

Slough Borough Council

Internal Audit Progress Report

2010/2011

October 2010

Report by: Interim Head of Audit and Risk Management

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Summary

This quarterly progress report has been prepared for the Members of the Audit Committee at Slough Borough Council.

This summary consists of a narrative in which the Interim Head of Audit and Risk Management updates the Audit Committee on any changes in the audit plan and also highlights other areas that she feels the Audit Committee should be aware of.

In addition to the narrative key matters are attached in the following statements:

Section 1: General Update and Summary of Key Activity

Section 2: Key Performance Indicators

Section 3: Summary of Audit Reports Issued

Section 4: Recommendations not Implemented

Section 5: Audit Reports experiencing Delay in Implementation

Section 6: Position on contingency audits/irregularity reviews

Appendix One: The Revised Internal Audit Plan 2010/11

Section One- General Update & Summary of Key Activity

Summary of Key Internal Audit Activity

This report has been prepared to update the Members of the Audit Committee on progress to date against delivery of the approved 2010/11 Internal Audit Plan.

The key points to note are as follows:

- The approved 2010/11 Internal Audit plan contained 1252 auditable days across the organisation (plus 155 contingency days);
- Since the last Audit Committee, 37 days have been added to the plan and a total of 54 days have been deleted from the plan, resulting in a revised total of 1235 auditable days plus 172 contingency days resulting in a total plan of 1407 days.

The amendments that have been made to the plan have been included within the Revised Plan in Appendix One.

As outlined within this report, general delivery against the 2010/11 Internal Audit Plan has exceeded the target set and we are on target to complete the work required by 31st March 2011. Overall, customer feedback has been positive and the performance statistic of 100% agreement of Officers to all recommendations raised demonstrates a high level of compliance with Internal Audit activity. Further details of performance indicators are included within Section Two.

Counter Fraud arrangements & the Anti-Fraud Plan

Internal Audit has taken a number of steps to ensure that counter fraud arrangements in Slough Borough Council are effective. These include both proactive and reactive anti fraud arrangements. Work undertaken within 2010/11 to date has included substantial input into the National Fraud Initiative (NFI); the outcome of the most recent exercise will be reported to the next Audit Committee. In addition, Internal Audit continues to maintain an active input into any investigations arising; details of these are included within Section Six.

The general Internal Audit work carried out, alongside the work carried out by the Housing Benefit Fraud Unit, contributes to the anti-fraud arrangements in the organisation. These activities have been identified and brought together in one document to enable further clarity in respect of the anti fraud work being carried out and has been previously presented to the Audit Committee.

Risk Management Update, including Review of the Internal Audit Plan 2010/11

Through delivery of the Internal Audit Plan within the first and second quarters of the year, a number of amendments have been required to be made to the Plan. These have been identified through various routes, including Director requests and changes in service delivery arrangements. As a result of this, and under the ongoing commitment to secure value for money, an exercise has been undertaken to confirm that our current Internal Audit plan delivers value for money and remains suitable for our needs.

The exercise undertaken, as detailed below, and discussions with other Authorities have allowed us to compare best practice guidance and new areas arising for Audit input. Through this exercise, it became apparent that, the size of our plan exceeds that of other Authorities. Whilst our plan has always been focussed on risk, there is a need for further productivity to be obtained from the team which could result in delivery of the service with fewer resources; whilst still obtaining the required level of assurance. The focus of this exercise has been on risk and ensuring that the level of audit input into an area is relative to the risks arising. As such, alongside this exercise, a significant amount of time has been spent updating the Council's risk management system for input onto (JCAD), the Councils risk management system.

Through this exercise, the following approach has been adopted:

- 1) Review of the current Audit Plan to identify where audits have not yet commenced and to identify in these areas if there has been any change in risk/ service delivery to allow audit days to be reduced/ removed;
- 2) Identification of arising risks, coverage within the current plan and updating the plan for additional auditable areas;
- 3) Update the plan with additional or reduced audits; and
- 4) Update corresponding risk registers.

As a result, amendments have been made to the current year Internal Audit plan to ensure that it now suits our needs and to secure value for money in delivery. This has resulted in a reduction of 332 days against the plan approved at the beginning of the financial year; this results in a plan of 1,075 days (including 100 days in contingency) against an approved plan of 1407 days.

This exercise is also underway for the Strategic Plan to identify future year amendments. It is anticipated that further reductions in days can be driven from the strategic plan as audit work has not commenced in any areas as is the case for the 2010/11 plan; due to the timing of review of the current year plan, a number of audits had commenced and could, therefore, not be amended. This process is currently underway and the risk registers will also be updated in due course.

Appendix One provides a revised Internal Audit plan to be considered for Audit Committee approval.

Table One- Comparison of Original Allocation and Use of Resources – to 30 September 2010

	ANNUAL AUDIT PLAN ALLOCATION – ORIGINAL (Days)	ANNUAL AUDIT PLAN ALLOCATION – LATEST (Days)	ACTUAL USED TO END OF QUARTER 2 (Days)
PLANNED AUDITS			
Fundamental (Core) Systems Audits	333	333	4
Non-Core Systems Audits	808	791	348
IT Audit	111	111	36
TOTAL PLANNED AUDITS:	1252	1235	388
OTHER AUDIT WORK			
Old Year Audits	-	-	34
Follow Ups			11
Contingency Audits	155	172	
Investigations			17
TOTAL OTHER AUDIT WORK	0	0	62
TOTAL AUDIT DAYS	1407	1407	450
OTHER CHARGEABLE			
Chargeable Management	384	384	144
TOTAL CHARGEABLE DAYS	1791	1791	594
AUDIT MANAGEMENT & ADMIN			
Non Chargeable Management	76	76	8
Management Information/Admin	122	122	112
TOTAL MANAGEMENT & ADMIN	582	582	120
LEAVE & TRAINING			
Statutory Leave	80	80	21
Annual Leave	306	306	114
Special Leave	20	20	4
Sick Absence	80	80	210
Professional Training	125	125	8
TOTAL LEAVE & TRAINING	611	611	357
TOTAL STAFF DAYS	2600	2600	1071

Section Two- Key Performance Indicators for the Period Ended 30th September 2010

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators. Progress continues to be positive with the majority of key performance indicators achieving, or exceeding, the original target.

No.	Key Performance Indicator	Target	Quarter One & Two 2010/2011	2010/11 Year to Date
1	The overall percentage of recommendations agreed	100%	100%	100%
2	Percentage of recommendations agreed implemented	100%	92%*	92%
3	Proportion of planned audit work completed by 31 st March 2011	95%	23%*	23%
4	Average customer satisfaction score (measured by survey) (4=Good, 3=Satisfactory, 2=Poor, 1=Unsatisfactory)	3.0	3.5	3.5

* NB: Twelve recommendations have been followed up to date; only one recommendation remains outstanding; this recommendation is detailed in Section Four- Recommendations not Implemented.

*The year to date target is 95%; current progress indicates that the target will be achieved by 31st March 2011.

Section Three- Summary of Audit Reports Issued

The table below provides a summary of the Internal Audit reports issued in 2010/11 to date (NB: Where the reports are in draft format, the assurance opinion will be confirmed at the next Audit Committee):

Quarter One Reports Issued:	Audit Days	Assurance	Status
Mayoralty & Civic Expenses including Car	10	TBC	Draft
Customer Service Centre	10	Full	Final
Governor Services	6	TBC	Draft
Safeguarding Arrangements	15	TBC	Draft
Supported Living Procedures	8	Satisfactory	Final
Speedwell Enterprises	10	Satisfactory	Final
Wexham Nursery	10	TBC	Draft
Emergency Planning	10	Limited	Final
PFS Cash & Bank Reconciliation	10	TBC	Draft
Due Diligence (PFS)	5	N/a	Draft
Flare & Operating System	16	TBC	Draft
Capita Housing	10	N/a	Draft
Remote & Third Party Access	10	TBC	Draft
Gas Safety Audit	7	TBC	Draft
Absence Management	10	Satisfactory	Final
Behaviour Support Team	7	TBC	Draft
Youth Offending Team	15	Satisfactory	Final
Lettings Management	10	TBC	Draft
Occupational Therapy Team	10	TBC	Draft
Priors Day Service	10	Satisfactory	Final
Slough Community Mental Health	10	Satisfactory	Final
Stroke Care Grant	5	Satisfactory	Final
Supported Living (Additional Audit)	5	Satisfactory	Final
Development Control	10	TBC	Draft
Community Safety	10	Satisfactory	Final
Highways	15	Full	Final
Appointeeship (Power of Attorney)	10	Limited	Final

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The total number of assurance opinions issued are as follows, for final reports only:

	2010/11 Assurance Opinions Year to Date
Full Assurance	2
Satisfactory Assurance	9
Limited Assurance	2
No Assurance	0

Further details of the **Limited** assurance opinions are as follows:

Audit	Report Status	Total Number of Recommendations	Areas of Significant Control Weakness	Other Comments
Emergency Planning	Final	Six	<ul style="list-style-type: none"> • Reliability and Integrity of Records • Testing and Post-Exercise Programme • Business Continuity 	Management have accepted and agreed to the recommendations raised.
Appointeeship (Power of Attorney)	Final	Four	<ul style="list-style-type: none"> • Guidance, Procedures and lack of succession planning • Control and management of funds 	Management have accepted and agreed to the recommendations raised.

Section Four- Recommendations Not Implemented

In 2010/11, twelve medium and significant risk recommendations were followed up; of these recommendations, one remains outstanding. The following table outlines the outstanding recommendations:

Audit	Year	Outstanding Recommendations
Langley Library	2009-10	➤ 1 medium risk recommendation relating to evidence of dual control on the daily cash sheets.

As agreed by members, where recommendations or actions have not implemented recommendations the responsible Officers may be given an opportunity to explain why at the following Audit Committee.

Section Five- Audit Reports experiencing Delay in Completion

Outstanding Follow ups

Audit Title	Department name	Final report issued	Follow-up Due	Notes
Members Allowances	Resources	30 December 09	30 June 10	Follow Up delayed due to completion of additional work at the Creative Academy- due for completion October 2010
Overtime Payments	Resources	30 December 09	30 June 10	Follow Up delayed due to completion of additional work at the Creative Academy- due for completion October 2010

Note: Follow up of recommendations is carried out with every audit and/or after 6 months.

Outstanding Drafts

Audit title	Department name	Draft sent	Contact name
N/A	N/A	N/A	N/A

There are no draft reports for which we are awaiting a response outside of the agreed timescales.

Section Six- Position on Contingency Audits and Irregularity Reviews up to 30th September 2010

The below highlights where further action has been taken since previous Audit Committee reporting:

Amendment of BACS Details within Customer Services

In September 2010, Internal Audit were alerted to a suspicion that BACS details for Housing Benefits recipients were being fraudulently amended by a member of the Customer Services Team to divert money to their own account; this matter was promptly identified through the management checks that are undertaken prior to actual BACS amendments being processed and the Investigations Team were notified accordingly.

Further investigations have been completed and the member of staff was arrested and has been bailed by the Police pending further investigation. This matter is being actively pursued by both the Police and the Investigations Team and a further update will be brought to the next Audit Committee. In order to prevent future occurrences, Internal Audit have undertaken a review of the current process and BACS amendment form and advised changes in evidence requirements and authorisation to attempt to control this further; it is important to note that this was an intentional act to obtain funds from the Council fraudulently; controls were in place to prevent further payments to the individual.

Appendix One- Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
Central financial systems			
Treasury	10	No amendment - key financial system audit	10
Capital Finance	10	No amendment - key financial system audit	10
VAT	10	No amendment - key financial system audit	10
Financial Planning	10	No amendment - key financial system audit	10
Budgetary Control	10	No amendment - key financial system audit	10
Creditors	15	No amendment - key financial system audit	15
Payroll	15	Days reduced due to duplication with Pay & Remuneration Audit	10
Debtors	15	No amendment - key financial system audit	15
Cashiers	10	No amendment - key financial system audit	10
Pensions	6	No amendment - key financial system audit	6
General Ledger	15	No amendment - key financial system audit	15
Petty cash and imprest systems	10	Reduced allocation; efficiency	5
Procurement	15	No amendment - key financial system audit	15
Revenues and Benefits			
NNDR	12	No amendment - key financial system audit	12
Council Tax billing & collection	10	No amendment - key financial system audit	10
Benefits systems (Control & systems teams)			
Council Tax & Housing Benefits	10	No amendment - key financial system audit	10
Discretionary/Housing Payments	10	N/A - Audit underway / Complete	10
Central financial systems Total	193		183
Corporate Issues			
Significant Projects (to be agreed with CMT)	35	None requested to date; days pro-rated	10
Workforce Planning	15	Delete and complete 2011/12	0
Partnership working (cross cutting)	15	Retain	15
Performance Management	15	Reduced allocation; efficiency	10
Service Planning	15	Defer to 2011/12 due to current savings proposals	0
Data Quality	10	Retain	10
CRC Energy Efficiency Scheme	15	Retain	15
Risk Management	10	Retain	10
Insurance	10	Delete and complete 2011/12	0
Health & Safety including Occupational Health	10	Delete and complete 2011/12	0
Grants reviews	15	Retain	15
Proactive anti-fraud work	20	Retain	20
NFI	30	Retain	30

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Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
Corporate Issues	215		135
Resources Directorate			
Law & Corporate Governance			
Annual Governance Statement	15	Reduced allocation; efficiency	5
Corporate Governance	15	Retain	15
Committee Services	10	Reduced allocation; efficiency	5
Mayoralty & Civic Expenses (Including car)	10	N/A - Audit underway / Complete	10
Law & Corporate Governance totals	50		35
Human Resources			
Absence management	10	N/A - Audit underway / Complete	10
Pay and Remuneration	15	N/A - Audit underway / Complete	15
Human Resources totals	25		25
Facilities			
Corporate Landlord	10	Retain	10
Property and Asset Management	10	N/A - Audit underway / Complete	10
Facilities Totals	20		20
Resources Directorate Totals	95		80
Improvement and Development			
LAA/PSA	20	Retain	20
Concessionary Fares Administration	10	Reduced as outsourced function	5
Customer Services Centre – Telephones	10	N/A - Audit underway / Complete	10
Improvement and Development Totals	40		35

Revised Internal Audit Plan 2010/11

Auditable area Education & Children's Services	Audit 2010/11	Proposed Action	Revised 2010/11
Primary schools			
Castleview	6	Retain current year, new approach 2011/12	6
James Elliman	6	Retain current year, new approach 2011/12	6
Marish Primary	6	Remove as completed 2009/10	0
Our Lady of Peace Infant	6	Retain current year, new approach 2011/12	6
Ryvers	6	Retain current year, new approach 2011/12	6
St Anthony's	6	Retain current year, new approach 2011/12	6
Saint Ethelbert	6	Retain current year, new approach 2011/12	6
Saint Marys CE	6	Retain current year, new approach 2011/12	6
Western house	6	Retain current year, new approach 2011/12	6
Wexham Court	6	Retain current year, new approach 2011/12	6
Penn Wood	6	Retain current year, new approach 2011/12	6
FMS certification of schools audited in 2006-07	20	Retain	20
Secondary Schools			
Baylis Court Secondary	10	Retain	10
Beechwood	10	Retain	10
Herschel	10	Retain	10
Langley Grammar	10	Retain	10
Langley Academy (Previously Langley Wood)	10	Deleted due to Academy status	0
The Westgate	10	Retain	10
Special Schools			
Arbour Vale	6	Remove as completed 2009/10	0
Nursery Schools			
Slough Early Years	6	Remove as completed recently	0
Other			
Nursery Grant & Payments	10	Remove as completed recently	0
Redundancy/teachers pensions	6	Reduced due to level of activity	2
Mandatory and discretionary student awards	8	Service no longer in place	0
Governor Services & Training	6	N/A - Audit underway / Complete	6
Inclusion			
Behaviour Support Team	7	N/A - Audit underway / Complete	7
Youth Service	10	Delete as covered under YOT	0
Breakaway	6	N/A - Audit underway / Complete	6
Youth Offending Team	15	N/A - Audit underway / Complete	15

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Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
Children and Families	2010/11		2010/11
Looked After Services	10	Deleted - new approach to auditing similar services in 2011/12	0
C W D Team	10	Delete as covered under CDR	0
C&F Fieldwork Teams	8	Merge with C&F below	2
C&F Assessment Team	10	Merge with C&F above	10
Mallards	10	N/A - Audit underway / Complete	10
Children with Disabilities Register	8	N/A - Audit underway / Complete	8
Services for children leaving care	8	Retain	8
Petty Cash (Children and Families)	6	Delete- inefficient use of resource	0
Education & Children's Services totals	296		204
Community and Well Being			
Safeguarding arrangements	15	N/A - Audit underway / Complete	15
Community Services Facilities Property Management	10	Delete- due to overlap with Property Audits	0
Lettings management	10	N/A - Audit underway / Complete	10
Creative Academy	0	Additional Audit Requested- Work Underway	5
Appointeeship (Power of Attorney)	10	N/A - Audit underway / Complete	10
Nursing homes - commissioning & expenditure	10	N/A - Audit underway / Complete	10
Harover Contract (Prines and Northampton)	10	N/A - Audit underway / Complete	10
Home Care-Community Laundry	6	Delete- Service Discontinued	0
Physical Disability & Sensory Impairment Team			
Sensory Needs Team	6	N/A - Audit underway / Complete	6
OT Team	10	N/A - Audit underway / Complete	6
Learning Disabilities			
Supported Living - Procedures	8	N/A - Audit underway / Complete	8
Priors Day Services	8	N/A - Audit underway / Complete	8
Mental Health Service			
Slough Community Mental Health	10	N/A - Audit underway / Complete	10
Other Adult Services			
Speedwell Enterprises	10	N/A - Audit underway / Complete	10
Service Strategy, Regulation & Directors Off.			
Commissioning Team & Supporting People	10	N/A - Audit underway / Complete	10
Supported Living (Additional Work)	5	Additional Work Added to Plan	5
Stroke Care Grants	5	Additional Work Added to Plan	5
Personalisation	5	N/A - Audit underway / Complete	5
Community and Well Being Totals	138		133

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Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
Green & Built Environment	8		0
Trading Standards	8	Remove due to duplication with other audits	0
Wexham Nursery	15	N/A - Audit underway / Complete	15
Planning Policy & Projects	10	Delete- Completed 2009/10	0
Development Control	10	N/A - Audit underway / Complete	10
S.106 agreements	10	N/A - Audit underway / Complete	10
Transportation Planning	10	N/A - Audit underway / Complete	10
Highways - (Highways Maintenance and dev, Street works, Asset Management and Drainage, Street lighting)	15	N/A - Audit underway / Complete	15
Community Safety	10	N/A - Audit underway / Complete	10
Transportation capital programme	10	Delete- duplication with Capital Finance Audit	0
Emergency Planning	10	N/A - Audit underway / Complete	10
Housing Service			
Housing development/enabling	8	N/A - Audit underway / Complete	8
Enforcements - Housing Standards Enforcement	10	Delete- completed 08/09 and 09/10	0
Green & Built Environment totals	126		88
People 1st (ALMO) - Internal audit contract			
Gas Safety	0	Additional Audit requested by Director	5
Corporate Governance and Risk Management	10	Delete- No Longer Applicable	0
Cash/Bank Control & Interface with Council Bank Reconciliation	10	Completed under Due Diligence	10
Rents including IT issues	20	Retain- reduce days for efficiency	10
Housing Management	10	Retain	10
Creditors	10	Delete- No Longer Applicable	0
Complaints	6	Delete- N/A as incorporated into main processes	0
People 1st (ALMO) totals	66		35

Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
IT Audits			
Network Infrastructure	15	N/A - Audit underway / Complete	15
Remote Access/ Third Party Access Management	0	Additional Audit as a result of completion of ANA	7
ICS Application	0	Additional Audit as a result of completion of ANA	10
Capita- Housing Management Stage One	0	Additional Audit as a result of completion of ANA- complete	4
Capita- Housing Management Stage Two	0	Additional Audit as a result of completion of ANA- complete	6
Wireless and VPN	10	Deleted as a result of ANA	0
CRIS Payroll System	0	Added as a result of ANA	8
Income Management and E-Payments	0	Additional Audit as a result of ANA	12
Change Control	0	Additional Audit as a result of ANA	10
Programme Management	8	Deleted as a result of ANA	0
IT Strategy	8	Deleted as a result of ANA	0
IAS application and operating system	16	Deleted as a result of ANA	0
IT inventory (asset tagging)	10	Deleted as a result of ANA	0
FLARE and Operating System	16	Deleted as a result of ANA	0
IT Audits total	83	Reduced Days- Efficiency and Complete	82
Total audit days available	1252		975
Available days			
Contingency/follow ups/advice available	155	Contingency days to be reduced as not utilised to date- pro-rated	100
Total Days	1407	See Audit Plan Formulation Description; indicating that 337 days are currently 'spare' resource not required under the revised plan.	332
Contingency %	11		