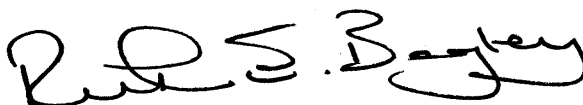


Date of issue: 27th February, 2015

MEETING:	AUDIT AND RISK COMMITTEE (Councillors Chohan (Chair), Dhaliwal, Dhillon, Mansoor, Sandhu and Zarait)
	CO-OPTED INDEPENDENT MEMBER (Mr Ajay Kwatra)
DATE AND TIME:	THURSDAY, 12TH MARCH, 2015 AT 6.30 PM
VENUE:	MEETING ROOM 2, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	SHABANA KAUSER 01753 787503

NOTICE OF MEETING

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



RUTH BAGLEY
Chief Executive

AGENDA

PART I

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

Apologies for absence.



sustainable
forest

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

1.	Declarations of Interest		
	<i>All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.</i>		
	<i>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.</i>		
2.	Minutes of the last Meeting held on 11 th December 2014	1 - 4	-
3.	Proposal to Merge Audit and Risk and Standards Advisory Committee	5 - 16	All
4.	Audit and Risk Management Update: Quarter 3 2014/15	17 - 56	All
5.	Internal Audit Strategy 2015/16	57 - 78	All
6.	External Audit Plan 2014/15 and 2015/16	79 - 100	All
7.	Members Attendance Record	101 - 102	-
8.	Date of Next Meeting - 8th July, 2015	-	-

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. Please contact the Democratic Services Officer shown above for further details.

The Council allows the filming, recording and photographing at its meetings that are open to the public. Anyone proposing to film, record or take photographs of a meeting is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.



Audit and Risk Committee – Meeting held on Thursday, 11th December, 2014.

Present:- Councillors Chohan (Chair), Dhaliwal, Zarait (Vice-Chair) and Mr Kwatra

Apologies for Absence:- Councillor Mansoor and Sandhu

PART 1

15. Declarations of Interest

None were declared.

16. Minutes of the last meeting held on 23rd September 2014

Resolved – That the minutes of the meeting held on 23rd September 2014 be approved as a correct record, subject to an amendment to minute 10, paragraph 9, to delete the words ‘with an expectation that the audit needed improving moving forward.’

17. Audit and Risk Management Update - Quarter 2 2014/15

Members were provided with an update regarding the Audit and Risk Management Quarter 2 report. It was noted that the overall internal audit reports continued to be finalised at a more appropriate rate than in the previous financial year and of the 2013/14 internal audits, none were outstanding.

The Assistant Director, Audit and Finance reminded the Committee that following concern expressed at the previous meeting regarding the speed of school audits being finalised on time; the Chair of the Committee had written to those schools who had had outstanding audits for a significant period of time. Whilst a number of schools had now responded, officers had prepared a draft protocol to enable an escalation process for school’s audits to be finalised more promptly. Proposals within the draft protocol would allow Members to request that the respective Chair of Governors attend a meeting to respond to the Committee’s concerns. The draft protocol would be submitted to the Committee in March 2015, following consideration of the protocol by the Schools Forum.

It was brought to Members attention that the number of implemented recommendations following Internal Audit reports had increased to 69% from a range of 52% to 62% over the past year.

Details of the Corporate Risk Register and Risk Management Strategy 2013-2015 were also briefly highlighted.

Resolved – That details of the Audit and Risk Management Update Quarter 2 be noted and the draft protocol regarding calling in respective

Chair of Governors be submitted to the Committee in March 2015.

18. Financial and Performance Report - Quarter 2 2014/15

The Assistant Director, Finance and Audit, provided Members with the latest financial information forecast for the financial year 2014/15. The Council was forecasting an overspend of £.76m as at month 6 and the main service area for the variation from budget was the Children and Families Services within the wellbeing directorate. It was explained that additional pressure related to the increase in court mandated mother and babies placements. A Member queried whether the financial objectives set out would be met. The Assistant Director informed Members that the Council was in a significantly better financial position compared to month 5 when the Council reported a potential £1.55 million overspend and continues a gradual reduction of the forecasted overspend down to the budgeted position.

The latest position for the Council's balanced scorecard was outlined. Key areas of noteworthy concerns flagged as 'red' status included average staff sickness rate (days lost per FTE), percentage of single assessments completed and authorised within 45 working days and number (and %) of Adult Safeguarding Alerts that led to a strategy meeting per month. Overall, five gold projects were assessed as red status and one as amber. None were assessed as green.

In summary, the Council continued to reduce its overspend and remained positive that appropriate action would be taken to ensure that this position was mitigated in full or part by the end of the financial year. It was noted that the Council's General Fund Balance was approximately £800,000 above the minimum reserve levels expected.

Resolved – That the Council's current financial position, balanced scorecard and update on Gold Projects be noted.

19. Financial Statements 2013/14

The Committee were reminded that 2013/14 was the first year that the audit deadlines for submitting both the draft and final statement of accounts had been met since 2009/10. A delay in the accounts being prepared had led to a delay in the external auditors opinion being issued in two of the three past financial years. Although the audit had identified a number of material errors in the presentation of the financial statements, it was brought to Members attention that these misstatements were one off issues that had arisen during the audit. Changes to the accounts had been implemented to the satisfaction of the external auditors and should not be an ongoing issue in future years.

As a result of the 2013/14 audit plan, the Council had established an Accounts Closedown Project Group to oversee the preparation for and delivery of the 2013/14 accounts closedown process. Committee Members were informed that the finance team were proposing to perform a nine month closedown of the accounts and it was anticipated that this would take place in

Audit and Risk Committee - 11.12.14

January 2015. This exercise would identify any issues that may arise during the year and allow further time to seek a solution. It was also highlighted that one of the main tasks associated with the Closedown Project Group was the implementation of the actions contained within the external auditors report to the Audit and Risk Committee in March 2014. The recommendations and progress against these actions were noted.

Members welcomed the closedown exercise and requested that the Committee be informed of any issues that were identified at its next meeting.

Resolved – That details of the report be noted.

20. Update on Contracts and Improvements in Internal Approvals Processes

The Interim Director, Contracts, Commissioning and Procurement provided the Committee with an update on the progress that had been made on contracts and improvements in internal approvals processes over the past twelve months. The Officer summarised the specific areas of work activity that had taken place in relation to Contract Procedure Rules, Use of In-tend, Procurement Review Board and Strategic Governance for Major Contracts.

Specifically, Members were referred to progress that had been made with regard to Performance and Benchmarking, following internal audit reports that had highlighted that the performance and benchmarking activity across a range of major contracts were not always robust and consistency of approach varied from contract to contract. It was explained that the Council used the Association of Public Sector Excellence (APSE) Performance Networks to ensure that appropriate performance measures were not only being used but benchmarked and targets set for improvements. It was recognised that measuring supplier key performance was a significant component in achieving value for money and that any measures were used as an integral part of the contract managers duties and responsibilities.

A Committee Member questioned whether the contract register had been implemented and was informed that the register would be available from 16th December 2014.

Governance was a major area of focus and an integral part of the process had been communicating with major contract managers about contract documentation and the recording of variation or contract extensions and where legal or procurement advice is required and must be complied with. Understanding lessons learnt from previous procurement activity were also brought to officers attention and the committee were informed that the Strategic Commissioning Cycle was being used assist officers to understand their role in contract re-provisioning.

Responding to what, if any, improvements had taken place in practice following training provided regarding the procurement process, Members were informed that a number of workshops had been held; following which significant improvement had been made. A Member sought assurance that those managers involved with contract management understood there

Audit and Risk Committee - 11.12.14

responsibilities with regard to the procurement process and best value. The Interim Director stated that whilst it was difficult to provide assurance on this specific point, due to the fact that a number of key posts within the organisation were vacant; the framework that existed would ensure that individuals understood and implemented the procurement process.

Referring specifically to the Interserve Contract, Members were reminded that the contract was due to expire in July 2015. Work had begun in examining the options available to the Council and the timetable for implementation of the contract was outlined. It was suggested that a workshop for Members be arranged in mid January to discuss the business case and options available regarding the new contract that would replace the Interserve contract.

Resolved – That the progress made in relation to contracts and improvements in internal approvals processes over the past twelve months be noted.

21. Members Attendance Record

Resolved – That the Members Attendance Record be noted.

22. Date of Next Meeting - 12 March 2015

Resolved – That the next meeting of the Committee be held on Thursday 12th March, 2015 at 6.30pm.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.36 pm)

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit and Risk Committee **DATE:** 12th March 2015

CONTACT OFFICER: Kevin Gordon AD Professional Services
(For all enquiries) Joseph Holmes AD Finance and Audit
 Catherine Meek Head of Democratic Services
 (01753 875011)

WARD(S): All

PART I
FOR DECISION

Proposal to merge Audit and Risk and Standards Advisory Committee

1. Purpose of Report

To consider merging the Council’s Audit and Risk Committee (ARC) and Standards Advisory Committee (SAC) into an Audit and Corporate Governance Committee (ACGC).

2. Recommendations to Council

- (a) That the Standards Advisory Committee be disbanded and its terms of reference subsumed into the terms of reference of the Audit and Risk Committee with effect from the Annual Council meeting in May 2015.
- (b) That the Audit and Risk Committee be renamed the “Audit and Corporate Governance Committee”.
- (c) That Article 9 of the Constitution (Standards Advisory Committee be deleted and subsequent Articles re-numbered).
- (d) That existing Article 10 (Audit and Risk Committee) be amended as shown in Appendix 1 and the terms of reference and working arrangements of the Committee therein be approved.
- (e) That the membership of the Audit and Corporate Governance Committee comprise*:
 Six councillors (politically balanced) (not the Leader, Mayor or Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders*)
 Up to four co-opted (non-voting) independent members
 The Council’s Independent Person (as an observer).

* executive members limited to one

*one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to changes to the Code of Conduct

(f) That the existing independent members on the Audit and Risk and Standards Advisory Committees be appointed to the ACGC for the 2015/16 municipal year as follows

- Mr G Davies
- Mr R Roberts
- Mr A Sunderland
- Mr A Kwatra

(g) That a Standards and Determination Sub Committee be appointed by the Committee with membership, terms of reference and operating procedures as set out in Appendix A.

(h) That the Head of Democratic Services make any consequential administrative amendments to the Constitution.

3. **Slough Joint Wellbeing Strategy Priorities**

The delivery of the Joint Wellbeing Strategy priorities is dependent on good governance arrangements being in place in order that the Council has a transparent and accountable process for effective decision-making. This is underpinned by the Code of Conduct, which forms the bedrock of the conduct regime for Members and aims to ensure that ethical behaviour and governance of the highest order is maintained.

3b. **Five Year Plan Outcomes**

The proposals will contribute to the Council’s outcome of using resources wisely and ensuring good governance arrangements are in place.

4. **Other Implications**

4.1 **Financial**

There are no immediate financial implications arising from this current report. There may be modest savings on Special Responsibility Allowances which will be determined by the Council following a recommendation of the Independent Remuneration Panel. There may be savings in officer support and/or room hire as a result of merging two existing Committees which will support the planned 16/17 savings in Democratic Services and Elections

4.3 **Risk Management**

Risk	Mitigating action	Opportunities
Legal	None at this stage	
Property – that the leisure needs of Slough cannot be met within the current facilities and open space and further investment is required which has a significant financial		

impact		
Human Rights	None	
Health and Safety	None	
Employment Issues	None	
Equalities Issues	None	
Community – that the facilities that are provided do not meet the needs and aspirations of the Slough residents		
Communications	None	
Community Safety	None	
Financial	None	
Timetable for delivery	None	
Project Capacity	None	
Other		

- 4.4 Human Rights Act and Other Legal Implications
There are no direct Human Rights Act or other legal implications arising from this report.
- 4.5 Equalities Impact Assessment
An Equalities Impact Assessment
- 4.6 Workforce
There are no direct workforce implications arising from this report.

5. **Background**

Standards Advisory Committee

- 5.1 The Council established the Standards Advisory Committee in May 2012 as part of the Council's consideration of the new Code of Conduct requirements of the Localism Act 2011. Although there was no longer a statutory requirement for a standards committee, the Council agreed that a separate committee responsible for raising standards was both necessary and appropriate.
- 5.2 The main role of the Committee is to promote and maintain high standards of conduct by members. The new regime introduced under the Localism Act has reduced the bureaucracy involved in the former regime's investigation of allegations. The Code of Conduct adopted by the Council is clear in setting out Members' obligations.
- 5.3 The Committee consists of 6 members, three independent co-opted members and three Parish Council representatives. The Council's Independent Person also attends the Committee in a non voting capacity. The Committee has one Sub Committee – the Determination Sub Committee.
- 5.4 The Committee met twice in 2013/14. The Committee's annual review for 2013/14 noted that matters around member conduct were sufficiently light to enable two committee meetings during the year to be cancelled due to insufficient business. Two complaints

have been received to date in 2014. One was referred for investigation with no breach of the Code found and the other is awaiting the Investigating Officers report.

- 5.5 It is noticeable that the role of the Committee has reduced under the new arrangements particularly as the Monitoring Officer now has delegated authority to seek to resolve a complaint informally where a formal investigation is not merited. This removed the need for an Assessment Sub Committee to meet on receipt of a complaint. .

Audit and Risk Committee

- 5.6 The Council's Audit and Risk Committee is responsible for providing independent assurance of the adequacy of the Council's risk management framework and provides independent scrutiny of the authority's financial and non financial performance. The Committee approves the financial statements and Annual Governance Statement.
- 5.7 The Committee enhances public trust and confidence in the financial governance of the authority. The Committee consists of 6 Members and one independent co-opted member. and meets four times a year.

Proposal to merge Committees to create an Audit and Corporate Governance Committee

- 5.8 There are a number of drivers behind the proposal to merge the Standards Advisory and Audit and Risk Committee.
- 5.9 **Reduced complaint activity** and complaints that give rise to a need to involve the Standards Advisory Committee in considering ethical issues, has meant that there is a risk that the ethical agenda is not as visible as it once was. Some Council's have added ethical standards to the terms of reference of their Audit Committee to ensure that the ethical agenda remains visible in the Council and to achieve a more joined up governance role for the Audit Committee. There is no reason to believe that complaints alleging breaches of the code of conduct are likely to increase in the future.
- 5.10 **Similarities and synergies** – both Committees deal with governance, probity and transparency of processes.
- 5.11 **Transparency International UK Report on Corruption in Local Government.** This Organisation has issued a report with the key recommendation to Government being that the changes taking place in local government should be reviewed, to ensure that they do not inadvertently create an enabling environment for corruption. Specific recommendations include introducing a statutory requirement for local authorities to have an audit committee, strengthened whistle blowing systems, enhancing audit procedures, extending the Nolan Principles and for local authorities to carry out a periodic corruption risk assessment in relation to their own functions and operations. The Standards Advisory Committee was made aware of this report at its meeting on 18th March 2014 and it was agreed that a further report be made to a possible joint meeting of the Standards Advisory and Audit and Risk Committees as both Committees had responsibilities for governance and probity matters.
- 5.12 **Recruitment and Retention of co-opted members** – there is currently one co-opted independent person on the Audit and Risk Committee and three independent co-opted people on the Standards Advisory Committee. Combining the roles of the two committees would both enable the Council to benefit from skills and input of independent people

across a broader area of responsibility and provide a more stimulating role for independent people which, in turn, will assist in retention.

Role of the new Committee

- 5.13 The newly merged Audit and Corporate Governance Committee would have the objective of making a positive contribution to the Council's governance and control environment. The proposed terms of reference give the Committee a wide remit including advising and reviewing the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. The Committee will also have an important role in ensuring public money is spent wisely and providing assurance to the public that the council is complying with the law, has an effective control framework in place and provides quality services in line with corporate priorities.
- 5.14 As the Council has a role in the standards and conduct issues of Parish Councillors it is proposed that one Member from each of the three Parish Councils in the Borough be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct for Members.
- 5.15 Whilst recognising the benefits of merging the two Committees there is no wish to put additional pressure on the Committee's work on risk management framework and its scrutiny of the authority's financial and non financial performance and it is therefore proposed that a Standards and Determination Sub Committee be established to determine allegations of breaches of the Members' Code of Conduct, on a reference from the Monitoring Officer and to undertake any detailed work necessary on the Code of Conduct, making recommendations to the Committee as necessary.
- 5.16 The proposed membership/ terms of reference and operating guidance for the Sub Committee are set out at Appendix A.

Requirements of the Local Audit and Accountability Act 2014

- 5.17 The Local Audit and Accountability Act 2014 abolishes the Audit Commission and establishes new arrangements for the audit and accountability of local public bodies in England.
- 5.18 Amongst other things the Act sets out the arrangements for the appointment of auditors by the Council. The Council is required to establish and take into account the views of an (Independent) Auditor Panel when selecting and appointing an auditor. The Act provides flexibility for different arrangements that can reflect local circumstances and provides for different ways in which a body may meet the requirement to have an auditor panel. There may also be an option for local bodies to collectively procure an auditor which would avoid the necessity for each audited body to establish its own auditor panel.
- 5.19 The AD (Finance and Audit) will report further on the options available for the appointment of an Auditor at a future date.

6. Comments of other committees

- 6.1 This report is being considered by both the Standards Advisory and Audit and Risk Committees for recommendation to the Council. The report will also be considered by the Member Panel on the Constitution.

7. **Conclusion**

It is proposed, in the light of experience, that the Standards Advisory Committee should be disbanded and its terms of reference subsumed into the terms of reference of the Audit and Risk Committee to create an Audit and Corporate Governance Committee.

8. **Appendices**

A Article 10 –Audit and Corporate Governance Committee

9 **Background papers**

None

ARTICLE 10 – AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Council will appoint an Audit and Corporate Governance Committee

1. Statement of Purpose

The purpose of this Committee is to

- promote and maintain high standards of conduct by Members
- provide independent assurance of the adequacy of the risk management framework and the associated control environment,
- independently scrutinise the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process
- approve the financial statements
- approve the Annual Governance Statement.

Terms of Reference

2. Within the Terms of Reference of the Committee it will be

- the member forum for external auditors matters, approving the financial statements on behalf of the full Council
- the member forum for ethical framework matters
- the member forum for internal audit matters,
- a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council,
- be the member forum for risk management matters,
- be the member forum for corporate governance matters.

Membership

3 The Committee is subject to the provisions of the Local Government Access to Information Act 1985.

4 The Committee will comprise*:

Six councillors (politically balanced) (not the Leader, Mayor and Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders*)
Up to four co-opted (non-voting) independent members from outside the Council with suitable experience

The Council's Independent Person (as an observer).

* executive members limited to one

* one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct

In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Corporate

Governance Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

The Chair of the Committee will be an elected Member of the Council

Working Arrangements

- 5 That Committee will meet four or more times per year.
- 6 The quorum of the Committee shall be a minimum of four members including at least one co-opted Member.
- 7 The Committee will be subject to the statutory access to information provisions. The press and public may be excluded and papers withheld from access only if they meet statutory definitions of exempt or confidential information.
- 8 All Members of the Council and Members of the press and public can attend the Committee when it is discussing business in Part I of the agenda. When the Committee is discussing exempt or confidential information (Part II) only Members of the Committee and Members of the Council (with the consent of the Committee given by majority resolution) can attend.
- 9 The Committee will appoint a Standards and Determination Sub Committee to
 - determine complaints following an investigation.
 - Give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.
- 10 The Committee and its Sub Committee may require Members of the Council and Officers of the Authority to attend before it to answer questions.
- 11 The Committee and its Sub Committee may require the production of any document or record in the possession of the Council to be submitted to it, unless to do so would involve a breach of data protection or other statutory provisions.
- 12 The Committee may require the Monitoring Officer or his/her nominee to investigate on its behalf allegations of impropriety referred to the Committee.

Specific Functions

The Committee's specific functions shall include but not be limited to

- 13 External Audit
 - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
 - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
 - To consider and comment on any plans of the external auditors
 - To comment on the scope and depth of the external audit work and to ensure it gives value for money
 - To consider any other reports by the external auditors

- To liaise with the appointed body over the appointment of the Council's external auditor

14 Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the annual Internal Audit plan ensuring that there is sufficient and appropriate coverage
- To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
- To contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Panel.

15 Internal Control

- To approve the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

16 Risk Management

- To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
- To review the Council's risk register

17 Governance

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

Standards and Ethical Framework

- (a) To promote and maintain high standards of conduct by Members, (i.e. Elected and Co-opted)

- (b) To assist Members to observe the Council's Ethical Framework including the Code of Conduct.
- (c) To advise the Council on the adoption or revision of the Council's Ethical Framework including the Code of Conduct.
- (d) To monitor the operation of the Council's Ethical Framework including the Code of Conduct.
- (e) To advising, train or arranging to train Members on matters relating to the Council's Ethical Framework including the Code of Conduct.
- (f) To determine written complaints made against a Member (including a Parish Council Member) alleging a breach of the Code of Conduct and taking any action that is deemed appropriate and permitted under the Localism Act 2011 and Regulations thereunder.
- (g) To exercise of () to () above in relation to the Parish Councils wholly or mainly in its area and the Members of those Parish Councils.
- (h) To keep under review and make recommendations to the Council on the Whistle-Blowing Policy and Procedure.
- (i) To put in place and keep under review arrangements for monitoring Members' performance.
- (j) To receive and consider reports on individual Members' performance.
- (k) To decide any requests from a Member or Officer for indemnity as set out in the Council's adopted Policy on Terms of Indemnity.

18 Other

- (a) To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
- (b) To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
- (c) To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
- (d) The Committee shall, in conjunction with the Monitoring Officer and Chief finance Officer, produce an Annual Review of work completed and proposed and report on an exception basis through the Performance Report for Cabinet.

19 The terms of reference of the Committee shall be reviewed annually

Determination Sub-Committee

1. Terms of Reference

The Sub-Committee is established to

- determine complaints following an investigation.
- give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.

2. Following a hearing the Committee will make one of the following findings:

- (a) That the Member who was the subject of the hearing had not failed to comply with the Code of Conduct of the relevant Authority concerned;
- (b) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned, but that no action needs to be taken in respect of the matters which were considered at the hearing; or
- (c) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned and that a sanction should be imposed.

3. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is no longer a Member of any authority that the SAC has responsibility for it shall censure that person.

4. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is a serving Member of any authority that the Standards Advisory Committee has responsibility for, it shall impose any of, or a combination of, the following sanctions:

- (a) censure of that Member
- (b) restriction for a period not exceeding six months of that Member's access to the premises of the relevant Authority or the resources of the relevant Authority provided that those restrictions:
 - i. are reasonable and proportionate to the nature of the breach;
 - ii. do not unduly restrict the person's ability to perform the functions of a Member.
- (c) that the Member submits a written apology in a form specified by the Sub-Committee;
- (d) that the Member undertakes such training as the Sub-Committee specifies;
- (e) that the Member participate in such conciliation as the Sub-Committee specifies;

5 Appointment and Composition of the Sub-Committee

- (a) The Sub Committee will be convened as necessary from the membership of the Audit and Corporate Governance Committee. The Sub-Committee will therefore not have a fixed membership.
- (b) The Sub-Committee shall comprise five Members, of whom a maximum of three shall be elected members and no more than two should be Co-Opted Independent Members of the Audit and Corporate Governance Committee.
- (c) The Sub-Committee shall elect a Chair at each hearing/meeting. The Chair will be an elected Councillor.
- (d) The appointment and composition of the Sub-Committee shall increase to include a Parish Member (observer) of the Audit and Corporate Governance Committee where the Sub-Committee is considering a report or recommendations that relate to a Parish Council Member.

6 **Quorum**

The quorum for a meeting of the Sub-Committee shall be three Members, two of whom must be elected Members and at least one Independent Member. When considering a matter relating to the conduct of a Member as Parish Councillor at least one Parish Council representative shall also be present.

7 **Frequency of Meetings**

The Sub-Committee shall meet as and when required to enable it to undertake its functions.

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 12th March 2015

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875358

WARD(S): All

PART I
FOR COMMENT AND CONSIDERATION

Audit & Risk Management Update – Quarter 3 2014/15

1 Purpose of Report

The purpose of this report is to:

- Report to members on the progress against the 2013/14 and 2014/15 Internal Audit Plan up to Quarter 3
- Report to members on the progress of the implementation of Internal Audit recommendations
- Report to members the Council's latest counter-fraud activity
- Report to members the Council's Risk Register

2 Recommendation

That the Audit & Risk Committee comment on and note the reports.

3 Sustainable Community Strategy Priorities

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

Priorities:

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

4 Other Implications

4.1 Financial

None other than those detailed in the internal audit reports

4.2 Risk Management

This report concerns risk management across the Council.

4.3 Human Rights Act and Other Legal Implications

n/a

4.4 Equalities Impact Assessment

There is no identified need for an EIA

5 Supporting Information

5.1 Overview

5.1.1 Baker Tilley have completed a significant number of audits during the latest quarter, with a further large tranche of audits to be completed in quarter 4 (much of which is in respect of work on behalf of external auditors). Appendix A provides the detail.

5.1.2 The overall Internal audit reports have continued to be finalised at a more appropriate rate than in the previous financial years. To date, there have been no red opinions on key financial systems or areas that would have a material impact on the Head of Internal Audit's opinion.

5.1.3 Included in appendix C is a summary of BDO's (external audit) work on auditing grant claims. BDO raised a large number of issues that they found during the audit, though the net impact of the changes to the Council are expected to be very low (the Council is awaiting a response from the DWP).

5.2 Internal Audit Q2 2014-15 progress report

5.2.1 The full report is attached at appendix A.

5.2.2 The internal audit plan for 2014-15 was set very much with a focus on addressing identified risks. As Bakertilly have had two years of experience at the Council, management and the audit & risk committee have focussed the internal audit resource very much towards areas of risk; for example focussing increasingly around contract management and areas of weaker assurance from recent audits.

5.2.3 The table below summarises the comparative non schools audits from Q3 last year and in the current year.

Rating	Q3 2013-14 / %	Q3 2014-15 / %
Green	3 (16%)	2 (14%)
Amber – Green	9 (47%)	6 (43%)
Amber – Red	3 (16%)	4 (29%)
Poor progress	1 (5%)	1 (7%)
Red	3 (16%)	1 (7%)
Total	19	14
To be completed	17	19

5.2.4 Overall, compared to the previous year, there have been less audits completed. In respect of the outcomes, there have been less overall red and green audits to date. Until the final completion of the plan, it is difficult to draw and overall conclusion on the comparative quality of the outcomes from the audits.

5.2.5 For the Head of Internal Audit opinion, there are no negative opinions (i.e. a lack of assurance) for key financial or business critical systems.

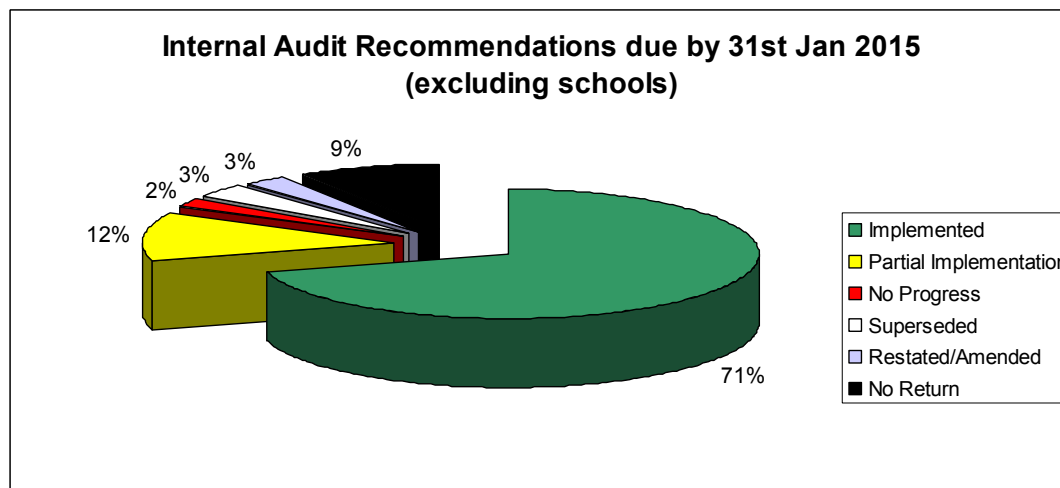
5.3 Finalising Internal Audit Reports

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 31st January 2015. The Committee has raised concerns about the speed of school's audits being finalised on time. The schools with a long response time were written to by the Chair of the Committee. Where the committee feels responses are still lacking, the committee can request that the Chair of Governors attend the committee to respond to the Committee's concern. A draft protocol has been collated and shared with the Chair of the Audit Committee to enable an escalation process for school's audits to be finalised more promptly.

Audit Title	Draft Issued	Responses due	Client sponsor	Rating
Khalsa Primary 9 14 15	15 September 2014	29 September 2014	Head Teacher	Red
St Mary's Primary 10 14 15	15 September 2014	29 September 2014	Head Teacher	Amber Green
St. Antony's catholic Primary School	20 November 2014	3 December 2014	Head Teacher	Amber Green

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

5.3.4 The number of implemented recommendations had reached a plateau of just over half (it has stayed in a range between 52% and 62% over the period 2013-14). The Council's improvement in implementing recommendations has increased to 71% (69% at the previous audit committee).



5.3.5 The table below details those audits where recommendations are still outstanding or where requests for information has not been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Slough Community Leisure 7 14 15	1	0
Asset Register 48.13.14	1	0
Data Quality: Performance Indicators within Contracts 8 14 15	3	2
Atkins Limited – Contract Management 11 14 15	1	1
Use of Agency & Workforce Planning 24 13 14	1	1
Governance - Training for Members 39 13.14	0	1
Contract Management and Third Party Procurement – Atkins Limited 22 13.14	1	1
Debtors and Cash Management 30 13.14	0	1
Sub Total	8	7
Schools		
Our of Peace Junior 21 13 14	1	2
Chalvey Early Years 1 14 15	2	3
Use of Agency & Workforce Planning 24 13 14	0	2

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Holy Family Catholic Primary 2 14 15	0	2
Wexham 20 13.14	1	1
Total	12	17

5.5 Fraud update

5.5.1 Every year the Council is required to report all fraud activity with a value over £10,000. The Council provides this summary on a quarterly basis to the Audit & Risk Committee. Below is a summary table of activity completed in the current year.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Benefit fraud -	H Benefit – £11,566.76 C Tax Benefit- £380.52 Administration penalty – £3,584.18	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 13/10/14. Offered due to ill health and impending SFIS transfer.
Benefit fraud -	H Benefit – £28,473.49 C Tax Benefit- £ 1,331.75 Administration penalty – £ 8,912.00	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 20/10/14. Offered due to ill health and impending SFIS transfer.
Benefit fraud -	H Benefit – £ 15,197.46 Administration penalty –	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration

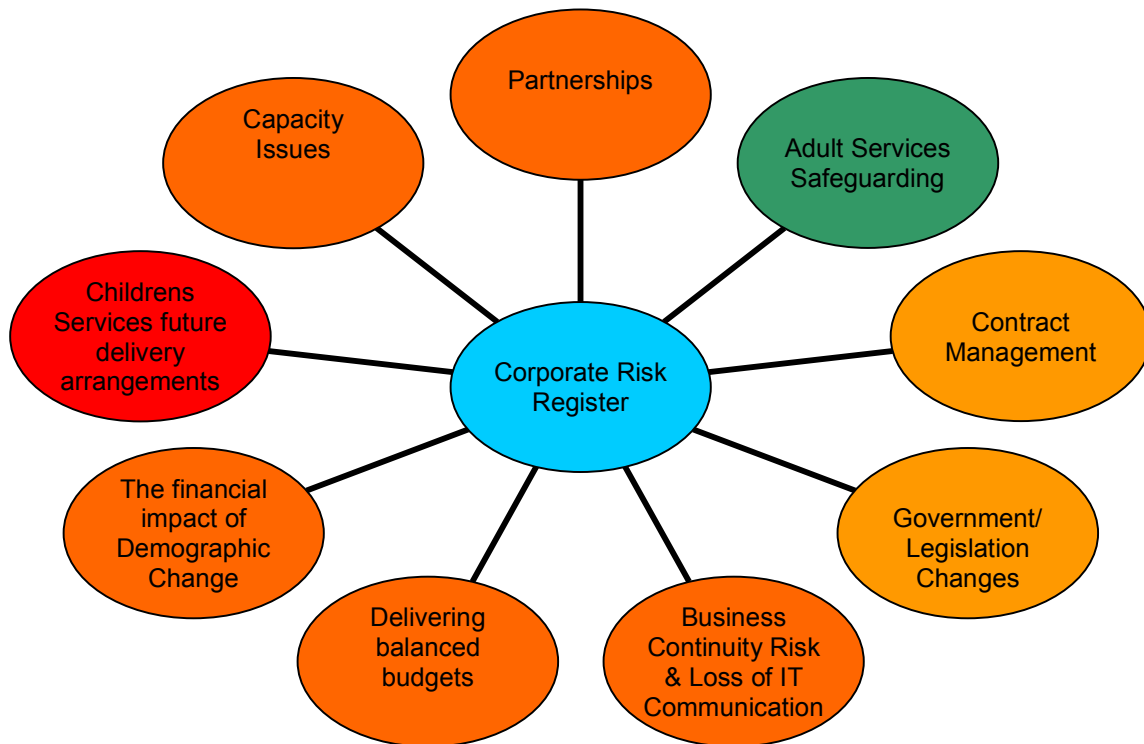
Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Benefit fraud -	£ 4,559.24 H Benefit – £ 12,390.61 Administration penalty – £ 3,717.18	Administrative penalty and recovery	Act 1992 as amended. Accepted 04/11/14. Offered due to ill health and impending SFIS transfer. Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 04/11/14. Offered due to the evidential concerns of securing a successful prosecution and impending SFIS transfer.
Benefit fraud -	H Benefit – £ 12,725.33 C Tax Benefit- £ 3,015.85 Administration penalty – £ 4,725.33	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 19/11/14. Offered due to the evidential concerns of securing a successful prosecution and impending SFIS transfer.

In addition to the above there have also been thirteen housing properties brought back into use through counter-fraud work.

- 5.5.2 The Council's benefits counter fraud capacity was moved to the DWP (Department of Work & Pensions) in December 2014 as part of the SFIS (Single Fraud & Investigations Service). All information on the council's website relating to this transfer has been amended.
- 5.5.3 As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements is being completed. Recommendations and changes to the Council's counter fraud strategy as a result of this review will be taken to the next meeting of the Audit & Risk Committee for consideration.
- 5.5.4 The Council has recently been successful in a significant prosecution. Two defendants were convicted for offences of conspiracy to defraud, and the final confiscation hearing is due from April 2015. This will set out the final amounts of money that the taxpayers is due to receive returned as a result of this prosecution. It is anticipated that this could be a significant sum of money, with the Council being the recipient of some of these funds.
- 5.5.5 It should also be noted that the Council's counter-fraud service provides financial investigations services to other Councils including other Berkshire authorities as well as others in the South East. This assists in providing an income stream to the Council.
- 5.5.6 The service has recently received the National Fraud Investigation (NFI) data matches and has disseminated these for further review across the Council.

5.6 Corporate Risk Register

- 5.6.1 The Corporate Risk Register is included within appendix B. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.
- 5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking



5.6.3 Since the previous audit committee, the risk concerning resources and capacity to manage change has been added

6 Comments of Other Committees

n/a

7 Conclusion

That the Audit Committee notes the latest updates from Internal Audit and External Audit

8 Appendices Attached

- 'A' - Internal Audit Q3 2014-15 progress report
- 'B' - Corporate Risk Register
- 'C' - External Audit Grants audit summary

9 Background Papers

Baker Tilley Audit Reports

Slough Borough Council

Internal Audit Progress Report

20th February 2015

For presentation at Audit & Risk Committee 12th March 2015

Introduction

This report summarises the work completed up until 20th February 2015 in relation to the 2014/15 internal audit plan.

2014/15 Internal Audit plan update

The internal audit plan for 2014/15 was approved by the Audit and Risk Committee on the 13th March 2014. This report provides an update on progress against that plan and summarises the results of our work to date.

Since the meeting of the Audit and Risk Committee held in December 2014, the following **eight** final audit reports have been issued in respect of the 2014/15 Internal Audit plan:

- Procurement Cards
- Wexham School
- Troubled Families (Aug 2014 submission)
- Troubled Families (Oct 2014 submission)
- Contract Management – Slough Community Leisure
- Our Lady of Peace RC Infant School
- Rent Accounts
- Income and Debt Management

Of these eight final reports, we have issued one some assurance (Amber Red) opinion in relation to the Procurement Cards audit. The Troubled Families submissions and the Contract Management report were undertaken on an advisory basis and the two schools audits resulted in positive opinions (Green and Amber Green respectively). In addition, the Rent Accounts audit and the Income and Debt Management audit have resulted in positive reasonable (Amber Green) assurance opinions.

Outstanding Reports from 2014/15

As at the 19th February 2015, the following audit 11 reports remain outstanding in draft:

- Carbon Reduction Commitment
- Khalsa Primary School
- St Mary's CE Primary School
- St Anthony's School
- Capital Expenditure
- Housing Benefits
- Contract Management Arrangements – AMEY Follow Up
- General Ledger
- Council Tax
- arvato Phase II Contract Management review
- Cash Collection and Management

Of the above 11 reports, five were issued in the previous two weeks (Council Tax, General Ledger, AMEY follow up, arvato Phase II and Cash collection and management). The St Mary's and Khalsa schools audits were issued in draft in September 2014. In addition, we are actively working with St Anthony's school following comments received in relation to the draft report, and we are also working with the Council regarding responses received in relation to the Carbon Management Audit, Housing Benefits and Capital Expenditure reports.

Further details on the key findings from reports finalised since the December 2014 Audit and Risk Committee can be found at Appendix B below.

APPENDIX A – SUMMARY OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN

2014/15 Annual Plan (as at 20th February 2015)

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
avarto phase 2 – IT & Customer Services	Draft Issued 6/2/15	ADVISORY	-		
Mobile Data Security	Final Issued 20/11/14	AMBER RED	0	5	0
Contract Management – Slough Community Leisure	Final Issued 15/12/14	ADVISORY	4	2	0
Carbon Reduction Programme	Draft Issued 6/11/14	ADVISORY	-		
Procurement	Commencing 2.3.15				
Procurement Cards	Final Issued 5/2/15	AMBER RED	1	4	2
Direct Payments	In progress				
avato performance management	Commencing 6.4.15				
Council Tax	Draft Issued 13/2/15	AMBER GREEN			
Housing Benefit	Draft Issued 6/2/15	AMBER GREEN			
Rent Accounts	Final report issued 10/2/15	AMBER GREEN	0	2	2
Business Rates	Quality Assurance review				
Payroll	Commencing 11.3.15				
Wellbeing:					
Troubled Families Review (May claim)	Final Issued 31/7/14	ADVISORY	1	1	1
Troubled Families Review (August claim)	Final issued 18/12/14	ADVISORY	0	1	1
Troubled Families Review (October claim)	Final issued 18/12/14	ADVISORY	0	0	0
Troubled Families Review (February claim)	In progress				
Children's Services – Access to Records	Commencing 24.3.15				
Educational Services – Contract Management Arrangements	Commencing 2.3.15				
Children's Services Procurement	In Progress				
Social Care Operating Model	In Progress				
Chief Executive:					
Lone Working Procedures	Final Issued 30/10/14	AMBER RED	1	4	3
Governance	In Progress				
Annual Governance Statement	In Progress				
Resources, Housing & Regeneration:					
Data Quality – KPI's within Contracts	Final Issued 12/11/14	RED	3	5	1
Contract Management Arrangements – Atkins	Final Issued 30/09/14	AMBER RED	1	5	0

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Schools Financial Value Standard	Final Issued 13/10/14	ADVISORY	No recommendations		
Budget Setting inc Savings Plan	Final Issued 17/7/14	GREEN	0	0	2
Risk Management	Quality Assurance Review				
Housing Arrangements	Commencing 9/3/15				
Contract Management Arrangements - Amey Plc Follow up	Draft Issued 18/2/15	ADEQUATE PROGRESS	0	3	3
General Ledger	Draft Issued 18/2/15	AMBER GREEN			
Cash Collection	Draft issued 20/2/15	GREEN			
Treasury Management	Quality Assurance review				
Income and Debt Management	Final Issued 12/2/15	AMBER GREEN	0	1	3
Capital Expenditure	Draft Issued 16/1/15	AMBER GREEN			
Budgetary Control and Savings Plans	In Progress				
Creditors	Quality Assurance review				
Counter Fraud Arrangements	In Progress				
Asset Register	Commencing 16/3/15				
VAT	Final Issued 30/10/14	POOR PROGRESS	1	13	0
Schools:					
Holy Family Catholic Primary School	Final Issued 4/6/14	RED	2	5	2
Chalvey Early Years Centre	Final Issued 18/09/14	RED	2	3	6
Wexham Court Primary School	Final Issued 01/12/14	GREEN	0	0	1
St Mary's CE School	Draft Issued 12/09/14	AMBER GREEN			
Khalsa School	Draft Issued 12/09/14	RED			
St Antony's Catholic Primary Care School	Draft issued 20/11/14	AMBER GREEN			
Our Lady of Peace Catholic RC Infant School	Final Issued 8/1/15	AMBER GREEN	0	2	4
Other Internal Audit Activity:					
Follow Up	Commencing 26.3.15				

Key Findings from 2014/15 Internal Audit work

We have issued 29 reports to date for the 2014/15 plan, 21 of these contain assurance opinions and 8 were advisory reviews. Of the 28 reports issued to date, five of these have resulted in negative opinions and these relate to:

- Holy Family Catholic Primary School
- Chalvey Early Years School
- Khalsa School (still in draft)
- Data Quality – KPI's

- VAT follow up (poor progress).

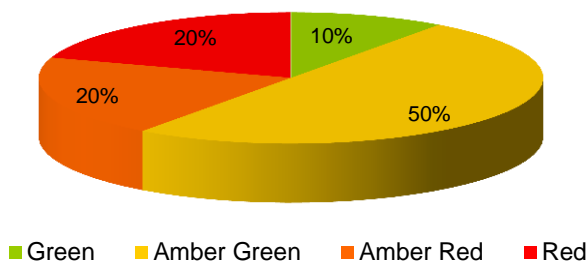
We have also identified some significant weaknesses in two advisory reviews; arvato Phase 2 and Contract Management – Slough Community Leisure.

Some of these reports remain in draft and we are actively working with management to finalise these. Where we have issued qualified opinions or identified significant weaknesses in advisory reviews we have agreed actions plans and recommendations with management to address these weaknesses.

Whilst some of these findings will impact on our annual opinion they will not in isolation result in a qualification of the annual opinion.

A BREAKDOWN OF THE ASSURANCE LEVELS AND TYPES OF RECOMMENDATIONS MADE FOR THE YEAR TO DATE IS DETAILED BELOW

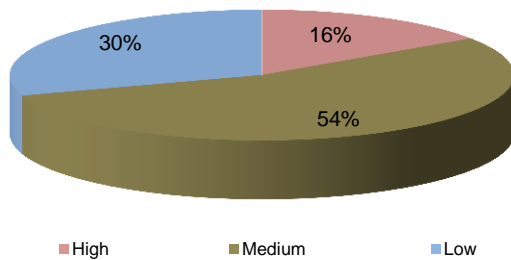
Assurance Levels 2014/15 to date



	GREEN	AMBER GREEN	AMBER RED	RED	ADVISORY	TOTAL
ASSURANCE OPINIONS 2014/15	2	10	4	4	8	28

THE BREAKDOWN IN THE TYPE OF RECOMMENDATIONS FOR THE YEAR TO DATE IS HIGHLIGHTED BELOW:

Recommendation categorisations in 2014/15 reports to date:



	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2012/13	16	56	31	103

Other Matters

Planning and Liaison:

We have regularly attended meetings of the Risk Management Group and provided guidance and input on the proposed content of Risk Management arrangements at the Council, for instance, the governance structures and processes employed by the Council to discuss risk and facilitate continuous review.

We also attend quarterly meetings of the Berkshire Internal Audit Group where common themes/audit proposals are shared and the group shares any emerging fraud issues, and discusses common areas of risk across the Berkshire area.

To assist in embedding risk management throughout the Council we have attended Senior Management Team meetings across the majority of Directorates. During these meetings we have highlighted; outstanding reports and progress in relation to the implementation of recommendations, common themes for audits, upcoming audits and enquired about emerging risks. This has proven successful in identifying progress made on remedial actions where weaknesses had been identified in previous Internal Audit reviews and to provide a forum for proposing internal audit coverage in 2014/15.

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

Given a common theme within a number of audit reports has been contract management arrangements we have attended a meeting with the Strategic Director, Customer and Community Services and Interim Assistant Director, Commissioning & Procurement where we have explored potential ways in which Baker Tilly may be able to assist the Council in its development of Contract Management through our use of area specific parts of the firm, including Carbon Management and Contract Management Specialists.

Appendix A - Client Briefings:

We have issued two Local Government News Briefing Updates to the Council since the previous Audit and Risk Committee. These provide a roundup of recent key publications and issues in the sector:

19th November 2014

Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13

Between 2007/08 and 2012/13 local governments faced considerable financial challenges. This report by the Audit Commission looks at five national financial ratios during this period of change and provides benchmarking data against which individual local governments can compare their performance. The financial ratios analysed are: current assets to current liabilities; useable reserves to gross revenue expenditure; long-term borrowing to tax revenue; long-term borrowing to long-term assets; and school balances to dedicated schools grant.

Local Welfare Provision in 2015/16

The Government has set out in this consultation its intentions for the funding of local welfare provisions in 2015-2016. Although at present the Government is investigating three different approaches to funding, the consultation document is seeking responses in relation to four different approaches: funding from existing local government budgets; separate visibility of local welfare provision funding; topslice revenue support grant to fund section 31 grant; and other options for delivering and funding local welfare provision. The consultation consists of six questions and responses are sought by 21 November 2014.

Supporting People Payment by Results Pilots: Final Evaluation

The final evaluation of the pilot schemes for Payment by Results has been published by the Department for Communities and Local Government (DCLG). The evaluation has concluded that across the pilot schemes only two core models of delivery were used. DCLG also notes that spending under the Payment by Results contracts was lower than during pre-Payment by Results and where the pilot scheme was embraced by providers and commissioners the experience was generally positive.

Protecting the Public Purse 2014: Fighting Fraud against Local Government

This report by the Audit Commission is the last in the Protecting the Public Purse series and draws on the commissions 25 years of experience. Fewer cases of fraud were detected in 2013/14 although their value increased by six per cent. Since 2009 councils have focused more on non-benefit fraud which includes: council tax discount fraud; right to buy fraud; social care fraud; insurance fraud; business rate fraud; and procurement fraud. The commission outlines the core components that should be used to tackle fraud, notably: prevention and deterrence; investigation and detection; recovery and redress; and openness and transparency.

Universal Credit Pathfinder Evaluation

The pathfinder evaluation of Universal Credit (UC) by the Department for Work and Pensions sets out the experiences of those in the North West and is intended to inform future improvements to UC application. The evaluation focuses on six key areas: claimant experience; job search; budgeting and monthly payments; understanding of UC; attitudes to work and job search behaviour; and moving into work. UC claimants were looked at in comparison to Job Seeker Allowance claimants providing a comparison of the two benefit systems.

Care Act 2014: Statutory Guidance for Implementation

The Department of Health has issued statutory guidance to provide further information and assistance to local authorities in relation to the implementation of part one of the Care Act 2014 which comes into effect from April 2015. The guidance focuses on the areas of: general responsibilities and universal services; first contact and identifying needs; charging and financial assessment; person-centred care and support planning; adult safeguarding; integration and partnership working; moving between areas: inter-local and cross-border issues; and other areas of impact.

Fraudulent PayPal Account

We have recently become aware of an attempted fraud concerning a fraudulent PayPal account being set up through an organisation's bank account. Three £0.01 transactions were identified as being paid into the organisation's main bank account. These nominal value transactions are used by PayPal as part of their account verification process and to enable bank accounts to be linked to PayPal accounts. Once a PayPal account has been verified, there is no limit on the total amount of money that can be sent from the PayPal account and subsequently taken from the linked bank account.

On this occasion the organisation identified the unusual transactions through the daily bank reconciliation process and was able to freeze the PayPal account before any further payments could be made. To ensure the early identification of unusual or unauthorised transactions organisations should ensure that bank accounts should be regularly monitored, including for what appear to be very small value transactions.

14th January 2015.

Auditing the Accounts 2013/14: Local Government Bodies

This is the final Auditing the Accounts report the Audit Commission will issue before it is closed in March 2015. The report notes that audited accounts are fundamental to good governance and also enable local authorities to fulfil their accountability in relation to public monies. The report states that since 2008/09 there has been an increase in both principle and small bodies receiving an audit opinion by 30 September and that, at the time of preparing the report, all principal bodies had received an unqualified audit opinion with regard to the 2013/14 accounts. This deadline for accounts publication is however likely to change to 31 July for the 2017/18 accounts.

Bolder, Braver and Better: why we need local deals to save public services

The independent Service Transformation Challenge Panel has published a report looking at how improvements can be made to local public services for the benefit of those that rely on them. The report makes six recommendations: a new approach to people with multiple and complex needs; flexible and longer term funding with strong local accountability; smarter use of assets and more enterprising places; information sharing and better, bolder use of smart data and digital technology; adapting proven delivery models to suit local needs; and better collaborative leadership.

Council Tax and Business Rates Collection: An Update

This briefing by the Audit Commission updates previous briefings issued in June and October 2013 and provides information on the collection of council tax and business rates up to the end of March 2014. A total of £1.21 billion was uncollected across both council tax and business rates in 2013/14. This means the current amount outstanding to councils in long term debt is £4.55 billion. The collection rate for council tax in 2013/14 was 0.4% lower than the previous year. In contrast the collection rate for business rates was 0.2% higher than the previous year.

Local authority housing statistics: year ending March 2014

Annual statistics produced by the Department for Communities and Local Government shows that local authorities saw a decrease of 0.8% in owned dwelling since 2013/14 compared to the previous year. Following a general decline, local authorities experienced an increase in lettings and an increase in social rent compared to 2012/13. Local authorities also experienced a decrease in 'non-decent' dwellings and the number of people on their waiting lists; although local authorities saw an increase in evictions due to rent arrears.

Public Health England's grant to local authorities

The National Audit Office has produced a report on the new public health arrangements; the introduction of Public Health England (PHE) and the transfer of responsibility for public health from the NHS to local authorities. The report outlines key findings on: local authority public health spending and outcomes; governance and accountability arrangements; and supporting and advising local authorities. The report also makes five recommendations to help both the Department of Health and PHE to support local authorities in the delivery of public health services.


Draft local government finance report for 2015 to 2016

The Department for Communities and Local Government has released a draft report that sets out the grant that is proposed for each receiving authority and specified body for 2015/16 in England. The report contains details of: central and local shares; revenue support grant; distribution of revenue support grant; distribution of baseline funding level; tariff and top-up amounts; credit to the levy account; and pooling.

Keeping children safe in education: childcare disqualification requirements - supplementary advice

The Department for Education has issued guidance which supplements the keeping children safe in education guidance previously issued. Schools providing care for children under the age of eight are required to check staff are not disqualified from working with children, either personally, or by association. These checks must be conducted on staff already employed by the school and should form part of pre-employment checks for all future appointments.

Appendix B – Key Findings from Red and Amber Red rated reports (or advisory reviews where significant issues were identified)

Assignment: Procurement Cards	Opinion: 	1 high recommendations 4 medium recommendations	
<p>We identified one issue in relation to the design of the control framework which resulted in 1 ‘Medium’ category recommendation;</p> <ul style="list-style-type: none"> ▪ The Purchasing Cards Policy was dated September 2013, and there was no evidence to demonstrate that it had been reviewed since. In addition, the document was not available to staff as it was not on the Intranet, did not contain clear guidance on the merchants or types of products which could be used with Purchase Cards and did not reflect current practice in relation to the requirement to provide a business case prior to new applications being accepted. If the policy is not updated and made available to all staff, there is an increased risk of inappropriate expenditure. <p>Application of and compliance with control framework</p> <p>We found issues that resulted in 1 ‘High’ and 3 ‘Medium’ category recommendations.</p> <ul style="list-style-type: none"> ▪ We found that the checking of Purchase card statements and receipts was the job of the accounting technicians when they were based with the Council and the function was therefore transferred over as part of the outsourcing contract to arvato as when the Accounting Technicians were transferred to arvato, all jobs undertaken for the Council remained with them While the SLA between the Council and arvato documented the responsibility for ‘verifying the accuracy of Purchase Card returns’, this was only being undertaken for schools as it was presumed by arvato that this requirement was not applicable to all returns. As such, no check is undertaken on the accuracy of returns submitted by Council officers. This increases the risk of inappropriate expenditure on the basis of a lack of verifying the appropriateness of expenditure (High). ▪ In addition, we found that the SLA between the Council and arvato was in need of review, as the document stated the next review date of April 2014, however we had no evidence to show that this had subsequently been updated, and it was confirmed during testing undertaken that arvato were still working to the version due for review in April 2014. ▪ Sample testing of 15 cardholders identified that VISA Purchasing Card cardholder schedules and Cardholder Agreement forms had not been appropriately completed. Our findings included: <ul style="list-style-type: none"> ○ For two out of 15 sampled instances, cost centres had not been appropriately recorded ○ Financial Limits were not recorded on Cardholder Agreement forms in six instances. For three of these six cases, Cardholder Agreement forms had not been retained by the Council and we were therefore unable to determine whether financial limits had been correctly recorded. <p>There is a risk of inappropriate expenditure by card holders if procedures are not followed in relation to the completion of documentation prior to a card being issued.</p> ▪ 10/15 sampled cardholder’s files did not have evidence to demonstrate that as part of the application process for a Purchase Card, that suitable ID (e.g. Passport, Driving License) had been seen and verified. Without recording the witnessing of ID, we could not provide assurance that this task has been completed. The risk of not obtaining any identification is the incorrect Council employee could obtain use of the Purchase Card, potentially acting in a fraudulent manner and misuse the card. 			
High and Medium Risk Recommendation(s):	Management Response	Date	Responsible Officer
The Council need to ensure that responsibility is assigned to staff for ensuring that receipts are submitted on a monthly basis, where expenditure has been incurred to validate expenditure on Purchase Cards, and that a mechanism is introduced for checking the accuracy and validity of purchases made, including ensuring that the preparer and budget holder physically sign the journal prior to processing. (High)	Meeting to be had between the Council and arvato to discuss and take this forward.	March 2015	Barry Stratfull Corporate Financial Controller

<p>The Purchasing Card Policy should be enhanced to include:</p> <ul style="list-style-type: none"> ▪ A field for the next proposed review date to be recorded. ▪ Periodic exercises with the bank to verify all existing purchase cardholders. ▪ Clearer guidance in relation to the criteria for acceptable usage. ▪ The requirement for new purchase card requests to be supported by business cases. (Medium) 	Agreed	March 2015	Barry Stratfull Corporate Financial Controller
<p>The Council needs to undertake a review of all completed VISA Purchasing Card Cardholder Schedule and Purchase Cardholder Agreement forms to ensure that:</p> <ul style="list-style-type: none"> ▪ Two separate approvals have been provided by appropriate levels of authority; and ▪ Cost centre codes are recorded on cardholder schedules by the Finance Department. (Medium) 	New cards will have to be issued when the bank tender exercise is completed. This review will for part of this transfer	March 2015	Barry Stratfull Corporate Financial Controller
<p>Future Purchase Cards should only be issued where the member of staff responsible for this process has confirmed appropriate completion of the Purchase Cardholder Agreement form and witnessed identification documentation to confirm the user, and the Agreement form annotated accordingly.</p> <p>Financial Limits should be recorded on Cardholder Agreement forms. (Medium)</p>	My understanding is there are set limits for the cards and anything over and above these limits or changes to categories requires a business case to be submitted.	March 2015	Barry Stratfull Corporate Financial Controller
<p>The Transactional Finance Service Level Agreement between the Council and arvato should be reviewed to ensure that it clearly represents the work undertaken by arvato and the expectations of the Council. (Medium)</p>	Currently being looked at by finance management team	March 2015	Barry Stratfull Corporate Financial Controller

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0033	Failure of partnership working	Government Public Sector reforms Financial Pressure on various public sector services	Lack of joined up working, leading to greater inefficiencies Lack of assistance an co-operation between public bodies and the Council increases public service risks	12 - High	Ensuring representation on key boards e.g. Wellbeing Board Utilising joint funding opportunities wherever possible	9 - High	Maximising financial benefit and managing risk through Better Care Fund Alan Sinclair	4 - Low
ORG0021	Delivering Balanced Budgets	National Government's continued sustained reduction in public sector expenditure via Spending Review Government's funding of policy changes towards Adult Social Care and Local Economic Partnerships Government's welfare reform programme Government's reforms to Business rate retention	Continued reduction to the Council's budget leaving to increased levels of service reductions and organisational wide transformation The requirement for balanced corporate strategy that seeks to address the needs of vulnerable individuals whilst ensuring appropriate levels of service provision for the universal services Impact on Council Tax collection rates and / or higher take up of Council Tax Support leading to in year budget pressures Impact on achieving levels of fees and charges Reduced income due to Businesses moving away from Slough / increased level of demolitions of business buildings In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year	15 - Very High	Requirement to set a balanced budget Regular reports to senior officers and members on the Medium Term Financial Strategy (MTFS) progress Regular in year budget monitoring to forecast the impact on general reserves Creation a 'financial volatility reserve' to buffer the impact of reduced Business Rate / Council Tax income or to re-profile savings programmes Ensuring that General Fund reserves are at least the minimum level set Regular monitoring of Income	12 - High	Balanced MTFS with identified savings areas over the life of the strategy Joseph Holmes Transformation Programmes for services to reduce costs and improve service delivery Joseph Holmes	8 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0024	Business Continuity Risk	<p>There is an issue around the lack of Business Continuity Plans. These plans and the management of these plans are required to ensure that in the event of an "emergency" that the council and its suppliers maintain at least a minimum of service. A Business Continuity Working Group has been set up and the business critical services have been identified. The Business Continuity Plans have been submitted to Corporate Management Team and approved. There does not appear to be a clear escalation procedure in response to accidents or emergencies.</p>	<p>The lack of a robust business continuity plan that has been communicated to all that are involved could mean that in the event of an unexpected incident the Council or its contractors are unable to provide the required services. This would result in negative publicity and possibly put vulnerable service users at risk. Appropriate responses to incidents such as RTA's, flooding etc are not guaranteed</p>	16 - Very High	<p>Business Continuity Plans have been submitted to Corporate Management Team for approval.</p> <p>A Business Continuity Working group has been set up with representatives of all departments. This group is used to inform the plans and will continue to meet to update the plans as and when required.</p> <p>Provision of new Disaster Recovery capacity for the Council is included as a Project under the Transactional Services Phase 2 Service Improvement Plan. It has been provisionally costed by arvato and is funded from a capital bid.</p> <p>All BIA's have been reviewed.</p> <p>Key service criteria been established for IT and accommodation, key suppliers identified</p> <p>We have shared our plans with Avarto</p>	12 - High	<p>Identification of realistic Recovery time Objectives Simon Pallett 31/03/2015</p> <p>Implementation of Disaster recovery Capacity Simon Pallett 31/03/2016</p>	4 - Low

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0031	The Financial Impact of Demographic change	<p>Demographic Change</p> <p>Many factors may affect the population of Slough and generally this leads to an increase in the resident population.</p> <p>An increase in the population puts pressure on the vast majority of the services offered by the Council</p> <p>Schools places strategy</p>	<p>Housing: increase in demand for housing including temporary housing, and increases pressure on those regulating Housing standards</p> <p>Benefits: There are more people claiming benefits via the Council</p> <p>Education: An increase in population may have the affect of skewing the estimates of population made and therefore leading to a short fall in school place.</p> <p>Waste Disposal: An increasing population leads to more demand for waste disposal</p> <p>Education: Increased demand for school places and through increased children's social care and Special Education Needs costs</p>	9 - High	Housing performance information Benefits caseloads monitoring	9 - High	<p>Creation of Free schools</p> <p>Jane Wood</p> <p>Reprocurement to be led by Waste Strategy & Contracts Manager to incorporate issues identified.</p> <p>Nick Hannon 31/03/2015</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0034	Loss of IT / Communication facilities	<p>Delivery of an Information and Communication Technology function that is robust and has the capacity to meet the needs of the organisation.</p> <p>There is a staff /skills capacity issue which is affecting the section's ability to respond to the Council's Transformation and Change agenda and its ability to deliver the ongoing Information Technology programme of work.</p> <p>A full Disaster Recovery Plan is required for the Council's Information Technology systems.</p> <p>There are a number of bespoke Information Technology systems that require specialist niche skills to support and that are unable/costly to interface with each other.</p> <p>The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space.</p>	Information Commissioner will criticise and possibly impose fine Increased vulnerability to staff and clients damage to reputation	12 - High	<p>Council policies to be finalised and distributed to staff after approval from Info Governance Board.</p> <p>Mandatory Information Security E Learning module to be completed by all staff (SBC & avarto) and Members With annual refresher) It infrastructure improvement plan in place. avarto responsibility to upgrade systems and server network. Governance board established monthly meeting to be held to review progress.</p> <p>Procurement process initiated. In process of evaluating tenders. avarto looking to provide interim solution.</p> <p>The IT Strategy (incorporating IT Governance) was approved by CMT and published on July 18th. Bid for additional fixed term resource to tide over period of high transformational activity IT Governance Board to review and prioritise and control the size of the program</p>	8 - Medium	<p>Council policies to be finalised and distributed to staff after approval from Info Governance Board.</p> <p>Roger Parkin 31/03/2015</p> <p>Large SAN as Phase 2 avarto project</p> <p>Simon Pallett 31/03/2015</p> <p>IT Technical Strategy to be reviewed and agreed with avarto</p> <p>Simon Pallett 31/03/2015</p> <p>Key Performance Indicators, for service area to be baselined 1st year. Monitoring tools to be implemented as phase 2 activity</p> <p>Simon Pallett 31/03/2015</p> <p>SAN to be commissioned</p> <p>Roger Parkin 29/08/2014</p>	4 - Low

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					Transfer responsibility for delivery of service to avarto ensuring required service is fully defined and KPIs set to measure performance. Key policies updated and distributed Governance Board now created Interim SAN now commissioned and implemented			
ORG0035	Adult Social Care Safeguarding	Serious safeguarding, public protection or other failure. Adult Safeguarding Board is going through a period of development in order for it to provide a strong governance for Safeguarding in Slough and in preparation for the incoming (draft) Care and Support Bill in which Statutory Partners will have a duty to co operate. In order to deliver effective safeguarding, agencies need to work within a context of agreed policies, procedures and practice and share information which informs the quality of care provision in Slough.	Serious failure in safeguarding has a devastating effect on the individual and the community and undermines organisational credibility	8 - Medium	Governance via Safeguarding Adults Board Business Plan - oversight of delivery via new Executive Group Enhanced care governance group Team put in place in 2013 to implement new ways of working.	4 - Low	Safeguarding Action Plan Alan Sinclair 31/10/2014	4 - Low

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0037	Statutory & Regulatory Change	<p>The Government has introduced a raft of Welfare Reforms including universal credit, limiting benefit paid to allow for one bedroom per person in a household</p> <p>Impact of Governments reforms to Adult Social Care through Care Act 2014 and through the direction of the Better Care Fund</p>	<p>The current welfare reforms could lead to increased levels of poverty and debt amongst those claiming benefits tempting hard pressed families to go "loan sharks" increasing the spiral of poverty. It could also lead to increased levels of Housing Rent debt as benefit is paid to the claimant rather than the landlord.</p> <p>The reforms may also lead to London Borough's placing homeless people in Slough, thus reducing the capacity for Slough's own homeless persons, an increase in bed and Breakfast accommodation costs, and overcrowding in cheaper but smaller properties.</p> <p>There is thought to be an increased risk of fraud with the introduction of the universal credit IT system</p> <p>Increased pressure on the Welfare Rights section.</p> <p>Increased number of social care users and associated costs to the Council</p>	12 - High	<p>Pro Active measure by Welfare Unit</p> <p>Influencing the use of the Better Care Fund through working with partners</p> <p>Modelling the impact of the care Act on the social care services</p>	8 - Medium		8 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0039	Contract Management	<p>Internal audits completed in 2013 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed The latest internal audits on Procurement have been RED</p> <p>Copies of contracts are not always available and are not kept in a central repository. The system for amending contractor details or recording contractual changes is not sufficiently robust There is currently no assistant director taking control of Procurement and Contract management</p> <p>Copies of contracts are not always available and are not kept in a central repository. The system for amending contractor details or recording contractual changes is not sufficiently robust</p>	<p>Contractors/contracts are not monitored effectively. Contracts can not always demonstrate that they deliver Value for Money Copies of contracts mislaid and unable to be referred to in the event of a dispute with the contractor</p>	12 - High	<p>Action plans have been published for the audits and have recommendations for action . These have been allocated and assigned to the relevant Assistant Directors i.e. avarto – Neil Aves There are further action plans for Atkins which requires immediate attention avarto currently have a procedure in place for dealing with supplier request to change bank details. Procurement Business Case form to act as a mechanism to capture key details The draft Procurement Operating Procedures should be updated to reflect the process adopted for a request to a change to supplier Atkins audit finalised The recommendations raised in the 2013 audits have been implemented</p>	8 - Medium	<p>Contracts defined as 'most strategic' should have procedures to enable the contracts to be effectively managed</p> <p>Roger Parkin 31/03/2015</p> <p>Recruitment of an Assistant Director</p> <p>Roger Parkin 31/03/2015</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0040	Children's Services Risks	<p>Following the 2013 OFSTED inspection into Safeguarding where the Council were rated inadequate for the provision of Children's Services, a letter was issued from the DfE suggesting that the provision of children's services would be removed from the Council.</p> <p>The Government has clearly signalled their intent to move Children's Social Care away from the Council's direct management.</p>	<p>Greater pressure is put on all other Council services through having to make higher levels of saving on a much lower overall budget base</p> <p>The Council loses control over the delivery of this service.</p> <p>The council will need to re-organise its support services as these may also be transferred; this could lead to less resilience</p> <p>There is a strong possibility that once the service is delivered by a third party it may be a long time before it comes back "in-house"</p> <p>The transfer may be complicated by the fact that parts of the wider children's service provision has been outsourced to Cambridge Education</p> <p>In the time and the actual transfer the delivery of the service may suffer due to loss of staff and staff morale.</p> <p>Reputational damage to Council, Members, and staff</p> <p>There is also an issue around the ability to meet the Transfer date of September 2015</p> <p>Issues around transfer of confidential data, ability of new organisation to attract staff, willingness of SBC to contract with new organisation</p>	24 - Very High	<p>Transition Project led by Strategic Director of Customer and Community Services. The Transition Board has a detailed risk register</p> <p>Reports to Overview and Scrutiny February 2015</p> <p>Memorandum of understanding established to help mitigate risks</p> <p>The cost of "back-filling" posts will be met by Secretary of State</p> <p>The Council have appointed external lawyers to lead on negotiations pertaining to the drafting of a contract for the new organisation and to protect the interests of the Council for strategic partnerships already in place with external providers.</p> <p>Joint workshops have taken place to help inform the detail of the draft high level project plan, Stakeholder Engagement Plan, Risk Management Matrix and the Governance arrangements of the project.</p> <p>Four work streams have been identified these are; Legal, Communications, Finance and HR</p>	15 - Very High		15 - Very High

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0041	Insufficient staff resources/capacity	The organisations capacity to deliver current operations and "conduct major change activities"	<p>Inability to deliver the required organisational and operational changes to meet the financial challenges from the Government and changing expectations from the 5 year plan.</p> <p>Work Related consequences: Stress related illnesses/behaviours Resentment Departure of best talent Poor performance Failures of judgement</p>	15 - Very High	<p>Clearly articulated 5 year plan and outcomes focus</p> <p>Increased collection rates and tax bases mitigate some of the financial pressures</p>	12 - High	<p>Effective workforce strategy and action plan articulated across the organisation</p> <p>CMTMembers 31/03/2015</p> <p>Assess the capacity for both normal operations and carrying key organisational change initiatives</p> <p>CMTMembers 31/03/2015</p>	12 - High

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SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued (by the Commission) in consultation with the relevant grant paying bodies. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the audit procedures specified within the Certification Instruction, the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified based on the audit work completed. Sample sizes used in the work on the housing benefit subsidy claim and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report shows the Council's progress against the action plan included in the predecessor auditor's Grant Claims and Returns Certification report (presented to the Audit and Risk Committee in November 2013). Appendix II contains an action plan and recommendations made following our audit of claims and returns for the period ended 31 March 2014.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEES

	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy *	14,423	29,345
Pooling of housing capital receipts	405	1,779
TOTAL SCALE FEE	14,828	31,124

* To be advised - we are in the process of agreeing the final fee with management

Teachers' Pension Return

The audit of the Teacher's Pension Return was removed from the Audit Commission regime in 2013/14 and is not included in the scale fee. However, the Department for Education requires the return to be audited and a separate term of engagement was agreed in accordance with the scope of work specified by the Government department. The fee for this work was £3,500.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	FINAL VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	74,778,460	Yes	Yes	289
Pooled housing capital receipts	2,029,170	No	No	0
Teachers' pensions return	7,730,090	Yes	Yes	997

Detailed Findings

Below are details of each grant claim and return subject to certification by BDO for the period ended 31 March 2014. Where our work identified matters which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

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Housing benefit subsidy

Local authorities responsible for managing housing benefit schemes are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to audit certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.

Findings and impact on claim

Our audit of 60 individual claimant files highlighted a number of errors in the Council's benefit administration and subsidy entitlement calculations. The errors mainly involved the incorrect recording of information (such as the classification of expenditure, property types and benefit overpayments). The Audit Commission requires that where errors are not considered to be 'isolated', additional samples are drawn and reviewed by the Council. We then review such work and the impact of the error is quantified by extrapolating the test results. Accordingly, the Council's transactional services provider reviewed over 280 additional cases covering all benefit types. The outcome is the same as the prior year when over 280 additional housing benefit cases were reviewed because of identified errors.

The Audit Commission requires auditors to re-perform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council's transactional services provider. Our work was completed satisfactorily and the claim was certified before the Government's deadline of 30 November 2014. Our audit certificate was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions (DWP). The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year. Our qualification letter covered all of the benefit types awarded by the Council, as summarised overleaf.

Benefit type	Error type	Impact on claim
HRA rent rebates - eligible overpayments	The Council misclassified overpayments between those eligible for subsidy (40% of expenditure) and local authority error (which does not attract any subsidy)	Based on our extrapolation of errors, we estimated the Council overstated the amount of eligible overpayments by £2,160 and correspondingly understated the amount of local authority error overpayments.
Rent allowances	The Council overpaid benefit when calculating the impact of the earnings of three self-employed claimants from an extended sample of 60 cases.	Based on our extrapolation of errors, we estimated the Council overstated the amount of local authority housing allowance expenditure by £14,708 and correspondingly understated the amount of local authority error overpayments for rent allowances.
	The Council underpaid benefit it applied to a claimant's earnings disregard incorrectly.	There is no impact on the Council's entitlement to subsidy where an underpayment of benefit arises.
Non-HRA Rent Rebates	The Council overpaid benefit when calculating the impact of the earnings of two claimants from an extended sample of 60 cases.	Based on our extrapolation of errors, we estimated the Council overstated the amount of Non HRA Rent Rebate expenditure by £644 and correspondingly understated the amount of local authority error overpayments for Non HRA rent rebates expenditure.
	The Council included properties which should have been classified as rent allowances expenditure in Non HRA Rent Rebate expenditure.	The total expenditure on Non-HRA rent rebates was overstated by £239,272. Correspondingly, expenditure on rent rebates benefit was understated by £124,901 and expenditure on rent allowances was understated by £114,371.
	The Council misclassified subsidy when calculating the maximum weekly amount and subsidy cap for seven claimants from an extended sample of 60 cases.	Based on our extrapolation of errors, we estimated the Council overstated the amount of expenditure up to the appropriate local housing allowance (LHA) rate by £12,913 (attracts 100% subsidy) and understated expenditure above the appropriate LHA rate (which has no entitlement to subsidy).
	The Council underpaid benefit it applied to a claimant's earnings disregard incorrectly.	There is no impact on the Council's entitlement to subsidy where an underpayment of benefit arises.

Pooling of housing capital receipts

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The information in these returns is subject to certification on an annual basis.

Findings and impact on return

Our audit did not identify any issues and the return was certified without qualification or amendment.

Teachers' pension contributions

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employers' contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYCa is certified but the work is not part of the Audit Commission's certification regime. We therefore agreed a separate term of engagement for this work and provided a limited assurance audit report before the Government's deadline for submitting the audited return.

Findings and impact on return

The return was amended because the amount of contributions paid in the year was understated by £997.

Our limited assurance audit report was qualified because the Council could not evidence that contributions administered by other payroll providers were complete and accurate. This is a financial control issue and our audit did not find any errors in the amount of contributions deducted from teachers' pay.

APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
<p>Housing benefit claim</p> <p>The Council should undertake a review of the issues raised in our qualification letter and ensure the necessary action is taken to ensure these do not recur.</p>	High	A review of all the issues raised in the qualification letter has already started and the aim is to have reviewed and where necessary corrected relevant areas before the 2013/14 claim is submitted.	SBC transactional services client team / SBC transactional services provider	March 2014	<p>Our audit continues to find a high number of errors, particularly in the administration of Non-HRA Rent Rebates expenditure.</p> <p>The recommendation has not been fully implemented and is repeated at Appendix II.</p>
<p>Pooling of capital receipts return</p> <p>Management should ensure that all entries in the return are fully reconciled in supporting working papers and that they agree to the working workings prepared for the financial statements audit.</p>	Medium	A review of the 2012/13 Pooling Working papers has commenced with the objective that that in future working papers can more easily be reconciled to the Statement of Accounts. The 2013.14 working papers will be compiled by the Principal Accountant for Capital and Treasury and reviewed for compliance with the recommendation by the Financial Controller.	Financial Controller	March 2014	The recommendation has been implemented.

APPENDIX II: 2013/14 ACTION PLAN

HOUSING BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our audit found a high number of errors in the administration of housing benefit by the Council.	<p>The Council should undertake a review of the issues raised in our qualification letter and ensure the necessary action is taken to ensure these do not recur.</p> <p>In particular, the Council should review the classification of property types between Non HRA rent rebates and other benefit types.</p>	High	Agreed. Transactional services require supporting documentation before setting up respective claims.	SBC transactional services client team / SBC transactional services provider.	March 2015
TEACHER'S PENSION RETURN					
Our limited assurance audit report was qualified because the Council could not evidence that contributions administered by other payroll providers were complete and accurate.	The Council should evidence its review of information submitted by other payroll providers.	High	Partially agree - review where SBC has access to payroll providers information	SBC transactional services client team / SBC transactional services provider.	March 2015

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

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 12th March 2015

CONTACT OFFICER: Joseph Holmes; Assistant Director Finance & Audit, 151 Officer
(For all enquiries) (01753) 875300

WARD(S): All

PART I
FOR DECISION**INTERNAL AUDIT STRATEGY 2015-16****1 Purpose of Report**

The Council is required to have an effective internal audit function. As part of the role of internal audit, there needs to be a strategy for the year ahead setting out the audits due to be undertaken for 2015-16.

2 Recommendations

The Audit & Risk Committee is requested to resolve to comment upon, and potential amend, the internal audit strategy.

The Audit & Risk Committee is requested to resolve to approve the internal audit strategy.

3 Sustainable Community Strategy Priorities

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

Priorities:

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

3b Five Year Plan Outcomes

The Internal audit strategy supports all of the five year plan outcomes. The strategy is driven, in part, by the five year plan, and includes a specific audit to review the governance around the delivery of the plan and the outcomes that support it.

4 Other Implications**(a) Financial**

The internal audit strategy scope is deliverable within the current budget.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal		
Property		
Human Rights		
Health and Safety		
Employment Issues		
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial		
Timetable for delivery		
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

These are covered within the Internal Audit Strategy.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA

5 Supporting Information

5.1 The Council must put in place a summary for the internal audits to be completed for the year ahead. The strategy for those audits included is based upon:

1. Audits which support the delivery of the Five Year Plan
2. Audits which are focussed on the risks included within the Corporate Risk Register
3. Audits which are required by our external auditors, to enable them to place reliance upon the internal controls operated by the Council.

5.2 The Internal Audit Strategy is included at Appendix A and sets out the detail and the days per audit, for the year ahead. The Strategy has been discussed with respective directorates and CMT before being presented to the Audit & Risk Committee.

6 Comments of Other Committees

None

7 Conclusion

The Internal Audit Strategy is balanced across the three drivers of the strategy and is recommended for approval by the Audit Committee.

8 **Appendices Attached**

'A' - Internal Audit Strategy

9 **Background Papers**

'1' - Five Year Plan

'2' - Q3 Governance report: 2014-15

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Slough Borough Council

DRAFT Internal Audit Strategy 2013/2014 - 2015/2016

Presented at the CMT meeting in February 2015

Presented at the Audit and Risk Committee
meeting of: 12th March 2015

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Internal Plan approved by: Daniel Harris

Baker Tilly Risk Advisory Services LLP, March 2015

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 our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

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1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2013/2014 – 2015/2016 and the annual plan for 2015/2016.

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: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Slough Borough Council has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Committee. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Board to support its Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. In developing our Audit Strategy for the Council and in particular our Internal Audit Plan for 2015/16 we have taken into consideration the following:

- Five Year Plan 2015-19
- Corporate Risk Registers
- Directorate Risk Registers

In preparing the strategy and the annual internal audit plan, we met with:

- Joseph Holmes, Assistant Director, Finance & Audit (Section 151 Officer)
- The Corporate Management Team
- Resources, Housing and Regeneration Senior Management Team
- Customer and Community Services Senior Management Team
- Chief Executive's Senior Management Team

The key areas / factors are summarised below.

Key areas discussed and their impact on the 2015/2016 internal audit plan

- 1 The Councils **Five Year Plan 2015-19** is a key document which will drive the future direction of the Council going forwards. We have therefore included an audit which is specifically linked to outcomes set within the plan. The focus of the audit will be to provide assurance that the Council has established effective project planning and performance management processes to ensure the delivery (and measurement) of these outcomes. It is intended that over the next three years that all outcomes within the plan will be subject to an internal audit review.

-
- 2 Our audits undertaken in 2014/15, as with the previous years, identified a number of significant weaknesses in the **contract management** processes in the Council. We have discussed this subject with the Assistant Director – Finance and Audit and rather than undertaking similar reviews on different contracts in 2015/16 we have agreed to review how the Council is taking forward the recommendations made within our previous audits in respect of developing an improved process for contract setting and management going forwards. In addition, we are also intending to undertake advisory reviews into the **pre-contract letting processes** to provide assurance that this is being undertaken in accordance with good practice and that the council is taking adequate steps to ensure new contracts are not let with similar weaknesses identified in a number of our previous reviews.
-
- 3 **Business Continuity** and **Disaster Recovery** have been highlighted as areas of key risk on the Corporate Risk Register and therefore we are intending to undertake an audit to provide assurance over the effectiveness of the these arrangements. We are also proposing to review how the Council is progressing with the implementation of its **IT Strategy** to provide assurance that key information technology risks are being managed effectively and that appropriate assurance are being received.
-
- 4 **The Care Act** represents a significant statutory change and will require the Council to implement major changes in system processes and the way that staff are required to work. We are therefore proposing to audit how the Council is managing the implementation of this act and have had specific requests from management to provide some independent scrutiny in this area.
-
- 5 The requirement for independent reviews to enable the Council to sign off declarations on the **Schools Financial Value Standard (SFVS)**. We also continue to deliver a number of audits at the **Schools** and we have also agreed to carry out a **thematic review** relating to purchasing across the schools to ensure that purchasing power is being realised and value for money obtained.
-
- 6 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 and that the risk registers are reflective of the risks faced by the Council. Furthermore, we will also provide some challenge around the effective capturing and use of assurances.
-
- 7 **ERP**: The Council is upgrading to the Agresso system during the year and the Assistant Director, Finance and Audit has requested that Internal Audit provide ongoing assurance of the implementation of the project including:
- a) A review of balances brought forward
 - b) Some real time auditing when the system is being developed and transferred
 - c) A review of the robustness of the overall project management and governance arrangements
-

The strategy is set out at Appendix B, with the detailed internal audit plan for 2015/2016 set out at Appendix C.

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

- Planned assurance on core areas of activity;
- Time to follow up previous recommendations and actions to provide the Assistant Director Finance and Audit and the Audit and Risk Committee with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used at Partner and Senior Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at Audit and Risk Committee.

2 Assurance Resources

2.1 Your Internal Audit Team

Your internal audit team is led by Dan Harris as Head of Internal Audit.

Your Senior Manager is Chris Rising.

Your Assistant Manager is Amir Kapasi.

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.

2.2 Working with other assurance providers

We intend to meet with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

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

2.3 Considerations for the Audit and Risk Committee

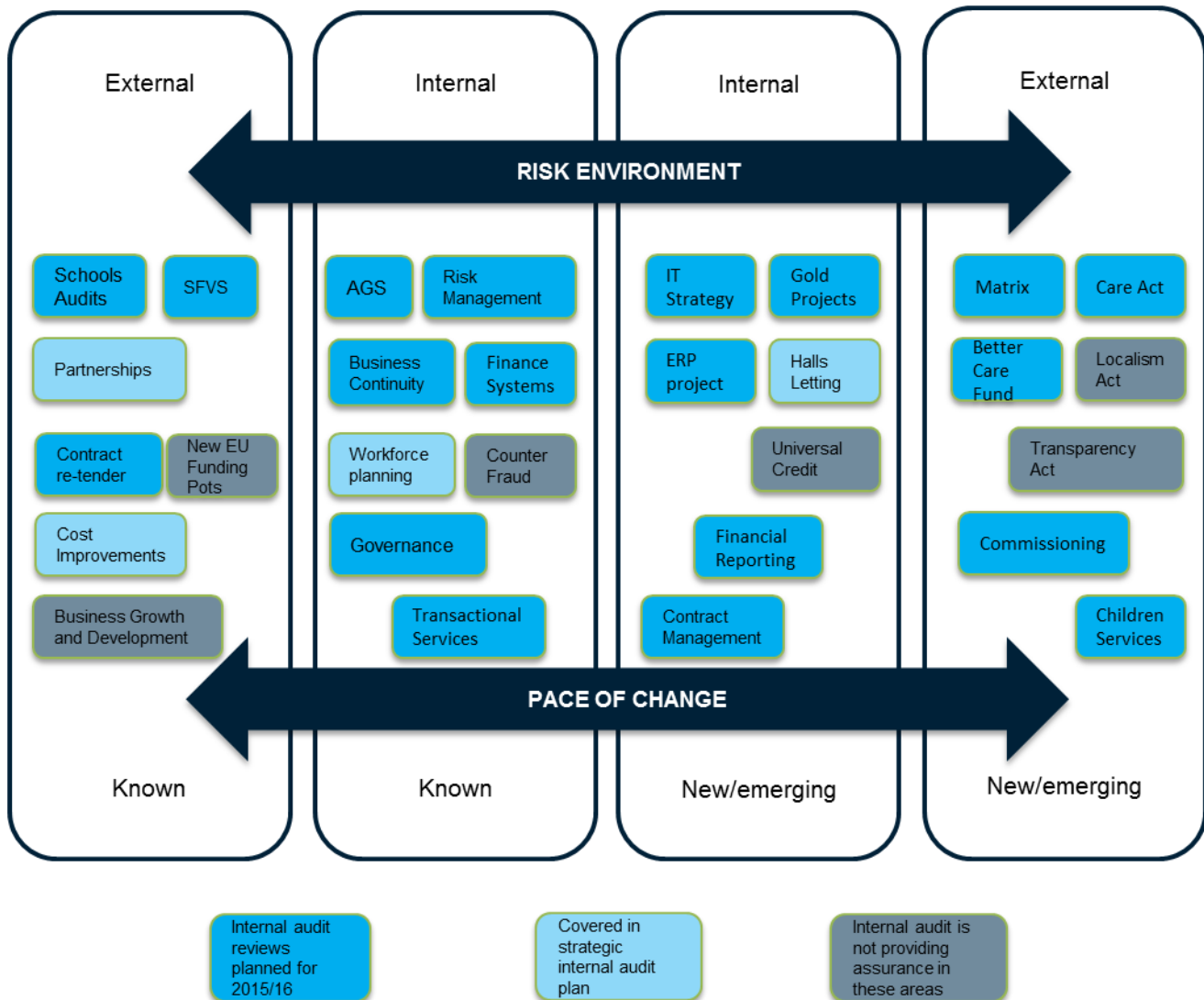
Is the Audit and Risk Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?

Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Audit and Risk Committee?

Does the internal audit plan for 2015/2016 (Appendix C) reflect the areas that the Audit and Risk Committee believes should be covered as priority?

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 dark blue) are those where internal audit coverage is planned in the coming year.



Appendix B: Internal Audit Strategy 2013/14 – 2015/16

Auditable Area	2013/14	2014/15	2015/16
Chief Executive Directorate			
Partnership Arrangements		✓	
Gold Projects / Project Management	✓		
5 year plan outcomes			✓
Health & Safety	✓		
Workforce Planning and Use of Agency	✓		
Training and Development	✓		
Recruitment			✓
Annual Governance Statement	✓	✓	✓
Governance	✓	✓	✓
Declarations of Interest	✓		
Matrix - recruitment of agency / interim staff			✓
Lone Working Procedures		✓	
Employment Tax Follow Up			✓
Wellbeing Directorate			
Contract Management - Block Contract Nursing Homes	✓		
Direct Payments		✓	
Data Protection Act – Children's Services		✓	
Troubled Families – Process & Validation Exercise	✓	✓	
Mallard's Children's Home		✓	
Children's Services Procurement	✓	✓	
Safeguarding Based Review (Adult Safeguarding)	✓		✓
Commissioning of Services			✓
Implementation of the Care Act			✓
Better Care Fund			✓
Due Diligence of Children's Services Organisation			✓
Fee Increase Project	✓		
Educational Services Contract Management Arrangements		✓	
Schools Audits			
Schools Audits	✓	✓	✓
Schools Thematic Review			✓
Demand for Schools Places			✓
Customer & Community Services Directorate			
Freedom of Information Compliance	✓		

Auditable Area	2013/14	2014/15	2015/16
Business Continuity and Disaster Recovery Arrangements			✓
Data Protection / Security		✓	
IT Strategy			✓
IT Applications Review	✓		
arvato – Governance Structure Setup Arrangements		✓	
Hiring of Council Buildings (Halls Lettings)			✓
Carbon Reduction Programme		✓	
Trading Standards	✓		
Blue Badges	✓		
Youth Service	✓		
General IT Coverage	✓	✓	
Purchase cards / credit card expenditure		✓	
arvato Performance Management	✓	✓	
Procurement	✓	✓	
Contract Management	✓	✓	✓
Resources, Housing & Regeneration Directorate			
Performance Management		✓	
Data Quality	✓	✓	
Risk Management	✓	✓	✓
Re-tendering and packaging of contracts			✓
ERP project			✓
Council Tax – Implementation of new rules	✓		
VAT / Pensions	✓	✓	
Atkins Limited – Contract Management & 3 rd Party Procurement	✓	✓	
School's Financial Value Standard (SFVS)	✓	✓	✓
Contract Management Arrangements – Amey Plc	✓	✓	
Financial Controls / System Based Audits			
General Ledger	✓	✓	✓
Creditors	✓	✓	✓
Treasury Management	✓	✓	✓
Debtors and Cashiers	✓	✓	✓
Asset Register	✓	✓	✓
Cash Collection and Management	✓	✓	✓
Housing Benefit	✓	✓	✓
Payroll	✓	✓	✓
Council Tax	✓	✓	✓
Rent Accounts	✓	✓	✓
Business Rates	✓	✓	✓

Auditable Area	2013/14	2014/15	2015/16
Budget Setting including Savings Plans Development	✓	✓	✓
Budgetary Control & Financial Reporting	✓	✓	✓
Capital Expenditure	✓	✓	✓
Other Internal Audit Activity			
Grant Expenditure		✓	✓
Cheque Payments			✓
Follow Up	✓	✓	✓
Management and Meeting attendance	✓	✓	✓
Audit Management	✓	✓	✓

Appendix C: Internal Audit Plan 2015/2016

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
Chief Executive Directorate				
Governance	Coverage: to provide assurance over the effectiveness of governance arrangements within the Council. The area of coverage to be determined nearer the audit commencement date following discussions with Council staff.	Assurance	Q3	December 2015
Annual Governance Statement	Coverage: To assist the Council in the production of the Annual Governance Statement for 2015/16.	Advisory	Q4	March 2016
Matrix – management of agency staff	Coverage: To review those staff who are contracted through Matrix to ensure that these are not retained on an agency/interim basis for excessive periods, and that the costs of these staff are subject to regular review within the Council.	Assurance	Q1	September 2015
5 year plan outcomes	Risk The organisations capacity to deliver current operations and "conduct major change activities " Reference: Slough will be one of the safest places in the Thames Valley (five year plan objective 4) Coverage: To provide assurance that the Council has in place effective processes to ensure the delivery of outcome 4 of the 5 year plan, including: Project management arrangement; Performance management and monitoring of the effectiveness of partnership arrangements Accommodation Strategy Coverage: to provide assurance that the Council has effective processes in place to enable the successful delivery of the accommodation strategy.	Assurance	Q2	September 2015
Recruitment	Coverage: The council are in the process of moving from a paper based recruitment process to an electronic system. We will provide assurance to the Council that effective processes have been put into place and are working.	Assurance	Q2	December 2015
Employment Tax Follow Up	Coverage: To follow up on the implementation of recommendations made as part of the previous review in 14/15.	Assurance	Q1	September 2015
Wellbeing Directorate				
Commissioning	Risk: Commissioning arrangements are not of consistent quality. Contracts and grant funded suppliers fail to deliver key services that are effective and deliver to Council priorities	Assurance	Q3	December 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	<p>Ensure that commissioning arrangements are robust, monitoring to ensure effective service deliver within agreed time scales.</p> <p>Coverage: To provide assurance that there are effective systems in place to ensure the commissioning of services for the Council.</p>			
Implementation of the Care Act	<p>Risk: Social Care Act - the most significant statutory change in since 1948 – requiring extensive redesign, training of staff and ICT change programmes with a limited lead.</p> <p>Coverage: To ensure that the Council has established effective mechanisms to ensure the implementation of the requirements of the Care Act.</p>	Assurance	Q3	December 2015
Better Care Fund	<p>Risk: Impact of Governments reforms to Adult Social Care through Care Act 2014 and through the direction of the Better Care Fund</p> <p>Coverage: To provide assurance that the Council has in place effective systems to ensure the effective use of the Better Care Fund through working with partners.</p>	Assurance	Q2	March 2016
Due Diligence of Children's Services Organisation	<p>Risk: Following the 2013 OFSTED inspection into Safeguarding where the Council were rated inadequate for the provision of Children's Services, a letter was issued from the DfE suggesting that the provision of children's services would be removed from the Council. The Government has clearly signalled their intent to move Children's Social Care away from the Council's direct management.</p> <p>Coverage: To undertake a due diligence review of the new organisation being set up to provide Children's services across Slough. To provide some independent assurance to the Section 151 Officer regarding the expenditure of public funds.</p>	Advisory	Q2	September 2015
Adult Safeguarding	<p>Risk: Serious failure in safeguarding has a devastating effect on the individual and the community and undermines organisational credibility.</p> <p>Coverage: To provide assurance that the Council has effective systems in place to ensure the safety of vulnerable adults within the Borough.</p>	Assurance	Q1	September 2015
Schools				
Schools Audits	Coverage: To provide assurance over the effectiveness of governance and financial management arrangements within schools.	Assurance	Q1 – Q3	Throughout

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	<p>A schedule of the proposed schools for audit during 2015/16 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 including Procurement arrangements • Safeguarding 			
<p>Schools Thematic Reviews</p>	<p>Coverage: to review the extent to which the Council manages key areas of risk e.g. procurement across all of the schools under local authority control and ensures that best practice is being complied with and that value for money is being achieved.</p>	<p>Advisory</p>	<p>Q1</p>	<p>September 2015</p>
<p>Customer and Community Services Directorate</p>				
<p>Contract Management – Delivery of improvement actions</p>	<p>Risk: Internal audits completed in 2013 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed The latest internal audits on Procurement have been RED. Copies of contracts are not always available and are not kept in a central repository. The system for amending contractor details or recording contractual changes is not sufficiently robust.</p> <p>Coverage: to provide assurance that actions are being taken across the Council to ensure future improvements in the management of contracts in line with recommendations made within our audits.</p>	<p>Assurance</p>	<p>Q3</p>	<p>December 2015</p>
<p>IT Strategy Implementation</p>	<p>Risk: Delivery of an Information and Communication Technology function that is robust and has the capacity to meet the needs of the organisation. There is a staff /skills capacity issue which is affecting the section's ability to respond to the Council's Transformation and Change agenda and it's ability to deliver the ongoing Information Technology programme of work.</p> <p>Coverage: to provide assurance that the Council has effective systems in place to ensure the delivery of the IT strategy, including where this has been outsourced to arvato, and that delivery of this strategy</p>	<p>Assurance</p>	<p>Q2</p>	<p>December 2015</p>

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	is being effectively monitored.			
Business Continuity and Disaster Recovery	<p>Risk: A full Disaster Recovery Plan is required for the Council's Information Technology systems. There are a number of bespoke Information Technology systems that require specialist niche skills to support and that are unable/costly to interface with each other. The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space.</p> <p>Coverage: To provide assurance over the effectiveness of the Councils Business Continuity and Disaster Recovery arrangements.</p>	Assurance	Q1	September 2015
Hiring of Council Buildings (Halls Lettings)	<p>This audit was carried out because concerns have been raised over the consistency in charges being applied to community based council buildings that are available for hire.</p> <p>This review was specifically requested by the Corporate Management Team for inclusion in the 2015/16 Internal Audit plan.</p>	Assurance	Q2	December 2015
Resources Housing & Regeneration Directorate				
Risk Management	Coverage: A maturity review to consider the approach to risk appetite and identifying controls and assurances on key risks.	Assurance	Q3	March 2016
Contract Letting Assurance	Coverage: To provide proactive advice and support to the Council as part of the re-procurement of significant contracts to provide assurance that key stages of the contract procurement process are being undertaken in accordance with best practice. The audit will also consider whether the Council has in place effective mechanisms to determine which services should best be provided through an out-sourced provider and which can be delivered in-house.	Advisory	Q1-4	Ongoing
ERP project	Coverage: To provide ongoing advice and support to the Council over the implementation of the ERP project. The audit will be undertaken through a phased approach with assurance provided to the Council following the completion of key stages of the project.	Advisory	Q1-4	Update provided to each Audit Committee meeting.

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	<p>Some potential testing:</p> <ul style="list-style-type: none"> a) Balances carry forward testing (for external audit to rely on) b) Some real time auditing on when the system is being developed and transferred (also for external audit reliance) c) Review of programme governance and outcomes to measure the success of the project (to be undertaken early in the project). 			
Schools Financial Value Standard (SFVS)	<p>Coverage: 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	Q1	June 2015
Housing Benefit	<p>Coverage to meet External Audit / Regulatory Requirements and any management concerns.</p>	Assurance	Q3	March 2016
Council Tax		Assurance	Q3	March 2016
Business Rates		Assurance	Q3	March 2016
Rent Accounts		Assurance	Q3	March 2016
Payroll		Assurance	Q4	March 2016
Creditors		Assurance	Q4	March 2016
Income & Debt Management		Assurance	Q4	March 2016
Cash Collection & Management		Assurance	Q3	December 2015
Treasury Management		Assurance	Q3	March 2016
General Ledger		Assurance	Q3	December 2016
Asset Register		Assurance	Q4	March 2016
Capital Expenditure		Assurance	Q3	March 2016
Budget Setting including Savings Plans development	<p>Risk: Continued reduction to the Council's budget leaving to increased levels of service reductions and organisational wide transformation. The requirement for balanced corporate strategy that seeks to address the needs of vulnerable individuals whilst ensuring appropriate levels of service provision for the universal services.</p> <p>Coverage: The audit will consider the following:</p>	Assurance	Q1	September 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	<ul style="list-style-type: none"> The effectiveness of the budget setting process; The development of CIPs and the robustness of the assumptions behind these; The involvement of budget holders in the development of budgets; The budget sign off approval process. 			
Budgetary Control and Financial Reporting	<p>Risk: In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year.</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	Q3	March 2016
Other Internal Audit Activity				
Grant Expenditure	To provide assurance that Grant expenditure has been carried out in accordance with its original purpose.	Advisory	Q2	December 2015
Cheque Payments	<p>Coverage to determine the extent of cheque payments being made by the Council. This will include a comparison with a sample of other local authorities to determine if Slough are out of line with the average.</p> <p>We will also consider the level of BACS payments and provide some estimation of the efficiency saving to be achieved by improving the level of BACS payments.</p>	Advisory	Q2	September 2015
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow Up	Q3 – Q4	March 2016
Management Meeting attendance	Management Meetings (Berkshire Audit Group, Risk Management Group, Schools Forum, Bursars Forum, SMT, DMT, CMT and other internal meetings where attendance is requested)	-	Q1 – Q4 – ongoing throughout the year	N/A
Management	This will include: Annual planning Preparation for, and attendance at, Audit Committee Regular liaison and progress updates Liaison with external audit and other	-	Q1 – Q4 – ongoing throughout the year	All audit and risk committees.

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	assurance providers Preparation of the annual opinion			

Appendix D: Additional Audits for consideration in 2015/2016

The following are a list of audits which were proposed to address specific risks at the Council during the planning process. These audits were not approved by officers to be included within the agreed audit plan for 2015/16 due to resource constraints and areas of higher priority.

Audit	Internal Audit Coverage	Assurance / Advisory
Sickness and Absence Management	Coverage: to provide assurance that the Council has effective processes in place to address and manage increasing levels of sickness absence	Assurance
Demand for School Places	Risk: Education: An increase in population may have the affect of skewing the estimates of population made and therefore leading to a short fall in school place. Coverage: To provide assurance that the Council has effective systems in place to ensure that numbers of school place available is reflective of the needs of the local population.	Assurance
Supporting Living	Background: Excessive costs (£000's) have been incurred through poor management at other Berkshire Local Authorities where contract providers have not been appropriately managed. This review would Coverage: This review would determine whether the Council is making payments as per hours received by customers rather than as per agreed service plans.	Assurance
Public Health	Coverage: A review to consider how management are assured that public health services are being effectively delivered in the community.	Assurance
Adult Social Care – Lean Thinking	Coverage: An advisory review to consider how the service can work more efficiently.	Advisory
Leisure Strategy – Community Based Leisure Delivery	Coverage: The Council is reviewing the most effective method for the delivery of Community Based Leisure Services. The audit will provide assurance over the robustness of the business model which is being utilised to plan the delivery of future services and the revenue flows from these.	Assurance or Advisory
Adult and Community Learning	Coverage: the funding model for adult and community learning services is moving to a payment by results model. The audit will provide assurance that the Council has moved the model of service delivery to reflect this to ensure that services can continue to be delivered effectively within the budget provided.	Assurance
The Curve	Coverage: The Council has identified a shortfall in revenue for the Curve and are currently considering options regarding how this shortfall can be addressed. The audit will therefore consider whether the Council has established a robust process for exploring alternative revenue streams to enable the project to pay for itself in the future.	Advisory
Business Growth and Development	Outcome: Slough will be the premier location in the south east for businesses of all sizes to locate start, grow, and stay. (five year plan objective 1) Coverage: To provide assurance that the Council has in place effective processes to ensure the delivery of outcome 1 of the 5 year plan, including: <ul style="list-style-type: none"> • Project management arrangement; • Performance management and monitoring of the effectiveness of partnership arrangements 	Assurance

Appendix E: School Audit Coverage 2015/16

School Name	Proposed Timing (School Term)	Audit & Risk Committee
Nursery Schools		
Chalvey Early Years Centre (DFE: 1025)	Summer Term	TBC
Lea Nursery School (DFE: 1023)	Autumn Term	TBC
Slough Centre Nursery (DFE: 1020)	Autumn Term	TBC
Primary Schools (including Infants & Juniors)		
Claycots School (DFE: 2256)	Summer Term	TBC
Holy Family Catholic Primary School (DFE: 5202)	Summer Term	TBC
Khalsa Primary School (DFE: 3366)	Summer Term	TBC
Penn Wood Primary and Nursery School (DFE: 2255)	Summer Term	TBC
Pippins School (DFE: 5207)	Autumn Term	TBC
St Ethelbert's Catholic Primary School (DFE: 3363)	Autumn Term	TBC
Wexham Court Primary School (DFE: 2252)	Autumn Term	TBC

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 12th March 2015

CONTACT OFFICER: Joseph Holmes; Assistant Director Finance & Audit, 151 officer
(For all enquiries) (01753) 875300

WARD(S): All

PART I
FOR DECISION**EXTERNAL AUDIT PLAN: 2014-15 and 2015-16****1 Purpose of Report**

The Council is required to have an external audit every year. These papers set out the specific plans for 2014-15 and the indicative plan for 2015-16.

2 Recommendations

The Audit & Risk Committee is requested to resolve to comment upon, and potential amend, the external audit plans.

The Audit & Risk Committee is requested to resolve to approve the external audit plans.

3 Sustainable Community Strategy Priorities

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

Priorities:

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

3b Five Year Plan Outcomes

N/A

4 Other Implications**(a) Financial**

The external audit plan is showing a significant reduction in audit fees for 2015-16 following the audit Commission's most recent re-procurement of contracts.

Risk Management

Risk	Mitigating action	Opportunities
Legal		
Property		
Human Rights		
Health and Safety		
Employment Issues		
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial		
Timetable for delivery		
Project Capacity		
Other		

(b) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(c) Equalities Impact Assessment

There is no identified need for the completion of an EIA

5 Supporting Information

- 5.1 The full details of the plans are included in appendix A and B. The 2014-15 plan sets out the key areas that BDO will be looking over in the summer and during their interim audit. The last year's financial statements were approved by the s151 officer and the external auditor in line with timescales, but as per the previous meeting's report, there is still further work to be done to improve the Council's closure procedures further. In 2013-14, the Council's Value for Money was qualified in respect of Children's Social Care services and this has been highlighted in this report.
- 5.2 The 2015-16 planning letter highlights a high level overview of the audit plan along with indicative fees. These show a reduction of £49k due to the Audit Commission's re-procurement exercise for the 2015-18 external audits. BDO will remain the Council's external auditor over this period.
- 5.3 The Committee has received updates at recent committees about progress in improving the closedown procedures for 2014-15, and this will be reported verbally at the Audit Committee alongside the appendices to this papers.

6 Comments of Other Committees

None

7 **Conclusion**

For the Committee to approve the plan

8 **Appendices Attached**

'A' - External audit plan 2014-15

'B' - External audit planning letter 2015-16

9 **Background Papers**

None

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SLOUGH BOROUGH COUNCIL

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AUDIT PLAN TO THE AUDIT AND RISK COMMITTEE
Audit for the year ending 31 March 2015

February 2015

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EXECUTIVE SUMMARY

We are pleased to present our audit plan for the year ending 31 March 2015. This plan summarises the work that we propose to undertake in respect of our audit of Slough Borough Council for the 2014/15 financial year.

Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks that impact on our audit of which we are currently aware:

AREA OF AUDIT	SUMMARY OF SIGNIFICANT RISKS
Financial statements	<ul style="list-style-type: none"> Inherent risk of management override of controls Inherent risk of fraud in revenue recognition Financial Statements preparation, consistency of disclosures with underlying records, and implementing the improvement plan agreed following our audit of prior year statements Classification of income and expenditure in the Comprehensive Income and Expenditure Statement in respect of internal recharges Consolidation of schools' income, expenditure, working capital balances and reserves Addressing any accounting and disclosure changes required by the new definition of 'control' within International Financial Reporting Standard (IFRS) 10, 11 and 12, including the recognition of schools' non-current assets where schools control such assets.

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AREA OF AUDIT	SUMMARY OF SIGNIFICANT RISKS
Use of resources	<ul style="list-style-type: none"> Delivering the savings required by the Medium Term Financial Strategy and maintaining financial resilience in the light of reduced Government funding, demographic changes and the risks and uncertainties identified by the Council about the future cost and delivery of Children's Social Care Services Addressing the weaknesses identified by Ofsted in its inspection of Children's Social Care Services in November 2013; in the absence of sufficient evidence of improvement, there is a risk our value for money conclusion may be qualified (as in 2013/14) Addressing the weaknesses identified by Internal Audit in the Council's contract management arrangements to ensure that it is achieving value for money from such arrangements Achieving the objectives set for the Slough Wellbeing Board and developing appropriate governance arrangements for the full implementation of the Better Care Fund on 1 April 2015.

Fees

The proposed core audit fee for the year is £170,030 plus VAT, which agrees to the scale fee published by the Audit Commission.

This is £1,070 higher than the scale fee of £168,960 previously published by the Audit Commission, which we reported in our planning letter 2014/15. The increase is due to auditors no longer being required to undertake certification work on the national non domestic rates return, following the introduction of new arrangements for collecting and distributing business rates, and further audit work is now required in this area as part of the accounts audit.

The proposed fee for the certification of the housing benefits grant claim and pooled housing capital receipts return is £27,500 plus VAT, which agrees to the indicative scale fee published by the Audit Commission. This is £11,200 higher than the indicative scale fee of £16,300 previously published by the Audit Commission, which we reported in our planning letter 2014/15. The increase is due to a rebasing of the housing benefits grant claim fee to a level that better reflects the level of work required for certifying this claim.

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

Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2015
Final report to those charged with governance	September 2015
Independent auditor's report including: <ul style="list-style-type: none"> • Opinion on the financial statements • Value for money conclusion • Certificate 	By 30 September 2015
Assurance statement on the Whole of Government Accounts return	By 7 October 2015
Summary of findings from the audit in the Annual Audit Letter	October 2015
Report on the results of our grant claims and returns certification work	January 2016

SCOPE OF THE AUDIT

Purpose of the audit plan

The purpose of this audit plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2015
- Ensure that the areas of potential significant risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide a report to management and those charged with governance on the findings of the audit which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

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Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: providing an opinion on the financial statements, and reviewing the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

Respective responsibilities

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Auditing Standards require auditors to communicate relevant matters relating to the audit to those charged with governance. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. Communication may take the form of

discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

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

Financial statements

At the conclusion of the financial statements audit we give our opinion on the financial statements, including whether:

- they give a true and fair view of the financial position at the year end and the expenditure and income for the year
- they have been prepared properly in accordance with relevant legislation and applicable accounting standards

We also provide an opinion on whether the information given in the Explanatory Foreword is consistent with the financial statements.

We report by exception if we are unable to satisfy ourselves that the Annual Governance Statement is not inconsistent with our knowledge.

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.

In order to achieve an efficient and cost effective audit, we aim to work closely with Internal Audit to minimise duplication and the overall level of audit resource input.

We have planned the audit on the basis that we will be able to place full reliance on the work of Internal Audit where they intend to provide assurance over key controls within the financial systems.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to those charged with governance.

Misstatements due to fraud

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and the Audit and Risk Committee.

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the Assistant Director of Finance and Audit.

We will write to the Chairman of the Audit and Risk Committee to request confirmation of how the Committee oversees management processes to identify and respond to the risk of fraud, and whether there is knowledge of any actual, suspected or alleged frauds affecting the Council other than those reported by management.

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 we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

Materiality and triviality

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.

For planning purposes, we have set materiality at £4.2 million (1% of average gross expenditure in the Comprehensive Income and Expenditure Statement).

For reporting purposes, we consider misstatements of less than £84,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial that the Audit and Risk Committee are required to consider and we will request that you correct them.

Use of resources

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

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

We will plan a programme of use of resources audit work based upon our risk assessment.

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. 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 in accordance with the certification instruction issued by the Audit Commission. We express a conclusion as to 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).

Engagement partner

Robert Grant is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance and for the report that will be issued on behalf of the firm.

We aim to provide 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, Simon Michaels. Any complaint will be investigated carefully and promptly.

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

In addition, the Audit Commission’s complaints handling procedure is detailed in their leaflet “How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors”, which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

Local Audit and Accountability Act 2014

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The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015.

There will be a new framework for local public audit, due to start after the Audit Commission’s current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body will oversee the contracts in the intervening period. The transitional body is the Public Sector Audit Appointments Limited and is an independent, private company created by the Local Government Association.

Several of the Audit Commission’s functions will continue after its closure. The Local Audit and Accountability Act gave the Comptroller and Auditor General a duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources.

The Act also provides for the Audit Commission’s data matching powers, and therefore the National Fraud Initiative, to transfer to the Cabinet Office. The government has announced that the Commission’s counter-fraud function will transfer to a new public sector ‘Counter Fraud Centre’ to be established by the Chartered Institute of Public Finance and Accountancy.

Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Slough Borough Council for the financial year ending 31 March 2015, we are able to confirm that the Audit Commission’s requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

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 risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgement.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly.

If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
MANAGEMENT OVERRIDE	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	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.
REVENUE RECOGNITION	Auditing standards 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 stated accounting policies or from an inappropriate use of estimates in calculating revenue.	Existence, completeness and accuracy 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.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
FINANCIAL STATEMENTS PREPARATION	<p>Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements. A significant number of misstatements were identified, where the financial statements were inconsistent with underlying records. These were corrected in the final financial statements, including material amendments to the following statements and notes:</p> <ul style="list-style-type: none"> Comprehensive Income and Expenditure Statement (CIES), for consolidation of the Housing Revenue Account transactions Cash Flow Statement and supporting notes Financial instruments note Amounts reported for resource allocation decisions note Senior officer remuneration bandings note Housing Revenue Account notes. <p>Management is working to address these weaknesses in producing the 2014/15 financial statements.</p> <p>However, until improved outcomes can be demonstrated, including sufficient progress against the recommendations made in the prior year, there is a risk regarding the accuracy of these disclosures in the 2014/15 financial statements.</p>	Accuracy of disclosures.	<p>We will work with the finance team to assess progress towards the project for improving production of the 2014/15 financial statements. This will include:</p> <ul style="list-style-type: none"> carrying out an early review of the draft financial statements against the requirements of the <i>Code of practice for Local Authority Accounting 2014/15</i> issuing a detailed list of audit working paper requirements and briefing finance staff on our expectations for good quality working papers reviewing the consistency of the financial statements with underlying working papers before the start of the onsite audit visit obtaining assurance that management has carried out a critical review of the financial statements before they are submitted for audit; this could be evidenced by comprehensive explanations for all significant variances from the prior year.
CLASSIFICATION OF INCOME AND EXPENDITURE	<p>Our prior year audit found a significant number of instances where support costs and overheads that were recharged from one service to another within the Council were incorrectly classified within the CIES, resulting in an overstatement of both gross income and gross expenditure.</p> <p>There is a risk of material misstatement of the 2014/15 financial statements if internal recharges are not correctly classified in the general ledger.</p>	Presentation of income and expenditure.	We will substantively test an extended sample of internal recharge transactions to check whether they have been correctly accounted for on a net basis within the CIES.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
SCHOOLS TRANSACTIONS	<p>In the prior year we reported that the Council's arrangements for consolidating schools' income, expenditure, working capital balances and reserves required improvement.</p> <p>There is a risk of material misstatement in the 2014/15 financial statements if the weaknesses in working papers and journals prepared to support the consolidation of schools transactions are not addressed.</p>	Existence, completeness and accuracy of income, expenditure, working capital balances and reserves in relation to schools.	We will review reconciliations between the general ledger and returns submitted by schools to support their income, expenditure, working capital balances and reserves. In addressing this risk, the Council will need to utilise the information provided by schools more effectively.
NEW ACCOUNTING STANDARDS	<p>The <i>Code of practice for Local Authority Accounting 2014/15</i> includes the new consolidation suite of accounting standards (IFRS 10, 11 and 12). This introduces a new definition of control, which should be used to determine whether entities and joint arrangements should be consolidated within the Council's financial statements.</p> <p>The Council will need to review its investments in other entities and contractual arrangements to determine whether it has rights to, or is exposed to, variable returns and the power to affect the amount of those returns.</p> <p>In addition, the new standards mean that the Council needs to carry out a detailed review of arrangements in place at each voluntary controlled, voluntary aided and foundation school to determine whether the schools (and therefore the Council) control their non-current assets. This may result in a material value of school buildings being brought on the Balance Sheet, including restatement of comparatives by way of prior period adjustments.</p>	Completeness of income and expenditure and balances for entities requiring consolidation; and completeness of Property, Plant and Equipment for schools.	<p>We will review the Council's justification for its accounting treatment of all material investments in other entities, and underlying records, to determine whether the new definition of control under IFRS 10 and 11 has been sufficiently considered and appropriately applied.</p> <p>We will also review the Council's justification for consolidating or not consolidating schools' non-current assets, including supporting property agreements held by schools.</p>

USE OF RESOURCES SIGNIFICANT RISKS		
RISK	RISK DETAIL	AUDIT RESPONSE
FINANCIAL RESILIENCE	<p>Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other changes and uncertainty about future costs associated with Children's Social Care Services in Slough, will have a significant impact on the financial resilience of the Council in the medium term.</p> <p>For 2014/15 the Council is currently reporting (as at month 9) a forecast overspend of £0.69 million and just under two thirds of the £12.5 million of identified savings plans are on track to be delivered.</p> <p>The Medium term Financial Strategy (MTFS) for the period 2015 to 2019 includes a savings requirement of £36.28 million (for the four year period) for which savings of £27.54 million have been identified. Achieving this scale of savings will continue to present a significant financial risk for the Council.</p>	<p>We will review the Council's MTFS to assess the reasonableness of assumptions and how the Council is addressing financial pressures.</p>
CHILDREN'S SOCIAL CARE SERVICES	<p>Our 2013/14 value for money conclusion was qualified because of significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, and the Inspectors' judgement that insufficient progress had been made in the inspection of arrangements for safeguarding children completed in 2013.</p> <p>The Council is working with the Department for Education to establish a new model for the delivery of certain Children's Social Care Services. The model has not yet been determined but is expected to remove specified services from Slough's direct control. The new model is expected to be fully implemented in 2015. There is a risk that the Council may not be able to demonstrate value for money from its arrangements for improving services and outcomes in Children's Social Care Services during 2014/15 when it retained direct control for these services.</p> <p>In the absence of sufficient evidence of improvement there is a risk we may qualify our value for money conclusion.</p>	<p>We will gain an understanding of any action taken by the Council during 2014/15 to address Ofsted's recommendations and seek evidence of improved processes and outcomes.</p>
CONTRACT MANAGEMENT	<p>Internal Audit's review of contract management in the current year and prior years have resulted in several 'red' and 'amber/red' reports and a number of high priority recommendations. Identified weaknesses in the current year have included inadequate processes for defining and agreeing key performance indicators (KPIs) with contractors, the absence of clearly documented validation procedures, no KPI reports in the year for one of the Council's major contracts and a lack of validation and transparency over the cost base for another significant contract. There is a risk the Council is not securing value for money from its contract management arrangements.</p>	<p>We will review the results of further contract management reviews carried out by Internal Audit and progress being made in implementing (Internal Audit's) recommendations.</p>
WELLBEING BOARD	<p>The Slough Wellbeing Board (the Board) is in its second year of full operation and the Board's objectives are being taken forward through Priority Delivery Groups (PDGs) and various sub-groups, which includes a Health PDG. The new Care Act (2014) will come into force on 1 April 2015, with the availability of funding through the Better Care Fund (BCF). The Council should be developing appropriate governance arrangements for its BCF pooled budgets with clinical commissioning groups (CCGs) to support the integration and transformation of health and social care services.</p>	<p>We will review progress being made by the Slough Wellbeing Board against its objectives and the development of governance arrangements for pooled budgets with CCGs under the BCF.</p>

AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

OUTPUT	DATES
FINANCIAL STATEMENTS	
Review of internal controls	March - June 2015
Final audit visit	July - September 2015
Audit report covering: <ul style="list-style-type: none"> • 'True and fair' opinion on the financial statements • Information in the Statement of Accounts being consistent with auditor's knowledge • Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor's knowledge 	Clearance meeting to be held early September 2015 By 30 September 2015
Opinion on the Whole of Government Accounts return.	By 7 October 2015
USE OF RESOURCES	
Review of economy, efficiency and effectiveness	March - August 2015
Value for money conclusion	By 30 September 2015
GRANTS	
Audit of grant claims and returns	August to November 2015
REPORTING	
Report on any significant deficiencies in control (if required)	June 2015
Final report to those charged with governance	September 2015
Annual Audit Letter	October 2015

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.

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

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SLOUGH BOROUGH COUNCIL

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PLANNING LETTER AND PROPOSED FEE
Year ending 31 March 2016

PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2015/16 financial year. The proposed fee is based on the consultation undertaken by the Audit Commission in October 2014. Although the Commission will close on 31 March 2015, the Department for Communities and Local Government (CLG) has asked the Commission to set fees for principal bodies before it closes. The existing Code of Audit Practice will be replaced by a new Code of Audit Practice to be issued by the National Audit Office, currently being consulted on. In setting fees, the Commission has assumed that there is little change to the scope of the work required to be undertaken by auditors. The new Code audit fee is expected to cover:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government Accounts return.

There is a separate proposed fee for the certification of returns on behalf of Government departments. A separate fee will be agreed for the audit of the Teacher's Pensions Return.

Indicative fees

The proposed fee is based on the consultation undertaken by the Audit Commission in October 2014. Although the Commission will close on 31 March 2015, the Department for Communities and Local Government (CLG) has asked the Commission to set fees for principal bodies before it closes. The Audit Commission will confirm the final 2015/16 work programme and scale fees in late March. The indicative fee does not include any time required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

From 1 April 2015, Public Sector Audit Appointments Limited (PSAA) will oversee the Commission's contracts through to the end of 2017. It will also be responsible for setting fees in the future. If we need to propose any amendments to the audit fee during the course of the audit or where our assessment of risk and complexity are significantly

different from those reflected in the proposed fee, we will first discuss this with the Assistant Director of Finance and Audit and seek approval from the PSAA for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Risk Committee.

Fees

AUDIT AREA	PROPOSED FEE 2015/16 (£)	PROPOSED FEE 2014/15 (£)	ACTUAL AUDIT FEE 2013/14
Code audit fee	127,598	170,030	195,586
Certification fee ⁽¹⁾	20,625	27,500	31,124
Total audit fees	148,223	197,530	226,710

⁽¹⁾ A separate fee will need to be agreed for the audit of the Council's Teacher's Pension Return. In 2013/14 this amounted to £3,500. This is not included in the table above.

Our fees for 2013/14 included a variation of £26,626 for the additional work required to complete the audit of the financial statements.

The Commission has consulted on rebasing the Code audit fee from 2014/15 and reviewed the additional work that we are required to undertake following the withdrawal of the audit requirement to certify Non Domestic Rate income. From 2014/15, we have therefore increased the Code audit fee by £1,070 which is now included in the current published indicative scale fees. No increase in the scale fee has been made for the additional work now required following the introduction of the local council tax reduction scheme. In 2013/14, we agreed an additional fee of £404 for this work. We will discuss any additional fee required in 2014/15 with the Assistant Director of Finance and Audit.

Looking ahead, new valuation requirements for transport infrastructure non-current assets will need to be met from 2016/17. There will be additional work needed to audit the initial adoptions disclosures required in 2015/16, and we may seek a fee variation increase in 2015/16 (the proposed fees for 2015/16 remain at the scale rate published by the Commission).

The Commission completed a further audit procurement exercise in April 2014 which has enabled it to further reduce fees for the two years 2015/16 and 2016/17. The Government may wish to extend these contracts to lock in the reduced fees for a further three years. This has allowed the Commission to reduce fees by 25%, resulting in combined Code and certification fee savings of £49,307 for the Council.

AUDIT ARRANGEMENTS

Planned outputs

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

REPORT	DATE
Detailed audit plan	January 2016
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2016
Final report to those charged with governance	September 2016
Independent auditor's report including: <ul style="list-style-type: none">• Opinion on the financial statements• Value for money conclusion	September 2016
Whole of Government Accounts assurance statement and report to the NAO	October 2016
Summary of findings from the audit in the annual audit letter	October 2016
Grant claims and returns certification report	December 2016

Audit team

The key members of the audit team will be:

Engagement Lead - Robert Grant

email: robert.grant@bdo.co.uk

Tel: 0207 893 2895

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

Engagement Manager - Janine Combrinck

email: janine.combrinck@bdo.co.uk

Tel: 0207 893 2631

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

Audit Senior - Samantha Ingamells

email: samantha.ingamells@bdo.co.uk

Tel: 0207 893 3031

Sam will lead the on-site work for the interim and final accounts audits.

Client satisfaction

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

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

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

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MEMBERS' ATTENDANCE RECORD 2014/2015**AUDIT AND RISK COMMITTEE**

COUNCILLOR	10 JULY	23 SEPTEMBER	11 DECEMBER	12 MARCH
Chohan	P	P	P	
Dhaliwal	P	P	P	
Dhillon	P	Ap	Ab	
Mansoor	P	P	Ap	
Sandhu	Ap	P	Ap	
Zarait	P	P	P	
Mr Kwatra	P* (from 6.39pm)	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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