

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 19th September 2013

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WARD(S): All

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

PART I **FOR COMMENT AND CONSIDERATION**

AUDIT & RISK MANAGEMENT UPDATE – QUARTER 1 2013-14

1 Purpose of Report

The purpose of this report is to:

- Report to members on Internal Audit progress to date in 2013-14.
- Report to members on the progress of the implementation of Internal Audit recommendations.
- Update members on anti-fraud activity and the summary corporate risk register.

2 Recommendation(s)/Proposed Action

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

3 Slough Joint 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 Joint Wellbeing Strategy Priorities

Priorities:

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

4 Other Implications

4.1 Financial

There are no financial implications of proposed actions

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 RSM Tenon have completed a number of audits from their work during the first quarter of 2013-14. The most important item to highlight for members is the draft Children's service procurement audit. This audit received a draft red opinion from RSM Tenon.

5.1.2 As part of the Head of Internal Audit opinion report taken to the Audit Committee in June 2013, RSM Tenon highlighted procurement as an area of significant weakness. Within the Annual Governance Statement for 2012-13, approved at the June Audit Committee, the first issues raised in respect of 2012-13 related to procurement, and specifically:

"The audit of procurement, undertaken throughout the year have identified that whilst there was a procurement framework in place, this was not being complied with consistently and as a result the Council cannot gain assurance that value for money was being obtained through the procurement process"

5.1.3 On the basis of the recent draft Children's service procurement audit and the previous internal audit reports in respect of procurement, management have authorised that all staff with responsibilities for procurement undertake mandatory training in light of internal audit's work on procurement and the requirements to ensure compliance with the Council's own procurement rules and policies.

5.1.4 It should also be noted that overall Internal audit reports are continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2012-13 internal audits, 4 remain outstanding. Of the 2013-14 Q1 internal audits, there are 9 outstanding, 6 of which are schools.

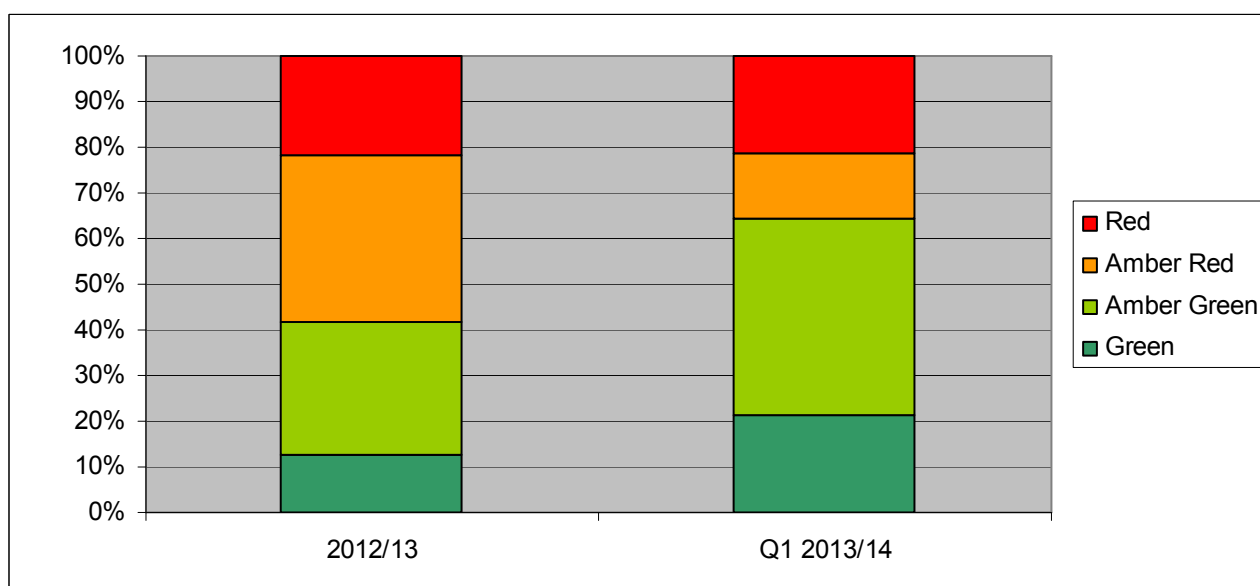
5.1.5 The Council continues to monitor the progress of internal audit recommendations. As at the beginning of September, of the high and medium risk recommendations raised 79% have seen action being taken to progress these or these have been superseded.

5.1.6 The Council has also been completing its work against the Audit Commission's National Fraud Initiative (NFI) data-matching exercise.

5.2 Internal Audit Q1 2013-14 progress report

5.2.1 The full report is attached at appendix A. As noted above, during Q1, RSM have highlighted the Children's Service Procurement report as a draft red opinion, the Council's proposed response is provided above. RSM Tenon have also highlighted Training & Development as a red report. This report examined the Council's e-learning systems, and the technological and organisational barriers to improving usage. Though disappointing to have another red report from Q1, Training & Development does not have such a significant risk impact on the overall control environment as procurement.

5.2.2 Of the remaining reports issued for Q1, many are Green or Amber Green, which is encouraging. Below is a table that shows the percentage of the level of assurance given in Q1 of 2013/14 as compared to 2012/13.



5.3 Finalising Audit Reports

5.3.1 Since March 2013 the finalising of Internal Audit reports has been monitored.

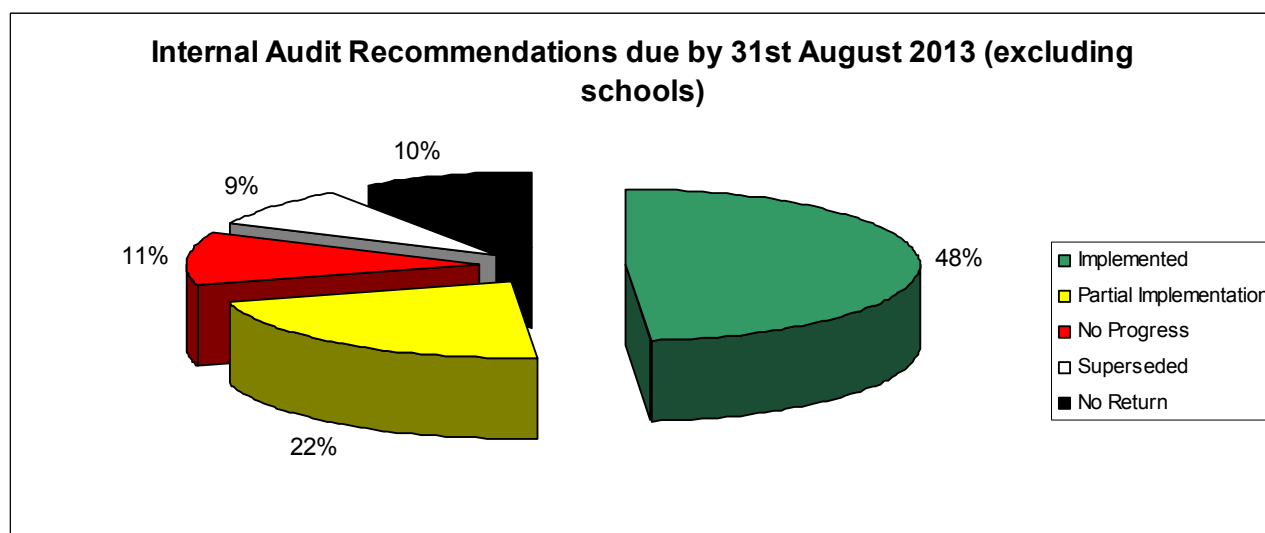
5.3.2 The following table shows those Internal Audits that remain in draft and are yet to be finalised as at the beginning of September.

Audit Title	Draft Issued	Responses due	Client sponsor
Asset Register 52 12 13	11 June 2013	24 June 2013	Barry Stratfull
Anti-Social Behaviour 37.12.13	7 December 2012	21 February 2012	Pat Kelleher
St Josephs 59 12 13	23 May 2013	5 June 2013	Head
Cash Handling and Management 6 12.13	28 June 2012	11 July 2012	Auvtar Lakhan

Audit Title	Draft Issued	Responses due	Client sponsor
Priory School 3 13.14	14 June 2013	28 June 2013	Head
Children's Services Procurement 4 13.14	14 June 2013	28 June 2013	Jo Anderson David Banham
Foxborough	25 June 2013	8 July 2013	Head
Lea Nursery 6 13.14	05 July 2013	19 July 2013	Head
Littledown School 7 13.14	05 July 2013	19 July 2013	Head
St Bernards 12 13.14	2 August 2013	16 August 2013	Head
Training & Development 13 13.14	16th August 2013	29th August 2013	Kevin Gordon
Montem Primary 14 13.14	23 rd August 2013	5 th September 2013	Robin Crofts
Trading Standards 15 13.14	23 rd August 2013	5 th September 2013	Roger Parkin

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.



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		
Council Tax	0	1
Housing Management	1	1
Contract Management	0	2
Debtors & Cash Management	0	3
Procurement Quarter Four Review	1	2
Business Continuity Planning Arrangements	0	4
Sub-Total	2	13
School Reports		
St Josephs	0	2
Haybrook College	1	6
Claycotts Primary	5	11
Cippenham	0	4
Total	8	36

5.5 Fraud update

5.5.1 Each year the Council is required to inform our External Auditors of all frauds with a value of over £10,000. For completeness and as part of the Audit Committee's role in overseeing overall governance issues, the following table summarises the return made for 2012/13 to the Audit Commission.

Type of Fraud	Amount	Action Against Perpetrator
Subject working and claiming Housing Benefit	£12,138.17	No action
Undisclosed pension & employment while claiming benefit	£12,228.22	Prosecuted
Undisclosed property ownership & maintenance	£43,948.71	Criminal Proceedings
Undisclosed banks accounts while claiming Housing Benefit	£11,917.25	Administrative Penalty £3573.17
Subject working & claiming Housing Benefit	£10,086.88	Prosecuted
Subject working & claiming Housing Benefit	£26,900.95	Prosecuted
	£117,220.18	

5.5.2 In addition to this the Council has engaged RSM Tenon to investigate and take action, (where required), on the data sets obtained through the National Fraud Initiative, (NFI). The NFI takes data from a variety of sources and where

matches occur, (e.g. the same individual appears to be claiming benefit from two authorities).

5.5.3 The NFI data sets are produced once every two years and the last set was produced in January 2013.

5.5.4 So far investigation of the matches has produced the following results

- Number of Matches Investigated 170
- Number of Investigations On-going 69
- Number of Frauds Discovered 0

5.5.5 A further update on the data matching exercise will be presented to the Audit and Risk Committee at a later date

5.6 Risk Management

5.6.1 The Corporate Risk Register has been recently revised and the Audit Committee are asked to note and comment upon the high levels risk identified below.

5.6.2 The table below summarises the risks contained within the Corporate Risk Register.

Summary of Corporate Risks
Unpredicted demographic changes present significant issues for the Council
The impact of the Comprehensive Spending Review on the Council
Delivery of an ICT function that is robust and has the capacity to meet the needs of the organisation.
Adult Safeguarding
Impact of Welfare Reforms
The Curve
Business Continuity Management
Children Safeguarding

5.6.3 RSM Tenon undertook produced an advisory report into the Council Risk Management framework. Not only did the review look at how risk are identified, assessed, recorded and monitored, but how risk information is escalated and reported through the Council's governance structure.

5.6.4 RSM Tenon drew up ten recommendations to improve risk management throughout the Council. These recommendations are:

- Provide greater clarity on the agreed risk management roles and responsibilities within the governance structure (accountabilities, monitoring and reporting) and then present to the Corporate Management Team and Cabinet for sign-off.
- Devise a revised risk management format to improve the quality of the risk management information captured

- Re-develop the existing Risk Management Strategy to take into account the recommendations within this review and ensure it clearly outlines the way risk management is undertaken across the Council.
- Introduce a formal risk identification exercise for the Corporate Management Team and Cabinet.
- Implement the use of cause and effect analysis to improve the quality of risk descriptions.
- Further develop the risk matrix to ensure it has a greater degree of weighting based on the impact assessment.
- Enhance the current probability and impact descriptors to provide a greater degree of clarity when assessing risk severity.
- Review the existing management data to ensure that controls and actions are defined properly.
- Develop a suite of dashboard style reports that can be used for each element of the governance structure based on their responsibilities and reporting requirements.
- Develop clearly defined reporting and escalation criteria based on initial and current risk severity.

6 Comments of Other Committees

n/a

7 Conclusion

That the Audit Committee notes the latest updates from Internal Audit and especially actions concerning procurement audits. Progress continues to be made in finalising internal audit reports within a reasonable timescale and responding to the internal audit recommendation tracker.

8 Appendices Attached

'A' Internal Audit Q1 2013-14 report

9 Background Papers

RSM Tenon Audit Reports