



RSM Tenon

SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee Meeting: March 2012

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

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1. INTRODUCTION

- 1.1 The periodic internal audit plan for quarter 4 for 2011/12 was approved by the Audit Committee in January 2012. This report summarises the outcome of work completed to date against that plan. Appendices A and B provide cumulative data in support of internal audit performance.

2. FINAL REPORTS ISSUED

- 2.1 We have not finalised any reports since the last Committee meeting from the 2011/12 audit plan.
- 2.2 Appendix A summarises our opinion and the number of recommendations made during the year to date. The executive summaries and action plans from reports finalised since the last Audit Committee meeting are included at Appendix C.

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 **Procurement: Amber Green Assurance Provided.** We found the controls in place are sufficiently robust in terms of their design and where this was not the case, in areas such as policies and the Procurement Strategy, these are receiving suitable management attention. Weaknesses in the application of controls were identified in the completeness of the Contracts and Tender Register and data quality of the performance scorecard on procurement indicators.

The Council needs to embed within the organisation the requirement of engaging the Procurement Team from the outset in any potential tendering exercises. The Council would also benefit from implementing a sophisticated electronic procurement software program that automatically captures data on procurement to assist the Procurement Team in monitoring expenditure and driving out further value for money.

4. WORK IN PROGRESS OR PLANNED

- 4.1 The following reports have been issued to management in draft:

- Procurement
- Purchase Cards
- CRC Energy Efficiency Scheme
- Risk Management
- Commissioning Teams and Supporting People

We have also undertaken an additional review at the request of management into the financial management and procurement procedures in place within St Joseph's School and a draft report has been issued to management for review.

4.2 The following audits are in progress:

- Follow Up – fieldwork complete, undergoing management review
- Personalisation Policy – fieldwork complete, undergoing management review
- VAT – in progress
- Data Quality – In progress
- Partnerships – in Progress
- St Antony's School – In Progress
- Telecommunications – In Progress

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

5.1 Monthly meetings have been arranged between internal audit and the Strategic Director of Resources and Regeneration. The most recent of these was held on the 12th March 2012, where our proposed Internal Audit Strategy was discussed prior to submission to CMT. We have also held a meeting with External Audit on the 21st March 2012 to discuss progress against the audit plan and areas for consideration as part of the 2012/13 audit.

6. CHANGES TO OUR PLAN

6.1 At the request of management, a special investigation of the financial management and procurement processes at St Joseph's school was undertaken following the identification that the school had entered into a finance lease, which is against the financial regulations. A draft report has been issued to management for comment.

7. CLIENT BRIEFINGS

7.1 There have been two relevant client briefings issued since the last Audit Committee. These are included at Appendix D.

APPENDIX A: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS

Reports being considered at this Committee are shown in italics.

	Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Assurance level given	Number of Recommendations Made					
							Actual (Planned)		High	Medium	Low	In Total	Agreed	
Assurance	<i>NO 2011/12 REPORTS HAVE BEEN FINALISED TO DATE</i>													
Totals to date:									0	0	0	0		

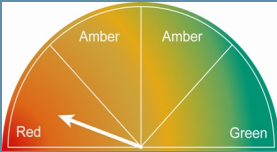
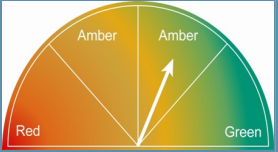
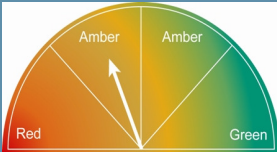
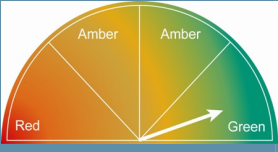
Recommendation Categorisation

Our findings and recommendations are categorised as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Opinions

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
	<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>
	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p>

APPENDIX B: WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

	Auditable Area	Start Date	Debrief date	Draft report issued	Planned Audit Committee	Days	Current Status
Assurance	VAT	12 th March 2012			June 2012	4(12)	In Progress
	Procurement Cards	20 th February 2012	5 th March 2012		June 2012	9.5(10)	Draft Report Issued
	Partnership working	19 th March 2012	Planned: 30 th March 2012		June 2012	5(15)	In Progress
	Quality Assurance of Performance Indicators	20 th March 2012	Planned: 28 th March 2012		June 2012	5(10)	In Progress
	CRC energy Efficiency Scheme	27 th February 2012			June 2012	14(15)	In Progress
	Risk Management	13 th February 2012	24 th February 2012		June 2012	9.5(10)	Draft Report Issued
	Annual Governance Statement	April 2012			June 2012	(10)	
	Corporate Governance	26 th March 2012			June 2012	1(10)	
	Property and Asset Management	21 st March 2012	Planned: 29 th March 2012		June 2012	3(10)	In Progress
	Telecommunications	19 th March 2012			June 2012	2(10)	In Progress
	Concessionary fares administration	28 th March 2012			June 2012	0.5 (5)	
	St Antony's	19 th March 2012	20 th March 2012		June 2012	4(6)	In Progress
St Joseph's School – special investigation	22 nd February 2012	2 nd March 2012		June 2012	7.5(8)	Draft Report Issued	

	Auditable Area	Start Date	Debrief date	Draft report issued	Planned Audit Committee	Days	Current Status
	Commissioning Teams and Supporting people	20 th February 2012	14 th March 2012		June 2012	14 (15)	Draft Report Issued
	Personalisation Policy	5 th March 2012	Planned: 30 th March 2012		June 2012	14 (15)	Fieldwork Complete
Other	Follow Up	30 th January 2012	Various		June 2012	13 (15)	Fieldwork Complete
	Audit Management	-	-	-	-	23 (28)	

APPENDIX D: CLIENT BRIEFINGS

RSM Tenon's Local Government Update – February 2012

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

Approximately half of councils set to agree tax freeze

The Department for Communities and Local Government (CLG) has released details of more than 200 local authorities in England intending to freeze or reduce council tax rates from April 2012. The Government is providing up to £675m of additional funding for local authorities that do not raise their basic amount of council tax in 2012/13. Local Government Minister, Bob Neill, recently wrote to council leaders urging them to take up the freeze offer which will provide grant worth 2.5% of authorities' council tax income. The Localism Act abolishes Whitehall capping in England and gives the public the right to veto excessive council tax rises. Ministers have previously warned council leaders that a rise of 3.5% could be challenged in local referendums.

[Further information is available here.](#)

Making local authority IFRS accounts more accessible and understandable

An Audit Commission briefing, which considers the complexity of implementing International Financial Reporting Standards (IFRS) in local government, recommends a number of ways councils can ensure information about their financial position and performance is made clearer and more accessible to a wider range of people. *Let's be clear: Making local authority IFRS accounts more accessible and understandable*, says that some local authority books are excessively complex and urges councils to 'look critically' at previous year's accounts to address the problem of unnecessary 'clutter'. The paper states the average length of local authority statutory accounts to be 113 pages.

[Let's be clear: Making local authority IFRS accounts more accessible and understandable is available here.](#)

Next phase of local public audit set out

Government Minister, Grant Shapps, has set out the next phase of proposals for the audit of local public bodies after the closure of the Audit Commission. The proposals set out a new Framework that will replace the current, centralised audit system with a new decentralised regime designed to support local democratic accountability and cut bureaucracy and costs. Under the proposals, local bodies will be free to appoint independent auditors from the open market, overseen by the Financial Reporting Council and the National Audit Office. A draft Bill which will formally close the Audit Commission and introduce the new structure will be published for pre-legislative scrutiny in spring 2012.

[Further information is available here.](#)

The Housing Revenue Account self-financing determinations

The CLG has issued a final list of the payments councils must make to end the Housing Revenue Account (HRA) subsidy system. The final five determinations include the Settlement Payments Determination which sets out the amount local authorities will either pay or receive from the Government on 28 March 2012 to exit the current system, and the Limit on Indebtedness Determination which places a cap on the amount of housing debt each council may hold. A summary of the consultation is also available alongside the final spreadsheet models which were used to calculate self-financing valuations, settlement payments and debt limits.

[Further information is available here.](#)

Councils told to take the initiative in local housing developments

A report published by the Local Government Association (LGA) and the Homes and Communities Agency (HCA) urges local authorities to examine new approaches to building affordable housing following the introduction of the Government's planning reforms. *Meeting local housing demand* outlines the options available to councils to make housing developments central to local areas and suggests a number of approaches for consideration; these include build-to-rent developments, and the Community Right to Build for which councils may be able to bid for HCA funding.

[Meeting local housing demand is available here.](#)

Police and crime commissioners: A guide for community safety partnerships

The LGA has produced guidance which explores issues faced by community safety partnerships (CSPs) with the impending election of police and crime commissioners (PCCs). Under current proposals, police authorities will cease to exist from 22 November 2012 when PCCs take office. This document addresses some of the challenges CSPs will face whilst preparing for the new community safety landscape, particularly with regard to changes to their current structure and securing funding from PCCs. The guidance accompanies the LGA publication *Police and crime commissioners: A guide for councils* and the LGA / Centre for Public Scrutiny publication *Police and crime panels: Guidance on role and composition*.

[Police and crime commissioners: A guide for community safety partnerships is available here.](#)

RSM Tenon's Local Government Update – March 2012

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LGA urges councils to consider equality laws

The Local Government Association (LGA) is urging councils to ensure they consider equality and diversity laws when making decisions on changing local services or altering housing allocation policies. To support them, the LGA has re-launched its Social Housing Equality Framework (SHEF) and Equality Framework for Local Government (EFLG). The EFLG has been designed to help councils consider the impact of policies on areas such as education and assess how they affect individuals in their communities whilst meeting wider legislative requirements. The SHEF, which has been revised to include regulatory and inspection regimes for the social housing sector, will support councils in providing appropriate housing for vulnerable people. The Frameworks cover five key performance areas: knowing your customers; leadership, partnership and organisational commitment; community engagement; responsive services and customer care; and a skilled and committed workforce.

Further information on the SHEF is available [here](#).

Further information on the EFLG is available [here](#).

CIPFA survey reveals finance directors' fears for council services

The latest Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Budget Survey has revealed the extent of finance directors' fears over how councils will effectively run services and balance books in the medium term. The poll of 134 local authority chief finance officers also highlights growing concerns about councils' ability to meet statutory obligations. Key findings from the report include: more than half (55%) plan to cut spending by at least 5% in the next financial year; approximately 70% are either 'slightly' or 'much' less confident about their council's ability to provide services in 2013/14 than this time in 2011; two-thirds are also 'slightly' or 'much' less confident about what councils' financial positions will be in 2013/14; almost half (45%) will cut spending on back-office support functions by more than 5%; 42% plan to reduce spending on property and other assets; and three-quarters are increasing fees or charges, whilst two-thirds are planning to share services with other public bodies.

Further information is available [here](#).

Local Healthwatch: A strong voice for people – the policy explained

Following amendments to the Health and Social Care Bill, the Department of Health has published a document which describes key policy ambitions for local Healthwatch. The document sets out key functions, responsibilities, roles and relationships within new local Healthwatch organisations, which are expected to be established in April 2013 following introduction of Healthwatch England in October 2012. Further information is available [here](#).

DH Director General for Social Care, Local Government and Care Partnerships, David Behan, has written to local authority chief executives to clarify their statutory duties in relation to local Healthwatch. Behan's correspondence is available [here](#).

Review of confidentiality and the sharing of health and social care information

Dame Fiona Caldicott, the originator of 'Caldicott Guardians', the individuals responsible for making decisions about sharing identifiable information in NHS and local authority organisations, is to lead a review which will consider the balance between the sharing and protection of confidential information in the public interest. The review follows recommendations made by the NHS Future Forum in January 2012 and will be independent of Government and report to the Secretary of State. Dame Fiona commented: "Since the original working group's report on the security of patients' information in 1997, it has become clear that

there is sometimes a lack of understanding about the rules and this can act as a barrier to exchanging information that would benefit the patient. On other occasions, this has resulted in too much information being disclosed.”

Further information on the Future Forum’s recommendations is available [here](#).

Audit Commission outsources audit practice

The Audit Commission has announced four private firms to be awarded five year local audit contracts from 2012/13. The contracts, provisionally granted as part of the process for outsourcing its in-house audit practice, will begin on 1 September 2012. It is expected public bodies will save over £30m a year over the length of the contracts which, taken together with efficiency savings made by the Commission, is anticipated to result in a 40% reduction in fees. Ministers have indicated that a draft Bill on future arrangements for local public audit is planned for spring 2012.

Further information is available [here](#).

Supporting employees with financial pressures – free service launched by RSM Tenon Debt Solutions

As an employer it is difficult to know the financial pressures your employees are under, but financial problems at home can impact upon your organisation. We would like to introduce our debt advice service, which has no cost to you but can be offered as part of your employee benefits package – the Employee Debt Assistance Scheme. Employee money worries should not be underestimated; they can significantly impact upon emotional and mental wellbeing, which in turn can affect work performance. A recent report from the Work Foundation shows a link between debt, financial distress and mental health and predicts that over the next 15 to 20 years these problems will become more prevalent. At RSM Tenon Debt Solutions, we are continuing to witness enquiries from many individuals facing increasing costs often paired with pay freezes and in some cases pay cuts. Combined with personal issues, for example divorce or an unexpected debt, this could place an individual under significant financial distress. RSM Tenon Debt Solutions can assist your employees, with no cost to you, the employer. We can provide training to HR departments on debt and debt advice, or we can simply provide a confidential freephone number and posters and literature for use in break out or staff areas. For more assistance, please contact Associate Director / Insolvency Practitioner Katy Walker on 0161 200 6080, or email katy.walker@rsmtenon.com.

Alternatively, click [here](#) for further information.