

Slough Borough Council

Internal Audit Progress Report

Audit & Risk Committee Meeting: 12 December 2013

Introduction

The internal audit plan for 2013/14 was approved by the Audit and Risk Committee on the 25 March 2013. This report provides an update on progress against that plans and summarises the results of our work to date.

Since the last Audit and Risk Committee held in September 2013 the following eight audit reports, relating to the 2012/13 and 2013/14 plans have been finalised:

2012/13

- Cash Handling and Management (Community Based Council Premises) (6.12/13)
- Anti-Social Behaviour (37.12/13)
- Asset Register (52.12/13)

2013/14

- Priory School (3.13/14)
- Training & Development – e-Learning (13.13/14)
- Montem Primary School (14.13/14)
- Trading Standards (15.13/14)
- Parlaunt Park Primary School (17.13/14)

A summary of the key issues contained within these reports and the high priority recommendations are detailed in the report below from page 3.

Key Issues

Outstanding audit reports from 2012/13:

Two audit reports remain outstanding from 2012/13. The first is a school audit report of St Joseph's Catholic High School for which an 'amber-green' opinion was provided. The report has been in draft for 144 days.

The remaining report was omitted in error from the previous Progress Report; this was the Review of the Carbon Reduction Commitment Programme. This review was an advisory review that did not provide a formal opinion. However, the report was distributed to management and included 13 recommendations raised for which the Council has not received assurance that suitable actions will be undertaken to address these recommendations and the report has been in draft for 157 days. We are continuing to liaise with management to enable the finalisation of this report.

Whilst management assurance had been provided in the audit debrief meeting that the weaknesses identified as part of these audits will be addressed, in the absence of a completed action plan, we cannot provide assurance that robust plans are in place to enable these to be completed in a timely manner. It is therefore possible that these weaknesses and risks are not being effectively managed.

The 2013/14 audit plan:

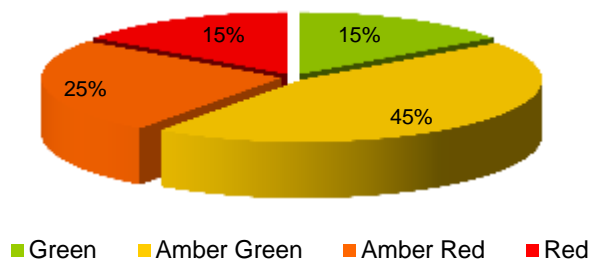
As at the 27th November 2013, 21 audit reports had been issued to the council, 11 of these had been finalised, the remaining 10 remain in draft. It should be noted that seven of the 10 draft reports relate to schools audits.

For the three draft reports outstanding within the council, two of these reports had been issued within the last three weeks. The remaining audit was a revised draft for Children's Services Procurement, where an 'Amber – Red' opinion was provided.

This represents a significant improvement in respect of the finalisation of audit reports relating to the Council in comparison to previous years.

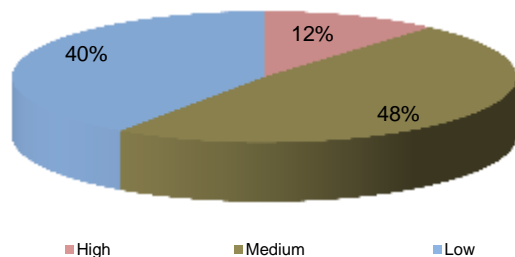
A significant number of key financial audits are due to take place in the months of December and January and will be reported to the March 2014 Audit & Risk Committee.

Assurance Levels 2013/14 to date



		GREEN	AMBER GREEN	AMBER RED	RED
AUDIT OPINIONS 2013/14 (N.B ALSO 1 ADVISORY REVIEW)		3	9	5	3
% OF OPINIONS 2013/14		15%	45%	25%	15%
% OF OPINIONS 2012/13		13%	29%	36%	22%

Recommendation categorisations in 2013/14 reports to date:



	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2013/14	13	55	47	115
% OF RECOMMENDATIONS 2013/14	11%	48%	41%	
% OF RECOMMENDATIONS 2012/13	18%	34%	48%	

The tables show some progression by the Council with a smaller proportion of high recommendations being raised in the year to date compared to the total for 2012/13 and similarly a smaller proportion of negative audit reports being raised.

Key Findings

Of the 21 reports issued for the current year to date where a formal opinion has been provided, and excluding school reviews, one of these has resulted in a red opinion, Training and Development – e-Learning. The key findings from this report are highlighted below.

Other Matters

Planning and Liaison:

The time-table for quarters three and four audits for 2013/14 has been agreed, and scoping meetings held for the majority of these audits. Monthly meetings continue to be held with the Assistant Director, Finance and Audit, where progress against the plans, responses to draft reports and upcoming audits being the main focus.

We have also commenced initial discussions regarding possible areas for inclusion within the 2014/15 Internal Audit programme.

Additional Internal Audit Coverage/Added Value Service:

We have regularly attended meetings of the Risk Management Group and provided guidance on the proposed content of Risk Management Tools, for instance, risk impact scenarios. We have also attended the most recent meeting of the Berkshire Internal Audit Group.

To assist in embedding risk management throughout the Council we have begun to attend Senior Management Team meetings across each directorate. During these meetings we have highlighted; outstanding reports, common themes from audits, upcoming audits and enquired about emerging risks. This has proven successful in identifying progress made on remedial actions where weaknesses had been identified in previous Internal Audit reviews.

Given the issues identified in the past 18 months at schools we decided to issue a second version of our common themes paper. This highlighted to all schools across Slough the issues identified during audits in Slough and across our wider client base. The paper also highlighted the impact and potential solutions that schools could implement to avoid future issues arising.

We have assisted in the development of a training schedule to be provided to employees at Slough Borough Council on procurement. We will also be assisting the Council in the delivery of this training.

Internal Audit Plan 2013/14 – Change Control:

Two additional proposed changes have been made to the Internal Audit plan since the previous Audit & Risk Committee:

Action	Date	Agreed By
<p>The postponement of the IT strategy review to 2014/15.</p> <p>The IT coverage for 2013/14 has been replaced with a number of social care system reviews planned for quarter 4.</p>	15 October 2013	Internal Audit and Roger Parkin, Strategic Director, Customer & Community Services

Information and Briefings:

We have issued the following updates electronically since the last Audit and Risk Committee:


- CB LG 01.13 Spending Review 2013 – Outcomes for Local Government
- CB LG 02.13 Local Government Counter Fraud Briefing
- LGE Update LG eUpdate August 2013

This update highlights the increased need for vigilance and strong controls in respect of the management of changes to supplier details, as this has become a particular target for fraudsters over the last 18 months. Copies of these are included within Appendix B of this report.

Key Findings from Internal Audit

2013/14 Internal Audit Plan

This key findings section highlights those reports finalised where an Amber Red or Red Opinion was provided and any high risk recommendations within these reports.

Assignment: Training & Development: e-Learning (13.13/14)		Opinion: Red	
<p>Effectiveness</p> <ul style="list-style-type: none"> Completion of training on the two courses considered mandatory through e-learning at the time of our review was at 68% for Information Security Awareness and 21% for the Introduction to Health & Safety training. This low level of completion of courses considered mandatory has adversely impacted on the audit opinion of this review. <p>Design of control framework</p> <p>We found the following weaknesses in relation to the design of the controls, which resulted in one high priority recommendation and two medium priority recommendations:</p> <ul style="list-style-type: none"> The Council have a Learning and Development Policy and Procedure which provides information on the key principles of learning and development, the procedures of learning development and the key roles of staff. The policy was approved in March 2006 and more recently, in 2010 and is made accessible on the Council's intranet site, SBCinsite. However, the policy did not provide any specific information on e-learning and did not include information on the courses which are mandatory to all staff and consequences of non-compliance. If this information is not included in the policy then staff may not be aware of courses considered mandatory and this could impact on completion rates of courses. Subsequently the Council could fail to deliver its objectives if staff are not appropriately skilled to fulfil the responsibilities of their role within the organisation. (Medium). The Council looks to develop e-learning which can ultimately increase the usage and reduce the cost of resources used for other means of training. However the Council have not defined how much training will be provided through e-learning. The Council have not considered elements such as the particular courses they would like to provide via e-learning and their target for transferring their courses to e-learning in a given time frame and any outcomes that are to be achieved as a result of courses being transformed to an e-learning platform. For instance, reduced costs and increased uptake. Without a project or documentation defining the objectives, benefits, deliverables, cost savings and outcomes of transferring courses to an e-learning platform then the Council has no method to appraise whether the provision of courses through e-learning has been ultimately successful. (High). The Council do not have a corporate forum dedicated to considering the delivery of training and development. Where serious issues arise, the Learning and Development team rely on the Assistant Director, Professional Services to raise such matters at CMT. Subsequently the Council may fail to collectively consider common themes across courses and how matters such as poor attendance can be tackled. Without a forum, the Council may fail to agree timely actions that need to be completed in order to improve the learning function at the organisation. This could adversely impact on the delivery of strategic objectives if employees are not adequately skilled. (Medium). <p>We also identified a further two low categorised recommendation that have been elaborated on in the Action Plan and Findings and Recommendations sections that follow.</p> <p>Application of and compliance with control framework</p> <p>We found that one of the control was not adequately complied with which resulted in a high priority recommendation:</p> <ul style="list-style-type: none"> The completion rates of training on the two courses considered mandatory (Information Security Awareness and Introduction to Health & Safety) was low. At the time of our review we noted only following a number of prompts by the Learning and Development Team by email to employees to remind them of the requirement to complete the training had the rates of completion increased to 68% for Information Security Awareness and 21% for the Introduction to Health & Safety training for employees who had undertaken the courses since its introduction. Incidents could occur that result in a breach of data protection or that result in staff or the community being put at risk if employees do not complete mandatory training. The requirement of staff to continually chase individuals to complete 			

training is also not the best use of resources.			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>Rec 2:</p> <p>A Project and strategy should be established for e-learning which outlines the extent to which the Council intend to expand learning from this platform with defined targets and outcomes.</p> <p>The Project Board could include representatives from Training & Development, each directorate and I.T. to ensure the organisation's needs and capacity respectively is fully explored.</p>	<p>Project Board for E Learning – Re established</p>	<p>January 2014</p>	<p>Learning & Development Manager</p>
<p>Rec 4:</p> <p>If the Council are investing in training and developing staff, Senior Management should endorse the need to adhere to mandatory training requirements through:</p> <ul style="list-style-type: none"> ▪ Ensuring these are clearly highlighted in the Learning & Development Policy; ▪ Performance managing non-compliance; and ▪ Consideration to restrict pay increases where staff do not attend mandatory training courses. <p>The Council should investigate whether their training platform can automatically notify users of training courses that require completion.</p>	<p>Performance Management and Reporting Mechanism to be put in place and incorporated within Council Balanced Scorecard.</p> <p>Reporting to show completion levels per Directorate and Division for mandatory Courses</p> <p>Automatic Notification investigated</p>	<p>March 14</p>	<p>Learning & Development Manager</p>

Assignment: Montem Primary School (14.13/14)		Opinion: Red	
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<p>Design of control framework</p> <p>We identified the following weakness in relation to the design of the controls which resulted in two high and three medium categorised recommendations:</p> <ul style="list-style-type: none"> ▪ The Schools Financial Procedures did not provide guidance on requirements for budget Virements, write offs, use of bank cards and authorisation requirements for items that have been authorised as part of the budget. In addition, the Financial Procedures and the School's Scheme of Delegation had not been presented to the Governors for approval. Potentially inappropriate financial decisions could be made if the School's financial processes have not been endorsed by the Governing Body. (Medium and High). ▪ Financial reports were not sent to members of the Governing Body in advance of their meeting. This may result in Governors not being able to fully digest the information to provide the adequate level of challenge and scrutiny of presented information. (Medium). ▪ The Finance, Premises and Health & Safety Committee had not agreed with the Business Manager on the value or percentage variances to be reported to it on a monthly basis and there was no regular accompanying report with all explanations and any applicable remedial actions for agreed variances presented to the Governors. This may result in the Governors failing to identify the significant variances and give the appropriate challenge and scrutiny. Subsequently poor financial performance could continue if suitable actions are not identified and addressed. (Medium).
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- The Safeguarding Policy did not provide details of who the Designated Officer is and what safeguards are to be undertaken to ensure children's safety in the event that a new member of staff commences work prior to receipt of their DBS clearance. If an appropriate procedure is not in place children may not be appropriately safeguarded which could potentially result in the welfare of children and other staff members could be compromised. (High)

A further weakness was identified in the segregation of duty regarding the Business Manager who was authorised to approve invoices for payment, create cheque runs for payments and sign cheques. There was no reason to suggest any of the sampled purchases were not for the purpose of the school. However, insufficient segregation could expose the school to fraudulent activity. At the time of our review a revised mandate was in the process of being implemented and therefore no further recommendation was made.


Application of and compliance with control framework

We found that a number of the controls were not adequately complied with which resulted in the following two medium categorised recommendations:

- Sample testing of ten purchases identified two instances where we were unable to confirm if authorisation had been appropriately obtained prior to the orders being made with the suppliers. If orders are not authorised by an appropriate level of authority goods/services may be purchased that are not appropriate use of School funds or where a suitable budget is not available. (Medium).
- Instances were noted where the school could not provide evidence of delivery notes or confirmation of goods or services prior to an invoice being processed for payment. This may result in the School paying for goods or services where the goods or services have not been received by the School.

An additional two low level recommendations have been made on the compliance of controls as detailed in the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
Area 1: Leadership and Governance			
Rec 1.1b The School should ensure that the Financial Procedures and Scheme of Delegation are reviewed and authorised by the Full Governing Body annually.	Completed	September 2013	Neelam Chawla, Finance Officer
Area 5: Payroll, personnel and safeguarding procedures			
Rec 5.2 The Safeguarding Children Policy should be updated to: <ul style="list-style-type: none"> ▪ Safeguards to be taken when employing new staff who commence prior to receipt of their disclosure; ▪ Outline who the designated officer is; and ▪ Reflect the name change to the Disclosure and Barring Service. Following the changes the Safeguarding Children Policy should be reviewed and authorised by the Governing Body.	In progress	Immediately	Charlie McGeachie, Head teacher

Assignment: Parlaunt Park Primary School (17.13/14)		Opinion: Red	
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Design of control framework

We identified the following weaknesses in relation to the design of the controls which resulted in two medium priority recommendations:

- The Financial Procedures were in draft form and they did not provide guidance on requirements for asset write offs, the purchasing process, asset management, the payroll processes or cash management. Inappropriate financial decisions could be made if financial processes have not been clearly defined and endorsed by the Governing Body.
- Apart from the Governing Body, the Resource Committee and the Headteacher the School's Scheme of Delegation did not provide guidance on authorisation limits for other individuals in the School authorised to approve orders such as the Bursar and the Deputy Headteachers.

In addition, the document inappropriately stated that authorisation of expenditure up to £100k is to be provided by the Resource Committee and authorisation between £100k and the EU limit is to be provided by the Full Governing Body. If the Scheme of Delegation is not in line with the Scheme of Financing School which states that authorisation above £60k is to be provided by the Council. The School could therefore make inappropriate purchases without appropriate approval.

A further weakness was identified on the segregation of duty regarding the Business Manager who was authorised to approve invoices for payment, create cheque runs for payments and sign cheques. There was no reason to suggest any of the sampled purchases were not for the purpose of the school. Insufficient segregation could expose the school to fraudulent activity. However, at the time of our review a revised mandate was in the process of being implemented and therefore no further recommendation was made.

An additional low level recommendation has been made on the design of controls as detailed in the Action Plan section that follows.

Application of and compliance with control framework

We found that a number of the adequately designed controls were not complied with which resulted in two high and three medium priority recommendations:

- Sample testing of ten purchases identified seven instances where we were unable to confirm if authorisation had been appropriately obtained prior to the orders being made with the suppliers. If orders are not authorised by an appropriate level of authority goods/services may be purchased that are not appropriate use of School funds or where there is insufficient funds available. (High).
- Sample testing identified seven instances where the school could not provide evidence of delivery notes or confirmation of receipt of goods or services prior to an invoice being processed for payment. This may result in the School paying for goods or services that have not been received by the School.(Medium)
- The School did not have Terms of Reference for the Resource Committee outlining the roles and responsibilities of the Committee in addition to the requirements for membership, the quorum for decision making as well as frequency of meetings. If the Terms of Reference are not clearly outlined the Committee may fail to provide appropriate support, challenge and scrutiny to the School. (Medium)
- The budget monitoring report was not always presented to the Resource Committee together with a commentary report to provide reasons for variances against the budget. If the budget reports do not clearly highlight the areas of significant variances nor have a commentary to explain variances the Resource Committee may fail to identify significant differences and provide adequate challenge and poor performance could potentially continue if appropriate remedial actions are not implemented. (Medium)
- A sample of five invoices over £5k were reviewed and it was noted that in four instances there were no quotations obtained for the purchases. If the School does not obtain adequate quotations when purchasing goods it may fail to demonstrate value for money. (Medium)

Three instances were noted where members of staff commenced employment without receipt of clearance from the Criminal Records Bureau (CRB). It was noted that there were no List 99 checks or a risk assessment carried out in any of these instances. Children and staff's welfare could be exposed to risk if subjected to individuals who could potentially be unsuitable for employment in a school.

(High)

An additional low priority recommendation has been made on the compliance of control framework which is elaborated on within the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
Area 3: Purchasing			
Rec 3.3 The School should ensure that staff members are reminded that no orders are to be made prior to a purchase order being authorised by an appropriate level of authority.	Training around purchasing as well as budget monitoring will be given to staff at a staff meeting to embed the process.	Autumn Term 2013	Alison Draycott, Bursar
Area 4: Payroll, personnel and safeguarding procedures			
Rec 4.1 The School should ensure that new employees who commence employment prior to receipt of satisfactory pre-employment checks have had appropriate Risk Assessments carried out in line with the Safer Recruitment Policy.	Agreed. To be implemented through the School HR Cooperative - Our Personnel Provider.	Completed	Nicky York, Acting Headteacher Kathryn Burden, HR Administrator

Appendix A – Summary Of Progress Against The Internal Audit Plan

2012/13 Plan (Drafts outstanding and those finalised since the September Audit & Risk Committee Meeting)

Assignment (Reports considered today are shown in bold)	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Customer & Community Services:					
Anti-Social Behaviour (37.12/13)	FINAL ISSUED 20/9/13	AMBER RED	1	3	2
Carbon Reduction Commitment Programme	Draft Report 7/5/13	ADVISORY	1	8	4
Resources, Housing & Regeneration:					
Cash Handling and Management (6.12/13)	FINAL ISSUED 18/10/13	AMBER RED	1	3	0
Asset Register (52.12/13)	FINAL ISSUED 16/10/13	RED	3	1	1
Schools:					
St Joseph's Catholic High School	Draft Report 23/5/13	AMBER GREEN	0	3	5

2013/14 Annual Plan

Assignment <i>Reports considered today are shown in italics and bold</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
Implementation of New Council Tax Support Rules (11.13/14)	FINAL ISSUED 31/7/13	GREEN	0	0	0
Blue Disabled Parking Badges (9.13/14)	FINAL ISSUED 19/8/13	GREEN	0	0	3
Trading Standards (15.13/14)	FINAL ISSUED 22/11/13	AMBER GREEN	0	2	0
Atkins Limited – Contract Management & Third Party Procurement	Review Stage				
Contract Management Arrangements – Amey Plc	Review Stage				
Use of Agency / Workforce planning	Audit in Progress				
Arvato Performance Management	Audit in Progress				
Business Rates	Audit starts: 2/12/13				
Council Tax	Audit starts: 6/12/13				
Housing Benefits	Audit starts: 10/12/13				
Youth Service	Audit starts: 16/12/13				
Rent Accounts	Audit starts: 17/1/14				
Payroll	Audit starts: 27/1/14				
Contract Management Follow Up	Audit starts: 10/2/14				
Procurement Follow Up	Audit starts: 11/2/14				
Social Care System Reviews	Audit starts: 20/1/13				
Wellbeing:					
Children's Service Procurement	Revised Draft Report 24/10/13	AMBER RED	2	2	1
Qualitative Monitoring & Block Nursing Contracts	Audit starts: 11/12/13				

Safeguarding Adult Social Operating Model Review	Audit starts: 18/3/14				
Chief Executive:					
Health and Safety (1.13/14)	FINAL ISSUED 2/9/13	AMBER GREEN	0	3	3
Training and Development e-Learning	FINAL ISSUED 27/11/13	RED	2	2	2
Freedom of Information Act Compliance	Audit starts: 11/2/14				
Governance	Audit starts: 11/2/14				
Project Management Support	Audit starts: 2/12/13				
Resources, Housing & Regeneration:					
School's Financial Value Standard (SFVS) (8.13/14)	FINAL ISSUED 19/8/13	ADVISORY	0	9	1
Budget Setting including Cost Improvement Plans	Draft Report 8/11/13 Responses received	AMBER RED	2	2	3
Data Quality: Corporate Balanced Scorecard	Draft Report 8/11/13	AMBER GREEN	0	2	3
Declaration of Interests	Audit in Progress				
VAT / Pensions	Audit starts: 6/1/14				
Creditors	Audit starts: 3/1/14				
Debtors & Cash Management	Audit starts: 6/1/14				
Budgetary Control & Financial Reporting	Audit starts: 15/1/14				
General Ledger	Audit starts: 27/1/14				
Treasury Management	Audit starts: 21/2/14				
Capital Projects	Audit starts: 26/2/14				
Asset Register	Audit starts: 7/3/14				
Risk Management	Audit starts: 7/3/14				
Schools:					
Cippenham Nursery School (2.13/14)	FINAL ISSUED 11/7/13	AMBER RED	0	5	3
Priory School (3.13/14)	FINAL ISSUED 5/11/13	AMBER GREEN	0	2	1
Beechwood School (10.13/14)	FINAL ISSUED 1/8/13	GREEN	0	1	3
Montem Primary School (14.13/14)	FINAL ISSUED 17/10/13	RED	2	5	3
Parlaunt Park Primary School (17.13/14)	FINAL ISSUED 25/10/13	RED	2	5	2
Foxborough School	Draft issued 25/6/13	AMBER RED	0	5	4
Littledown School	Draft issued 5/7/13	AMBER GREEN	0	3	0
Lea Nursery School	Draft issued 5/7/13	AMBER GREEN	0	2	4
St Bernard's Catholic Grammar School	Draft issued 2/8/13	AMBER GREEN	1	0	3
Baylis Court Nursery	Draft issued 15/10/13	AMBER GREEN	0	3	4
Our Lady of Peace Catholic Junior School	Draft issued 22/11/13	AMBER RED	1	6	2
Wexham School	Draft issued 22/11/13	AMBER GREEN	1	1	2
Slough Centre Nursery	Audit starts: 5/3/14				
St Ethelberts Catholic Primary School	Audit starts: 5/3/14				
Claycots School	Audit starts: 18/3/14				
Pippins School	Audit starts: 24/3/14				

APPENDIX B – Client Briefings

Spending Round 2013 - Outcomes for local government

8 July 2013

CB LG 01.13

Chancellor George Osborne announced the 2013 Spending Round on 26 June detailing the Government's financial plans for 2015-16. The principles of the 2013 Spending Round are based on strengthening and enabling five key areas: prioritising growth; transforming public service delivery; controlling welfare spending; delivering efficiency savings; and ensuring fairness in spending plans. Government's investment decisions for 2015-16 are projected to enable an increase in capital spending of £3bn a year from 2015-16 and by £18bn over the course of the next Parliament. However, the overarching message received from the Chancellor was the need to reduce outlay by a further £11.5bn.

In contributing to its aims, Government intends to deliver over £5bn of further efficiency savings in 2015-16 through addressing inefficiencies in its own working practices and reducing overall running costs. Savings and reductions announced for Whitehall in the 2015-16 Spending Round include:

- A £1.9bn reduction in departmental administration budgets – representing a total 40% decrease since 2010;
- Delivery of £1.5bn in savings from the Government's projects portfolio through scaling back or discontinuing non-priority projects and promoting better project management; and
- £1bn of savings through the Government Procurement Service to include better use of IT and the promotion of digital technology as the preferred method for procuring all services.

This briefing provides an overview of key Spending Round settlements particularly focussing on those outcomes which affect local government.

Headline Departmental Settlements for 2015-16 Relevant to Local Government



Key outcomes for local government

Total government spending will amount to £745bn in 2015-16. Spending decisions for local government encompass efficiency measures affecting a number of public services and practices. Key settlements for local government include:

- Government workers to fall by an extra 144,000 by 2015-16.
- Limitation of public sector pay awards to an average of up to 1% in 2015-16; predicted to save at least £1.3bn.

- Automatic time-served progression pay in the civil service will cease by 2015-16 with new arrangements applicable to teachers, the health service, prisons and the police.
- The current council tax freeze will be extended to 2015-16.
- Plans to set the council tax referendum threshold at 2% for 2014-15 and 2015-16.
- £330m to support transformation of local services including £200m of extra funding for the Troubled Families initiative.
- £100m provided to local authorities to assist with initial costs associated with collaborative working relating to public service reform.
- Creation of a centre of excellence which will work to reduce the complexity of data sharing between services.

Health and social care

- Spending on health will be protected in 2015-16.
- £3.8bn will be pooled for health and social care services to assist joint commissioning, to include an additional £2bn from the NHS.
- £200m will be provided to local authorities from the NHS in 2014-15 to enable upfront investment in new systems and ways of working.
- £335m will be available to local authorities in 2015-16 to support preparations for the capped social care funding system from April 2016 and deferred payment agreements from April 2015.

Education

- The roll-out of academies will continue and funding will be provided for up to 180 new Free Schools, 20 University Technical Colleges and 20 Studio Schools each year.
- A consultation will be launched concerning how best to introduce a fair national funding formula for schools in 2015-16.

Police and Fire

- £45m in capital funding will be available for the Fire and Rescue Service in 2015-16.
- A 7.5% reduction will be applied to Fire and Rescue Authority budgets overall.
- An innovation fund of up to £50m will be established for police forces to support joint working with local authorities on developing new and more efficient ways to prevent crime and ensure public safety and confidence.
- A £30m resource fund will be introduced to encourage greater collaboration between the fire service and other emergency services. The fund will help authorities to meet upfront costs associated with recommendations identified by the Knight Review which include sharing back office functions and running joint response systems.

Social Housing

- Government will invest £3bn of capital into affordable housing between 2015-16 and 2017-18.
- It will also provide certainty that social rents will increase by consumer price index plus 1% a year from 2015-16 to 2024-25.
- Its approach to affordable housing is set out in *Investing in Britain's Future*, which presents Government's vision for the future of British infrastructure. This is available at <http://tiny.cc/oecrzw>.

Welfare Reform

A significant announcement in the Spending Round is the introduction of the welfare spending cap. Excluding the basic and additional state pension, a nominal cap on national welfare spending will be introduced from April 2015. Government will set the cap limit at Budget 2014 and must try to keep spending within this limit. If the cap, which will be enforced by the Office for Budget Responsibility, is exceeded, Government will be expected to explain the reasons to Parliament.

Other welfare outcomes include an overhaul of the current benefit system for jobseekers which includes:

- 'Upfront work search' requiring all claimants to prepare for work and search for jobs from the very start of their claim;
- Weekly rather than fortnightly visits to Jobcentres;
- A seven day waiting period before claimants are eligible for financial support; and
- Annual verifications of Jobseeker entitlement.

Additionally, claimants with poor spoken English (considered a barrier to work) will be required to improve their English language skills and unemployed lone parents will be required to prepare to return to work once their youngest child turns three years of age.

The Spending Round 2013 documents are available at <http://tiny.cc/9gcrzw>.

Local Government Counter Fraud Briefing

8 July 2013

CB LG 02.13

The National Fraud Authority (NFA) estimates that fraud costs the public sector around £20.6bn a year¹. The majority of this can be attributed to fraud occurring within the tax and benefits system. Examples of fraud risks within the benefits system include:

- Claimants misrepresenting themselves or their circumstances so as to appear entitled to a reduction, discount or exemption;
- Claimants failing to declare applicable changes in circumstances;
- Claimants failing to notify changes in employment status;
- Claimants failing to disclose capital assets; and
- Claims for benefit in respect of a property which the claimant has never habited or has since vacated.

Estimated levels of fraud and error

In May 2013, the Department for Work and Pensions published a statistical release which set out the latest preliminary estimate figures for fraud and error levels in the benefit system in the UK in 2012-13. The report projects that 2.1% of total benefit expenditure will have been overpaid due to fraud and error in 2012-13 with a projected value of £3.5bn; a rise from 2011-12 estimations of £3.4bn. Headline projections from the report include:

- 0.7% (£1.2bn) of total benefit expenditure overpaid due to fraud;
- 0.9% (£1.6bn) of total benefit expenditure overpaid due to claimant error;
- 0.4% (£0.7bn) of total benefit expenditure overpaid due to official error;
- 0.6% (£0.9bn) of total benefit expenditure underpaid due to claimant error; and
- 0.3% (£0.5bn) of total benefit expenditure underpaid due to official error.

Welfare Reforms

The Welfare Reform Act 2012 came into force on 1 April 2013. The Act legislates for a number of significant changes to the welfare system including the replacement of a number of established benefits such as income support, housing benefit and child tax credits. In place of these benefits, the Welfare Reform Act introduces the single 'Universal Credit' payment, a new system currently being piloted in a number of areas across the UK with a view for national roll out in October 2013. One of the key aims of Universal Credit is to reduce the risk of fraud and error through more efficient identification of financial irregularities in the system, such as the payment of unemployment benefits where an income is apparent, using real-time information linked to the PAYE system.

¹ NFA Annual fraud indicator 2013

To support this, in April 2013 the Government introduced a single integrated fraud investigation service with statutory powers to investigate and sanction Universal Credit fraud as well as all legacy benefit and tax credit offences. This is intended to improve efficiency, ensure all offences are taken into account and increase the number of investigations and sanctions.

Fighting Fraud Locally

The National Fraud Authority publication *Fighting Fraud Locally* identifies a number of areas of non-benefit related expenditure as vulnerable to fraud. Local authorities are encouraged to develop effective counter fraud strategies to mitigate the risk of fraud in these areas:

- Procurement (pre and post contract stages);
- Housing tenancy;
- Direct payments (social care / personal budgets);
- Blue Badges;
- Schools;
- Employees (including payroll / recruitment, Declaration of Interest / gifts and hospitality);
- Insurance; and
- Grants.

Understanding the key fraud risks in each of these areas will assist in the prevention and detection of fraud, which in turn will help reduce financial pressures on local authorities and protect frontline services. A key objective for local authority counter fraud teams is to develop into 'corporate fraud teams' to proactively reduce opportunities for fraud to occur within the highlighted areas, to detect fraudulent activity promptly and to apply relevant sanctions where it is proven. Local authorities should have an effective counter fraud strategy in place underpinned by a service plan to ensure that resources are directed to areas of high risk outside of the traditional benefit related fraud areas. The strategy should mobilise staff at all levels and all those who do business with the authority, ranging from members of the public, to contractors, suppliers and elected members. Local authorities should ensure they are 'fraud-aware' and equipped to take preventative and reactive action.

How we can help

Changes to the welfare system, together with the current economic climate, provide the opportunity for local government to evaluate existing counter fraud arrangements to ensure they remain effective and respond to the changing welfare landscape and related fraud risks. RSM Tenon can assist local authority counter fraud teams in developing effective strategies and service plans as they work to become corporate fraud teams. We have over 40 counter fraud specialists who provide a high quality and professional counter fraud service supported by an extensive client base to facilitate the sharing of good practice and benchmarking. Our specialists investigated over 300 cases last year, helping our clients take out criminal, civil disciplinary and regulatory sanctions.

For further details of how we can help please contact Baker Tilly's Fraud Solutions team who will be happy to assist.

John Baker Fraud Solution 07753 584 973 john.baker@bakertilly.co.uk

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Baker Tilly's Local Government Update – August 2013

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

Leadership and Standards in the Police

The House of Commons Home Affairs Committee has published a report which considers leadership and standards in the police force. The report presents a number of recommendations for addressing current inconsistencies in police operations including 'grey areas' within expected standards of conduct and low levels of morale amongst officers. The report recommends higher levels of accountability in the police service by introducing a new ethics code for officers and greater use of fines for misconduct. Key proposals include: introduction of a 'Certificate of Knowledge in Policing' for all levels of the force which must be obtained by all new officers; introduction of a new Code of Ethics and Integrity for police officers by the College of Policing; requirement for the interests of all new Chief Constables and Police and Crime Commissioners to be recorded on a National register; introduction of a scale of fines deductible from officers' pensions in cases of serious misconduct; and a change in the law to allow 'positive' action on diversity. Further information is available [here](#).

Giving Tenants Control: Right to Transfer and Right to Manage Regulations

The Communities and Local Government (CLG) department has published a summary of responses to its consultation on the 'Right to Transfer'. The Right to Transfer, which will come into force from autumn 2013, brings about a number of measures to enable social housing tenants to request a transfer of ownership on their properties from their local authority, either taking over responsibility for managing housing services themselves or transferring management and maintenance of their homes to a housing association. Local authorities will be obliged to consider all requests on their own merit and as part of the measures housing associations will be required to demonstrate how they will ensure value for money for taxpayers and how transfers will lead to the construction of new affordable homes or the improvement of existing housing stock. Further details on the measure will be set out in statutory guidance to be published in the autumn. Further information is available [here](#).

Universal Credit: Roll out from October 2013

The Government has confirmed arrangements for the next stage of the roll out of Universal Credit, currently already piloting in two areas of the north-west. National roll-out of Universal Credit will expand to six new Jobcentres starting from October 2013: Hammersmith; Rugby; Inverness; Harrogate; Bath; and Shotton. Alongside this, the 'Claimant Commitment' will also roll out to all Jobcentres from October together with further support to improve access to digital services. Widespread roll out of Universal Credit nationally is expected to complete in 2017. The Government intends to publish further details on development plans in the autumn. Further information on Universal Credit is available [here](#). Further information on the Claimant Commitment is available [here](#).

Survival of the fittest: The difficult world of Alternative Service Delivery and 'Spin-Offs'

Baker Tilly is witnessing more and more councils considering alternative service delivery models as part of their future and how their sustainability might be increased through a more independent and commercial footing. This document considers the nature and benefits of the 'Spin-off' for councils before discussing the inevitable risks that accompany the design, set-up, operation, development and growth stages of their implementation. To access the document, click [here](#).

Finance Transformation: Is your finance function fit for the future?

In this new circular, Baker Tilly considers how local government can take action to ensure that council finance functions are resilient and sustainable enough to support authorities in tougher times. The document sets out a series of case studies and delivery models to demonstrate how Baker Tilly has assisted councils using its Finance Transformation Programme which supports authorities to achieve their finance function objectives. To access the circular, click [here](#).

Baker Tilly's Welfare Reforms Survey

In response to the significant implications of the Welfare Reform Act 2012 Baker Tilly is undertaking research to examine the impacts of, and responses to, the introduction of welfare reforms. In this aim, we would be grateful if you could take the time to complete our short survey, which is now live, and can be accessed [here](#). We are seeking responses from arm's length management organisations (ALMOs) and local authorities that have retained ownership and management of their housing stock. Respondents' data will be treated in confidence and all participants will receive a copy of our report, which will follow once our survey has closed. The survey will remain open until 19 August 2013.

New support for adult social care data collections

The Department of Health (DH) is to provide an extra £11.8m in funding to assist local authorities in implementing new measures for the annual collection of data by the Health and Social Care Information Centre (HSCIC). Following a review of the types of data necessary for authorities to adequately assess their performance in providing care and support, it was decided that the certain changes to data collections would take place as follows: (from 1 April 2013) a new Adult Safeguarding Return (to replace the Abuse of Vulnerable Adults return); a revised annual Deprivation of Liberty Safeguards (DoLS) return; extension of the National Minimum Data Set for Social Care (NMDS-SC) return to include information on qualifications; (from 1 April 2014) existing social care activity collections to be replaced by a new collection on Short and Long-Term Support (SALT); existing Personal Social Services Expenditure Return to be replaced by a new finance collection; and both the SALT and Finance collections to draw on a new Equalities and Classifications Framework (EQ-CL). The DH provides further information on the new burden funding to be received by local authorities in 2013-14 in a letter to UK local authorities. This is available [here](#).

Draft national eligibility criteria for adult care and support

The DH has published a discussion document which sets out draft proposals and regulations for a new national minimum threshold for eligibility criteria for adult care and support. The national eligibility criteria is introduced as part of the 2013-14 Care Bill and from April 2015 will set a minimum threshold for individuals' care and support needs which must be met by local authorities. The eligibility criteria are being introduced to address perceived confusion with current arrangements and to offer clarity by reducing the variation in what local authorities consider to be eligible needs through introduction of a national minimum threshold. A formal consultation on the plans will be launched in 2014. Further information is available [here](#).

Changes to direct payments for healthcare

The Government's response to a consultation on proposed changes to the direct payments for healthcare regulations has been published by the DH. The proposals extend personal health budgets, including direct payments for healthcare, beyond the pilot programme. Personal health budgets were piloted in over 60 sites across England between 2009 and 2012. This document summarises feedback received from the consultation and sets out the Government's decisions on changes to be made to the direct payments for healthcare regulations as a result. Further information is available [here](#). Information on personal health budgets is available [here](#).

Stop, Start, Continue

Baker Tilly recently canvassed a number of senior people in local government asking them to describe, in a single word or phrase, the sector 'now' and what it might look like in five years' time. Responses fell into two distinct groups: those with the glass half full; and those with it half empty. Baker Tilly Partner and National Chair of the local government and emergency services sector group, Matt Humphrey, considers the results of the survey in a new article for the Local Government Chronicle. To read the commentary, click [here](#).

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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