

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 25th June 2013

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WARD(S): All

PORTFOLIO: Cllr. Rob Anderson; Commissioner of Finance and Strategy

PART I

AUDIT & RISK MANAGEMENT UPDATE – QUARTER 4 2012-13

1 Purpose of Report

The purpose of this report is to:

- Present the Head of Internal Audit Opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements during 2012-13
- Report to members on the Quarter 4 progress against the 2012/13 Internal Audit Plan
- Report to members on the progress of the implementation of Internal Audit recommendations
- Advise the Audit & Risk Committee on the progress made against the recommendations made by the previous External Auditors in their Annual Governance Report presented in September 2012

2 Recommendation(s)/Proposed Action

That Audit & Risk Committee is requested to comment on and note the reports

3 Slough Wellbeing 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 Slough Wellbeing Strategy Priorities

Priorities:

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

4 **Other Implications**

(a) Financial

There are no financial implications of proposed actions

(b) Risk Management

This report concerns risk management across the Council

(c) Human Rights Act and Other Legal Implications

n/a

(d) Equalities Impact Assessment

There is no identified need for an EIA

5 **Supporting Information**




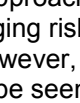





5.1 **Overview**

- 5.1.1 The documents attached to this report all concern the Internal Control and Governance framework for the Council. Contained within each of these reports are various assessments of internal control and risk from different internal and external assessments.
- 5.1.2 Overall, the Council's internal audit providers (RSM Tenon) have concluded that there are no major weaknesses within the Council's internal control mechanisms. RSM Tenon have also outlined that the Direction of Travel for the Council is static, though it should be noted that much of this assessment is based on 2012-13 being RSM Tenon's first year of providing internal audit services to the Council.
- 5.1.3 The key risks identified from internal audit's work during the year concerned procurement / contract management and safeguarding within children's services; both of these have been separately identified within the annual governance statements as well.
- 5.1.4 Two key areas that internal audit were concerned with during 2012-13 have begun to be addressed. The number of reports being made final, rather than remaining in draft for significant periods, has improved in recent months, with only a small number of reports remaining in draft status in June 2013. This improvement provides greater assurance to internal audit that action will be taken as a result of their reports. Since the previous report to members of the Audit Committee, the Council has implemented a system of tracking audit recommendations to ensure that there is assurance from managers that action is being taken to progress internal audit recommendations. Though in its infancy, responses have been received in respect of a majority of the higher risk audit recommendations made during 2012-13, and that action is being completed to address these. This audit recommendation tracker is monitored regularly by the Audit And Risk Group and will continue to be reported to members every quarter.

5.1.5 As part of the preparation for the audit of the Council's Financial Statements, the Council has completed its response to the previous external auditors annual report for completeness. This is included within this report below.

5.2 Internal Audit Annual Report

5.2.1 RSM Tenon has produced their Annual Audit Opinion. (Full Opinion is at Appendix A) This opinion is for the 12 months prior to 31st March 2013. The table below shows that in the opinion of RSM Tenon that there are no major weaknesses in Risk Management, Control Processes and Governance

	Red	Amber	Green	Direction of travel
<p>Governance</p> <p>Our audit of governance arrangements within the Council resulted in an amber red opinions being provided. Whilst governance structures and processes are in place, weaknesses were identified in respect of the processes for ensuring that declarations of interests are received by all members and that there is appropriate attendance at some committee meetings.</p>				
<p>Risk Management</p> <p>The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. However, in order for the Council's risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.</p>				
<p>Control</p> <p>From a total of 56 reports issued in 2012/13 including 3 advisory assignments, positive opinions were provided on the effectiveness of the Internal Control framework in 41 of these. Of the 12 red assurance opinion reports issued for the year to date, five of these related to our audits of schools. Whilst our overall opinion of the internal control environment is positive, we have identified significant weaknesses in respect of the following areas:</p> <p>Procurement; Contract management; Safeguarding – risk assessments Asset Management.</p> <p>Appropriate commentary in respect of actions proposed to address these weaknesses should therefore be recorded within the Annual Governance Statement.</p>				

Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.

- 5.2.2 Of those seven red rated reports relating to the corporate entity, there is a theme surrounding contract management and procurement that RSM Tenon have identified, and this risk is reflected within the Annual Governance Statement. Allied to procurement issues raised within previous external audit reports, it is important that the Council has an effective action plan in place to address. RSM Tenon have also identified some weakness around controls in children’s safeguarding procedures. This risk has been identified within the Annual Governance Statement.
- 5.2.3 As at Quarter 2 of the financial year, only two internal audit reports were finalised. As at the end of May 2013, only a small number of reports remain in draft format. It is important that the Council maintains its progress in recent months in finalising internal audit reports promptly so that actions can be taken quickly.
- 5.2.4 In March 2013, the Council implemented a formal system to track recommendations made by internal audit as part of their finalisation of audit reports. The latest output from this demonstrates that 75% of recommendations made by Internal Audit, (excluding schools), that were due to be implemented or in the process of being implemented by the 31st May 2013 have been actioned; however, 16% of recommendations not actioned are due to no returns being made identifying what, if any, action has been taken.

5.3 Finalising Audit Reports

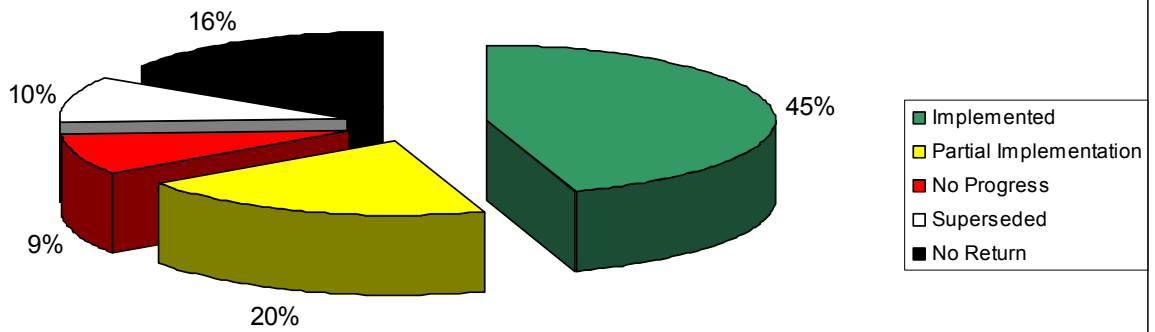
- 5.3.1 Since March 2013 the finalising of Internal Audit reports has been monitored
- 5.3.2 The table below shows those Internal Audits that remain in draft and are yet to be finalised.

Audit Title	Draft Issued	Responses due
Asset Register 52 12 13	14 June 2013	28 June 2013
Anti-Social Behaviour 37.12.13	07 December 2012	21 December 2012
St Josephs 59 12 13	23 May 2013	05 June 2013
Capital Expenditure 57 12 13	08 May 2013	21 May 2013
Cash Handling and Management 6 12.13	28 June 2012	11 July 2012
Carbon Reduction Management	04 May 2013	18 May 2013
Supported People Contract Management	25 February 2013	08 March 2013
Risk Management	21 May 2013	03 June 2013
Data Quality Establishment Controls	09 June 2013	24 June 2013

5.4 Audit Recommendation Tracking

- 5.4.1 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.

Internal Audit Recommendations due by 31st May 2013 (excluding schools)



5.4.2 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		
Contract Management	3	5
General Ledger	0	1
Housing Management	1	1
Multiple Housing Occupation	0	3
Gold Projects	1	4
Estates & Facilities Management	0	4
Sub-Total	5	18
School Reports		
Parlaunt Park	3	11
Haybrook College	1	6
Claycots	7	11
Sub-Total	11	28
Total	16	46

External Audit - Annual Governance Report

5.5.1 The last Annual Governance report produced six recommendations, (the full report was presented to the Audit & Risk Committee in 2012), and these recommendations are listed in the table below

Recommendation	Priority	Action completed	Officer	Implementation
Management action should be taken in response to the issues highlighted in order to address weaknesses in controls over; registration of land, review and clearance of out of date cheques; year end journal entries and NNDR and VO listing reconciliation.	Medium	Discussions have been held with external auditors in relation to the end of year annual report. All controls and procedures have been reviewed and revised wherever necessary. All out of date cheques have been reviewed and cleared out of the accounts where required. Procedures relating to the registration of land and NNDR and VO reconciliations have been comprehensively reviewed and improved for the 2012/13 closure with full compliance within the 2013/14 accounts	Barry Stratfull; Corporate Financial Controller	June 2013
Management should carry out a detailed post completion review of its 2011/12 closedown process to identify what can be done better next year. This should include a critical evaluation of working paper requirements in line with the recommendations and give consideration to introducing robust quality arrangements to ensure that high standards are maintained throughout the closedown programme and best results are achieved at the first attempt.	High	Action plan for the 2012-13 closedown has been completed and progress against this monitored	Barry Stratfull; Corporate Financial Controller	March 2013
Continue to receive management responses to emerging budgetary pressures and through budgetary processes obtain assurance on a balanced financial position.	Medium	Formal savings monitoring process put in place for 2013-14 savings proposals; overall budget monitoring reporting	Joseph Holmes, Assistant Director, Finance & Audit	April 2013
Monitor the delivery of departmental and management restructures and related workforce reforms to ensure that these are	High	Procedures will be put in place to ensure that all restructures are fully costed and compared with actual budgets to ensure an	Barry Stratfull; Corporate Financial Controller	June 2013

Recommendation	Priority	Action completed	Officer	Implementation
delivered on time and that they produce planned outcomes		accurate business case can be presented. Budget monitoring during the year will be expanded to include savings targets and planned restructures. Produced outcomes will be monitored and reported within the current budget monitoring timetable.		
Track delivery of the finance function forward plan, ensuring that permanent appointments to key posts are made as soon as possible and key deliverables and targets explicit within the plan are met.	High	Permanent posts being recruited to, few vacancies remain. S151 and deputy s151 posts recruited to on a permanent basis	Joseph Holmes, Assistant Director, Finance & Audit	July 2013
Track the implementation of specific audit recommendations agreed with management contained in the detailed VFM conclusion reports through the Audit and Risk committee.	Medium	<ol style="list-style-type: none"> 1. Finance Team Resilience – permanent appointments have been made and personnel are in place. 2. Closedown Accounts – skeleton accounts have been produced. Detailed timetable and action plan have been produced and communicated to all parties 3. Reserves and Balances – Member report in September reflected the actual reserves and balances position. Balances are unchanged following adjustments. 4. Schools Finances – finance have continued to provide support and encouragement to develop financial skills and awareness. Balances have been reviewed to ensure they are prudent. This is an ongoing process. 5. Capital Programme – the programme has been reviewed in light of both the 2011/12 and the 2012/13 outturn. The capital programme for 2013/14 and future years has been drafted and has been considered at Capital Strategy Board. 	Barry Stratfull; Corporate Financial Controller	<ol style="list-style-type: none"> 1. Feb 2013 2. March 2013 3. Sept 2012 4. Mar 2013 and ongoing 5. May 2013

Comments of Other Committees

None.

6 Conclusion

In the opinion of the Internal Auditor, RSM Tenon, there are no major weaknesses in Risk Management, Control Processes and Governance.

7 Appendices Attached (if any)

- 'A' - Internal Audit Annual Report
- 'B' - Internal Audit Q4 (2012-13) report

8 Background Papers

RSM Tenon Audit Reports