	15	Q3	
Public Health	Following the transfer from the Primary Care Trust this review would provide assurance on the governance arrangements established and the performance management framework mechanisms for identifying the achievement of set targets.	Assurance	15	Q3	

APPENDIX E: INTERNAL AUDIT SCHOOL AUDIT COVERAGE 2013/2014

Please note that the Schools audits have been selected on the basis of perceived risk and where they received red opinions in 2012/13 coverage.

School Name	Proposed Timing (School Term)	Audit Committee
Nursery Schools		
Baylis Court Nursery School (DFE: 1021)	Autumn/Winter 2013	Tbc
Cippenham Nursery School (DFE: 1022)	Summer 2013	Tbc
Lea Nursery School (DFE: 1023)	Summer 2013	Tbc
Slough Centre Nursery (DFE: 1020)	Autumn/Winter 2013	Tbc
Primary Schools (including Infants & Juniors)		
Claycots School (DFE: 2256)	Spring 2014	Tbc
Foxborough Primary School (DFE: 2216)	Summer 2013	Tbc
Montem Primary School (DFE: 2257)	Autumn/Winter 2013	Tbc
Our Lady of Peace Catholic Junior School (DFE: 3357)	Autumn/Winter 2013	Tbc
Parlaunt Park Primary School (DFE: 2244)	Autumn/Winter 2013	Tbc
Pippins School (DFE: 5207)	Autumn/Winter 2013	Tbc
Priory School (DFE: 5201)	Summer 2013	Tbc
St Ethelbert's Catholic Primary School (DFE: 3363)	Spring 2014	Tbc
Secondary Schools		
St Bernard's Catholic Grammar School (DFE: 4700)	Summer 2013	Tbc
Wexham School (DFE: 4089)	Autumn/Winter 2013	Tbc
Special Schools & Pupil Referral Units		
Littledown School (DFE: 7030)	Summer 2013	Tbc

N.B SIX AUDIT DAYS PER SCHOOL

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 or 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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Audit Plan 2012/13

REPORT TO THE AUDIT AND RISK COMMITTEE

Slough Borough Council

MARCH 2013



Contents

1	Executive summary	1
2	Audit scope and responsibilities	4
3	Risk assessment	7
4	Reporting and communications	15
5	Fees	18
	Appendix A – Risk assessment	24

Disclaimer

The *Code of Audit Practice* and *Statement of Responsibilities of Auditors and Audited Bodies* issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members and officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

We accept no responsibility for any reliance that might be placed on reports and letters for any purpose by third parties, to whom it should not be shown without our prior written consent.

1 Executive summary

We are pleased to present our Audit Plan for the year ended 31 March 2013. This plan summarises our proposed audit work for the year for Slough Borough Council, the significant risks that impact on our audit and our planned work in response to those risks.

AUDIT SCOPE AND RESPONSIBILITIES

The scope of the audit is determined by the Audit Commission's *Code of Audit Practice for Local Government (March 2010)* and requires us to review and report on your:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in the use of resources

BDO LLP and PKF (UK) LLP recently announced that we have agreed to merge our businesses and this is expected to be completed in spring 2013.

RISK ASSESSMENT

We have identified the following areas of significant risk that impact on our audit:

Financial statements

- management override of controls
- revenue recognition
- accuracy and completeness of financial statement disclosures
- accuracy of records for property, plant and equipment and approach to componentisation
- maintaining the national non domestic rates system for valuation officer listings and reviewing reliefs in full accordance with the Government's guidance
- prior period adjustment reducing the amount of useable reserves available to the Council by £4.2 million
- procedures for identifying related party transactions and then disclosing these in the financial statements.

Use of resources

- managing future finding shortfalls through the medium term financial strategy
- performance monitoring and benefits realisation of outsourced services for transactional systems
- developing project management and governance arrangements for the local asset backed vehicle (LABV)
- setting up the Slough Wellbeing Board and developing appropriate arrangements to deliver its strategy
- implementing the new scheme for localisation of council tax benefit on 1 April 2013
- addressing and monitoring implementation of internal and external audit recommendations through the work of the Audit and Risk Committee.

REPORTING AND COMMUNICATIONS

We will provide an opinion on your financial statements and a conclusion on your arrangements to secure economy, efficiency and effectiveness by 30 September 2013. We will provide our detailed report on findings and conclusions to the Audit and Risk Committee ahead of the reporting deadline and provide progress reports throughout the year.

In addition, we will provide an Annual Audit Letter summarising the key issues from our audit, as a public facing document to be included on your website. We will also provide a report summarising our grants certification work for the year.

FEES

The proposed audit fee for the year is £184,960 plus VAT. The proposed fee has been increased above the Audit Commission's published scale fee of £168,960 by £16,000 to reflect the additional work required as a result of the significant audit risks we have identified.

The additional fee will be used as follows:

- £3,500 to carry out an early review of the draft financial statements, including the presentational and disclosure corrections made by the Council for errors and inconsistencies in the prior year financial statements
- £5,000 to undertake additional procedures to ensure the accuracy of the fixed asset register and the disclosure of property, plant and equipment balances in the financial statements
- £7,500 to review the Council's response to weaknesses evident in maintaining the national non domestic rates system and associated databases.

The proposed fee for the certification of claims and returns is £19,150 plus VAT, which is the composite scale fee published by the Audit Commission for the Council.

The fees for 2012/13 audit have been reduced compared to the previous year to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and internal efficiency savings at the Audit Commission.

2 Audit scope and responsibilities

PURPOSE OF THIS REPORT

We are pleased to present our Audit Plan for the year ending 31 March 2013, to set out a mutual understanding of our respective responsibilities, and to promote effective two-way communication between us.

This plan summarises our proposed audit work for the year for Slough Borough Council, the significant risks that impact on our audit and our planned work in response to those risks.

The information and fees in this plan will be kept under review throughout the year and updated as necessary for any significant changes to risks and the focus of the audit, which will be reported to the Audit and Risk Committee.

COMMUNICATION

Auditing Standards require auditors to communicate relevant matters relating to the audit to “those charged with governance”. Relevant matters include issues on auditor independence (below), audit planning information and significant risks (section 3) and findings from the audit (section 4).

SCOPE OF THE AUDIT

The scope of the audit is determined by the Audit Commission’s *Code of Audit Practice for Local Government (March 2010)*, which describes how auditors carry out their functions as set out in the *Audit Commission Act 1998*. This requires us to review and report on your:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in the use of resources.

Financial statements

The financial statements audit is conducted in accordance with International Standards on Auditing (UK & Ireland)(ISAs), *Practice Note 10: audit of public sector bodies in the United Kingdom (Revised)* and guidance issued by the Audit Commission.

Use of resources

Our review of your arrangements to secure economy, efficiency and effectiveness is based on the follow two criteria:

- the organisation has proper arrangements in place for securing financial resilience
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Whole of Government Accounts

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements. The WGA return is audited in accordance with Audit Commission specified procedures and requires additional assurance to confirm that counter-party data is properly and accurately recorded.

We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns above the audit threshold in accordance with the certification instructions issued by the Audit Commission.

We express a conclusion on whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

RESPECTIVE RESPONSIBILITIES

The respective responsibilities of the Council and ourselves are set out in the *Statement of Responsibilities of Auditors and Audited Bodies (2010)* and *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, both available on the Audit Commission's website.

The Council remains responsible for: the preparation of the financial statements; for exercising its functions economically, efficiently and effectively; the preparation of the WGA return; and for preparing accurate grant claims and returns.

We are responsible for forming and expressing an opinion on these in accordance with the requirements of the *Code* and other guidance. Our audit responsibilities do not relieve you of your responsibilities.

INDEPENDENCE AND OBJECTIVITY

We consider there are no relationships between PKF or other member firms of the PKF International network and yourselves, including councillors, senior management and affiliates, which may reasonably be thought to bear upon our objectivity and independence as auditors.

BDO LLP and PKF (UK) LLP recently announced that we have agreed to merge our businesses and this is expected to be completed in spring 2013. The firm, under the BDO brand, will be a leading accountancy and business advisory firm, with some 3,500 people in the UK generating revenues approaching £400 million. The merger creates a financially strong business with significant sector and geographical coverage across the UK.

PKF has a significant presence in providing audit and assurance services to public sector entities, including local authorities. BDO offers a well regarded advisory and consultancy practice across the public sector. Our clients should see significant benefits arising from this merger in the depth and breadth of services available.

A copy of PKF's general policies and processes for maintaining objectivity and independence can be provided on request.

CO-OPERATION WITH OTHER BODIES

The *Code* requires co-operation between auditors and other regulatory bodies including the National Audit Office to facilitate an efficient audit. In preparing this plan, we have assumed that the Council has provided us permission to discuss issues relevant to the audit with regulators and other auditors.

QUALITY OF SERVICE

We are committed to providing a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact Robert Grant in the first instance. Alternatively you may wish to contact our Managing Partner, Martin Goodchild. Any complaint will be investigated carefully and promptly.

If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints/>.

3 Risk assessment

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of significant risk relevant to our audit responsibilities and reflecting this in the audit fees.

The determination of significant risks is a matter for auditors' professional judgment. For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. Current and emerging risks that do not impact on our audit are also discussed with management so that we may add value to the risk assessment process and monitor any areas of concern to the Council.

We detail below significant risks impacting on our audit of the financial statements or arrangements for securing economy, efficiency and effectiveness in the use of resources.

If you consider there to be other significant risks, whether due to fraud or error, please let us know.

FINANCIAL STATEMENTS

We will plan and perform procedures designed to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, thereby enabling us to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The applicable financial reporting framework is the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*.

We will obtain an understanding of the Council and the environment in which it operates, including the Council's internal controls and this, together with information obtained from discussions with management, provides a basis for identifying and assessing the risks of material misstatement.

Fraud risk assessment

The primary responsibility for ensuring that your internal control frameworks are sufficient to prevent and detect fraud and corrupt practices lies with management and "those charged with governance" (the Audit and Risk Committee).

We have discussed possible risk of material misstatement arising from fraud with the Chief Executive, the Assistant Director of Corporate Resources, the Assistant Director of Finance, Head of Corporate Fraud and Risk Assessment and the Chairman of the Audit and Risk Committee.

Each has confirmed that they are not aware of any actual, suspected or alleged instances of fraud during the financial year other than a number of cases of housing and council tax benefit fraud committed against the Council by benefit claimants.

Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and which we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

Significant risks

We have identified areas of significant risk that impact on our audit. These, and other proposed work to respond to such risks, are set out below.

Management override of controls

ISA (UK&I) 240 *The auditor's responsibilities in relation to fraud in an audit of financial statements* requires us to presume that a risk of management override of controls is present and significant in all entities.

We are required to respond to this risk by testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We will review accounting estimates for evidence of possible bias and obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. We are also required to consider the need to perform other additional procedures to respond to the identified risk of management override of controls.

Revenue recognition

ISA (UK&I) 240 requires us to presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue. As a consequence our audit work will be designed to focus on these areas.

Financial statements disclosures

The predecessor auditors reported there was scope for improvement in the quality of the financial statements presented for audit in the prior year. A significant number of presentational and disclosure errors were identified, including inconsistencies between balances in the financial statements. The position affected the primary statements and the supporting notes.

The Council has taken action to strengthen the capacity of the finance team designed to address this issue.

However, until improved outcomes can be fully demonstrated, there is an audit risk regarding the accuracy and completeness of disclosures in the 2012/13 financial statements. An example of an improved outcome is that all disclosure notes are consistent with the primary statements.

We will work with the finance team to ensure that issues identified in the prior year audit are addressed in preparing the 2012/13 financial statements. Specific work includes carrying out an early review of the draft financial statements against the requirements of the *Code of practice for Local Authority Accounting 2012/13*.

Property, plant and equipment

The prior year audit identified a number of issues in respect of property, plant and equipment balances and disclosures, including:

- disposals of assets that had not been removed from the Council's accounts, resulting in an overstatement of property, plant and equipment balances
- incomplete registrations with the Land Registry and insufficient evidence of ownership for properties included in the fixed assets register
- ensuring assets are valued in accordance with the Council's policies (and CIPFA's *Code* requirements)
- incomplete depreciation charges on infrastructure assets.

Management has informed us action has been taken to address these weaknesses. There is a risk that cumulatively, these issues may result in a material misstatement of property, plant and equipment balances if not fully addressed before preparing the 2012/13 accounts.

The Council's stated policy is that property, plant and equipment assets should be componentised, for the purposes of calculating depreciation, where an individual item has a value in excess of 25 per cent of the total carrying value of the asset. To date, the Council has not componentised any assets. We are informed the Council is revising its policy for 2012/13, although we have not yet received full details of the revised approach.

In the absence of evidence to support the Council's approach to componentisation of its buildings and dwellings, there is a risk that the annual depreciation charge and therefore the value of property, plant and equipment, may be materially misstated.

We will carry out early audit procedures to review the accuracy and completeness of the fixed asset register and the processes established for the valuation of the Council's properties. In doing so, we will seek to rely on any relevant work carried out by internal audit. We will also review the evidence provided by the Council to support management's approach to componentising its buildings and dwellings.

National non domestic rates (NNDR)

The prior year audit found that reconciliations of valuation officer listings to the NNDR system had not been performed regularly during the year. In addition, internal audit has identified weaknesses in controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers.

We will obtain a full understanding of the process to update the NNDR system from valuation officer listings and to account for any identified differences. We will also test a sample of reliefs and rateable values used to assess business rates for properties.

Prior period adjustment to reserves

The Council has identified that a journal (value £4.2 million) processed during the financial closedown in 2011/12, relating to a premium on early redemption of debt, should not have been raised. The journal overstated the debit balance on the financial instruments adjustment account and overstated other useable reserves as at 31 March 2013. A prior period adjustment is required to the opening balances in the 2012/13 financial statements to correct the error.

There is a risk that the Council does not process the prior period adjustment correctly or make the required disclosures in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

We will check that the appropriate adjustments have been made to the opening balances within the financial statements and that the prior period adjustment has been adequately disclosed.

Related party disclosures

The predecessor auditors reported that the Council's approach to identifying and disclosing related parties was inadequate and a number of errors were identified in the disclosures within the financial statements. In addition, internal audit has identified weaknesses in the Council's processes for declarations of Members' and officers' interests. There is a risk that related party disclosures in the financial statements may not be complete or accurate.

We will review the Council's processes for identifying related party relationships and transactions and carry out tests to check the completeness of these disclosures.

Internal control

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

Internal audit

It is our intention to use the work of your internal auditors in reaching our audit conclusions. We will be seeking to use work performed on the Council's financial systems.

Reliance on management experts

Where the financial statements include amounts included by management that have been derived from information or estimates provided by experts, we may seek to place reliance on that work in obtaining audit evidence. As part of our work we expect to obtain assurance on the work undertaken by the following experts:

- valuation of land, buildings and dwellings and estimated economic useful life provided by qualified valuers
- valuation of pension liabilities and share of the scheme assets provided by your actuary
- fair value calculations and disclosures for financial instruments carried at amortised cost, including investments and borrowings, provided by your treasury advisers
- valuation of provisions for insurance and other claims against the Council provided by qualified actuaries.

Materiality

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

USE OF RESOURCES

We will plan and perform procedures designed to obtain reasonable assurance that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources. In meeting this responsibility, we will review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements and report on these arrangements.

In doing so, we have regard to the criteria specified by the Audit Commission.

Significant risks

We have undertaken our value for money risk assessment for 2012/13. This takes into account matters arising from the 2011/12 audit carried out by the predecessor auditors and additional audit knowledge gained from our liaison meetings and planning processes. We have also considered the impact of other regulators' work as part of our evaluation of the arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have identified areas of significant risk that impact on our audit. These, and our proposed work to respond to such risks, are set out below.

Medium term financial strategy

The Government continues to reduce funding for local government over the Spending Review period. Combined with additional pressures arising from demographic and other changes, further risks are emerging for all councils to balance their financial positions over the medium and longer term planning horizons.

Changes to the arrangements for funding council tax support and the business rate retention scheme, along with the transfer of responsibility for public health to local authorities such as Slough, provide further uncertainties to medium term financial planning.

The Council expects to exceed its savings target of £8.3 million for the 2012/13 year and savings schemes of £16.5 million have been identified for the three years to 2015/16. However, management has reported an overall budget shortfall of £9.9 million for the three year period and work continues to balance the budget and resolve uncertainties surrounding the Council's core income streams.

We intend to review the Council's medium term financial strategy to assess how well it is addressing financial pressures. We will also review work carried out by internal audit on the robustness of the Council's processes for budget setting, budgetary control, cost improvement plan delivery and service planning.

Outsourced service for transactional systems

In April 2012 the Council transferred its transactional services including council tax, business rates, housing and council tax benefits, payroll, accounts payable and accounts receivable to a transactional hub provided by an external contractor.

We will review internal audit's work on the effectiveness of performance monitoring of the transferred services and assess the Council's processes for ensuring it is realising the expected benefits and fixed cost savings from the arrangement.

Local asset backed vehicle (LABV)

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

As a 50 per cent partner in the LABV, the Council will share the risks and rewards of the partnership, including any residual surplus from the proceeds of commercial developments.

We will review the project management and governance arrangements being developed for the partnership, the financial implications and the Council's processes for considering value for money aspects.

Slough Wellbeing Board

Health and Wellbeing Boards will assume their full statutory powers from 1 April 2013, bringing together aspects of local government services and the NHS, with the input of local people.

The Council will need to ensure that it is adequately prepared to manage the risks identified by the Shadow Wellbeing Board to the achievement of outcomes for the Slough area.

We will assess the progress made in setting up the Slough Wellbeing Board, including how well engagement is taking place with partners, and the development of arrangements to support the delivery of the Board's strategy.

Localisation of council tax benefit

In March 2012 the parliamentary bill, Welfare Reform Act 2012, was approved and it abolishes the current council tax benefit arrangements and introduces a local council tax support scheme which will need to be administered by local authorities from 1 April 2013.

The Local Government Finance Act 2012 sets out a framework for this new scheme and local authorities were required to develop and approve a scheme by 31 January 2013 which qualifies for the additional funding made available by the Department for Communities and Local Government. The Slough scheme was approved in accordance with the Government's timetable.

We will monitor the Council's implementation of the new scheme and consider the risks to achieving the Council's targets for administering benefit.

Audit recommendations

Internal audit has issued a number of reports in the year that have resulted in 'red rated' (negative) or 'amber rated' (improvement needed) opinions, including reports covering financial governance in schools, declarations of Member and officer interests, the business rates system and contract management.

In addition, the predecessor auditors raised a number of recommendations in respect of the Council's procurement procedures.

We understand that officers are working to address these recommendations and that arrangements are being established to record and monitor progress made against audit recommendations.

We will review these follow-up procedures and assess the impact of any remaining outstanding actions on the Council's control environment.

Other use of resources work

We will review the Audit Commission's Value for Money Profile Tool and its Financial Ratios Tool to identify any areas of concern over costs and performance data and discuss the findings with management.

4 Reporting and communications

COMMUNICATION

During the course of our work, we will communicate to you relevant matters relating to the audit. We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. The audit is not designed to identify all matters that may be relevant to you.

Communication may take the form of discussions or, where appropriate, be in writing.

If we identify significant deficiencies in internal control, we will communicate such deficiencies to you, in writing, as soon as practicable.

Our contacts for communications will be the Chief Executive, the Assistant Director of Corporate Resources and the Audit and Risk Committee. When communicating with this Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

FINDINGS FROM THE AUDIT

As required by auditing standards and the *Code*, we will communicate the following matters to you, where applicable:

- significant deficiencies in internal control identified during the audit
- significant qualitative aspects of the Council's accounting practices including the application of the applicable financial reporting framework
- significant matters discussed, or subject to correspondence with management or other employees
- uncorrected misstatements (see below)
- material misstatements that have been corrected by management
- other significant matters relevant to the financial reporting process
- material uncertainties relating to going concern
- written representations that we are requesting from you or from other parties
- expected modifications to the opinion or emphasis of matter (or other matter) paragraphs in the auditor's report
- significant difficulties that we have encountered during the course of the audit

- any matters that prevent us from being satisfied that you have put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources
- any matters reported in the public interest
- any recommendations made under section 11(3) of the Audit Commission Act 1998.

UNCORRECTED MISSTATEMENTS

We will report to you all uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the opinion in the auditor's report except for those that are clearly trivial. For reporting purposes, we consider misstatements of less than £125,000 to be trivial, unless the misstatement is indicative of fraud.

We will identify material uncorrected misstatements individually. We will request that any uncorrected misstatements are corrected.

AUDIT TEAM

The following staff will be involved in the audit throughout the year:

<p>Robert Grant – Engagement partner email: robert.grant@uk.pkf.com Tel: 0207 065 0170</p>	<p>Responsible for delivering the audit in line with the <i>Code</i>, including agreeing the Audit Plan, Governance Report and any other reports.</p> <p>Also responsible for signing opinions and conclusions.</p>
<p>Janine Combrinck – Director email: janine.combrinck@uk.pkf.com Tel: 0207 065 0440</p>	<p>Responsible for overall control of the audit, ensuring timetables are met and reviewing the audit output.</p> <p>Also responsible for liaison with the senior management and the audit, Best Value and Community Services Scrutiny Committee.</p>
<p>Neil Jenner – Assistant manager email: neil.jenner@uk.pkf.com Tel: 01473 320 806</p>	<p>Responsible for managing the delivery of our audit fieldwork on site.</p>

TIMETABLE AND OUTPUTS

Area of audit	Fieldwork	Reporting
Financial statements		
Review of internal controls	March - June 2013	30 September 2013
Final audit of the financial statements	July - August 2013	30 September 2013
Report on the consistency of the WGA return	August - September 2013	4 October 2013
Use of resources		
Review of economy, efficiency and effectiveness in the use of resources	January - April 2013	30 September 2013
Certification of grants and returns		
Audit of grant claims and returns	July - November 2013	Departmental deadlines
Reporting		
Report on any significant deficiencies in internal controls (if required)		25 June 2013
Governance report to the Audit and Risk Committee		19 September 2013
Annual Audit Letter		October 2013
Certification of grants and returns report		January 2014

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.

5 Fees

PROPOSED FEES

The proposed *Code* audit fee for the year is £184,960 plus VAT. The proposed fee has been increased above the Audit Commission's published scale fee of £168,960 by £16,000 to reflect the additional work required as a result of the significant audit risks.

The additional fee will be used as follows:

- £3,500 to carry out an early review of the draft financial statements, including the presentational and disclosure corrections made by the Council for errors and inconsistencies in the prior year financial statements
- £5,000 to undertake additional procedures to ensure the accuracy of the fixed asset register and the disclosure of property, plant and equipment balances in the financial statements
- £7,500 to review the Council's response to weaknesses evident in maintaining the national non domestic rates system and associated databases.

The proposed fee for the certification of claims and returns is £19,150 plus VAT, which agrees to the composite scale fee published by the Audit Commission.

The fee for 2012/13 has been reduced compared to 2011/12 to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and internal efficiency savings at the Audit Commission.

The fee is analysed by audit area as follows:

Area of audit	2011/12 fee £	2012/13 fee £
Proposed fee	281,600	168,960
Additional risks work	-	16,000
Total <i>Code</i> fee	281,600	184,960
Certification of grants and returns	35,226	19,150
Total	316,826	204,110

NON-AUDIT WORK

At management's request we carried out a high level review of the proposed structure of the Council's local asset backed vehicle (LABV). We provided comments on the principal risks identified from the high level review, made observations (for management to consider based on that review) and reviewed and commented on the tax implications as they impact on the local authority.

Our fee for this review was £10,000, excluding travel disbursements.

We wrote to the Chairman of the Audit and Risk Committee In December 2012 and confirmed the review did not compromise our independence and objectivity as auditors of the Council.

We have not proposed undertaking any other non-audit work. Any proposal will be discussed with management and then reported to the Audit and Risk Committee.

QUESTIONS AND OBJECTIONS

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

ASSUMPTIONS

The fees detailed above are based on the following assumptions:

- internal audit will have completed its systems testing in accordance with the plans and agreed timetable, to an adequate standard, and we are able to place full reliance on this work
- there are no significant changes to your main financial systems or internal controls
- you will provide the information requested in our records required listing in accordance with the agreed deadlines and that there will be no significant departures from the timetable
- the 2012/13 financial statements are produced effectively and a good quality draft provided to us in accordance with the Council's closedown timetable
- you will ensure that audit reports are responded to promptly and the implementation of recommendations by the due date is actively monitored
- there are no major changes to Audit Commission or National Audit Office instructions or guidance.

The fee assumes efficient co-operation as set out above and is set at the minimum level to carry out the audit.

Subject to prior approval by the Audit Commission, we reserve the right to increase fees, should the above assumptions not be met or where we encounter unexpected problems, or issues arise, that cause significant additional work. Time spent dealing with problems or matters arising are usually that of senior people and hence the cost will often, necessarily, be disproportionate to the original fee.

We are currently carrying out a risk assessment of the Council's IT systems as part of our planning for the audit. Our preliminary work indicates that there may be scope for improvement in certain areas. We will discuss the findings with management and should this result in any significant audit risks and additional audit work, we will agree an additional fee with you.

HOW TO REDUCE THE FEE

The Council may be able to avoid any fee increases in 2012/13 or reduce the audit fee in future years by:

- implementing effective arrangements for maintaining the integrity of the fixed assets register
- implementing effective controls for the reconciliation of valuation officer listings to the national non domestic rates system
- improving the accounts closedown procedures, including quality assurance
- checks on the draft financial statements, thereby reducing the number of errors and inconsistencies in the financial statements
- providing comprehensive working papers on a timely basis.

BILLING ARRANGEMENTS

The *Code* audit fee will be billed as £84,480 in December 2012, £84,480 in March 2013 and £16,000 in August 2013.

Fees for certification of grants and returns will be billed upon completion of each relevant return.

Appendix A – Risk assessment

Audit risk identified from planning

Area and assertions

Audit response

FINANCIAL STATEMENTS

1 Management override

ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities.

Financial statement level risk across all account headings and assertions

We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.

2 Revenue recognition

Auditing standards presume that there are risks of fraud and error in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.

Occurrence, accuracy and completeness of income

We will substantively test a sample of income received and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income.

3 Financial statement disclosures

The predecessor auditors reported there was scope for improvement in the quality of the financial statements presented for audit in the prior year. A significant number of presentational and disclosure errors were identified, including inconsistencies between balances in the financial statements. The position affected the primary statements and the supporting notes.

The Council has taken action to strengthen the capacity of the finance team designed to address this issue.

However, until improved outcomes can be fully demonstrated, there is an audit risk regarding the accuracy and completeness of disclosures in the 2012/13 financial statements. An example of an improved outcome is that all notes are consistent with the primary statements.

Completeness and accuracy of financial statement disclosures

We will work with the finance team to ensure that issues identified in the prior year audit are addressed. Specific work includes:

- PKF carrying out an early review of the draft financial statements against the requirements of the Code of practice for Local Authority Accounting 2012/13
- PKF undertaking early review of any contentious issues and proposed accounting treatment in the lead up to the accounts closedown process.

Audit risk identified from planning	Area and assertions	Audit response
<p>4 Property, plant and equipment</p> <p>The prior year audit identified a number of issues in respect of property, plant and equipment balances and disclosures, including:</p> <ul style="list-style-type: none"> disposals of assets that had not been removed from the Council's accounts, resulting in an overstatement of property, plant and equipment balances incomplete registrations with the Land Registry and insufficient evidence of ownership for properties included in the fixed assets register ensuring assets are valued in accordance with the Council's policies (and CIPFA's Code requirements) incomplete depreciation charges on infrastructure assets. <p>Management has informed us action has been taken to address these weaknesses. There is a risk that cumulatively, these issues may result in a material misstatement of property, plant and equipment balances if not fully addressed before preparing the 2012/13 accounts.</p> <p>The Council's stated policy is that property, plant and equipment assets should be componentised, for the purposes of calculating depreciation, where an individual item has a value in excess of 25 per cent of the total carrying value of the asset. To date, the Council has not componentised any assets. We are informed the Council is revising its policy for 2012/13, although we have not yet received full details of the revised approach.</p> <p>In the absence of evidence to support the Council's approach to componentisation of its buildings and dwellings, there is a risk that the annual depreciation charge and therefore the value of property, plant and equipment, may be materially misstated.</p>	<p>Existence, rights and valuation of property, plant and equipment</p>	<p>We will carry out early audit procedures to review the accuracy and completeness of the fixed asset register and the processes established for the valuation of the Council's properties. In doing so, we will seek to rely on any relevant work carried out by internal audit.</p> <p>We will also review the evidence provided by the Council to support management's approach to componentising its buildings and dwellings and carry out early discussions with officers, to determine whether there is a risk of material misstatement of the depreciation charge, and therefore the value of property, plant and equipment.</p>
<p>5 National non domestic rates (NNDR)</p> <p>The prior year audit found that reconciliations of valuation officer listings to the NNDR system had not been performed regularly during the year. In addition, internal audit has identified weaknesses in controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers. These control weaknesses indicate a risk that NNDR collection amounts and contributions to the national pool may not be based on the most up to date information.</p>	<p>Completeness, occurrence and accuracy of NNDR collections and contributions to the national pool</p>	<p>We will obtain a full understanding of the process to update the NNDR system from valuation officer listings and to account for any identified differences.</p> <p>We will substantively test a sample of reliefs to ensure that these are correctly applied. We will also carry out tests to check the accuracy of the rateable values used to assess business rates for properties.</p>

Audit risk identified from planning	Area and assertions	Audit response
<p>6 Prior period adjustment to reserves</p> <p>The Council has identified that a journal (value £4.2 million) processed during the financial closedown in 2011/12, relating to a premium on early redemption of debt, should not have been raised. The journal overstated the debit balance on the financial instruments adjustment account and overstated other useable reserves as at 31 March 2012. A prior period adjustment is required to the opening balances in the 2012/13 financial statements to correct the error.</p> <p>There is a risk that the Council does not process the prior period adjustment correctly or make the required disclosures in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	<p>Valuation (allocation) of opening reserves and completeness of disclosures</p>	<p>We will check that the appropriate adjustments have been made to the opening balances within the financial statements and that the prior period adjustment has been adequately disclosed.</p>
<p>7 Related party disclosures</p> <p>The predecessor auditors reported that the Council's approach to identifying and disclosing related parties was inadequate and a number of errors were identified in the disclosures within the financial statements. In addition, internal audit has identified weaknesses in the Council's processes for declarations of Members' and officers' interests.</p> <p>There is a risk that related party disclosures in the financial statements may not be complete or accurate.</p>	<p>Completeness and accuracy of related party transactions</p>	<p>We will review the Council's processes for identifying related party relationships and transactions.</p> <p>We will substantively test a sample of related party relationships to ensure that all declarations have been made to the Council and that the related party disclosures in the financial statements are complete.</p>
<p>USE OF RESOURCES</p>		
<p>8 Medium term financial strategy</p> <p>The Government continues to reduce funding for local government over the Spending Review period. Combined with additional pressures from demographic and other changes, further risks are emerging for all councils to balance their financial positions over the medium and longer term planning horizons. Changes to the arrangements for funding council tax support and the business rate retention scheme, along with the transfer of responsibility for public health to local authorities such as Slough, provide further uncertainties to medium term financial planning.</p> <p>The Council expects to exceed its savings target of £8.3 million for the 2012/13 year and savings schemes of £16.5 million have been identified for the three years to 2015/16. However, management has reported an overall budget shortfall of £9.9 million for the three years and work continues to balance the budget and resolve uncertainties surrounding the core income streams.</p>	<p>Financial resilience</p>	<p>We intend to review the Council's medium term financial strategy to assess how well it is addressing financial pressures. We will also review work carried out by internal audit on the robustness of the Council's processes for budget setting, budgetary control, cost improvement plan delivery and service planning.</p>

	Audit risk identified from planning	Area and assertions	Audit response
9	<p>Outsourced service for transactional systems</p> <p>In April 2012 the Council transferred its transactional services including council tax, business rates, housing and council tax benefits, payroll, accounts payable and accounts receivable to a transactional hub provided by an external contractor.</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We will review internal audit's work on the effectiveness of performance monitoring of the transferred services and assess the Council's processes for ensuring it is realising the expected benefits and fixed cost savings from the arrangement.</p>
10	<p>Local asset backed vehicle (LABV)</p> <p>The Cabinet has approved the creation of a LABV, a joint venture involving a private sector partnership. The LABV will oversee investment in agreed community and commercial projects with the aim of improving the quality of infrastructure and buildings throughout the borough. Increasing the supply of housing and future capital receipts revenue income flows for the Council are other key aims of the joint venture.</p> <p>As a 50 per cent partner in the LABV, the Council will share the risks and rewards of the partnership, including any residual surplus from the proceeds of commercial developments.</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We will review the project management and governance arrangements being developed for the partnership, the financial implications and the Council's processes for considering value for money aspects.</p>
11	<p>Slough Wellbeing Board</p> <p>Health and Wellbeing Boards will assume their full statutory powers from 1 April 2013, bringing together aspects of local government services and the NHS, with the input of local people.</p> <p>The Council will need to ensure that it is adequately prepared to manage the risks identified by the Shadow Wellbeing Board to the achievement of outcomes for the Slough area. We</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We will assess the progress made in setting up the Slough Wellbeing Board, including how well engagement is taking place with partners, and the development of arrangements to support the delivery of the Board's strategy.</p>
12	<p>Localisation of council tax benefit</p> <p>In March 2012 the parliamentary bill, Welfare Reform Act 2012, was approved and it abolishes the current council tax benefit arrangements and introduces a local council tax support scheme which will need to be administered by local authorities from 1 April 2013.</p> <p>The Local Government Finance Act 2012 sets out a framework for this new scheme and local authorities were required to develop and approve a scheme by 31 January 2013 which qualifies for the additional funding made available by the Department for Communities and Local Government. The Slough scheme was approved in accordance with the Government's timetable.</p>	<p>Financial resilience Securing economy, efficiency & effectiveness</p>	<p>We will monitor the Council's implementation of the new scheme and consider the risks to achieving the Council's targets for administering benefit.</p>

	Audit risk identified from planning	Area and assertions	Audit response
13	<p>Audit recommendations</p> <p>Internal audit has issued a number of reports in the year that have resulted in 'red rated' (negative) or 'amber rated' (improvement needed) opinions, including reports covering financial governance in schools, declarations of Member and officer interests, the business rates system and contract management. In addition, the predecessor auditors raised a number of recommendations in respect of the Council's procurement procedures. We understand that officers are working to address these recommendations and that arrangements are being established to record and monitor progress made against audit recommendations.</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We will review these follow-up procedures and assess the impact of any remaining outstanding actions on the Council's control environment.</p>

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 4th March 2013

CONTACT OFFICER: Phil Brown, Senior Risk & Insurance Officer
(For all enquiries) (01753) 875673

WARD(S): All

**PART I
FOR COMMENT AND CONSIDERATION**

RISK MANAGEMENT STRATEGY 2013/14

Introduction

At the Audit and Risk Committee of the 8th November 2013 the amended Risk Management Strategy was adopted by the committee.

Within the strategy four main actions were identified, these were:

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

The adopted strategy stated that these actions were planned over the next 24 months. However it transpires that the vast majority of these actions have now been completed.

As the majority the actions have now been completed it is necessary to draw up a more challenging strategy.

2013/14 Strategy

It has been agreed that as part of the annual audit of risk management RSM Tenon the Council's appointed Internal Auditors will assist in developing a strategy for 2013/14 that meets the needs identified within their annual review. The RSM Tenon review will be completed by 31st April 2013.

One key issue that has already been identified is the quality and relevance of the current risks registers. The risk registers have been found to remain static i.e. there are few if any changes and in some cases lack detail. In order to remedy this the Corporate Risk Management Group have agreed an action plan for the coming year .

The actions that have been identified are detailed below.

Action	Outcome	By whom	By when
Ensure that the Corporate Risk Register is systematically updated at least every quarter by CMT.	The Corporate Risk Register will be more dynamic, reflecting the key risks to the authority. The risk register will incorporate action plans on how the each individual corporate risk is to be managed	Assistant Director Finance & Audit	Sept 2013
At each Corporate Risk Management Group a selection of Risk Registers will be subject review by the Corporate Risk Management Group.	Risk Registers will be more individualistic with fewer generic risks.	Corporate Risk Management Group	On-going
Assist in the creation of risk registers for key partnerships	There will be a risk register that reflects the risks posed to the authority by each key partnership	Risk & insurance Officer/Corporate Policy	Sept 2013
Continue to monitor and assist in the updating of risk registers. Reporting non-compliance to the Relevant Corporate risk Management Group	More Risk registers will be up to date and to a higher quality and relevance	Risk & insurance Officer	On-going

MEMBERS' ATTENDANCE RECORD 2012/2013

AUDIT AND RISK COMMITTEE

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

P = Present for whole meeting
 Ap = Apologies given

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

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