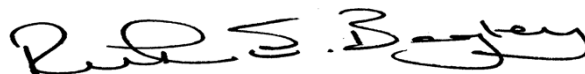


Date of issue: Wednesday, 2 March 2016

MEETING:	AUDIT AND CORPORATE GOVERNANCE COMMITTEE (Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Amarpreet Dhaliwal, Mansoor, Nazir and Sandhu) CO-OPTED INDEPENDENT MEMBERS: Graham Davies, Ajay Kwatra, Ronald Roberts and Alan Sunderland. PARISH COUNCIL MEMBERS: Councillor S Bryant (Colnbrook with Poyle) Councillor J Muhammad (Wexham Court) Vacancy (Britwell) INDEPENDENT PERSON Dr Louis Lee
DATE AND TIME:	THURSDAY, 10TH MARCH, 2016 AT 6.30 PM
VENUE:	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
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

Apologies for absence.



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 10 December 2015 | 1 - 4 | |
| 3. | Localism Act 2011 - Dispensations | 5 - 10 | All |
| 4. | Quarter 3 Governance Update | 11 - 104 | All |
| 5. | External Audit Report 2015/16 | 105 - 128 | All |
| 6. | Members Attendance Record | 129 - 130 | - |
| 7. | Date of Next Meeting - 12th July 2016 | | |

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 Corporate Governance Committee – Meeting held on Thursday, 10th December, 2015.

Present:- Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Nazir, Sandhu, Davies and Roberts

Apologies for Absence:- Councillors Amarpreet Dhaliwal and Mansoor. Mr Kwatra and Mr Sunderland

PART 1

21. Declarations of Interest

None were received.

22. Minutes of the Last Meeting held on 24 September 2015

Resolved - That the minutes of the last meeting held on 24th September 2015 be approved as a correct record.

23. Appointment of Monitoring Officer

Gurpreet Anand introduced himself to the meeting, stating that he had been appointed as the Council's Monitoring Officer at the Council meeting on 24 November 2015. It was noted that Linda Walker, who had been appointed as interim Monitoring Officer, would conclude matters that she was currently dealing with and support Gurpreet in his new role to the end of December 2015.

Resolved - That the appointment of Gurpreet Anand, Assistant Director, Procurement and Commercial Services, as the Council's Monitoring Officer with effect from 25th November 2015, be noted.

24. Audit and Risk Management Update - Quarter 2 2015/16

The Assistant Director, Audit and Finance introduced the Quarter 2 Audit and Risk Management Update report. Members were informed that the overall internal audit reports continued to be finalised at an effective rate. Of the 2014-15 internal audits, although four remained in draft form it was anticipated that these would be finalised shortly. No reports in respect of schools remained outstanding for longer than a two month period. The number of implemented recommendations following Internal Audit reports had stabilised at approximately 70%, with a further 22% of recommendations either being superseded or having made partial progress.

A summary of all fraud activity with a value of over £10,000 was highlighted. Members were informed that the Fraud Team were also reviewing National Fraud Investigation data matches.

Audit and Corporate Governance Committee - 10.12.15

Revisions to the Corporate Risk Register were brought to Members attention and included the removal of the transition to the Children's Trust as this had been completed. Two further risks were added to the register – the need to monitor the Children's Trust to ensure it delivers the required service improvements and the Better Care Fund risk had been amalgamated into the 'Failure to deliver a Balanced Budget' risk.

The Committee were reminded that the Anti-Fraud and Corruption Policy had been revised and details of the updated policy were outlined for Members consideration. It was confirmed that the Council's Money Laundering Reporting Officer was the Monitoring Officer. A Member queried what measures were in place to ensure that individuals did not claim housing benefit from more than one local authority. Matthew Chugg, Risk and Assurance Manager explained that all housing benefit was now tracked through one system via the Department for Work and Pensions.

Members raised a number of queries relating to the implementation of recommendations relating to school audits. Referring specifically to those schools that had not responded to high level recommendations, it was clarified that whilst these schools accepted the recommendations the reasons as to why they had not been implemented were unclear. It was agreed that letters would be sent to Chalvey and Khalsa Primary Schools requesting that they respond to the audit recommendations tracker. A Member also requested that details of the two outstanding recommendations relating to Our Lady of Peace Junior School be sent to him.

Details of the number of internal audit reviews that had been completed and those that were still in draft form were outlined. Good progress had been made with only 5 reviews remaining in draft form compared to 15 from the same time period two years ago. It was brought to the Committee's attention that following a referral from CMT an internal audit review was commissioned in relation to the Hire of Council Buildings. The review had identified a lack of an adequate policy framework to govern the hire of council buildings, which included certain hire charges not being recorded on the charges spreadsheet maintained by the bookings team. Furthermore, reconciliations between income received and the artifax booking systems were not undertaken. Details of the recommendations proposed were outlined and it was agreed that an update on the implementation of these would be reported at the March Committee meeting.

Resolved - i) That details of the Audit and Risk Management Update Quarter 2 2015/16 report be noted.
ii) That the Anti-Fraud and Corruption Policy be approved.

25. Local Government Governance Review 2015

Details of the Local Government Governance Review 2015 were noted.

Resolved - That the report be noted.

Audit and Corporate Governance Committee - 10.12.15

26. Members Attendance Record

Resolved – That details of the Member's Attendance record be noted.

27. Date of Next Meeting - 10 March 2016

The date of the next meeting was confirmed as Thursday, 10th March 2016.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.25 pm)

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit and Corporate Governance Committee **DATE:** 10th March 2016

CONTACT OFFICER: Gurpreet Anand, Monitoring Officer and Assistant Director
Procurement and Commercial Services 01753 875216
Catherine Meek, Head of Democratic Services 01753 875011

WARD(S): All

PART I
FOR DECISION

LOCALISM ACT 2011 – DISPENSATIONS

1. Purpose of Report

This report recommends that a general dispensation be granted to all members on certain matters to enable them to be present, speak and vote at a meeting where they would otherwise have a Disclosable Pecuniary Interest (DPI) on the grounds that it is appropriate to grant a general dispensation to allow all Members to participate fully.

2. Recommendations to Council

The Committee is requested to Recommend:

- (a) That a general dispensation be granted to all members and co-opted members of the Council as set out in paragraph 5.7 of the report;
- (b) That the general dispensation be effective up until the next Council elections (May 2016);
- (c) That the grant of general dispensations be considered annually at the annual council meeting;
- (d) That the Monitoring officer be authorised to make any consequent changes to the Code of Conduct to reflect the Council's decision.

3. Five Year Plan Outcomes

The Code of Conduct forms the bedrock of the conduct regime for Members and aims to ensure that ethical behaviour and governance of the highest order is maintained as this contributes to open, transparent and fair decision making.

4. Other Implications

(a) Financial

There are no financial implications of this report.

(b) Human Rights Act and Other Legal Implications

The Act places the Council under a statutory duty to establish a newly ordered ethical framework:

- Under section 27(2) it must adopt a code of conduct dealing with the conduct that is expected of members and co-opted members when they are acting in that capacity,
- Under section 29 (1) the Monitoring Officer must establish and maintain a register of members' interests.

5. Supporting Information

Code of Conduct

- 5.1 The Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 introduced Disclosable Pecuniary Interests (DPIs) and new rules on dispensations as part of the new conduct arrangements.
- 5.2 It is a criminal offence for members to fail to register a DPI or to speak and/or vote where they have a DPI unless they have obtained a dispensation. .

General Dispensations

- 5.3 Section 31(4) of the Localism Act provides that a member who has a DPI in any matter to be considered at a meeting may not participate in any discussion, or vote on the matter and that if they do so they will effectively be both breaching the Code of Conduct and also committing an offence.
- 5.4 However, by virtue of section 33, an authority may, on a written request by a member, grant a dispensation relieving the member from either or both of the restrictions in Section 31(4). Section 33(2) provides that a dispensation may be granted where the authority:
- (a) considers that without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
 - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority's areas, or
 - (d) considers that it is otherwise appropriate to grant a dispensation.
- 5.5 The Council has delegated the power to grant dispensations to members and co-opted members in accordance with section 33 of the Localism Act 2011 to the Monitoring Officer with a requirement to report any dispensations granted to the next meeting of the

Council. A dispensation allows members and co-opted members to be present, take part in debate and vote on any item in which they have a DPI.

5.6 In order to protect Members it is recommended that a general dispensation is granted to all Members to be present, speak and vote where they would otherwise have a DPI on the grounds that it is appropriate to grant a dispensation to allow all Members to participate fully in the following matters:

- (a) Housing: where the member (or spouse or partner) holds a tenancy or lease with the Council as long as the matter does not only relate to the member's particular tenancy or lease*.
- (b) school meals or school transport and travelling expenses where the member is a parent or guardian of a child in full time education, or is a parent governor of a school, provided that the matter does not only relate to the particular school which the child attends;
- (c) Housing Benefit: where the member (or spouse or partner) directly receives housing benefit in relation to their own circumstances
- (d) Allowances, travelling expenses, payments or indemnity for members; [looked as though it could be one payment to one]
- (e) Setting the Council Tax or a Precept; and
- (f) Decisions in relation to Council Tax Benefit.

*Any general housing related dispensations afforded to members will not negate the need for members to declare a personal or prejudicial interest; particularly where the member or spouse holds a tenancy or lease with the Council and a matter requiring a decision may/will impact their own Council tenancy.

For example in cases where the matter particularly affected their local neighbourhood and was considered to affect their own tenancy more than other people in the Authority's area, the Member should consider whether it is appropriate to participate in the decision making process.

For the avoidance of doubt and to ensure adherence to the member code of conduct, members should seek guidance from the Council's Monitoring Officer.

5.7 Members' allowances are included in this general dispensation for the avoidance of doubt and for completeness even though they are not a DPI.

5.8 It is recommended that the general dispensation applies until the next election (May 2016) and that the Council considers granting general dispensations annually at its annual meeting.

5.9 Dispensations for Council Tax relate to Members' DPIs, and do not affect a Member's obligation under Section 106 of the Local Government Finance Act 1992 to declare and not vote if they are two months or more in arrears with their Council Tax when voting on setting the Council's budget.

Specific dispensation to stay, speak and vote on any matter

- 5.10 The Monitoring Officer has been authorised under section 33 of the Localism Act 2011, to grant a dispensation in the following circumstances:
- 1 Where so many members of the decision-making body have Disclosable Pecuniary interests in a matter that it would “impede the transaction of the business”. In practice this means that the decision-making body would be inquorate as a result;
 - 2 Where, without the dispensation, the proportion of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;
 - 3 Where the authority considers that the dispensation is in the interests of persons living in the authority’s area;
 - 4 Where, without a dispensation, no member of the Cabinet would be able to participate on this matter; or
 - 5 Where the authority considers that it is otherwise appropriate to grant a dispensation.
- 5.11 Any grant of a dispensation must specify how long it lasts and only be in effect up to a maximum of 4 years.
- 5.12 The Monitoring Officer is required to report any dispensations granted to the next meeting of the Council.
- 5.13 The Council has agreed a form for members to request a dispensation. The form is incorporated into the Code of Conduct and is attached for ease of reference.

Conclusion

- 5.14 The Committee is requested to consider the report and recommend to the Council as appropriate.

6. Appendices Attached

Appendix A Request for a Dispensation

REQUEST FOR A DISPENSATION

Request to Monitoring Officer

Please complete the following details and give as much information as possible (you can attach additional sheets of paper, if required).

- 1. Please summarise the matter to which your interest relates**
- 2. What is the nature of your interest?**
- 3. For which meeting(s) or period are you seeking a dispensation?**
- 4. Please set out in detail the reason(s) why you consider you should be granted a dispensation.**

	Name	Signature	Date

When completed, this form should be sent to the Monitoring Officer

Section 33(2) of the Localism Act

The Monitoring Officer has been authorised under section 33 of the Localism Act 2011, to grant a dispensation in the following circumstances:

- 1 Where so many members of the decision-making body have Disclosable Pecuniary interests in a matter that it would “impede the transaction of the business”. In practice this means that the decision-making body would be inquorate as a result;
- 2 Where, without the dispensation, the proportion of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;
- 3 Where the authority considers that the dispensation is in the interests of persons living in the authority’s area;
- 4 Where, without a dispensation, no member of the Cabinet would be able to participate on this matter; or
- 5 Where the authority considers that it is otherwise appropriate to grant a dispensation.

SLOUGH BOROUGH COUNCIL**REPORT TO: Audit & Governance Committee DATE: 10th March 2016****CONTACT OFFICER:** Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368**WARD(S): All****PART I**
FOR COMMENT AND CONSIDERATION**Audit & Risk Management Update – Quarter 3 2015-16****1 Purpose of Report**

The purpose of this report is to:

- Report to members on the progress against the 2015/16 Internal Audit Plan up to Quarter 3
- Approve the internal audit strategy for the year ahead
- Approve the accounting policies for the 2015-16 financial year
- Report to members progress on actions from the 2014-15 External Audit report on the financial statements
- 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
- Request that members approve the Anti Fraud & Corruption policy

2 Recommendation(s)/Proposed Action

That Audit & Risk Committee is requested to 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 number of audits from their work during the third quarter of 2015-16.

5.1.2 The overall Internal audit reports have continued to be finalised at an effective rate. Of the 2014-15 internal audits, **three** remain in draft and RSM are working with the Council to finalise these shortly and we expect these to be in Final stage by the time of the Audit Committee.

5.1.3 One report in respect of schools remains outstanding for longer than two months.

5.1.4 The Committee were provided an update of policies at its previous meeting that need revising, as well as the latest anti fraud and corruption policy. This is attached in appendix C for the committee's review and approval.

5.1.5 The corporate risk register has been updated to reflect the latest risks.

5.2 Internal Audit Q3 2015-16 progress report and Audit Plan for 2016-17

5.2.1 The full report in respect of Q3 of the internal audit plan is attached at appendix A.

5.2.2 The internal audit plan for 2015-16 was set very much with a focus on addressing identified risks in the Corporate Risk Register, External audit's risk focus and in light of the 5YP.

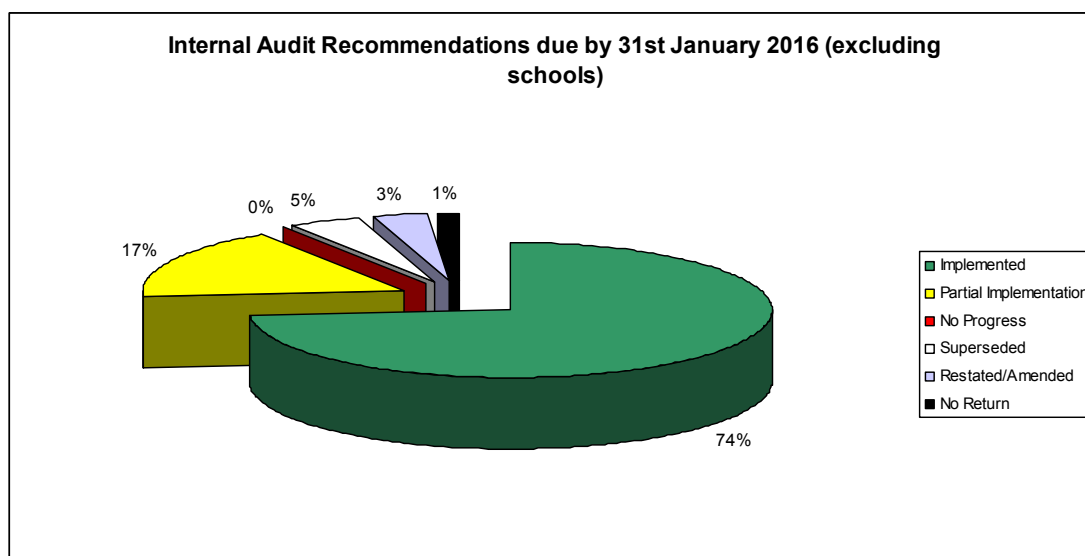
5.2.3 The proposed 2016-17 internal audit plan is also focussed on the risk register and 5YP and is included at appendix D for members to comment upon, propose amendments and approve.

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 2016. 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
Arvato phase II contract Management review 25 14 15	10 February 2015	24 February 2015	Roger Parkin
Procurement 40 14 15	21 May 2015	04 June 2015	Roger Parkin
Arvato Performance management 45 14 15	19 June 2015	03 July 2015	Roger Parkin
Chalvey Early Years Centre 5 15 16	30 July 2015	13 August 2015	Krutika Pau
Matrix - Agency Staff 7 15 16	06 August 2015	20 August 2015	Ruth Bagley
Cheque Payments 15 15 16	24 December 2015	07 January 2016	Joseph Holmes
Data Migration 17 15 16	04 January 2016	18 January 2016	Joseph Holmes

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 has increased to 74%, (it is slightly up on the 70% 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 no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Recruitment	0	1
Budgetary Control including Savings Plan Monitoring	0	3
Creditors	1	0
General Ledger	0	1
Slough Community Leisure 7 14 15	0	1
Sub Total	1	6
Schools		
Khalsa	0	2
Our of Peace Junior	0	2
Chalvey Early Years 1 14 15	2	3
Lea Nursery School	0	2
Holy Family Catholic Primary 2 14 15	0	2
Total	3	17

5.4 Fraud update

5.4.1 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, see the below.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Nothing to report			

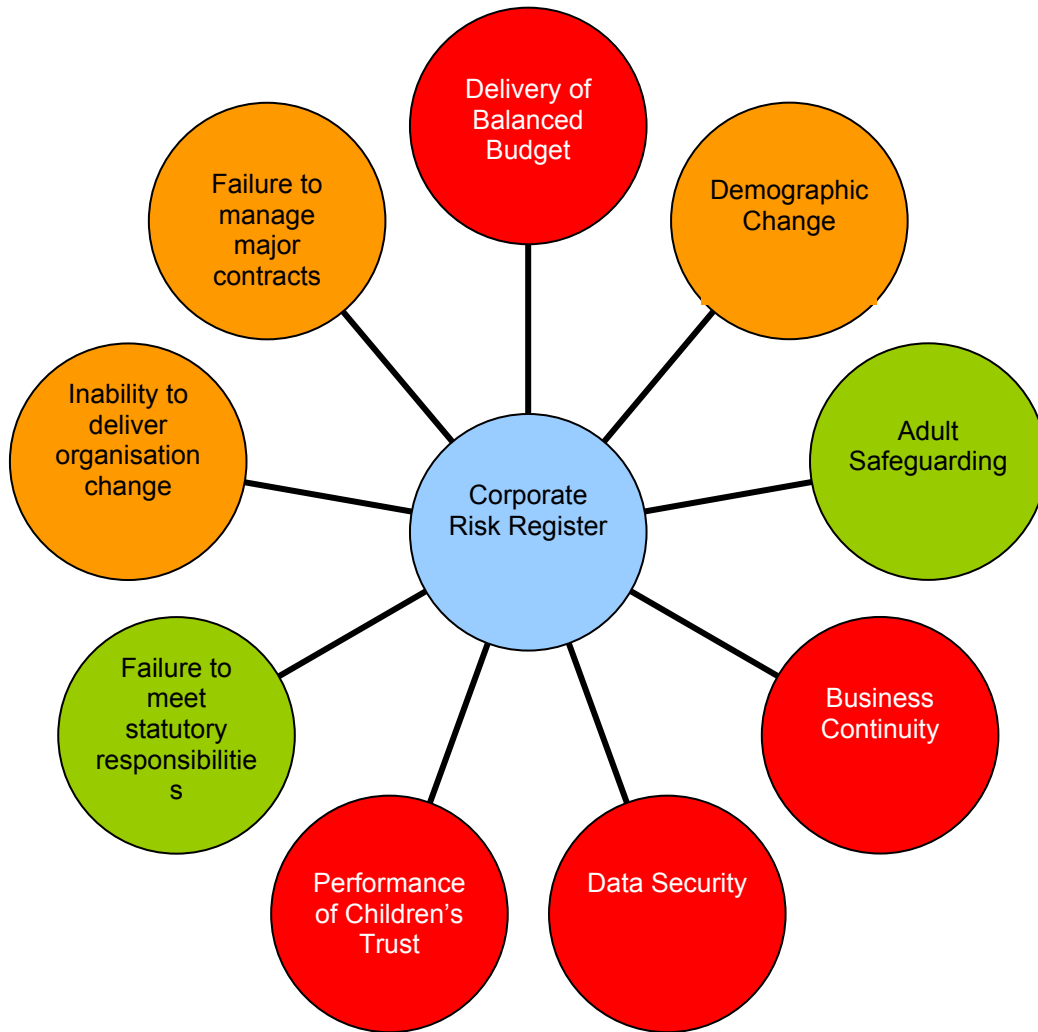
5.4.2 Corporate Fraud opened 52 investigations, either individually or jointly with the DWP, Single Fraud Investigation Service (SFIS) and a further 8 investigations encompassing other areas of fraud.

- Sanctions: 2 administrative penalties were issued for Council Tax Support fraud.
- Joint investigations with the DWP lead to 7 administrative penalties for HB fraud, to be collected by SBC.

- SBC had one successful confiscation order for £8,180 from a previous benefit fraud conviction and financial investigation.
- Financial investigations received two referrals for consideration of a financial investigation under The Proceeds of Crime Act 2002. Referrals are made when an independent department or other Local Authority is considering a prosecution for criminal and regulatory offences, such as Planning or Trading Standards.
- The tenancy fraud investigator recovered three properties.
- As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements has been completed. The report recommended an update of key policies. These have been written and were presented to the Audit Committee in December 2015.
- The fraud team is reviewing National Fraud Investigation (NFI) data matches, as and when other operational commitments allow.

5.6 Corporate Risk Register

- 5.6.1 The Corporate Risk Register is included within appendix C. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.
- 5.6.2 Following the last quarterly review of the Corporate Risk Register the following major amendments have been made;
- The transition to the new Children's Trust has been removed from the risk register.
 - A new corporate risk has been added that reflects the need to monitor the Children's Trust to ensure it delivers the required service improvements.
 - The Better Care Fund risk has been amalgamated into the "Failure to deliver a Balanced Budget" risk.
- 5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking



5.7 Accounting policies for the 2015-16 financial year

- 5.7.1 The Financial Statements (that are due to approved in September in respect of the 2015-16 financial year) include a set of accounting policies. The proposed policies are attached at appendix D.
- 5.7.2 There are a number of changes to the accounting policies compared to 2014-15 as a result of either changes from the CIPFA LASAAC Board (the Board that approves the Accounting code for Local Government) or from Council changes due. The changes include:
- Incorporating the highways infrastructure assets impact for 2015-16 and 2016-17
 - Changes to the Minimum Revenue Provision as a result of reviewing the current policy and in respect of the Council's strategic acquisition programme of purchasing more investment property

5.8 External Audit recommendations

- 5.8.1 The External Auditors (BDO) produced an action plan to accompany their report to the Committee in September 2015. Council officer's actions against this are included in appendix E to provide members of the committee with an update on work to adhere to the recommendations raised.
- 5.8.2 It was highlighted in this report that the external auditors (BDO) would be issuing an unqualified opinion on the financial statements for the year ended 31 March 2015. The audit deadlines for submitting both the draft and the final statement of accounts had once again been met. The Council's financial statements for the 2013/14 financial year were approved and the external auditors report on the Council's financial statements for the same year and the accompanying recommendations going forward noted.
- 5.8.3 It was confirmed that progress had been made in reducing the number of weakness identified in the report, in comparison to previous years. There were less material and non-fundamental errors found and the standard of draft accounts was greatly improved. This enabled the opinion to be delivered in a timely fashion.
- 5.8.4 Some issues still remained, particularly relating to schools, although it was acknowledged that this was an issue common to many local authorities. The majority of the issues were a result of internal processes needing improvement. Some of our schools are not on the Council's finance system which made reconciling information difficult. Some of the schools were also struggling to manage the data requested and required more support going forward.
- 5.8.5 To address these issues the Council finance staff would be visiting other BDO clients in order to review how they managed those issues and to improve internal processes as part of a best practice initiative. In addition the Council has moved to a new finance system (Agresso) which would highlight further improvement, while staff would be sent to the schools to help them declare their information properly.
- 5.8.6 This report has been brought to this committee meeting highlighting the problems identified during the audit and the solutions implemented.
- 5.8.7 The audit opinion was given on 29 September 2015. The opinion was an unqualified true and fair opinion on the financial statements for the year ended 31 March 2015. A number of presentational misstatements were identified in the notes for financial instruments; amounts reported for resource allocation decisions and remuneration banding and exit packages. Whilst by their nature they are material there was no overall impact on the general fund balance. The report stated that improvement on previous years was evident although a number of areas for improvement were identified, such as more effective working papers in some areas and school transactions.

6 **Comments of Other Committees**

n/a

7 **Conclusion**

That the Audit and Corporate Governance Committee approves the internal audit plan for 2016-17, approves the accounting policies for 2015-16 and notes the latest updates from Internal Audit.

8 **Appendices Attached**

'A' - Internal Audit Q3 2015-16 progress report

'B' - Corporate Risk Register

'C' - Internal Audit Strategy 2016-17

'D' - Accounting policies 2015-16

'E' - Progress on the External Audit recommendations in respect of the 2014-15 financial year

9 **Background Papers**

Baker Tilley Audit Reports

SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

For presentation to CMT on 17th February 2016





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2 Reports considered at this Audit Committee.....	3
3 Looking ahead.....	6
4 Other matters	8
APPENDIX A: 2015/16 Internal audit assignments completed to date.....	11
APPENDIX B: Key Findings from Red and Amber Red rated reports	12
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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 RSM Risk Assurance 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, RSM Risk Assurance 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.

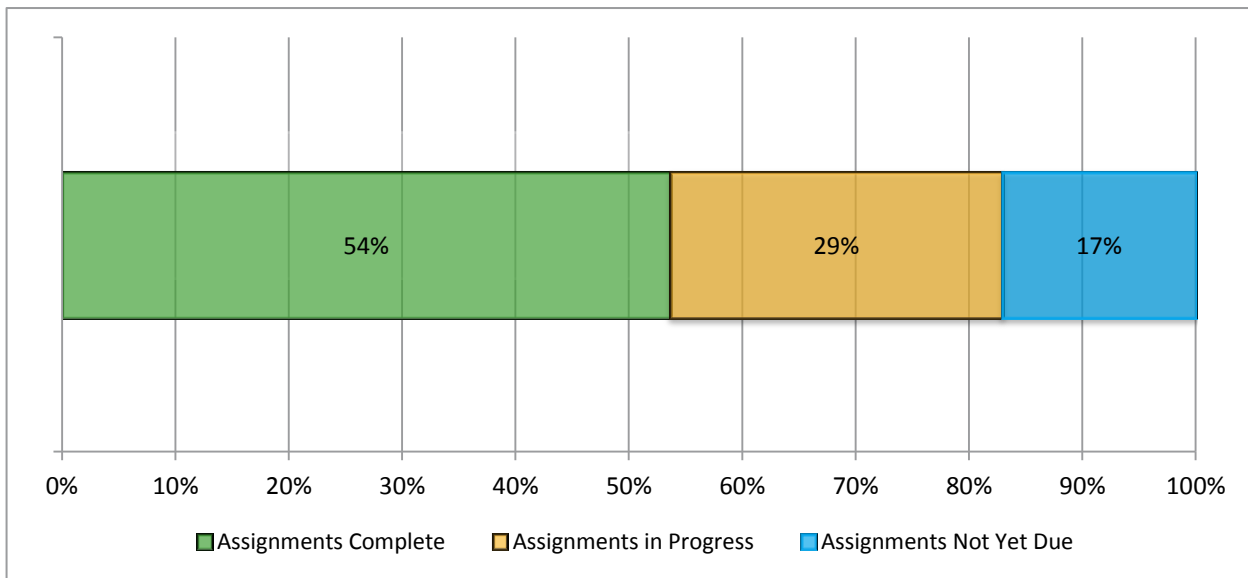
This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The internal audit plan for 2015/16 was approved by the Audit and Corporate Governance Committee in March 2015. Below provides a summary update on progress against that plan and summarises the results of our work to date. Please see the chart below for current progress with the plan.



2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This progress report provides an update on the remaining 2014/15 audit reports and an update on progress with the 2015/16 Internal Audit Plan.

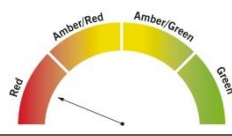
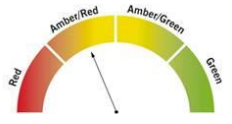
2014/15 draft reports:

The following three reports are still outstanding in draft from the 2014/15 audit plan:

- arvato Phase II – We are actively working with management to complete the action plan to allow us to finalise the report imminently.
- arvato Performance Management – The action plan is complete, and a final report should be issued shortly.
- Procurement - The action plan within the report has been completed following meetings with staff, and should be finalised imminently once approval is obtained from the Assistant Director, Procurement and Commercial Contracts.

We have been chasing management responses and are working with management to finalise the above reports.

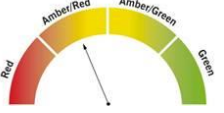

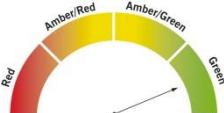
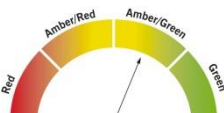
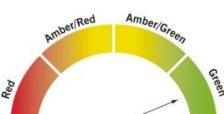
We have also finalising two 2014/15 reports since the previous meeting and these are shown in the table below:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
2014/15 FINAL REPORTS					
Educational Services – Contract Management	FINAL		2	6	2
Data Protection Act – Children’s Services (Subject Access Requests)	FINAL		1	5	1

2015/16 Final reports:

The internal audit plan for 2015/16 was approved by the Audit and Corporate Governance Committee in March 2015. The table below informs the Audit and Corporate Governance Committee of the audit report that has been finalised since the last meeting. We have finalised five reports since the last meeting.

The Executive Summary and Key Findings of the report finalised below is attached to this progress report (at Appendix B) where a red or amber red assurance opinion has been provided. Appendix A also contains details of the full history of the audits finalised in 2015/16 that have been presented to previous meetings.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
2015/16 FINAL REPORTS					
Adult Safeguarding (11.15/16)	FINAL		4	2	2
Recruitment (13. 15/16)	FINAL		2	2	0
Council Tax (14. 15/16)	FINAL		0	1	0
Slough Centre Nursery (18. 15/16)	FINAL		4	2	0
Business Rates (23. 15/16)	FINAL		0	1	0

2015/16 draft reports:

The following nine reports have also been issued to management in draft for 2015/16:

- Chalvey Early Years Centre (5.15/16) – a letter has been written to the school from the Assistant Director, Finance and Audit at the request of the Chair of the Audit and Corporate Governance Committee requesting a response to the outstanding actions and we are awaiting a response from the school.
- Matrix – Management of Agency Staff (7.15/16) – Discussions have been held with the Assistant Director, Procurement and Commercial Services, and as a result, we hope to finalise this report imminently.
- Cheque Payments (15.15/16) – responses have been received from the Council and we are actively working with them to finalise the report.
- Wexham School (16.15/16)
- Data Migration (17.15/16)
- Creditors (19.15/16) – responses have been received from Procurement in relation to a management action about supplier amendments. We are awaiting responses from Finance.
- Treasury Management (20.15/16)
- Housing Benefits (21.15/16)
- Cash Handling (22.15/16)

We are awaiting management responses to the above reports prior to finalisation.

Key Findings from 2015/16 Internal Audit work

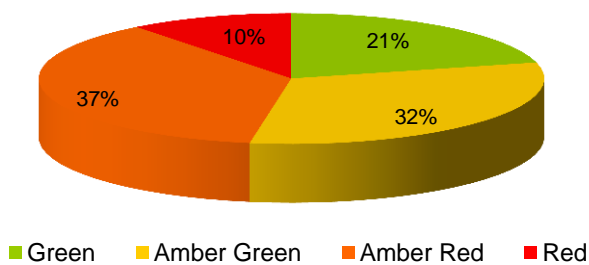
We have issued 22 reports to date from the 2015/16 plan, 19 of these contain assurance opinions and 3 were advisory reviews. Of these, we have issued 13 final reports issued to date and nine remain in draft. Of the final reports issued to date, one of these audits has resulted in a 'cannot take assurance' opinion, Hire of Council Buildings (Red), and one in a 'partial assurance' opinion, for Adult Safeguarding (Amber Red).

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 the 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:

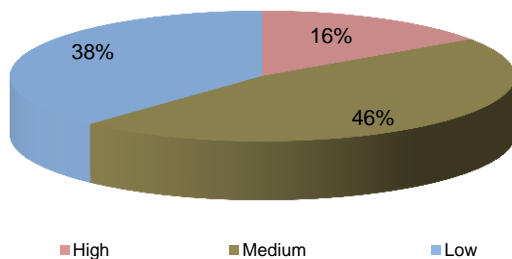
Assurance Levels 2015/16 to date



	GREEN	AMBER GREEN	AMBER RED	RED	ADVISORY	TOTAL
ASSURANCE OPINIONS 2015/16	4	6	7	2	3	22

The Breakdown of The Type of Management Actions for the year to date is highlighted below:

Recommendation categorisations in 2015/16 reports to date:



	HIGH	MEDIUM	LOW	TOTAL
MANAGEMENT ACTIONS RAISED 2015/16	13	39	32	84

3 LOOKING AHEAD

This section provides a further update on progress against the 2015/16 plan and summarises the current status of all remaining audits.

Assignment area	Timing per approved IA plan 2015/16	Status	Target Audit Committee per the IA Plan 2015/16
Chalvey Early Years Centre (5.15/16)	July 2015	Draft issued on 30 July 2015	September 2015
Matrix - Management of Agency Staff (7.15/16)	July 2015	Draft issued on 6 August 2015	September 2015
Schools Thematic Review	September 2015	In QA – draft report to be issued shortly.	March 2016
Cheque Payments (15.15/16)	August 2015	Draft issued 23 December 2015	March 2016
Grants	September 2015	In QA – draft report to be issued shortly.	March 2016
Wexham Secondary School (16.15/16)	November 2015	Draft issued on 4/1/16	March 2016
EPR Data Migration (17.15/16)	December 2015	Revised Draft issued on 11/1/16	March 2016
Housing Benefits	November 2015	Draft Issued on 2/2/16	March 2016
Treasury Management	March 2016	Draft Issued on 1/2/16	March 2016
Budgetary Control and Financial Reporting	December 2016	In QA – draft report to be issued shortly.	March 2016
Cash Handling	December 2015	Draft Issued 2/2/216	March 2016
Capital	December 2015	In QA – draft report to be issued shortly	March 2016
Risk Management	January 2016	In Progress	March 2016
Creditors	January 2016	Draft Issued 1/2/16	March 2016
Debtors Management	Commencing 10/2/16	In progress	March 2016
Rent Accounts	January 2016	In QA	March 2016
General Ledger	Commencing 22/2/16	Scope approved	March 2016
Payroll	1/2/16	In Progress	March 2016
IT Strategy	March 2016		March / July 2016
IT Business Continuity and Disaster Recovery	March 2016		July 2016

Assignment area	Timing per approved IA plan 2015/16	Status	Target Audit Committee per the IA Plan 2015/16
Contract Management - Implementation of Previous Recommendations	Commencing February 2016	Days used for specialist contract management review	July 2016
Assets	Commencing 15/02/2016	Scope Issued and agreed	July 2016
Governance	March 2016	Scope Issued and under discussion.	July 2016
Implementation of the Care Act	Commencing 07/04/16	Scope to be issued shortly.	July 2016
Follow Up	Commencing 17/03/16	Scope will be targeted at providing assurance on accuracy of updates provided on recommendation tracker	July 2016
Annual Governance Statement	In Progress		July 2016

4 OTHER MATTERS

4.1 Changes to the audit plan

There have been changes to the audit plan, please see details below: Auditable area	Reason for change
ERP Implementation	<p>This work will be conducted in 3 stages; a transfer of balances review to provide assurance that balances have been appropriately transferred across to the new CSO, which has now been completed; sitting on the ERP project Board to provide a 'critical friend' opinion on the progress of the project and some 'real time auditing' on the system as it being developed as required by the Council.</p>
Contracts Lettings Assurance	<p>This work will be undertaken by our Contract Management Specialist Team, who have previously provided specialist input and advisory reviews in this area for the Council.</p> <p>The review will be conducted in three phases:</p> <p>Phase 1 will be a baseline diagnostic to understand the effectiveness of the current structure in place.</p> <p>Phase 2 will involve interviews with key staff at all levels within the organisation and key stakeholders for the Council's main contracts.</p> <p>Phase 3 will involve the provision of an options appraisal for the Council, to provide a recommendation for how Contract Management should be structured within the Council.</p>
Due Diligence of the Children's Services Organisation	<p>Following agreement from the Assistant Director, Finance and Audit, we have used the days originally planned for this piece of work to conduct an 'Open Book' review of the Cambridge Education (Mott Macdonald) contract, which is being undertaken by our Contract Management Specialist Team, who have previously undertaken separate open book reviews for the Council.</p>

4.2 Added value work

We have undertaken the following added value work since the previous Audit Committee.

Area of work	How this has added value
Our audit of Troubled Families (May Submission) was undertaken to provide assurance that the Council had identified appropriate families for inclusion within the scheme in line with DCLG guidance.	<p>Our audit provided the Council with assurance that the Troubled Families Team had identified appropriate families, in line with the guidance provided by DCLG for inclusion within the Troubled Families Phase I scheme.</p> <p>Our findings were also verified by an independent review conducted by DCLG in May 2015 whose results were consistent with our findings.</p>
Our consultancy team has undertaken a review of the Council's contract with Slough Community Leisure to provide assurance as to the accuracy of figures used as part of the contract, which was won following a Council led Tender Exercise through the Procurement Team.	The work will provide assurance to the Council that accurate financial information is contained within the contract.
We are attending meetings of the ERP Project Board. This role is being undertaken by one of our IT specialists	Through attendance at the Project Board we will be able to provide assurance over the effectiveness of project management arrangements in respect of the ERP project implementation.

4.3 Information and briefings

The following items were highlighted as part of our information briefings since the last Audit Committee.

Key issues	Impact and actions required
<p>Provisional local government finance settlement</p> <p>The government has opened a consultation on the local government finance settlement for 2016-17 and future years up to 2020. The consultation is separated into four sections: an overview of the funding plans from central government considering measures announced in the recent Comprehensive Spending Review; the distribution of central resources; the transfers of funding into the 2016-17 settlement; and funding additional to the settlement.</p>	The Council to Note
<p>Local welfare provision</p> <p>The National Audit Office (NAO) has published a report on an investigation into Local Welfare Provision (LWP). The report details the background of LWP which is the welfare support given to individuals who are in emergency circumstances. The NAO reports that councils suffered from a core funding reduction of 37 per cent from central government between 2010-11 and 2015-16, and that the transfer of the LWP from being the responsibility of central government to local authorities came during this difficult time whereby demand also increased. The NAO concludes that councils have a limited understanding of the effectiveness of their LWP spending, and that data should be collected and used to enable better future decisions and</p>	The Council to Note

achieve value for money. The NAO also finds that there is ineffective coordination between national and local authorities and that this communication must be improved.

‘Bleak’ future for adult social care

The Council to Note

Continuing the theme of doubt over the future of the adult social care system, the think-tank International Longevity Centre (ILC) has published its analysis of the spending review funding measures for adult social care and finds a ‘bleak future’ for older people requiring care. ILC finds that even if spending promises are met, then as a proportion of gross domestic product, the spending by the UK on adult social care will still be very low down in the Organisation for Economic Co-operation and Development (OECD) league table, with quality of care also likely to be impacted from the lack of funding.

The ‘likely rise’ of fees and charges

The Council to Note

The Local Government Association (LGA) has said that the income from fees and charges for local authorities is likely to increase as the squeeze on finances continues. A survey by the BBC discovers that some councils have seen income from fees and charges increase by over 100 per cent in the past three years yet they are still expected to rise over the next few years.

Local Government Association update on the housing and planning bill

The Council to Note

In light of the recent passage of the government’s housing and planning bill through to the Lords chamber, the Local Government Association (LGA) has released its latest view on the proposed legislation. The LGA is critical of elements of the bill which it fears will increase the overall housing benefit bill because more people suited to council homes will instead be pushed into the private sector. The LGA welcomes the government’s dialogue with individual councils, and remains hopeful that more amendments can be achieved in the Lords chamber.

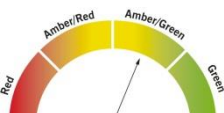
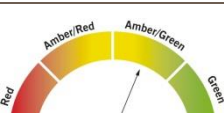
Municipal Bonds Agency step closer to issue

The Council to Note

The Municipal Bonds Agency (MBA), a council owned organisation designed to provide a new sort of finance for local authorities has taken a step closer to opening. The leaders of the MBA have distributed a borrowing framework to councils and once ratified will allow the MBA to begin functioning. 56 local authorities and bodies are currently shareholders in the MBA allowing for discounted rates in the market.

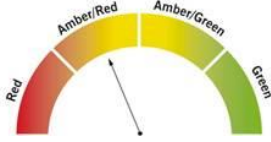
APPENDIX A: 2015/16 INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		L	M	H
Troubled Families (May Submission) (1.15/16)	Advisory		-	
Budget Setting including Savings Plan Development (3.15/16)		0	0	1
Employment Tax Follow Up (4.15/16))	Reasonable Progress		-	
Better Care Fund (6.15/16)		0	3	3
Hire of Council Buildings		0	9	3
Commissioning (Voluntary and Community Sector		2	3	0
Penwood School (2.15/16)		2	0	0
Pippins School (10.15/16)		3	2	0
SFVS (8.15/16)	ADVISORY		-	

APPENDIX B: KEY FINDINGS FROM RED AND AMBER RED RATED REPORTS

2015/16 Internal Audit Plan

<p>Assignment: Adult Safeguarding</p>	<p>Opinion:</p> 	<p>Management Actions:</p> <p>2 High 2 Medium 4 Low</p>
<p>The key findings from this review are as follows:</p> <p>However we identified the following issues which have resulted in two high and two medium priority management actions:</p> <ul style="list-style-type: none"> • Our testing identified that while the Council has its own policies and procedures, we could not evidence that changes made to these policies had been notified to the Slough Safeguarding Adults Partnership Board. This could lead to a lack of timely procedures being followed by staff and an inconsistent application of practice, which could have a negative impact on the reputation of the Council. (Medium) • A Quality Management Framework is in place which documents the reporting and governance structure within Adult Social Care; however we noted that the document is not upto date as it refers to groups which have been subsumed into the Care Governance Group, such as the Quality Improvement Group. We also identified that the document was not available to staff via the Intranet. Without ensuring the Framework is reflective of current reporting and governance structures, including frequency of meetings and reporting to the various groups, there is a risk that the groups that form the Framework do not adequately discharge their duties and Adult Social Care is not managed within a sufficiently robust performance reporting framework. (Medium) • Our testing identified issues in relation to the entry of information into IAS, which was inconsistent and sometimes incomplete, which poses a potential risk to the Council in the event of an incident occurring if the Council cannot demonstrate the procedures followed. We identified 3/9 cases sampled where the documentation held within IAS suggested that the case had been closed, however a closure form had not been completed. In addition, for 4/9 cases, we found no documentation uploaded to demonstrate that a Strategy meeting had been held, which meant we could not confirm that this was a multi-disciplinary meeting. (High) • Linked to the above, we also found a number of errors within the Safeguarding Spreadsheet used to record the progress of Safeguarding Cases, and found that this was not being updated in line with policy. This potentially has an impact on the accuracy of reporting, as reporting into the Care Governance Group is taken from this spreadsheet. This could also mean that senior management's ability to intervene in issues could be limited as a result of potentially inaccurate data being presented. (High). <p>We also made a further 4 'low' priority management actions.</p>		
<p>High and Medium Risk Management Actions:</p>	<p>Date</p>	<p>Responsible Officer</p>
<p>We will ensure that the Slough Safeguarding Adults Partnership Board maintains oversight over the review of local and multi-agency policies and</p>	<p>31 Decemb</p>	<p>Simon Broad – Head of</p>

procedures, and any changes/updates are then subject to ratification by the Board. (Medium)	er 2015	Safeguarding and Learning Disabilities
<p>We will ensure that the Quality Management Framework is updated to ensure that it is reflective of the governance and reporting structures within Adult Social Services, including frequency of reporting.</p> <p>In addition, the Terms of Reference for the CGB will be updated to correctly reflect the remit of Board and its responsibility to the Slough Safeguarding Adults Partnership Board and the Wellbeing SMT.</p> <p>The Framework will then be subject to approval by the Wellbeing SMT, detail a next review date and be subject to regular review thereafter. Once approved, the Framework will be circulated to all relevant staff and made accessible via the intranet. (Medium)</p>	31 March 2016	Craig Brewin – Head of Commissioning
<p>We will ensure through regular monitoring by the Safeguarding Team and Designated Safeguarding Managers of the Safeguarding Adults Spreadsheet and IAS that:</p> <ul style="list-style-type: none"> • All alerts are triaged within 24 hours. • People are involved in their own safeguarding • Expressed Outcomes are sought and it is recorded whether they have been met or not. • Once a case is closed, that Closure forms are completed and retained on IAS. <p>This will be evidenced by regular audits of Safeguarding files on IAS by the Safeguarding Team and monthly performance reports to the Care Governance Board. (High)</p>	31 December 2015	Simon Broad – Head of Safeguarding and Learning Disabilities
<p>We will ensure that the Safeguarding Spreadsheet is consistent with IAS and maintained by one of the Designated Safeguarding Managers to ensure a consistent and accurate approach is applied.</p> <p>We will evidence this through internal file audits and monthly performance reports to the Care Governance Board (High)</p>	Completed	Nicolette Barry – Safeguarding Development Manager

2014/15 Internal Audit Plan

Assignment: Educational Services – Contract Management	Opinion:	Management Actions:
		2 High 6 Medium 2 Low

We however identified the following weaknesses in the design of the Educational Services Contract Management control framework which resulted in **four medium** recommendations and **two high** recommendations:

- The Interim Head of Commissioning, Wellbeing and Children Services Consultant did not have a job description or similar document in place outlining their responsibility for day-to-day management of the education services contract. Without responsibilities for day-to-day management of the contract being formally documented, the educational service contract may not be appropriately managed, potentially leading to performance and other service delivery matters not being identified and resolved in a timely manner by the assigned individual. **Medium**
- In addition to the above, we were unable to confirm whether plans are in place to replace the current Interim staff with permanent staff. Considering the current post holder has less than four months on their contract, and with the Strategic Director of Wellbeing off on long term sick leave, there is a need to ensure appropriate staff are in post to ensure that the contract is managed appropriately. **High**

Furthermore, the Service Operations Board for the contract was only attended by one permanent member of staff from the Council (Finance representative) and the Council’s other representatives were Interim staff. The Partnership Board, while attended by one of the Councillors, also did not have adequate representation from permanent staff. Consequently, strategic contractual issues may not receive wide enough attention and scrutiny by Council members if meeting minutes held are in quorate. **Medium**

- Review of the Payment and Performance Mechanism – Performance Management System found that certain KPIs were stated with the performance target as ‘to be confirmed’ and ten performance indicators were listed as ‘Not in Use.’ Key performance targets did not exist for those performance indicators marked as ‘Not in Use.’ Furthermore, our review noted that although Service Operations Board were reviewing and intending to subsequently revise contractual KPIs, meeting minutes did not however demonstrate that Council Service Operations Board had formally agreed with Mott MacDonald the revisions to contractual KPIs. **(High)**
- At the time of the audit, while reports were provided by Mott Macdonald and provided to the Operational Service Board, however no validation is undertaken of the information provided to the Council. Without verification of performance information, the Council cannot take any assurance that the contract is being managed appropriately, which increases the risk to reputation as a result of not being able to demonstrate that the contract in place is delivering to the specifications outlined when Mott Macdonald commenced with the Council, or that value for money is being achieved **(High)**.
- Operational Performance Indicators (OPI’s) had not been formally agreed between the Council and Mott MacDonald at the time of review. Review of termly performance reports also noted that there was not a clear performance target with which to measure and monitor each OPI performance against or the remedial actions to be taken for underachievement against target performance. By not formally agreeing OPIs and establishing OPI targets with Mott MacDonald to measure performance against, the Council cannot assure that Mott MacDonald are meeting agreed OPI service delivery, and if necessary ensure that appropriate remedial actions are taken to address underachievement against target performance. **(Medium)**
- Our audit found that no benchmarking is undertaken by the Council to establish whether the services provided by Mott Macdonald are achieving value for money in comparison to other Local Authorities. While we acknowledge that the current contract does not require benchmarking, without this being undertaken, there is an increased risk that the Council is not achieving value for money from the contract. **(Medium)**

Application of and compliance with control framework

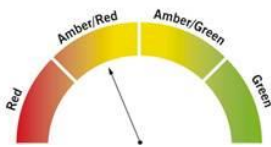
We found the following, which resulted in two **Medium** category recommendations:

- The Terms of Reference for the Services Operational Board state that a regular report of progress made on carrying out their roles in relation to the contract should be provided to the Strategic Partnership Board. While we found that termly reports were provided from Mott Macdonald to the Partnership Board, there was no written update provided to demonstrate that the Operational Board were undertaking their responsibilities in relation to the management of the Contract, increasing the risk of failings by Mott Macdonald not being identified and rectified by the Council. **(Medium)**
- The Council does not have written procedures in place to verify reported performance information provided from Mott MacDonald to source data. At the time of audit, we found no evidence to confirm that any verification was undertaken of performance information reported by Mott Macdonald. Without clearly documented verification procedures in place, the Council may fail to ensure that performance information reported is effectively reviewed and accurately verified in the absence of assigned Council officers. **(Medium)**

We identified further weaknesses in the compliance with the control framework which resulted in two low recommendations.

High and Medium Risk Management Actions:	Date	Responsible Officer
The Council should ensure that responsibilities for day-to-day contract management between the Council and Mott MacDonald are formally documented for those officers' responsible i.e. Interim Head of Commissioning, Wellbeing and Children Services Consultant. (Medium)	29/02/2016	Krutika Pau, Interim DCS
The Council need to ensure that permanent staff are employed with responsibility for managing the contract with Mott Macdonald. (Medium)	30/09/2016	Krutika Pau, Interim DCS
In line with the Terms of Reference for the Service Operations Board, a written update to confirm progress in carrying out its functions should be provided to the Strategic Partnership Board on no less than a quarterly basis, and the minutes and agendas of the Strategic Partnership Board should clearly document this item being presented and scrutinised. (Medium)	30/09/2016	Krutika Pau, Interim DCS
The Council Service Operations and Strategic Partnership Board should review its contractual KPIs and any subsequent revisions to ensure KPIs align with the intended performance outcomes required by the Council from Mott MacDonald. Subsequent revisions to KPIs should be formally agreed between the Council and Mott MacDonald at Strategic Partnership Board meetings in accordance with Terms of Reference. (High)	30/09/2016	Krutika Pau, Interim DCS
The Council should ensure that it formally agrees OPIs with Mott MacDonald, and that these are documented within an OPI schedule. The OPI schedule should include: <ul style="list-style-type: none"> • Clear OPI targets with which to measure performance against; and • The remedial actions to be taken for underachievement of OPI targets. The OPI schedule should be made available to all Council staff involved in day-to-day education services contract management. (Medium)	30/09/2016	Krutika Pau, Interim DCS

The Council should ensure that clear written performance indicator verification procedures are established, documented and approved by the Council. Written verification procedures should outline the process performed by Council staff for the calculation of all performance indicators and specify the requirement for verifications to receive signed confirmation of performance. (Medium)	30/09/2016	Krutika Pau, Interim DCS
Verification of performance reports to source data should be undertaken on a monthly basis by Council staff to confirm the accuracy of reporting. (High)	30/09/2016	Krutika Pau, Interim DCS
The Council should benchmark the services provided by Mott Macdonald to ensure that it is receiving value for money from the services received. (Medium)	30/09/2016	Krutika Pau, Interim DCS

Assignment: Data Protection Act – Children’s Services (Subject Access Requests)	Opinion:	Management Actions:
		1 High 5 Medium 1 Low

We have, made two medium priority recommendations and one High priority recommendation to address the following weaknesses identified in the design of the control framework:

- We noted that a Subject Access Request (SAR) Policy was currently being developed and was in draft format at the time of the audit. Comments on the draft policy had been received from the Head of Strategic Policy and Communications and the Council’s Legal team, however no further progress has since been made towards finalising and approving the policy, and subsequently making it accessible to staff.

We identified through review of the draft policy that it did not outline the roles and responsibilities for SARs within the Council nor did it cover the fee exemptions for public bodies and individuals in prison or the requirements to ensure adequate records are maintained in relation to SARs responses. Without finalising and approving the policy, and ensuring processes and accountabilities are clearly defined and documented within it, there is a risk that actions to respond to SARs are not taken by responsible individuals in a timely manner, and staff across the Council may implement incorrect and/or inconsistent working practices, which is not in accordance with relevant legislation and guidance, which could result in fines from the Information Commissioner and/or reputational damage for the Council. **Medium**

- We identified that the processes for handling and dealing with SARs within Children's Services had not been defined and documented within a procedure note, and operational responsibilities for the receipt and administration of SARs, and for co-ordinating responses had not been formally assigned and communicated to staff. Without a defined and documented procedure for handling and responding to SARs and clear accountabilities, there is a risk that timely action is not taken to respond to requests, staff within the department do not follow a consistent approach which is in accordance with relevant legislation and adequate audit trail is not maintained to demonstrate that a robust process has been followed. **Medium**

- We identified through discussion with the Information and Records Manager that there is currently no formal reporting and monitoring of subject access requests, including compliance with timescales, and there is no forum within the Council for escalating and monitoring non-compliance issues. While we recognise that Freedom of Information requests, which are similar in nature are reported to CMT as part of the Balanced Scorecard (which is due to be revised in 2015/16 in line with the Five Year Plan Outcomes) there is a need to ensure a consistent approach is adopted for Subject Access Requests. The lack of management oversight of subjects access requests creates the risk that, where non-compliance issues exist, appropriate remedial action to address root causes is not taken in a timely manner, potentially putting the Council at risk of incurring penalties and reputational damage. **High**

We have also made one low priority recommendation in relation to the design of the control framework.

Application of and compliance with control framework

We have made three medium priority recommendations to address the following issues identified with the application of and compliance with the control framework:

- We noted through review of the Data Protection and Privacy Policy that it was last reviewed and approved on 19 September 2012, although there was no record on the policy as to who it was approved by. We were advised by the Information and Records Manager that the policy was last reviewed and approved by the Corporate Management Team (CMT), however minutes for the meeting could not be located and we were advised by the Administration Officer that no CMT meeting had been held on 19 September 2012. We also found that there was no reference within the policy to subject access and the rights of individuals to access their personal information. Without ensuring the regular review and approval of policies, there is a risk that staff may implement incorrect and/or inconsistent working practices based upon out-of-date policies, with a potential legislative impact should staff follow processes that are inconsistent with relevant regulations and legislative guidance, and a further impact on operational efficiency. **Medium**
- Review of a sample of ten SARs highlighted a lack of a co-ordinated approach to processing SARs within Children's Services due to operational responsibilities for the receipt and administration of SARs, and for co-ordinating responses not being formally assigned and communicated to staff. No records pertaining to the SARs had been maintained centrally on the Integrated Children's System (ICS) and we were provided with email trails to demonstrate actions that had been taken in relation to each SAR which highlighted that, in nine instances, there was no clear assignment of responsibility for dealing with and responding to the SAR. Furthermore, in the four instances where a response was not provided within the 40 calendar days timescale, there was no trail or explanation to justify the delay.
The lack of a co-ordinated approach to processing SARs within Children's Services increases the risk that, where requests are received, insufficient oversight and tracking of responses may result in responses not being provided within legislative timescales. **Medium**
- For our reviewed sample, we were provided with email trails of actions taken in relation to each SAR and with the exception of one case where the redacted response was provided to the requestor via email, there was no trail to demonstrate what information had been provided, whether this included third party data and whether third party consent was obtained or information redacted. Copies of redacted responses had not been retained. Without maintaining adequate records on ICS and retaining copies of redacted responses, the department is unable to demonstrate a robust process has been followed to ensure compliance with the Data Protection Act, in particular around third party information. **Medium**

High and Medium Risk Management Actions:	Date	Responsible Officer
Formal reporting and monitoring around subject access requests should take place via the Customer and Community Services Directorate Senior Management Team (SMT) meetings. Reporting should include:	Following the transfer of Children's Services from	

<ul style="list-style-type: none"> • A breakdown of the number of requests received by Department; and Compliance with legislative timescales. <p>Any identified non-compliance should be escalated by SMT to the Corporate Management Team (CMT) meetings. (High)</p>	<p>the Council the Children's Services Organisation (the Trust), while the Council still maintain a statutory responsibility for children and young people in the Borough, they have no jurisdiction over the audit process for the CSO. As such, and following no response from Children's Services to the draft report, we have agreed with the Interim Director of Children's Services and the Assistant Director, Finance and Audit, that the report will be finalised and the recommendations provided to the Trust to implement changes to address the weaknesses identified.</p>
<p>The Council should ensure that the current draft Subject Access Request Policy is finalised and subject to approval by the Corporate Management Team (CMT), and subsequently made available to staff. Prior to finalising, the policy should be updated to incorporate the following:</p> <ul style="list-style-type: none"> • Roles and responsibilities across the Council for subject access requests; • Fee exemptions for public bodies and individuals in prison; and <p>Record-keeping to maintain an audit trail of actions, including a requirement to retain copies of redacted responses for a period of six months. (Medium)</p>	
<p>The Council should ensure that the Data Protection and Privacy Policy is subject to regular review and details of approval and subsequent periodic reviews of the policy is recorded on the document, and evidence is retained to demonstrate this process.</p> <p>In addition, the policy should be updated to include reference to subject access rights and the relevant Subject Access Request Policy, once this has been finalised. (Medium)</p>	
<p>The process for dealing with and responding to subject access requests within Children's Services should be documented within a procedure document and made available to staff. The procedure should encompass the following:</p> <ul style="list-style-type: none"> • Roles and responsibilities of staff, including receipt and co-ordination of requests, and preparation and provision of responses. • Processes for handling and responding to requests, including dealing with third-party information. • Record-keeping to demonstrate that a robust process has been followed. <p>The procedure should be subject to review and approval by the Departmental Management Team, and periodic review thereafter. (Medium)</p>	
<p>The Children's Service's department should maintain a spreadsheet to track subject access requests received through to completion of responses. The spreadsheet should record:</p> <ul style="list-style-type: none"> • Date request was received; • Who the request was assigned to; and <p>Date of completion. (Medium)</p>	
<p>The Children's Services department should ensure that an audit trail is maintained for all subject access requests, including:</p> <p>1) Recording of actions on the Integrated Children's System (ICS):</p>	

<ul style="list-style-type: none"> • Actions taken to respond to requests; • What information has been provided, including when and how the information was provided. • Whether this included third party information. • Whether third party information has been redacted or whether consent has been obtained. <p>2) Retaining copies of redacted responses:</p> <ul style="list-style-type: none"> • Where third party information has been redacted, a copy of the redacted response should be retained for six months, in line with ICO guidance. • A disposal schedule should be maintained to monitor retention and subsequent disposal of redacted responses. <p>This process should be documented within a procedure document. (Medium)</p>	
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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0021	Failure to Deliver Balanced Budget	<p>Overspending in Children's Social Care.</p> <p>Failure to manage key outsourced contracts such as Amey, avarto and Cambridge Education</p> <p>Inappropriate budgetary monitoring</p> <p>Failure to manage the cost of projects</p> <p>In year reduction in Central Govt funding, (Public Health). This does not leave enough time to reorganise services</p> <p>The Council works with many key strategic partners all of whom have their own agendas and limited access to budgets</p>	<p>Qualified external audit opinion</p> <p>Increased Central Government pressure</p> <p>Damage to reputation</p> <p>Reduction in local Public Health services</p> <p>Lack of joined up working with NHS, leading to greater inefficiencies</p> <p>Lack of assistance an co-operation between public bodies and the Council increases public service risks</p> <p>NHS may feel that the Council is using the "pooled budget" arrangement to mitigate the effect of Council budget reductions and the NHS may reduce it's contribution to the Better Care Fund creating further budget pressures.</p>	24 - Very High	<p>The use of a timetable to produce both management information which is reported throughout the organisation and also to budget holders.</p> <p>A timetable has been produced and communicated to relevant staff, and is being complied with; The accurateness of budgetary information reported to management;</p> <p>The monitoring and reporting of budgets and investigation and explanation of variances where significant variances exist between planned and actual expenditure/income; we also considered the timeliness of information reported to management;</p> <p>The involvement of Budget Holders in regular reviews of financial performance and how the Finance Team liaise with Budget Holders</p> <p>Whether a programme of training has been established for Budget Holders across the organisation;</p> <p>The appropriateness of budget virements</p>	15 - Very High	<p>Savings programme is robust with savings allocated out to managers by 1.4.16</p> <p>Barry Stratfull 31/03/2016</p> <p>Finance restructure to put more support to contract mngt.</p> <p>Joseph Holmes 29/04/2016</p> <p>Contract mngt review undertaken by AD, procurement & commercial services to improve management arrangements</p> <p>Gurpreet Anand 29/07/2016</p> <p>Agresso system will require budget holders to input their own forecasts and take greater accountability and control over finance</p> <p>Barry Stratfull 31/05/2016</p>	8 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					<p>completed in 2014/15 and whether these are compliant with Financial Procedure Rules;</p> <p>The consistency in the message and information reported to Directorate meetings and CMT;</p> <p>The establishment of a dedicated savings programme which has received approval at an appropriate level of Senior Management;</p> <p>The reporting to Senior Management on the progress of saving scheme and whether these are delivering the targets as proposed or where delays or issues that have arisen, these have been acknowledged and actions taken to improve performance.</p> <p>2014/15 Budgetary Control Audit Report = Amber/Green</p> <p>Better Care Fund agreed.</p> <p>Better Care Fund Fund allocation agreed</p> <p>Contingency identified in case target for hospital admissions</p>			

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					<p>not met Council to "host" pooled budgets, but risks lay with project owners, (NHS) 12 separate projects to remove clients from hospitals</p> <p>Reports to Wellbeing Board and to Cabinet</p> <p>Ensuring representation on key boards e.g. Wellbeing Board</p> <p>Utilising joint funding opportunities wherever possible</p> <p>Better Care Fund Plan developed with input from key stakeholders</p> <p>Governance arrangements have been put in place to monitor the the delivery of the BCF plan</p> <p>A programme tracker has been developed to monitor delivery of the BCF this tracker also monitors expenditure in relation to the BCF</p> <p>Pooled budget agreement signed off</p> <p>Terms of Reference, Risk register and Project Risk register created for Better Care Fund</p> <p>The development of an action plan to address</p>			

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					the issues raised by the LGA peer review report and embed transformation within the financial processes.			
ORG0031	Detrimental impact on Finance and Resources due to demographic change	Transient nature of Sloughs population means it is difficult to predict the level of services and amenities required. Increase in older people population children and young persons population working through the system risk of new migration	Pressure on services offered by the Council Increased demand for waste disposal Increased demand for school places Possible rise in extremism Increased demands on Adult Social Care, Children and Families, and Housing	9 - High	Waste Strategy to deal with current levels and increases in waste disposal Benefits caseloads monitoring Housing Performance Information As of September 2015 there are projected to be sufficient school places going forward	9 - High	Energy from Waste Contract to be re-procured Nick Hannon 28/10/2016 Working Group to assess the possible impact of Syrian Refugees Krutika Pau	6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0035	Failure to protect adult social care users from physical, emotional or financial abuse	<p>Poorly trained staff or lack of training for staff provided by agencies</p> <p>Lack of robust multi-agency policies and procedures that are in line with national guidance, and no checks that these are being followed.</p> <p>The Care Act place new responsibilities with regard to Safeguarding</p> <p>Lack of resource to undertake the work to identify and protect vulnerable adults at risk.</p> <p>Lack of engagement and involvement with agencies such as the NHS, Police and Voluntary Sector organisations</p> <p>Poor Quality commissioning of services.</p> <p>Lack of monitoring of Personal Budgets provided to service users</p>	<p>Damage to reputation. Criticism from regulatory bodies such as the Care Quality Commission</p>	12 - High	<p>Safeguarding Action plan</p> <p>Business Plan for 2015/16 with 10 objectives</p> <p>Care Governance Group, which includes the NHS assesses the quality of Care Homes and Domiciliary Care providers on a RAG basis. Where providers are rated as RED clients are withdrawn. AMBER rated providers are kept under review</p> <p>Practice guidance for staff updated Feb 2015</p> <p>Safeguarding Adult Workforce Development Strategy 2014-2017</p>	6 - Medium	<p>Safeguarding Annual Business Plan Review</p> <p>Alan Sinclair 31/03/2016</p> <p>Monitoring through Safeguarding Board involving key partners, Police and NHS</p> <p>Alan Sinclair 31/03/2016</p>	6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0045	Lack of adequate Business Continuity Plans	<p>Lack of Business Continuity Plans and effective communication to all staff. No dedicated resource for Business Continuity Management.</p> <p>Lack of business premises in the event of an incident.</p> <p>Lack of staff to manage the Business Continuity Management.</p> <p>Lack of access to key systems.</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>	<p>The Council or it's outsourced contractors are unable to provide an expected level of service.</p> <p>Negative publicity and possibly to put vulnerable service users at risk</p> <p>Appropriate and timely responses to incidents such as RTA's, flooding etc are notanteed</p>	12 - High	<p>A Business Continuity Working group has been set up with representatives of all departments. This group is used to inform the plans.</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.</p> <p>It has been provisionally costed by arvato and is funded from a capital bid</p> <p>Key Performance Indicators, for service area to be baselined 1st year. Monitoring tools to be implemented as phase 2 activity.</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> <p>Main data centre omn the trading estate</p>	12 - High	<p>Secondary Hot standby site Simon Pallett 31/05/2016</p> <p>Secondary hot sharing standby site project Simon Pallett 30/06/2016</p>	12 - High

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0046	Data Security	<p>There is an ever growing threat from data security breaches. These breaches may be intentional or unintentional. These breaches may come about from "cyber" attack on the Council's systems or by misplacing a paper based file.</p> <p>Obselete IT programs still in use.</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>	<p>Information Commissioner may criticise and possibly impose fine</p> <p>Increased vulnerability to staff and clients in relation to IT programs.</p> <p>damage to reputation</p>	12 - High	<p>Mandatory Information Security E-Learning module completed by all staff (SBC & avarto) and Members and includes an annual refresher</p> <p>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>IT Governance Board reviews, prioritises and control the size of the program</p> <p>Responsibility for delivery of service to avarto ensuring required service is fully defined and KPIs set to measure performance.</p> <p>Key policies updated and distributed</p> <p>Governance Board now created</p> <p>Encrypted laptpos and password protected memory sticks</p>	9 - High		6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0044	Failure of Children's Service Provision	<p>The new CSO fails to have effective leadership to deliver the required improvements in the service.</p> <p>The Council has only limited control over the activities of the Trust, and has to rely on the Trust to provide assurance of service delivery and service improvements.</p>	<p>Harm to children and families</p> <p>Reputational damage</p> <p>Diversion of capacity and resources</p> <p>Further intervention from the Secretary of State</p>	16 - Very High	<p>The Council draws up and delivers an effective Corporate Parent Strategy and weaves the needs of vulnerable children through all other policy and strategy.</p> <p>The Council appoints a client team including a lead for all children and family matters.</p> <p>The Council deploys the governance regime and KPIs in the contract effectively</p>	12 - High	<p>Creation of a clientside team - Krutika Pau 31/03/2016</p> <p>Adoption of Corp Parent Strategy Krutika Pau 31/03/2016</p> <p>Review of other Policies and Strategies Krutika Pau 30/06/2016</p>	12 - High

Risk Ref	Risk	Cause	Effect	Intial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0037	Failure to meet statutory responsibilities	<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>Universal Credit for the more basic cases goes live in September 2015 in Slough</p> <p>Increase in Housing demand</p> <p>Reduction in grant to deliver mandatory outcomes</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.</p> <p>It could also lead to increased levels of Housing Rent debt as benefit is paid to the claimant rather than the landlord. The reforms may also lead to London Borough's placing homeless people in Slough, thus reducing the capacity for Sloughs 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> <p>Increased pressure on Housing, Children and Families and Public Health</p> <p>Possibility of insufficient school places in the future</p>	12 - High	Pro Active measure by Welfare Unit Universal Credit workshop	8 - Medium	<p>Care Act review of implementaion as part of ASC reform program</p> <p>Alan Sinclair 31/03/2019</p>	8 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0039	Failure to manage major contracts to obtain expected outcomes	<p>Internal audits completed in 2013/14 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed</p> <p>Lack of experienced contract managers</p> <p>The Cambridge Education contract has only one year to ago and there is a possibility that Cambridge education may pay less attention to the contract than previously</p>	<p>Financial overspends</p> <p>Poor performance by contractors</p> <p>Lack of quality in relation to services provided</p> <p>Increased possibility of fraud and corruption</p>	16 - Very High	<p>Actions identified from previous internal audit reports have been implemented, improving the control framework.</p> <p>Dedicated contract managers in place for Council's main contracts.</p> <p>Copies of all major contracts held in electronic and hard copy</p> <p>KPIs in place for major contracts.</p> <p>Director has regular meetings with Contract Managers</p> <p>Contract Management training provide by LG Futures</p> <p>Asst Director Commissioning and procurement has been appointed</p>	9 - High	<p>Tri-partite meetings with CSO and Cambridge to ensure that service meets the needs of SBC</p> <p>Krutika Pau 31/03/2016</p>	9 - High
ORG0041	Inability to deliver the required orgainsational and operational changes	<p>Lack of sufficient staff/resources</p> <p>Lack of accountability for effecting changes</p> <p>Lack of plan to deliver required change</p>	<p>Inability 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		12 - High

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SLOUGH BOROUGH COUNCIL

Internal Audit Strategy 2016-2019

Presented at the February 2016 CMT meeting
and Audit and Corporate Governance
Committee meeting of 10th March 2016





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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Slough Borough Council in the year ahead, including changes within the sector.

1.1 Background

Slough Borough Council is a unitary authority in Berkshire, and is one of five councils in the area. As with all Local Authorities, the Council is faced with funding cuts and with having to make efficiency savings. The Council owns and manages over 6,000 properties, providing quality housing and decent homes for families, the elderly, single and vulnerable people. In addition, hundreds of major national and internal companies have sited in Slough Trading Estate over the years, with its proximity to London Heathrow Airport and good motorway connections being attractive.

Underpinning the work of the Council is a corporate strategy known as 'The Five Year Plan'. This is continuing to drive the Council's ambitions for the future, set out over eight key outcomes, and we have an audit in the 2016/17 plan to continue to provide assurance over the processes employed to manage the plan.

Increased austerity within the local government sector has meant increasingly challenging times for local authorities in relation to delivering a balanced budget. While the Council now commissions Children's Services from the Children's Services organisation, the Council still retains a statutory responsibility for young people within the Borough, although has limited ability to control the activities of the Trust, although overspends in Children's services may have an effect on the Council to achieve a balanced budget. To ensure that the budget setting and monitoring is appropriate we are covering these audits to provide assurance that the processes employed by the Council to achieve a balanced budget are robust.

In addition, linked to the plan, we have audits in relation to Information Governance and Cyber Security to provide assurance in relation to Outcome 8, becoming a leading digital transformation organisation, and reviews within Adult Social Care including Commissioning and Safeguarding which will provide assurance against Outcome 6, more people will take responsibility and manage their own health, care and support needs. Our plan is developed to enable us to provide an opinion at year end, which may be also used by the Council to support its Annual Governance Statement.

1.2 Vision

In addition, the vision of the Council is documented within the council's Five Year Plan contains the following outcomes that Slough Borough Council want to achieve over the next four years to 2019:

<p>Changing, retaining and growing</p> <ul style="list-style-type: none"> • Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay • There will be more homes in the borough, with quality improving across all tenures to support our ambition for Slough • The centre of Slough will be vibrant, providing business, living, and cultural opportunities 	<p>Enabling and preventing</p> <ul style="list-style-type: none"> • Slough will be one of the safest places in the Thames Valley • More people will take responsibility and manage their own health, care and support needs • Children and young people in Slough will be healthy, resilient and have positive life chances 	<p>Using resources wisely</p> <ul style="list-style-type: none"> • The council's income and the value of its assets will be maximised • The council will be a leading digital transformation organisation
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1.3 Outcomes

The following of your five year plan outcomes are particularly relevant to the content of the coming year's internal audit plan:

- The council's income and the value of its assets will be maximised. (Five Year Plan: Outcome 1)
- There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough (Five Year Plan: Outcome 2).
- The Council will be a leading digital transformation organisation (Five Year Plan: Outcome 8).

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Joseph Holmes - Assistant Director, Finance and Audit (Section 151 Officer)
- Senior management, including all Directors and Assistant Directors
- CMT
- Heads of Service
- Senior Management Teams
- Audit and Corporate Governance Committee

Based on our understanding of the organisation, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (**see Appendix A and B for full details**).



Figure A: Sources considered when developing the Internal Audit Strategy

Figure B details those strategic risks and objectives in which may warrant internal audit coverage, reflecting both the inherent and residual risk. This review of your risks allows us to ensure that the proposed plan will meet the organisation’s assurance needs for the forthcoming and future years.

Strategic risk number	Strategic risk
ORG0021	Failure to deliver a balanced budget
ORG0035	Failure to protect adult social care users from physical, emotional or financial abuse
ORG0045	Failure to maintain a minimum level of service due to a major system failure
ORG0046	Data Security
ORG0037	Failure to meet Statutory Responsibilities
ORG0039	Failure to manage major contracts to obtain expected outcomes
ORG0041	Inability to deliver the required organisational and operational changes
ORG0031	Detrimental impact on Finance and Resources due to demographic change
ORG0044	Failure of CSO to deliver required improvements

2.2 How the plan links to your strategic objectives

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within Appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective / Corporate Risk Register Link
Delivery Of Five Year Plan Outcomes	The Council’s Five Year Plan is a key document which is currently driving the future direction of the Council. Continuing the work undertaken within 15/16 where we looked at one of the outcomes to provide assurance on the robustness of the arrangements for achieving this, we are proposing to undertake a similar audit.	ORG0041
Business Continuity	Business Continuity continues to be a risk highlighted within the corporate risk register, and following on from our 2015/16 Business Continuity IT audit, we are proposing to undertake a wider review of business continuity arrangements across a sample of departments to provide assurance over the management of business continuity arrangements.	ORG0045

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective / Corporate Risk Register Link
Contract Lettings Review	Following a request from the Assistant Director Procurement and Commercial Services, we started a review in 2015/16 to review the current way that the Council manages contracts within the organisation with a view to providing a recommendation on how contracts should be managed by the Council in terms of their structure going forward. This review will continue in the 2016/17 plan, and as such has been included as part of the plan and is also linked to the risk on the corporate risk register.	ORG0039
Procurement	Linked to the audit above, we will be undertaking a review of Procurement, as a separate review. This will include the provision of advice on the future structure of the procurement team, which is linked to the risk within the Corporate Risk Register in relation to the failure to manage major contracts to obtain expected outcomes, as procurement is an integral part to the commissioning of any new contract.	ORG0039
Adult Safeguarding	Adult Safeguarding features as a specific risk on your Corporate Risk Register and is also highlighted as an action to achieve outcome 6 within the Five Year Plan, and following an Amber Red audit in 2015/16, we are proposing to undertake an audit in 2016/17, looking to provide assurance that the management actions raised as part of the previous audit have been implemented.	Outcome 6: More people will take responsibility and manage their own health, care and support needs / ORG0035
Implementation of Universal Credit	One of the risks on the Corporate Risk Register is 'Failure to meet statutory responsibilities' and one of the causes documented is the 'Government's revision to Welfare Reforms'. We have been asked by the Assistant Director of Finance and Audit to deliver this review in 2017/18 and we will provide assurance over the accuracy of payments and effectiveness of the systems in place.	ORG0037
Information Governance	Outcome 8 of the Five Year Plan is to make the Council 'A leading digital transformation organisation' which is why are proposing to undertake a review of Information Governance to provide assurance that the systems in place at the Council for ensuring the security of data are robust. In addition, data security also is included on the Council's risk register as a risk.	ORG0046 / Outcome 8: The council will be a leading digital transformation organisation
Schools Financial Value Standard	The requirement for independent reviews to enable the Council to sign off declarations on the SFVS is an important area for the council to seek assurance over the accuracy of declarations by individual schools. Linked to this, we will continue to deliver a number of schools audits, reviewing the effectiveness of governance, finance and safeguarding functions amongst other areas, and links to the	Outcome 6: Children and young people in Slough will be healthy, resilient and have positive life chances
Risk Management	Effective Risk Management is a key link to achieving all of the outcomes within the Five Year Plan. The Council continues to develop and embed a risk management framework and culture within the organisation, including the introduction of a new risk management system. As such, we will undertake a review to provide assurance in relation to the processes to manage risk effectively.	All outcomes

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective / Corporate Risk Register Link
Commissioning Processes (Adult Social Care)	<p>The provision and commissioning of Adult Social Care within the Council is one of the biggest areas of expenditure and also links to the Five Year Plan in relation to outcome 6.</p> <p>As a result, we will undertake an additional review into commissioning of adult placements to provide assurance that the processes employed demonstrate effective use of resources.</p>	Outcome 6: More people will take responsibility and manage their own health, care and support needs
Housing	<p>With changes to Welfare Reform and also the potential for London residents to be moved to Slough as a result of Government Policy, the Council may experience surges in demand for properties, and need to obtain assurance that its housing stock is being managed appropriately. As a result, we will undertake a number of housing reviews including Allocations and also Homelessness to ensure that procedures are being followed.</p>	GBE0004 - Failure to manage increased demand

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in Appendices A and B.

2.3 Working with other assurance providers

The Audit and Corporate Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Dan Harris, Partner supported by Chris Rising as your Senior Manager and Amir Kapasi as your Assistant Manager.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Further details of our responsibilities are set out in our internal audit charter within Appendix D.

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Assurance service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

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

Another review will be undertaken in 2016.

3.2 Conflicts of interest

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 internal auditing standards.

4 AUDIT AND CORPORATE GOVERNANCE COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit and Corporate Governance Committee satisfied that sufficient assurances are being received within our annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit and Corporate Governance Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit and Corporate Governance Committee content that the standards within the charter in Appendix D are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit and Corporate Governance committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2016/17

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
Chief Executive Directorate			
Annual Governance Statement	Coverage: To assist the Council in the Production of the Annual Governance Statement for 2016/17.	Q4	June 2017
Governance	Coverage: To provide assurance over the effectiveness of governance arrangements within the Council. The areas of coverage are to be determined nearer the audit commencement date following discussion with Council staff.	Q3	March 2017
Health and Safety	Coverage: To review a sample of departments within the Council and their Health and Safety Action Plans to establish the level of compliance with existing Health and Safety Policies and Procedures.	Q3	March 2017
Delivery Of Five Year Plan Outcomes	Risk: Inability to deliver the required organisational and operational changes (ORG0041) Coverage: To provide assurance over the effectiveness of systems in place to ensure the delivery of outcomes from a sample of Five Year plan objectives.	Q3	March 2017
Customer and Community Services Directorate			
Business Continuity	Risk: Failure to maintain a minimum level of service due to a major system failure (ORG0045) Coverage: To provide assurance over the Council's Business Continuity and Disaster Recovery arrangements which will include review of the overall Business Continuity Plan and a sample of departmental plans.	Q1	June 2016
Information Governance	Risk: Data Security (ORG0046) Coverage: To review the Council's compliance with the Data Protection Act against a sample of requirements from the Health and Social Care Information Governance Toolkit.	Q1	June 2016

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
Fixed Penalty Notice Enforcement	Coverage: To review the processes for the collection and management of fixed penalty notices, and the management of arrangements with the Council's contractor.	Q1	June 2016
Wellbeing			
Schools	Coverage: To provide assurance over the effectiveness of governance and financial management arrangements within schools.	Q1 - Q4	March 2017
Commissioning Processes (Adult Social Care)	Coverage: This review will provide assurance in relation to processes undertaken by the Council in relation to commissioning of placements for adults. This audit was requested by the Interim Director, Adult Social Care.	Q2	September 2016
Public Health – Contract Management Compliance	Coverage: To review whether the Slough and Bracknell Forest Borough Council Public Health performance and contract leads are providing the SBC finance team with timely and accurate financial and contractual data to forecast whether planned savings (due to the government reductions and for SBC outcomes 5 and 6) will be met. Requested by the Consultant for Public Health.	Q2	September 2016
Adult Safeguarding	Risk: Failure to protect adult social care users from physical, emotional or financial abuse (ORG0035) Coverage: Following a partial assurance opinion in 15/16, we will undertake a further review to provide assurance that issues identified as part of the previous audit have been addressed, thereby providing assurance that the Council have effective systems in place to ensure that safety of vulnerable adults within the Borough.	Q3	March 2017
Regeneration, Housing and Resources			
Voids Management	Coverage: This review will seek to ensure that policies and procedures in relation to Voids are followed to ensure that void properties are promptly filled, minimising any financial impact to the Council.	Q1	June 2016

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
Schools Financial Value Standard (SFVS)	<p>Coverage: Providing assurance the Council on the appropriate completion of each school's SFVS. The service will ensure that the Council has a thorough assessment of each school to meet the requirements of the Education Funding Agency. This will include a review as to whether supportive information including Internal Audit opinions are consistent with the statements within each of the school's completed standards.</p>	Q1	June 2016
Budget Setting	<p>Risk: Failure to deliver balanced budget (ORG0021)</p> <p>Coverage: 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>	Q2	September 2016
Budgetary Control	<p>Risk: Failure to deliver balanced budget (ORG0021)</p> <p>Coverage: In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year.</p>	Q3	December 2016
Risk Management	<p>Coverage: To provide assurance that the Council has appropriate processes and systems in place to manage risk within the Council.</p>	Q4	March 2017
Management of Housing Stock	<p>Risk: Failure to manage increased demand (GBE0004)</p> <p>Coverage: The review will be undertaken to provide assurance that the Council has effective systems in place to ensure the management of Housing Stock, including Houses of Multiple Occupancy. This both features on the risk register and has not been subject to IA review since 2012/13.</p>	Q2	September 2016

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
Tenancy Management (Allocations)	Risk: Failure to meet statutory responsibilities (ORG0037) Coverage: The review will be undertaken to provide assurance that the Council has effective systems in place to ensure the management of Voids and Allocations. This both features on the risk register and has not been subject to IA review since 2012/13.	Q2	September 2016
Homelessness	Coverage: This review will seek to ensure that the Homeless are dealt with in an appropriate manner and in line with Council strategy or statutory legislation and that the Council are providing temporary accommodation to the right people for the right length of time and that the service can demonstrate an audit trail between the placement of the clients and the subsequent payment of invoices.	Q2	September 2016
Core Assurance			
Payroll		Q4	March 2017
Capital Expenditure		Q3	March 2017
Rent Accounts		Q4	March 2017
Housing Benefits	Coverage to meet External Audit / Regulatory requirements and any management concerns.	Q3	March 2017
Creditors		Q4	March 2017
Debtors		Q4	March 2017
Assets		Q4	March 2017
Business Rates		Q4	March 2017
Treasury Management		Q3	March 2017
Cash Collection and Management		Q3	March 2017

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
General Ledger		Q4	March 2017
Council Tax		Q4	March 2017
Other internal audit activity			
Cyber Security	<p>Risk: Data Security (ORG0046)</p> <p>Coverage: To review the processes employed by the Council for the management of risk in relation to the Council's IT network.</p>	Q2	September 2016
Procurement	<p>Risk: Failure to manage major contracts to obtain expected outcomes (ORG0039)</p> <p>Coverage: To review and provide advice on the future structure of the procurement team within the Council. To consider the wider procurement framework and provide assurance that this is being complied with. Requested by the Assistant Director, Procurement and Commercial Services</p>	Q2	September 2016
VAT – Indirect Tax	<p>Coverage: A recent tribunal decision has ruled that VAT is applicable to the full amount paid by the recipient for the use of temporary staff (including wage costs) rather than simply on the commission element charged by the employment business. This could result in an increased cost of using agency staff for businesses which cannot recover all of the VAT on costs. This case contradicts the findings in an earlier case and there is likely to be further litigation before a definitive answer is reached. As a result, the audit will focus on providing assurance that the Council has in place effective processes for accounting for VAT for temporary staff.</p>	Q1	June 2016

Audit	Coverage for 2016/17	Proposed timing	Proposed Audit and Corporate Governance Committee
Contract Lettings Review	<p>Risk: Failure to manage major contracts to obtain expected outcomes. (ORG0039)</p> <p>Coverage: This work will be undertaken by our Contract Management Specialist Team, who have previously provided specialist input and advisory reviews in this area for the Council. The review will be conducted in three phases: Phase 1 - will be a baseline diagnostic to understand the effectiveness of the current structure in place. Phase 2 - will involve interviews with key staff at all levels within the organisation and key stakeholders for the Council's main contracts. Phase 3 - will involve the provision of an options appraisal for the Council, to provide a recommendation for how Contract Management should be structured within the Council.</p>	Q1	June 2016
Follow up	<p>Coverage: To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.</p>	Q4	June 2017
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit and Corporate Governance Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion • Finalisation of reports where additional evidence is provided or significant challenge raised. 	Throughout the year	N/A
Management Meeting Attendance	<p>Management Meetings (Risk Management Group, SMT, DMT, CMT and other internal meetings where attendance is requested).</p>	Throughout the year	N/A

APPENDIX B: INTERNAL AUDIT STRATEGY 2016 – 2019

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Chief Executive Directorate				
Annual Governance Statement	To assist the Council in the Production of the Annual Governance Statement for 2016/17	✓	✓	✓
Sickness Absence, Reporting and Management	To provide assurance over the processes in place within the Council for managing sickness absence.		✓	
Training and Development	To ensure staff are adequately skilled and enhancing their skill set to make the best strategic decisions and to achieve the organisation's objectives.			✓
Complaints	To provide assurance over the Council's Complaints process, including compliance with regulations.		✓	
Governance	To provide assurance over the effectiveness of governance arrangements within the Council.	✓	✓	✓
Health and Safety	To review a sample of departments within the Council and their Health and Safety Action Plans to establish the level of compliance with existing Health and Safety Policies and Procedures.	✓		
Delivery Of Five Year Plan Outcomes	To provide assurance over the effectiveness of systems in place to ensure the delivery of outcomes from a sample of Five Year plan objectives.	✓	✓	✓
Review of Core HR People Framework Policies	Requested by the Head of Legal Services		✓	
Equal Pay Audit	Requested by the Head of Legal Services		✓	
Appointment and Management of Consultants	Requested by the Head of Legal Services		✓	
Staff Establishment Changes	Requested by the Head of Legal Services			✓
Customer and Community Services Directorate				
Business Continuity	To provide assurance over the Council's Business Continuity and Disaster Recovery arrangements which will include review of the overall Business Continuity Plan and a sample of departmental plans.	✓		✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Information Governance	To review the Council's compliance with the Data Protection Act against a sample of requirements from the Health and Social Care Information Governance Toolkit.	✓		✓
Hire of Council Buildings – Follow Up	Following a 'Red' Opinion in 15/16, we will undertake a follow up to review progress with the implementation of Management Actions. Please note this will be included in our follow up coverage.	✓		
Fixed Penalty Notice (FPN) Enforcement	To review the processes for the collection and management of fixed penalty notices, and the management of arrangements with the Council's contractor.	✓		
Planning and Licence Payments	To provide assurance that best practice is being followed when taking card payments via telephone for planning and license applications, and that the income is correctly coded, banked and reconciled to the Agresso system.			✓
Wellbeing				
Innovation Projects	To provide assurance that new ways of working are compliant with the Council's Statutory responsibilities		✓	
Schools	To provide assurance over the effectiveness of governance and financial management arrangements within schools.	✓	✓	✓
Commissioning Processes (Adult Social)	Following on from an audit in 15/16, this review will provide assurance in relation to processes undertaken by the Council in relation to commissioning of placements for adults.	✓	✓	
Public Health – Contract Management Compliance	To review whether the Slough and Bracknell Forest Borough Council Public Health performance and contract leads are providing the SBC finance team with timely and accurate financial and contractual data.	✓		
Adult Safeguarding	Following an Amber Red opinion in 15/16, we will undertake a further review to provide assurance that issues identified as part of the previous audit have been addressed.	✓		✓
Regeneration, Housing and Resources				
Gas Servicing	This review will seek to ensure that legislation relating to gas servicing is being complied with.		✓	

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Implementation of Universal Credit System	To provide assurance over the effective of systems in place to ensure the implementation of the Universal Credit system within the Council and that accurate payments are being made.		✓	
Voids Management	This review will seek to ensure that policies and procedures in relation to Voids are followed to ensure that void properties are promptly filled, minimising any financial impact to the Council.	✓		
Housing Regulation	This review will seek to provide assurance that the council's statutory function is being undertaken adequately and consistently and that scarce resources are deployed efficiently to meet the most pressing need. Requested by the Assistant Director, Housing and Environmental Services.		✓	
Neighbourhood Enforcement	This review will provide assurance that the three separate neighbourhood enforcement teams are undertaking their statutory enforcement activities equitably and consistently and are applying similar standards across the borough. Requested by the Assistant Director, Housing and Environmental Services.		✓	
Schools Financial Value Standard (SFVS)	Providing assurance the Council on the appropriate completion of each school's SFVS.	✓	✓	✓
Budget Setting	We will review the processes for setting the 16/17 budget.	✓	✓	✓
Budgetary Control	In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year.	✓	✓	✓
Risk Management	To provide assurance that the Council has appropriate processes and systems in place to manage risk within the Council.	✓	✓	✓
Management of Housing Stock	The review will be undertaken to provide assurance that the Council has effective systems in place to ensure the effective management of Housing Stock.	✓		✓
Tenancy Management (Allocations)	The review will be undertaken to provide assurance that the Council has effective systems in place to ensure the effective management of Housing Stock, including Houses of Multiple Occupancy.	✓		
Homelessness	This review will seek to ensure that the Homeless are dealt with in an appropriate manner and in line with Council strategy or statutory legislation.	✓		

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Core Assurance				
Payroll	Coverage to meet External Audit / Regulatory requirements and any management concerns.	✓	✓	✓
Capital Expenditure		✓	✓	✓
Rent Accounts		✓	✓	✓
Housing Benefits		✓	✓	✓
Creditors		✓	✓	✓
Debtors		✓	✓	✓
Assets		✓	✓	✓
Business Rates		✓	✓	✓
Treasury Management		✓	✓	✓
Cash Collection and Management		✓	✓	✓
General Ledger		✓	✓	✓
Council Tax		✓	✓	✓
Other internal audit activity				
Cyber Security	To review the processes employed by the Council for the management of risk in relation to the Council's IT network.	✓	✓	
Procurement	To provide advice on the future structure of the procurement team within the Council – requested by the Assistant Director, Procurement and Commercial Services.	✓		✓
VAT – Indirect Tax	A recent tribunal decision has ruled that VAT is applicable to the full amount paid by the recipient for the use of temporary staff (including wage costs) rather than simply on the commission element charged by the employment business. This could result in an increased cost of using agency staff for businesses which cannot recover all of the VAT on costs. This case contradicts the findings in an earlier case and there is likely to be further litigation before a definitive answer is reached.	✓		
Contract Lettings Review	The aim of this review will be to continue the work undertaken as part of the work commenced within 15/16, providing support to the Council in the Contracts Lettings process.	✓		✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Other Internal Audit Activity				
Social Impact	The review will provide assurance on the current systems to track the social impact you achieve for your customers, and to provide some suggestions on options for improving the visibility of the contribution you make. This could help you develop evidence to inform decision making.		✓	
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	✓	✓	✓
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit and Corporate Governance Committee • Administration of our actions tracking database – 4Action • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Slough Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit and corporate governance committee.

The internal audit service is provided by RSM Risk Assurance Services LLP ("RSM"). Your key internal audit contacts are as follows:

	Partner	Senior Manager
Name	Daniel Harris	Chris Rising
Telephone	01908 687800	07768 052380
Email address	Daniel.Harris@RSMuk.com	Chris.Rising@RSMuk.com

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives.

An overview of our client care standards are included at Appendix D of the internal audit strategy plan for 2016 – 2019.

Role and definition of internal auditing

"Internal Audit 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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes".

Definition of Internal Auditing, Institute of Internal Auditors

Internal audit is a key part of the assurance cycle for your organisation and, if used appropriately, can assist in informing and updating the risk profile of the organisation.

Independence and ethics

To provide for the independence of Internal Audit, its personnel report directly to the Dan Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Assistant Director, Finance and Audit (Section 151 Officer)

The head of internal audit has unrestricted access to the Chair of Audit and Corporate Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Slough Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises

through the provision of other services, disclosure will be reported to the Audit and Corporate Governance Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit and Corporate Governance Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Corporate Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the audit plan as approved, including any additional tasks requested by management and the Audit and Corporate Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant measurement goals and results to the Audit and Corporate Governance Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Corporate Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.

- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Key performance indicators (KPIs)

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

Delivery	Quality
Audits commenced in line with original timescales agreed in the internal audit plan.	Conformance with the Public Sector Internal Audit Standards.
Draft reports issued within 10 working days of debrief meeting.	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.
Management responses received from client management within 10 working days of draft report.	Response time for all general enquiries for assistance is completed within 2 working days.
Final report issued within 3 days from receipt of management responses.	Response to emergencies such as concerns of potential fraud with 1 working day.
Completion of internal audit plan by the end of the financial year.	

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Corporate Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Corporate Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the Council in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it

should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Council to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Personal data is not shared outside of RSM. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

RSM has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

Fraud

The Audit and Corporate Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Corporate Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit and Corporate Governance Committee is also approving the internal audit charter.

APPENDIX D: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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NOTE 1 - Statement of Accounting Policies for 2015/16

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016.

The Financial Statements for 2015/16 are prepared in accordance with the Code of practice on Local Authority in the United Kingdom 2016/16 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Standards (FRS) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by fair value for particular categories of assets and liabilities.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

- Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where periodic income and expenditure invoices are raised or received during the year and relates to a complete financial year no accrual will be made provided the financial affect on the accounts does not change the financial position of the council.

ii) Council Tax and NDR Income

Council Tax Income

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year. Each major preceptor's share of the accrued Council Tax income is available from the information required to be produced in order to prepare the Collection Fund Statement.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the

year, the billing authority will recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor will recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The cash flow statement includes within operating activities only the Council's own share of Council tax net cash collected from council tax debtors in the year. The cash flow statement of a major preceptor will include within operating activities the net council tax received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year will be included within financing activities in the cash flow.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v) Charges to Revenue for Fixed Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations.

However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and
- The Berkshire Local Government Pensions Scheme, administered by Royal Borough of Windsor and Maidenhead.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line

in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

- The liabilities of the Berkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used determined in reference to market yields at balance sheet date of high quality corporate bonds.
- The assets of the Berkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into six components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – These changes are debited to the Pensions Reserve as Other Income and Expenditure
 - Contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

vii) Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; or
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line

In the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – professional estimate

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

ix) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance.

xii) Interest in Companies and other entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint operations during the financial year 2015/16, therefore it has no requirement to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

The Council concluded during a review of its arrangements that the Council's interests in subsidiaries and other entities are not material.

xiii) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv) Joint Arrangements

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Council classifies its interests in joint arrangements as either:

- Joint ventures: where the Council has rights to only the net assets of the joint arrangement
- Joint operations: where the Council has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Council considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

For all joint arrangements structured in separate vehicles the Council assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Council to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation).

Where the Council's interests in joint ventures are material, the Council accounts for these interests using the equity method. Any premium paid for an investment in a joint venture above the fair value of the Council's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Where the Council's interests in joint operations are material, the Council accounts for these interests by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

xvi) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease

The Council as Lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCop). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to

recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service Lines(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction). Depreciation is calculated on the following bases:

- dwellings and other buildings – housing dwellings- 46 years for houses, 42 years for flats, operational buildings 1-60 years as determined by the valuer, car parks 60 years
- vehicles, plant and equipment – straight-line allocation over five years
- Infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Component accounting

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases or revaluations after 1 April 2010.

The Council's policy has defined a component as such part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item, if the value of the component is 10% or more of the total gross carrying value of the building. The Council has also determined that any building with a gross carry amount of less than £1m, useful economic life of less than 15 years or both will not be considered for component accounting.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

xix) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xx) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

A provision for the best estimate of the amount that businesses have been overcharged up to 31st March 2015 in relation to Business Rates. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and an analysis of successful appeals to date when providing the estimate of the total provision up to and including 31st March 2015.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be

made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

xxi) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxii) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv) Local Asset Backed Vehicles

The Council is a member of two limited liability partnerships (LLPs), in which it holds 50% interest, the remaining interest being held by a private sector partner. Both LLPs fall under the definition of "joint ventures" as defined by IFRS 11 "Accounting for joint arrangements"

The transactions in the LLP's are not material in 2015/16 therefore the Council has not prepared Group Accounts. When the transactions become material, the Council will account for its interests in the joint ventures using equity accounting as defined IAS 28 'Investments in Associates and Joint ventures' and complied with IFRS 12 'Disclosure of Interests in Other Entities' which sets out the disclosure requirements for joint arrangements.

In 2015/16 the Council has accounted for transactions in the LLP's on a cost basis.

xxv) Highways Network Asset

The Highways Network Asset is valued on a depreciated Replacement Cost (DRC). The HNA covers the 7 categories of Infrastructure Assets described in the CIPFA Code of Practice on Transport Infrastructure Assets (The Code), namely:

- Carriageways
- Footways and cycle tracks
- Structures
- Street Lighting
- Street Furniture
- Traffic Management Systems
- Land

Infrastructure Assets not included in the classification descriptions above are not part of the Highways Network Asset and would continue to be reported on a DHC basis.

xxvi) Minimum Revenue Provision (MRP)

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

The Authority have applied Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing **and Private Finance Initiative schemes.**

MRP in respect of leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

Appendix E – Progress against BDO Recommendations

Recommendations and Action Plan

Audit Conclusions	Current Year Recommendation	Action Taken	Proposed Action
<p><u>Working papers</u></p> <p>A detailed file of electronic working papers was provided to us at the start of the audit, in accordance with the agreed timetable. However, our review of these working papers found a number of gaps and quality issues. Comparison to the detailed schedule of working papers provided to the Council found that only a third of the working papers were in sufficient detail to allow an effective starting point for the audit of those sections.</p>	<p>Management should carry out a critical review of the outcomes of the 2014/15 audit to identify the areas where further improvements need to be made in producing effective working papers.</p> <p>We will continue to work with finance officers to agree the format of required working papers, particularly in respect of schools balances and banks analyses.</p>	<p>A complete review was undertaken after the 2014/15 audit to inform 2015-16 accounts closedown. Improvements have been made since the previous year and these will continue to be built upon.</p>	<p>The Council has once again set up an accounts closedown project group to oversee the preparation for and delivery of the 2015/16 accounts closedown process. The project plan has set out the processes and arrangements that needed to be put in place by the finance team, service areas and third party provider to effectively produce the financial statements for 2015/16 in light of the external auditor's recommendations. The project plan also included actions to ensure that supporting working papers were adequate and produced on a timely basis. We have met with BDO and established their working paper requirements for closedown and this will greatly assist the process. The Closedown group will review the working papers before they are submitted for audit</p>
<p><u>Consolidation of schools</u></p>	<p>Transactions posted to the general ledger should be reconciled</p>	<p>The following has been performed:</p>	<p>Procedure notes are being written to</p>

<p><u>transactions</u></p> <p>The Council's arrangements for consolidating information from schools into the CIES (and the balance sheet) are ineffective. The working papers and journals prepared to support transactions consolidated into the CIES and balance sheet were inadequate.</p>	<p>to underlying schools returns, and finance officers should check that year end returns have been received from all schools. Management should complete a review of the consolidation of schools transactions into the accounts as part of the accounts closedown process.</p>	<ul style="list-style-type: none"> • Visits to schools in January 2016 to support them in providing accurate returns for yearend. • Review with Arvato on ensuring all subjective codes are included in the CFR returns to ensure the schools returns balance with Oracle\Agresso. <p>Unfortunately we cannot make schools provide returns but we will continue to make every effort.</p> <p>Please note in some schools there is a lack of Finance expertise and school returns are not always going to be correct. A reconciliation like last year will be produced to identify the discrepancies</p>	<p>ensure that Non-oracle schools are accounted for properly.</p> <p>We are minimising the debtors and creditors issue by making sure the school return reflect the information in Agresso.</p> <p>We are performing a quarterly reconciliation of DSG income and to net off the amount recouped by the DFE before including the figures in the Financial statements.</p> <p>We plan to start the closedown 2 weeks earlier to give sufficient time for checking and making the necessary adjustments as required.</p> <p>A procedure for Non-oracle schools is currently being written. It will include a consolidation report as part of closedown.</p> <p>School visits will continue to be undertaken to emphasis the importance of school returns and</p>
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			make support available as required to schools that want to participate.
<p><u>Property valuations</u> Management should more fully document its thought process and evidence to support the representation that the carrying values of all assets remain materially accurate as fair value at year end.</p> <p><u>Depreciation of non-current assets: Useful economic lives</u></p> <p>(a) Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets.</p> <p>(b) The fixed assets register should be updated to ensure that all assets are appropriately depreciated in accordance with the Code requirements.</p> <p>(c) The fixed assets register should be updated to ensure that leased assets are being depreciated over the shorter of the lease life or the expected life of the asset.</p>	<p>Management should more fully document its thought process and evidence to support the representation that the carrying values of non-current assets that have not been formally revalued in the year remain materially accurate as fair value at year end.</p> <p>There remains scope for improvement in the evidence supporting management's annual review of useful lives, depreciation methods and residual values of all classes of assets. Our audit work found no issues with regards to depreciation calculations except for depreciation on leased assets. Part (b) of the recommendation is considered to be implemented.</p>	<p>Property services have spoken to our external auditors and have discussed a way forward to addressing the recommendations.</p>	<p>Useful Economic Lives – There are two points here really, the first is that we have an internal dialogue between ourselves with the aim of identifying whether there are any impairment issues to the buildings we are valuing (i.e. has something burnt down or been flooded). Where these types of impairment have happened we would expect to reflect the issues within the valuation.</p> <p>For all other assets if they are performing the service they should be at the valuation date we would suggest that the full weighted average life that we apply should suffice. It is not often cost effective to perform full condition surveys for all assets each financial year.</p> <p>These weighted average lives are arrived at via our analysis of the component parts of the assets in conjunction with</p>

		<p>how long, from new, one would expect them to last before these elements would need to be replaced and in our view reflect a property type specific methodology as recent construction projects are analysed to arrive at the figures.</p> <p>Property Valuations – I would have thought that the market review document we provide would fill in the gaps here. One other point that we have looked at is valuing the 'high value' assets on an annual basis as this should take materiality out of the equation for any assets not valued which are subject to change since their previous valuations.</p> <p>We have agreed to value annually the high value assets that make up 80% of the total value of the portfolio.</p> <p>We are also undertaking Stock Condition surveys on our assets on a rolling basis which should give more information on the condition and useful life of assets not being revalued in year. In addition we can use some of the work done as</p>
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			part of the asset challenge exercise to give assurance on the useful lives of assets not being revalued in year.
<p><u>Accrual for special education needs (SEN)</u> Management should ensure that the year end accrual for out-of-borough special education need placements is estimated by taking account of the actual number of placements and the expected cost for each; in the light of the accuracy of the prior year accrual.</p>	<p>There remained a number of issues regarding the working papers provided to support the year end SEN accrual. In addition these do not clearly show how the prior year accrual compared to the actual payments made post year end and therefore the extent of any under/over accrual from the prior year impacting on the current year.</p>	<p>There were a number of issues regarding the working papers provided to support the year end SEN accrual. In addition these do not clearly show how the prior year accrual compared to the actual payments made post year end and therefore the extent of any under/over accrual from the prior year impacting on the current year.</p>	<p>Finance staff have visited schools to support them in the production of the necessary figures for the accounts and the working papers to enable the figures to be audited.</p>
<p><u>Fixed assets register</u> Management should ensure that Internal Audit's recommendations on the asset register review in 2013/14 are fully implemented in accordance with agreed timelines.</p>	<p>Internal Audit's conclusion on the asset register in 2014/15 is rated amber/red and there are high priority recommendations relating to the creation of asset management procedures that clearly outlines the responsibilities of all involved departments and staff and the establishment of formal written verification procedures covering the requirement for regular reconciliations to be completed between the asset register and Council property management system.</p>	<p>The Land Terrier would not have the appropriate level of detail required to make a reconciliation with the Asset Register a quick/simple process. Information on the Terrier is stored as large polygons that will most likely contain a large number of Council properties within them. The data is recorded is as per name at time of acquisition i:e Land at Manor Court Farm. The Terrier referencing therefore bears little resemblance to the individual property information held on the Asset Register.</p> <p>The Terrier is also</p>	<p>The method proposed for reconciling is the same as that used by the auditors. A sample of properties will be selected on an annual basis and ensuring the land is Registered with Land Registry and/or we have the associated deeds on file.</p>

		an historical record built up over a number of years and with the inherent defects associated with such records. I daresay the Terrier needs reconciling itself at some point.	
<p><u>Purchase orders</u></p> <p>Management should monitor compliance with its new 'No Purchase Order, No Pay' policy as failure to comply with this policy could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.</p>	<p>Throughout 2014/15 a number of purchase requisitions have continued to be raised retrospectively (11 out of 25 tested by Internal Audit), despite the Council's 'No Purchase Order, No Pay' policy implemented from 1 April 2014.</p>	<p>Communication has been sent out using all available portals in an attempt to increase the performance in this area. Monthly reports are being run to see progress against this policy and which services are improving performance. Training is also being rolled out to improve Compliance. Whilst performance has improved it is still not at the level we would like it to be.</p>	<p>The implementation of Agresso (the new financial management system) will enable to improve the performance of the council in this area.</p>
<p><u>Immaterial disclosures</u></p> <p>The 2014/15 financial statements include a significant number of notes and disclosures that are not material and should be removed, such as intangibles, assets held for sale, inventories, grants received in advance and associated accounting policies.</p> <p>Inclusion of irrelevant or immaterial disclosures in the financial statements</p>	<p>Going forward the Council should review its draft financial statements and remove all immaterial notes and disclosures.</p>		<p>The statements have been reviewed over the past few months. Discussions have been held with BDO to establish the notes not deemed to be material so that they are not included in the 15/16 statements. The CIPFA revised code of practice and guide for practitioners is also being examined to ensure all changes to the code are incorporated.</p>

decreases the usability of the financial statements and detracts from the required material disclosures.			
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SLOUGH BOROUGH COUNCIL

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PLANNING REPORT TO THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE
Audit for the year ending 31 March 2016

25 February 2016



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INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the authority for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Corporate Governance Committee and should not be shown to any other person without our express permission in writing.

In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Janine Combrinck Engagement Lead	Tel: 020 7893 2631 Mob: 07879 816 470 Janine.Combrinck@bdo.co.uk	Oversee the audit and sign the audit report
Kerry Barnes Project Manager	Tel: 020 7893 3837 Mob: 07583 099 795 Kerry.L.Barnes@bdo.co.uk	Management of the audit
Lucy Ballard Assistant Manager	Tel: 020 7034 5878 Mob: 07966 246 058 Lucy.Ballard@bdo.co.uk	Assists with the management of the audit
Michael Asare Bediako Senior	Tel: 020 7893 3643 Mob: 07811 244 020 Michael.AsareBediako@bdo.co.uk	Day to day supervision of the on-site audit

Janine Combrinck is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources. In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Janine is responsible for the overall quality of the engagement.

OUR CLIENT SERVICE COMMITMENT TO YOU

CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

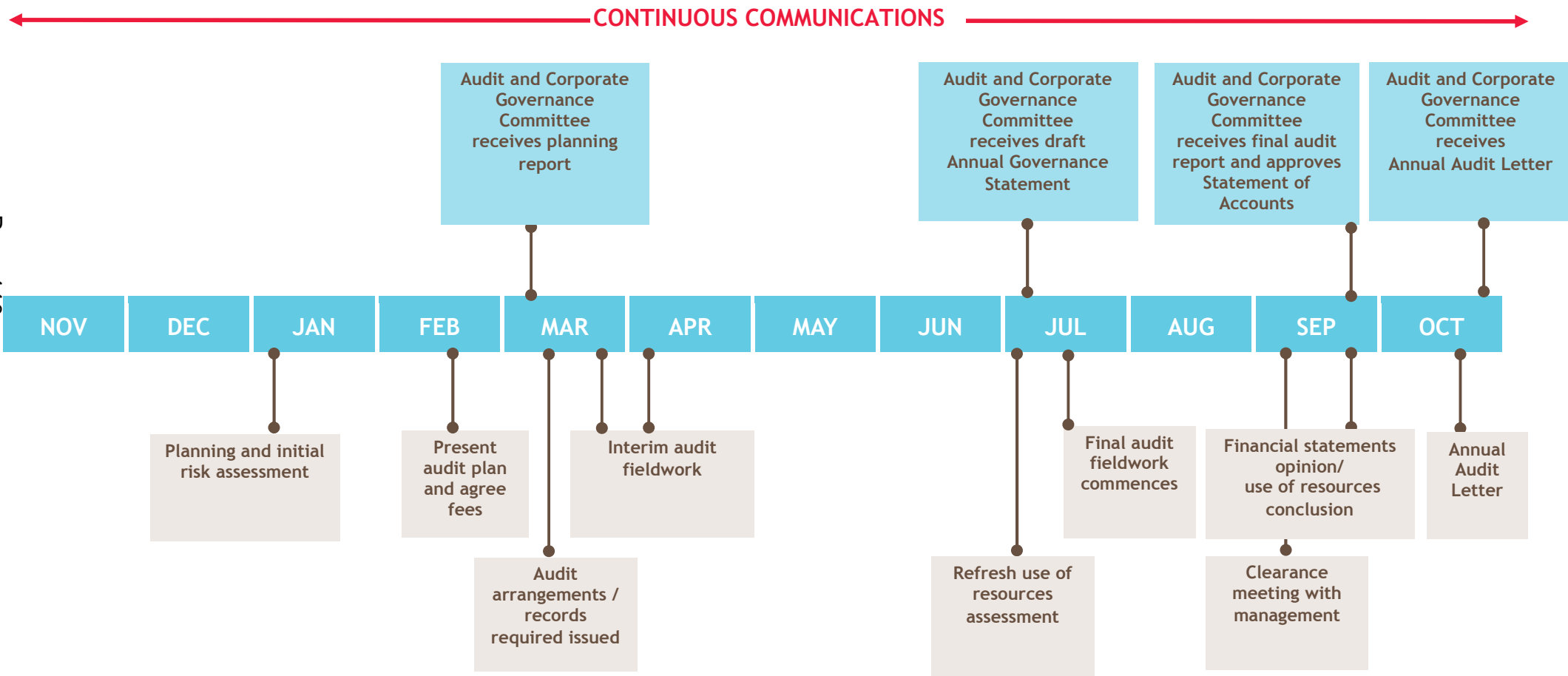
8

Identifying shortcomings in controls and processes.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the annual governance statement).</p>	<p>4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

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ADDITIONAL POWERS AND DUTIES

6 To consider the issue of a report in the public interest, where necessary.
To make a written recommendation to the authority, where necessary.

7 To allow electors to raise questions about the accounts and consider objections.
To apply to the court for a declaration that an item of account is contrary to law, where necessary.
To consider whether to issue an advisory notice or to make an application for judicial review, where necessary.

MATERIALITY

AUTHORITY MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Slough Borough Council	£8,000,000	£160,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 2% of gross expenditure. At this stage, the figure is based on prior year gross expenditure in the Comprehensive Income and Expenditure Statement (CIES). This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the authority's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning meetings in order to gain an understanding of the authority's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties

- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements”, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.</p> <p>In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.</p>	Not applicable.
Revenue recognition	<p>Under International Standard on Auditing 240 there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We consider there to be a significant risk over fees and charges revenue in the CIES, and we plan to rebut the significant risk over the other revenue streams.</p>	<p>We will carry out audit procedures to gain an understanding of the authority’s internal control environment for fees and charges, including how this operates to prevent loss of income, and ensure that income is recognised in the correct accounting period.</p> <p>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.</p>	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Financial statements preparation</p>	<p>Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements were identified, particularly in the following areas:</p> <ul style="list-style-type: none"> disclosure of dedicated schools grant for amounts recouped in respect of schools transferring to academy status accounting for internal recharges in income and expenditure mapping of cost centres to services in the CIES financial instrument notes senior officer remuneration bandings and exit packages note note on amounts reported for resource allocation decisions disclosure of the new Better Care Fund pooled budget with NHS Slough Clinical Commissioning Group detailed analysis of the cash and cash equivalents balance and supporting bank reconciliations. <p>In addition, we are aware that Slough Children's Services Trust is using the Council's general ledger system. We will need to check that the trust's transactions are not erroneously included in the Council's accounts.</p>	<p>We will assess progress towards improving production of the 2015/16 financial statements and supporting working papers. 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 Code of practice for Local Authority Accounting 2015/16 briefing finance staff on our expectation for good quality working papers reviewing the consistency of the financial statements with underlying working papers before the start of the onsite audit visit reviewing the general ledger to check that transactions by Slough Children's Services Trust are excluded from the Council's accounts 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. 	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Change in general ledger system	<p>The Council changed its general ledger system from Oracle to Agresso on 1 February 2016.</p> <p>There is a risk that the general ledger transactions from 1 April 2015 to the date of transition may not have been accurately and completely transferred between the systems.</p>	<p>We will review work done by internal audit to test the migration of data from the previous general ledger system to the new system, and associated reconciliations.</p> <p>We will carry out further testing as necessary to obtain assurance over the completeness and accuracy of the data migration.</p>	Not applicable.
Schools transactions and reconciliations	<p>In the prior year we reported that the Council's arrangements for consolidating schools' income, expenditure, working capital balances and reserves required significant improvement.</p> <p>There is a risk of material misstatement in the 2015/16 financial statements if the weaknesses in working papers and journals prepared to support the consolidation of schools transactions are not addressed.</p>	<p>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.</p>	Schools returns authorised by the Treasurer or Head teacher of each school.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 117</p> <p>Property, plant and equipment valuations</p>	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The fair value for land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC).</p> <p>Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation.</p> <p>In 2015/16 the Council is obtaining formal valuations for the following assets, and the valuation is being carried out as at 1 January 2016:</p> <ul style="list-style-type: none"> • Council dwellings • Specialised assets valued on a DRC basis (including schools) • Surplus assets (first year under IFRS 13 Fair value measurement) • Investment properties. <p>The indices available to management to assess valuation changes are produced independently by the external valuer and are based on observable data (asset sales and building contract prices). The valuation expert is independent of management and will use its sector knowledge of local sales to estimate the fair values and remaining useful economic lives of assets.</p> <p>We consider there to be a risk over the valuation of land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p>	<p>We will review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will confirm that the basis of valuation for assets valued in year is appropriate based on their usage, including the valuation of surplus assets at fair value under IFRS 13.</p> <p>We will check that the financial statements adequately disclose the change in valuation date from 1 April to 1 January.</p>	<p>We will review reports from the valuer, Wilks Head and Eve, against indices and price movements for classes of assets provided by Gerald Eve LLP.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The net pension liability comprises the authority's share of the market value of assets held in the Royal County of Berkshire Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will agree the disclosure to the information provided by the pension fund actuary.</p> <p>We will obtain assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We will agree the disclosures to the report received from actuary, Barnet Waddingham.</p> <p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>
Fraud and error	<p>We are required to discuss with you the possibility of material misstatement, due to fraud or error.</p> <p>We are informed by management that there have not been any cases of material fraud or error, to their knowledge.</p>	<p>We will continue to consider this throughout the audit process and discuss with management.</p>	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - WHOLE OF GOVERNMENT ACCOUNTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Accuracy and completeness of the data collection tool</p>	<p>We are required to perform tests with regard to the WGA Data Collection Tool (DCT) prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>In the prior year, we identified a significant number of errors within the return and we issued a qualified ‘except for’ conclusion in respect of the completeness of the counter party data (CPID). As a result of these issues, the Government’s deadline for completion of the audit of the DCT was not met.</p> <p>The achievement of the deadline going forward will depend on the quality of the return, its timely receipt and the quality of the supporting working papers.</p> <p>There is a risk the DCT will again contain numerous errors and incomplete CPID analyses, and the audit deadline will not be met if there are a large number of adjustments to the draft return.</p>	<p>We will check the consistency of the WGA return with the audited financial statements and supporting working papers, and review the completeness and accuracy of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>The update to the Medium Term Financial Strategy to 2019/20 has forecast further reductions in Government core grant funding and annual inflationary and pay award pressures.</p> <p>Significant levels of savings are required to balance the budget in each of the five years from 2015/16. As at February 2016 the unidentified savings requirement amounts to £4.6 million in 2017/18, £0.4 million in 2018/19 and £0.2 million in 2019/20 (£0.4 million).</p> <p>Identifying the remaining required savings over the medium term will be a challenge and is likely to require difficult decisions around service provision and alternative delivery models.</p>	<p>We will review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied. We will monitor the delivery of the budgeted savings in 2015/16 and the plans to reduce services costs and increase income from 2016/17. We will also review the strategies to close the budget gap after 2015/16.</p>	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Children's social care services</p>	<p>Our 2014/15 value for money conclusion was qualified because of significant weaknesses in Children's Social Care Services identified by Ofsted since 2011.</p> <p>In November 2014 the Council agreed a Memorandum of Understanding (MOU) with the Secretary of State for Education to enable the externalisation of the Council's children's services function to a new organisation.</p> <p>Slough Children's Services Trust, a company limited by guarantee, became operational on 1 October 2015.</p> <p>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 2015/16, when it retained direct control over these services in the first half of the year and in managing the contract with the independent organisation in the second half of the year.</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 action taken by the Council and the newly established Slough Children's Services Trust during 2015/16 to address Ofsted's recommendations and seek evidence of improved processes.</p>	<p>Not applicable.</p>

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Corporate Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ending 31 March 2016.

We have not identified any potential threats to our independence as auditors.

We are not planning to provide any non audit services.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, are:

	2015/16 £	2014/15 £
Code fee - audit of financial statements	127,523	180,030*
Code fee - certification of housing benefit subsidy claim	9,950**	27,500
Fees for audit related services:		
- Pooling of housing capital receipts return	3,535	3,535
- Teachers' pensions return	1,800	1,800
Fees for non audit services	-	-
TOTAL FEES	142,808	212,865

*The prior year Code fee for the audit of the financial statements includes £10,000 for additional costs incurred in auditing schools balances in the accounts and the WGA return.

**The fee for the certification of the housing benefits grant claim is lower than the indicative scale fee published by Public Sector Appointments Limited as the Council has commissioned the services of a housing benefits expert to carry out the audit testing and BDO will seek to place reliance on that work.

Fee invoices

Fee invoices for the audit of the financial statements will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- Instalment 1 £31,899.00 in June 2015
- Instalment 2 £31,899.50 in September 2015
- Instalment 3 £31,899.50 in December 2015
- Instalment 4 £31,825 in March 2016

Our fee is based on the following assumptions

The complete draft financial statements, WGA return and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records. In particular:

- The balance of cash and cash equivalents in the financial statements will be supported by a complete analysis of all cash book balances, with supporting reconciliations to bank statements, for all bank accounts held by the Council and schools.
- Schools' balances in the general ledger for income, expenditure, working capital balances and reserves will be reconciled to signed returns from the schools.

Key dates will be met, including receipt of draft accounts, WGA return and working papers prior to commencement of the audit fieldwork.

We will receive only one draft of the Statement of Accounts and WGA return prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior officer remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit and Corporate Governance Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit and Corporate Governance Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, senior officer remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDING
Janine Combrinck - Engagement lead	1 year as engagement lead and 3 years as project manager	31 March 2020
Kerry Barnes - Project manager	1 year as project manager	31 March 2025

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 organisation 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 2015/16
AUDIT AND CORPORATE GOVERNANCE COMMITTEE

COUNCILLOR	10/06/15	08/07/15	24/09/15	10/12/15	10/03/16
Ajaib	P	P	Ap	P	
Chohan	P	P	P	P	
Amarpreet Dhaliwal	P	P	P	Ap	
Mansoor	Ap	P	P*	Ap	
Matloob	P	P	P	P	
Nazir	P	P	Ap	P	
Sandhu	P	P	P	P* (from 6.43pm)	
CO-OPTED INDEPENDENT MEMBER					
Graham Davies	P	P	Ap	P	
Ajay Kwatra	Ap	Ap	Ap	Ap	
Ronald Roberts	P	Ap	P	P	
Alan Sunderland	P	Ap	P	Ap	

P = Present for whole meeting
 Ap = Apologies given

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

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