

Slough Borough Council

Internal Audit Progress Report

21st November 2014

Introduction

This report summarises the work completed up to 21st November 2014 in relation to the 2014/15 internal audit plan and also provide an update on the remaining 2013/14 reports.

Outstanding audit reports from 2013/14:

As at 21st November 2014 for the remaining 52 audits within the 2013/14 audit plan all reports had been issued to management. The table below shows how many have been finalised and those that remain in draft:

Directorate	Audits	Final	Draft
Customer & Community Services	15	15	0
Chief Executive	5	5	0
Wellbeing	2	2	0
Resources, Housing & Regeneration	13	13	0
Schools	16	14	2
Cross Directorate Review	1	1	0
TOTAL	52	50	2

Only two reports remain in draft and both relate to schools. Both Schools have been chased by the Council for responses to the draft reports and we have received responses for one of these reports and a revised draft will be issued shortly.

2014/15 Internal Audit plan update

The internal audit plan for 2014/15 was approved by the Audit and Risk Committee on the 13th March 2014. This report provides an update on progress against that plans and summarises the results of our work to date.

Since the last meeting of the Audit and Risk Committee held in September 2014, the following seven final audit reports have been issued in respect of the 2014/15 Internal Audit plan:

- Atkins Limited – Contract Management
- Chalvey Early Years Centre
- Schools Financial Value Standard
- Lone Working
- Data Quality – KPI's within Contracts
- VAT – Follow up of previous recommendations
- Mobile Data Security

Of these seven final reports, two cannot take assurance (Red) and three some (Amber Red) assurance opinion reports have been issued in final. In addition, one of these six reports was a follow up of previous recommendations where we concluded poor progress had been made to implement previous recommendations, while the remaining report (SFVS) was undertaken on an advisory basis. Within these reports, eight high priority recommendations were raised.

Outstanding Reports from 2014/15

As at the 21st November 2014, the following audit eight reports remain outstanding in draft:

- Carbon Reduction Commitment
- Contract Management – Slough Community Leisure
- Khalsa Primary School

- St Mary's CE Primary School
- Troubled Families (Aug 2014 submission)
- Troubled Families (Oct 2014 submission)
- Wexham School
- St Anthony's School

Of the above reports, five of these were issued within the previous two weeks and we are actively working with management in relation to comments received in relation to the SCL audit.

Key Findings from 2014/15 Internal Audit work

We have issued

Of the 6 final reports issued for the 2014/15 plan where a formal opinion has been provided, two of these have resulted in a red opinion, which were Data Quality – KPI's within Contracts and Chalvey Early Years Centre.

A summary of the main findings:

Data Quality – Contract KPI's

- Key Performance Indicators, while they had been documented, had not been defined in relation to how the indicators were calculated and the methodology to be utilised in the calculation of these KPI's.
- For the sample of contracts reviewed, there was no documentation to demonstrate the processes undertaken to validate data received from the service providers.
- At the time of audit, as operational performance indicators had been documented, but not approved, operational performance in relation to these specific indicators were not being discussed at monthly Operational Service Board meetings.
- For the First Beeline Buses contract and the Nottingham Rehab contracts, we found no evidence to demonstrate that penalty clauses had been inserted within the contract to allow the Council to 'claw-back' expenditure on the basis of poor performance from the contractors.

While this audit was undertaken on a sample of contracts, the issues identified could be representative of the wider contracts which the Council has with other providers.

Chalvey Early Years Centre

- For 80% of our sample (10), we found that purchase orders had not been raised prior to goods being ordered.
- We found that the Asset Register did not include the individual values of assets on the register, nor the date when the assets were acquired.
- For 90% of our sample (10), we found that when goods were received, either the delivery not was not retained, or annotate the invoices to demonstrate to confirm receipt of goods.
- No disposal report was presented to the Headteacher of the school for authorisation, in line with the School's Finance policy and procedure.
- 20% (2/10) of our sample of staff selected had valid staff contracts held within their employee personnel files.

We will undertake a further audit of these areas as part of the 2015/16 Internal Audit Plan, subject to agreement with the S151 Officer.

Contract Management: Slough Community Leisure

In addition, we have issued an advisory report in relation to the Council's contract with Slough Community Leisure where we concluded that:

“the Council may be exposed to potential claims and unidentified liabilities, there is lack of validation and transparency over the current cost base and operating surplus, the current leisure contract may not be delivering value for money and opportunities exist for improvements through managing the current contract more robustly. Significant improvement opportunities exist through designing, constructing and implementing robust contract, contract deployment and contract management beyond 2017.”

While we acknowledge that the Council has begun to take steps to address some of the issues identified within the report, there are still opportunities to ensure that the contract is managed more robustly.

VAT Follow Up

We have also issued a follow up in relation to the recommendations made as part of our VAT review where we identified that the Council had made poor progress in relation to the implementation of recommendations, and whilst we recognise that the Council is in the process of implementing these recommendations, this is a process that has recently started, there is still further work to do in relation to this area.

It is imperative that actions to address the weaknesses identified within the above reports are undertaken on a timely basis to ensure that these systems can operate effectively in the future.

The results of the red opinion reviews to date will impact, but not qualify, our Head of Internal Audit Opinion for the year, and these highlight the need for continued review of the school's internal control environment and contract management arrangements to ensure that these areas are operating effectively, managing risk and safeguarding assets.

Other Matters

Planning and Liaison:

The timings the remainder of the audits in the 14/15 plan have been agreed for the majority of audits with management and audit planning sheets (scopes) have been issued.

Regular meetings continue to be held with the Assistant Director - Finance and Audit, where progress against the plans, responses to draft reports and upcoming audits are discussed. In addition, we have continued to attend Risk Management Group meetings, together with regular attendance at Directorate SMT meetings to ensure that there is continued focus on Internal Audit issues within the Council.

APPENDIX A – SUMMARY OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN

2013/14 Annual Plan (as at 21st November 2014 – note the table below only provides details of audit reports not finalised as at the time of the previous Audit and Risk Committee Meeting)

Assignment Reports finalised since the last ARC meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Schools:					
Our Lady of Peace Catholic Junior School	Draft issued 22/11/13	AMBER RED	1	6	2
Claycots School	Draft issued 4/4/14 Meeting held with school, revised draft to be issued.	AMBER RED	2	5	5
Pippins School	Final Issued 7/11/14	AMBER RED	2	2	2
Cross Directorate Review:					

2014/15 Annual Plan (as at 21st November 2014)

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
avarto phase 2 – IT & Customer Services	In review (debrief 21/11/14)	ADVISORY	-		
Mobile Data Security	Final Issued 20/11/14	AMBER RED	0	5	0
Contract Management – Slough Community Leisure	Draft issued 26/08/14	ADVISORY	-		
Carbon Reduction Programme	Draft Issued 6/11/14	ADVISORY	-		
Procurement	Commencing 12.1.15				
Purchase Cards	In progress				
Direct Payments	commencing 9.2.15				
arvato performance management	Commencing 20.2.15				
Council Tax	In Progress				
Housing Benefit	Commencing 19.1.15				
Rent Accounts	Commencing 15.12.14				
Business Rates	Commencing 8.12.14				
Payroll	Commencing 10.3.15				
Wellbeing:					
Troubled Families Review (May claim)	Final Issued 31/7/14	ADVISORY	-		
Troubled Families Review (August claim)	Draft issued 20.11.14	ADVISORY	-		
Troubled Families Review (October claim)	Draft issued 20.11.14	ADVISORY	-		
Children's Services – Access to Records	Awaiting confirmation on scope sent to Strategic Director, Wellbeing.				

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Educational Services – Contract Management Arrangements	Commencing 30.1.15				
Children's Services Procurement	Commencing 2.2.15				
Safeguarding Operating Model	Commencing 19.1.15				
Chief Executive:					
Lone Working Procedures	Final Issued 30/10/14	AMBER RED	1	4	3
Governance	Commencing 19.1.15				
Annual Governance Statement	Commencing 9.2.15				
Resources, Housing & Regeneration:					
Data Quality – KPI's within Contracts	Final Issued 12/11/14	RED	3	5	1
Contract Management Arrangements – Atkins	Final Issued 30/09/14	AMBER RED	1	5	0
Schools Financial Value Standard	Final Issued 13/10/14	ADVISORY			
Budget Setting inc Savings Plan	Final Issued 17/7/14	GREEN	0	0	2
Risk Management	In Progress				
Housing Arrangements	Commencing 5.1.15				
Contract Management Arrangements - Amey Plc Follow up	In Progress				
General Ledger	Commencing 18.12.14				
Cash Collection	Commencing 27.1.15				
Treasury Management	Commencing 24.11.15				
Income and Debt Management	Commencing 10.12.14				
Capital Expenditure	Commencing 15.12.14				
Budgetary Control and Savings Plans	Commencing 2.3.15				
Creditors	Commencing 17.12.14				
Counter Fraud Arrangements	In Progress				
Asset Register	Commencing 12.1.15				
VAT	Final Issued 30/10/14	Poor Progress	1	13	0
Schools:					
Holy Family Catholic Primary School	Final Issued 4/6/14	RED	2	5	2
Chalvey Early Years Centre	Final Issued 18/09/14	RED	2	3	6
Wexham Court Primary School	Draft issued 20.11.14	GREEN	0	0	1
St Mary's CE School	Draft Issued 12/09/14	AMBER GREEN	0	2	2
Khalsa School	Draft Issued 12/09/14	RED	2	6	6
St Antony's Catholic Primary Care School	Draft issued 20.11.14	AMBER GREEN	0	0	5
Our Lady of Peace Catholic	Commencing 24/11/14				
Other Internal Audit Activity:					

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Follow Up	Commencing 2.3.15				

Appendix B – Key Findings from Red and Amber Red rated reports

Assignment: Lone Working (5.14/15)	Opinion: Amber Red	
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The key findings from this review are as follows:

Effectiveness

The Council does not have a defined target for the attendance and completion of CMS lone working training course workshops. We have therefore utilised an attendance and completion target of 80% to measure attendance and completion rates against.

	Education	Resources, Housing & Regeneration	Wellbeing	Chief Executive	Customer & Community Services
Lone work training completion to 31/3/14 (assumed 80% target)	67%	57%	33%	100%	81%

The Council is failing to ensure that Council staff attend CMS lone working training course workshops, which could result in high risk 'client facing' Council staff not being sufficiently trained and the Council not achieving full value for money for CMS lone working training course workshop expenditure incurred.

Design of control framework

We found that the following controls were designed adequately:

- The Council's overarching Health and Safety - Corporate Code of Practice for Personal Safety & Lone Working detailed the Council's lone working procedures and guidelines.
- Personal Safety and Lone Working training online e-module courses are accessible to Council staff through the Council intranet Learning Pool web page.
- A CMS Training Personal Safety for Lone Workers Delegate Handbook is in place and provided to 'high risk – client facing' lone workers attending CMS lone working training course workshops.
- Health & Safety Advisors utilise the Central Government Health & Safety Executive Working Alone Guidance to assess Council staff's suitability for attending CMS lone working training course workshops and completing online e-module lone working training courses.
- A local lone working training assessment record sheet is utilised by Council staff to record the assessment of Council staff's lone worker status and those Council staff as appropriate users of the Careline System.
- Council staff's completion of CMS lone working training course workshops are recorded by the Senior Administrator, Learning & Development within the Council staff's CHRIS HR & Payroll system training record.
- Regular Council team meetings were held by four sampled Council teams' where lone working was a prominent feature to discuss common lone working themes and issues.
- Lone working arrangements and issues agreed and identified by four sampled Council teams were documented in local Council team risk assessments.
- Four sampled Council teams utilised different methods to monitor lone working Council staff through either electronic diaries, timetable whiteboard records, paper diaries or other methods.
- Quarterly Health & Safety Departmental Consultative Forum (DCF) meetings are held to discuss

actions to be taken to address lone working issues.

- The Council are in the process of implementing the INTEC InCheck, Caution before Contact System.

We identified the following weaknesses in the design of the Lone Working Procedure control framework which resulted in **two medium priority** recommendations:

- Sample testing of 20 Council staff identified as 'high risk' client facing lone workers found that 9/20 employees had completed the '*lone working training course workshops*', and therefore had a 45% attendance rate. 0/15 sampled Council staff identified as lone workers, required to complete '*Personal Safety and Lone Working training*' online e-module courses had completed the online e-module courses. '*Personal Safety and Lone Working training*' online e-module courses are only required to be completed once by Council staff following being identified as lone workers by Health & Safety Advisors. If Council staff do not complete lone working training courses there is a risk that Council staff may not be sufficiently trained to work safely in a lone environment. **Medium**
- Our review found that lone working course attendance and completion rates were not being presented to Corporate Consultative Forum (CCF) or Corporate Management Team (CMT) for overview and scrutiny on a regular quarterly basis. Without Council staff's course attendance and completion rates being produced and presented to CMT or CCF meetings through the Balanced Scorecard, the Council may be hindered in its ability to effectively record and monitor Council staff's attendance and completion rates of CMS and online e-module lone working training courses. **Medium**

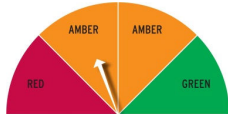
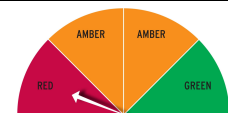
We identified further weaknesses in the design of the control framework which resulted in **one low** priority recommendation. This is expanded upon further below in the Action Plan and Findings and Recommendations section of the report.

Application of and compliance with control framework

We identified the following weaknesses in the application of and compliance of the Lone Working Procedure control framework which resulted in **one high** and **two medium priority** recommendations:

- Sample testing of 20 Council staff identified as required users of the Careline System found that in 16 instances Council staff had registered with but were not utilising the Careline System (who should have been). If Council staff identified as appropriate users of the Careline system are not fully utilising the Careline System, there is a risk that Council staff may be unsafely lone working and not receive attention when experiencing potentially dangerous incidents. **High**
- Although CCF meeting minutes were held for 25th July 2013 and 19th December 2013 meetings and common lone working themes and issues reports were noted with the meeting minutes, there was no evidence of meeting minutes held 24th October 2013 and fourth quarter meeting minutes held in March 2014. The Corporate Health & Safety Manager informed us that the previous two CCF meetings had been cancelled. If CCF meetings are not held on a regular quarterly basis to discuss reports of major lone working issues and common themes identified in the Borough of Slough, major issues and common themes may be unidentified and therefore continue without receiving appropriate remedial actions. **Medium**
- When reviewing how Risk Assessments in relation to lone working are completed, the Building Control team risk assessments had a previous review date of August 2012. We also noted risk assessments were not signed as reviewed by the Building Control Team or Service Manager. Without Building Control team risk assessments receiving a more up-to-date review from an appropriate level of authority, new lone working 'hazards' identified since August 2012 may not have been fully reflected in risk assessments. **Medium**

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
Council Departmental Managers should ensure that all Council staff identified as appropriate users of the Careline System are fully registered and reminded of the importance of utilising the Careline System until alternative solutions are fully implemented.	The Corporate Health & Safety Action Plan has a target for all managers to have relevant lone working monitoring mechanisms in place by July 2014	October 2014	Council Departmental Managers

Assignment: Atkins Limited – Contract Management (11.14/15)	Opinion: Amber Red		
Design of control framework			
Weaknesses in the design of the control framework were identified which resulted in three medium priority recommendations:			
<ul style="list-style-type: none">There were no Terms of Reference in place which outlined the roles and responsibilities, the frequency of meetings as well as the quorum for decision making for the Management Meetings and Board Meetings with Atkins. We were informed by the Acting Head of Transport following the audit that the Terms of Reference could not be found at the time of audit, however were produced for Board meetings. Without clarity of the roles and responsibilities the Council cannot be assured that there are appropriate governance arrangements in place.The Council did not have validation procedures in place to clearly show how supporting documentation was to be reviewed against the key performance indicator summaries to ensure the accuracy of performance being reported. Without validation of performance indicators reported the Council may make decisions on inaccurate information.The Council had not yet established a benchmarking programme to ensure that there are regular benchmarking activities carried out against services that are provided by Atkins. We were informed by the Acting Head of Transport following the audit that benchmarking has not been conducted as this is not currently part of the governance arrangements surrounding Long Term Contracts, however this will be undertaken for the Atkins contract going forward. Without regular benchmarking being carried out the Council may fail to gain value for money in its contracting activities.			
Application of and compliance with control framework			
Weaknesses were identified in the application of the controls identified above which resulted in one high and two medium priority recommendations:			
<ul style="list-style-type: none">Through review of the supporting documentation against the 2013/14 KPI Summary we noted that there were inconsistencies between the information presented on the KPI report and the supporting documentation in four out of nine instances. If validation checks are not carried out and discrepancies queried this may result in decisions being made based on inaccurate information. (Medium)We noted that there were no KPI reports presented to the Council for the period commencing April 2014/15. We were informed by the Acting Head of Transport that this was as a result of proposed changes to the KPI's, which has resulted in the reports being delayed. Without regular reporting of performance against the KPIs the Council may fail to effectively monitor the Atkins contract and address underperformance. (High)During review we could not confirm where the 70% KPI target to be achieved by Atkins for their annual performance was documented and agreed between the Council and the service provider, although following the audit, we were informed by the Acting Head of Transport that this had been clarified and would be held. There is a risk that performance thresholds are not clearly understood and defined within the contract, which could result in possible future contractual disputes. (Medium)			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
The Council should ensure that it receives KPI reports more regularly from Atkins Limited to ensure that performance against the contract is appropriately monitored.	Agreed. This will be done on a quarterly basis from December 2014.	31 st December 2014	Savio DeCruz, Acting Head of Transport Kam Hothi, Team Leader
Assignment: Data Quality: Performance Indicators within Contracts (8.14/15)		Opinion: Red	

Design of control framework

We identified the following weaknesses in the design of the Data Quality control framework which resulted in **two high** and **two medium priority** recommendations:

- Contracts between the Council and First Beeline Bus service and Mott Macdonald did not have any documentation in place to clearly define key/operational performance indicators and the methodology to be utilised in the calculation of such performance indicators. Without clear definitions and methodology for the calculation of key performance indicators performance results may be misinterpreted and incorrectly calculated, resulting in reporting of inaccurate performance reporting. **(Medium)**
- Written validation procedures were not in place that outlined the process to be adhered to in ensuring that performance information reported by service providers was adequately reviewed and validated. Without clearly documented validation procedures in place, the Council may fail to ensure that performance information reported is correctly reviewed and validated in the absence of designated Council officers. **(High)**
- Performance indicator targets were not reported by Mott MacDonald in termly reports and therefore operational performance was not discussed at Operational Service Board meetings with the service provider. If performance indicator reports are not presented at Operational Service Board meetings, the Council may fail to identify reasons for underperformance and ensure that an action plan is put in place to address it. **(High)**
- Through review of the First Beeline contract and the Nottingham Rehab contracts we confirmed that there were no penalty clauses included in the contract to claw back when the contractor failed to meet agreed performance targets. This may result in the Council failing to obtain value for money in its contracting activity. **(Medium)**

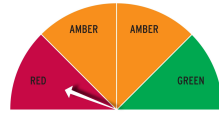
Application of and compliance with control framework

We identified the following weakness in the application and compliance of the Data Quality control framework which resulted in **one high** and **three medium** priority recommendations:

- Discussion with the Strategic Commissioning Manager for Mott Macdonald confirmed that due to the Council's intention for the contract to commence in September they had not managed to formally agree on a set of key performance indicators to be reported periodically. A suite of performance indicators were reported by the service provider however these had not been agreed with the Council. **(High)**
- In addition we noted that key performance indicators had not been agreed with the service provider for the First Beeline Contract-the only information received and monitored by the Council were the patronage figures. Without key performance indicators receiving formal agreement between the Council and service provider, the Council will be hindered in its ability to effectively monitor service delivery and result in non-achievement of the Council's intended performance delivery outcomes. **(Medium)**
- Review of quarterly First Beeline Bus Service meeting minutes found there was no clear evidence of discussions around performance to reflect identification of increases or decreases in bus service patronage over the reporting period, which considering performance indicators have not been agreed, may have an impact on the Council's ability to recover expenditure on the basis of poor performance **(Medium)**
- In addition to the above, review of the Slough Library Service contracts we confirmed that there was no clear evidence to show if performance was discussed during review meetings. Without setting performance as a regular agenda item for the review meetings the Council may fail to identify and recommend improvements to the bus service. **(Medium)**

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<u>Mott MacDonald</u> The Council should review its contractual key performance indicators to ensure these align with intended service provider performance outcomes. Operational performance indicators should be formally agreed between the Council and service provider.	Formally there is joint responsibility between operational leads from both parties. This should be completed by the end of September ready for the beginning of Year 2 of the contract.	End of September 2014	Members of the Operational Service Board
The Council should ensure that clear written performance indicator validation	Agreed	December 2014	Trish Guest, Commissioning

<p>procedures are established.</p> <p>Written validation procedures should:</p> <ul style="list-style-type: none"> Outline the validation process performed by Council staff for the calculation of all performance indicators; Specify the requirement for validations to receive signed confirmation of performance; Outline instances where data cannot be validated; Assign responsibility for data validation; and Outline how to sample test data to be validated. <p>Procedures should be reviewed periodically and be made accessible to appropriate staff.</p>			<p>of Adults</p> <p>Rub Nawaz, Transport Manager</p> <p>Matt Gamble, Atkins contractor</p> <p>Claire Skeates, Service Development Manager</p>
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Assignment: Chalvey Early Years Centre (1.14/15)	Opinion: Red		
Design of control framework <p>We identified the following weaknesses in relation to the design of the School's control framework, which resulted in one medium priority recommendation:</p> <ul style="list-style-type: none">The School asset register did not reflect the value of assets and the date that assets were acquired. Without a record of the value and date of acquisition of assets the School maybe unable to identify the value of goods for insurance purposes in the event of loss. (Medium) Application of and compliance with control framework <p>We identified the following weaknesses in the application of and compliance of the School's Control Framework, which resulted in two high and two medium priority recommendations:</p> <ul style="list-style-type: none">In eight out of ten sampled invoices, purchase orders were not raised by the School before making orders with suppliers. This may result in the School making orders with suppliers without adequate budgetary provision to pay for committed expenditure. (High)In nine out of ten sampled invoices, the School did not retain delivery notes or annotate invoices to state that goods had been checked as received prior to payment. Without evidenced confirmation of receipt of goods or services prior to invoice payment the School may inappropriately pay for goods or services that have not been received by the School. (High)A formal disposal report for items of equipment was not presented for authorisation to the Headteacher in line with Finance Policy and Procedures. Without a formal disposals report being presented for authorisation to the Headteacher, items of equipment may be disposed of inappropriately. (Medium)Two out of ten of the sampled employees did not have individual staff contracts in their employee personnel files. The Bursar and Headteacher confirmed that one of the staff members was employed on an as-and-when zero hour's basis and therefore did not have a formal contract in place and the other staff member commenced employment with the School on 1st September 2004, but did not have a formal contract in place. Without holding employees' contracts of employment on School personnel files, there is a risk that the school will be unable to clarify employment conditions in the event that there is a dispute with the employee. (Medium)			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer

The School should ensure that purchase orders are raised and authorised prior to orders being made with the supplier.	Agreed	Immediate	Karen Jones (Bursar)
All delivery notes should be attached to invoices for filing. When goods do not have a delivery note the invoice must be annotated with 'goods checked and received'	Agreed	Immediate	Karen Jones (Bursar)

Assignment: VAT Follow Up	Opinion: Poor Progress	1 High 13 Medium
<p>Introduction</p> <p>As part of the approved internal audit periodic plan for 2014/15 we have undertaken a review to follow up progress made by Slough Borough Council to implement previous internal audit recommendations made within the advisory audit of the Council's VAT Return procedures. The previous VAT review was carried out in November 2012.</p> <p>The Council previously employed a VAT specialist who had responsibility for VAT compliance matters. In 2011, as a consequence of budget cuts, the VAT specialist position became redundant and the responsibility for VAT compliance matters was passed temporarily to the Senior Treasury Accountant. The Senior Treasury Accountant is due to retire later this year. In the meantime, the Council has sought to outsource the completion of its VAT return to an external company although responsibility for checking the accuracy of the return and actual submission to HMRC will remain with the Council.</p> <p>The Council submits monthly VAT returns and reclaims approximately £20 - £25 million from HMRC each year. The focus of this review was, to provide assurance that all recommendations previously made have been adequately implemented. Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.</p> <p>Conclusion</p> <p>Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Slough Borough Council has demonstrated poor progress in implementing actions agreed to address internal audit recommendations. Our review was undertaken as follow up work, covering all 14 medium and low priority recommendations made as part of our previous VAT review in April 2012, and as such we have not provided a formal opinion on the VAT Return process.</p> <p>For the 14 recommendations reviewed, we concluded the following progress has been made:</p> <ul style="list-style-type: none"> ▪ 1 recommendation fully implemented ▪ 1 recommendation superceeded ▪ 9 not implemented ▪ 3 in the process of being implemented <p>Improvements are therefore still required in this area to ensure that all of the weaknesses identified are addressed in a timely manner and to reduce the likelihood of further errors which could result in financial penalties. There may also be scope to claim VAT on bad debt relief and business mileage.</p> <p>The VAT Return procedure remains complex, however, robust validation checks are performed by arvato each month which indicate that, where VAT has been posted to the various accounting systems, they will be reflected in the month end reconciliation which are reported to Finance staff at the Council, from which the VAT Return is prepared.</p>		

There are a number of high or medium recommendations that we consider need to be pursued if the possibility of further errors, which could render the Council liable to financial penalties, are to be reduced. We have reiterated recommendations where these have not yet been implemented and where appropriate reconsidered the classification of the recommendations.

In addition, we have made a new recommendation where appropriate and we now have a total of 14 recommendations, of which one of these is categorised as 'High', with the other 13 recommendations categorised as 'Medium'. We have made a new high priority recommendation in relation to the accounting of VAT in land acquisitions and disposals.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p><u>Option to Tax 'Register':</u></p> <p>A manual folder of 'opted' properties is maintained, but as a recent land deal involving some of this portfolio resulted in significant VAT errors the register should be improved to ensure that the consequential transactions are considered from a VAT perspective and an adequate audit trail exists to track the use of the property from acquisition to disposal. The option to tax portfolio is currently being looked at. The review will be both backward and forward looking and a report will follow this outlining the updated current position. The option to tax position is both challenging and time consuming. It is essential that we get the review right so will take a little more time.</p>	<p>The option to tax portfolio is currently being looked at. The review will be both backward and forward looking and a report will follow this outlining the updated current position. The option to tax position is both challenging and time consuming. It is essential that we get the review right so will take a little more time.</p>	<p>March 2015</p>	<p>Barry Stratfull (Corporate Financial Controller)</p>

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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