

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit & Risk Committee    **DATE:** 12<sup>th</sup> March 2015

**CONTACT OFFICER:** Joseph Holmes; Assistant Director, Audit & Finance  
**(For all enquiries)** (01753) 875358

**WARD(S):** All

### **PART I** **FOR COMMENT AND CONSIDERATION**

#### **Audit & Risk Management Update – Quarter 3 2014/15**

#### **1 Purpose of Report**

The purpose of this report is to:

- Report to members on the progress against the 2013/14 and 2014/15 Internal Audit Plan up to Quarter 3
- Report to members on the progress of the implementation of Internal Audit recommendations
- Report to members the Council's latest counter-fraud activity
- Report to members the Council's Risk Register

#### **2 Recommendation**

That the Audit & Risk Committee comment on and note the reports.

#### **3 Sustainable Community 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 Community Strategy Priorities

*Priorities:*

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

#### **4 Other Implications**

##### **4.1 Financial**

None other than those detailed in the internal audit reports

#### 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 Baker Tilley have completed a significant number of audits during the latest quarter, with a further large tranche of audits to be completed in quarter 4 (much of which is in respect of work on behalf of external auditors). Appendix A provides the detail.

5.1.2 The overall Internal audit reports have continued to be finalised at a more appropriate rate than in the previous financial years. To date, there have been no red opinions on key financial systems or areas that would have a material impact on the Head of Internal Audit's opinion.

5.1.3 Included in appendix C is a summary of BDO's (external audit) work on auditing grant claims. BDO raised a large number of issues that they found during the audit, though the net impact of the changes to the Council are expected to be very low (the Council is awaiting a response from the DWP).

#### 5.2 Internal Audit Q2 2014-15 progress report

5.2.1 The full report is attached at appendix A.

5.2.2 The internal audit plan for 2014-15 was set very much with a focus on addressing identified risks. As Bakertilly have had two years of experience at the Council, management and the audit & risk committee have focussed the internal audit resource very much towards areas of risk; for example focussing increasingly around contract management and areas of weaker assurance from recent audits.

5.2.3 The table below summarises the comparative non schools audits from Q3 last year and in the current year.

Rating	Q3 2013-14 / %	Q3 2014-15 / %
Green	3 (16%)	2 (14%)
Amber – Green	9 (47%)	6 (43%)
Amber – Red	3 (16%)	4 (29%)
Poor progress	1 (5%)	1 (7%)
Red	3 (16%)	1 (7%)
Total	19	14
To be completed	17	19

5.2.4 Overall, compared to the previous year, there have been less audits completed. In respect of the outcomes, there have been less overall red and green audits to date. Until the final completion of the plan, it is difficult to draw an overall conclusion on the comparative quality of the outcomes from the audits.

5.2.5 For the Head of Internal Audit opinion, there are no negative opinions (i.e. a lack of assurance) for key financial or business critical systems.

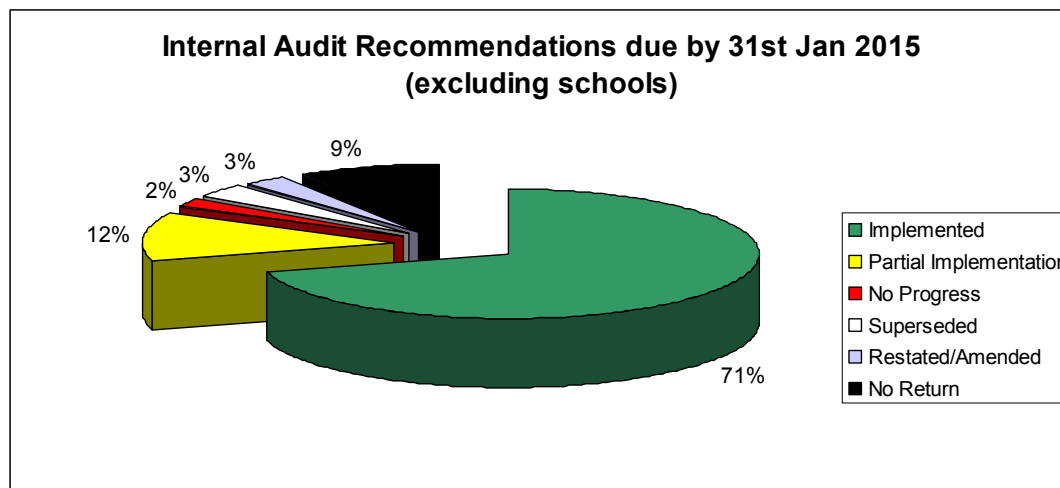
### 5.3 **Finalising Internal Audit Reports**

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 31<sup>st</sup> January 2015. The Committee has raised concerns about the speed of school's audits being finalised on time. The schools with a long response time were written to by the Chair of the Committee. Where the committee feels responses are still lacking, the committee can request that the Chair of Governors attend the committee to respond to the Committee's concern. A draft protocol has been collated and shared with the Chair of the Audit Committee to enable an escalation process for school's audits to be finalised more promptly.

Audit Title	Draft Issued	Responses due	Client sponsor	Rating
Khalsa Primary 9 14 15	15 September 2014	29 September 2014	Head Teacher	Red
St Mary's Primary 10 14 15	15 September 2014	29 September 2014	Head Teacher	Amber Green
St. Antony's catholic Primary School	20 November 2014	3 December 2014	Head Teacher	Amber Green

5.3.2 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.

5.3.4 The number of implemented recommendations had reached a plateau of just over half (it has stayed in a range between 52% and 62% over the period 2013-14). The Council's improvement in implementing recommendations has increased to 71% (69% at the previous audit committee).



5.3.5 The table below details those audits where recommendations are still outstanding or where requests for information has not been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
<b>Corporate Reports</b>		
Slough Community Leisure 7 14 15	1	0
Asset Register 48.13.14	1	0
Data Quality: Performance Indicators within Contracts 8 14 15	3	2
Atkins Limited – Contract Management 11 14 15	1	1
Use of Agency & Workforce Planning 24 13 14	1	1
Governance - Training for Members 39 13.14	0	1
Contract Management and Third Party Procurement – Atkins Limited 22 13.14	1	1
Debtors and Cash Management 30 13.14	0	1
<b>Sub Total</b>	<b>8</b>	<b>7</b>
<b>Schools</b>		
Our of Peace Junior 21 13 14	1	2
Chalvey Early Years 1 14 15	2	3
Use of Agency & Workforce Planning 24 13 14	0	2

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Holy Family Catholic Primary 2 14 15	0	2
Wexham 20 13.14	1	1
<b>Total</b>	<b>12</b>	<b>17</b>

## 5.5 Fraud update

5.5.1 Every year the Council is required to report all fraud activity with a value over £10,000. The Council provides this summary on a quarterly basis to the Audit & Risk Committee. Below is a summary table of activity completed in the current year.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Benefit fraud -	H Benefit – £11,566.76 C Tax Benefit- £380.52  Administration penalty – £3,584.18	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 13/10/14. Offered due to ill health and impending SFIS transfer.
Benefit fraud -	H Benefit – £28,473.49  C Tax Benefit- £ 1,331.75  Administration penalty – £ 8,912.00	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 20/10/14. Offered due to ill health and impending SFIS transfer.
Benefit fraud -	H Benefit – £ 15,197.46  Administration penalty –	Administrative penalty and recovery	Administrative Penalty offered under s115A of the Social Security Administration

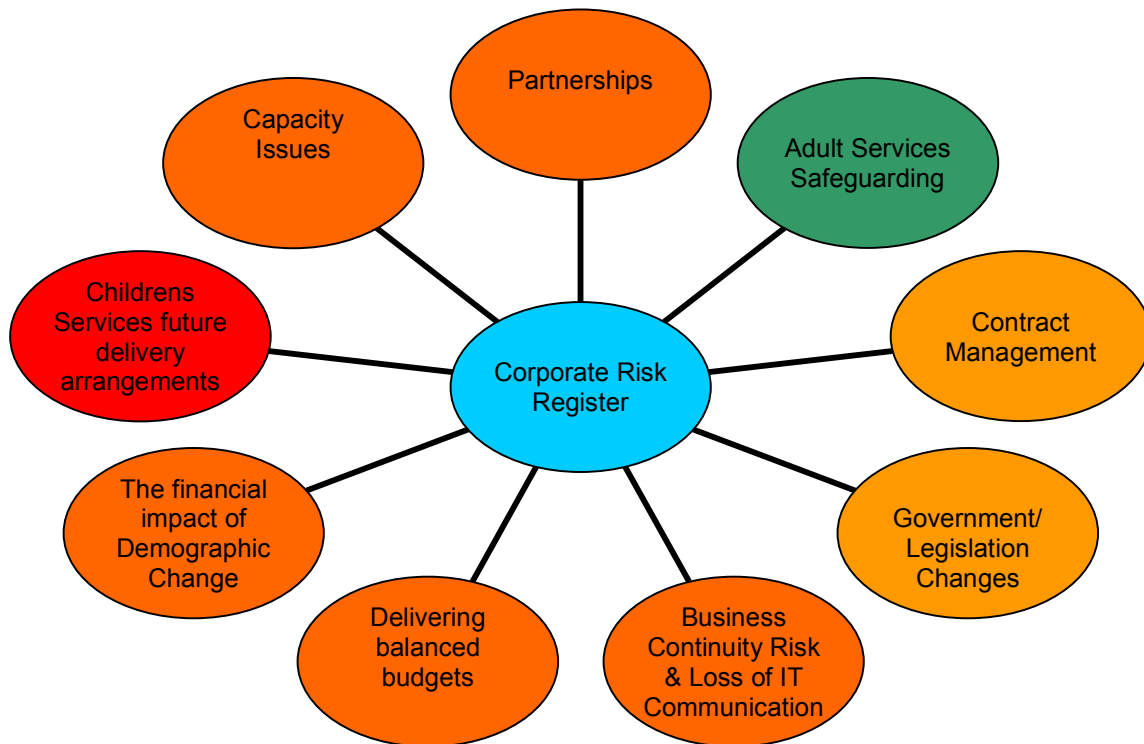
Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Benefit fraud -	<p>£ 4,559.24</p> <p>H Benefit – £ 12,390.61</p> <p>Administration penalty – £ 3,717.18</p>	Administrative penalty and recovery	<p>Act 1992 as amended. Accepted 04/11/14. Offered due to ill health and impending SFIS transfer. Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 04/11/14. Offered due to the evidential concerns of securing a successful prosecution and impending SFIS transfer.</p>
Benefit fraud -	<p>H Benefit – £ 12,725.33</p> <p>C Tax Benefit- £ 3,015.85</p> <p>Administration penalty – £ 4,725.33</p>	Administrative penalty and recovery	<p>Administrative Penalty offered under s115A of the Social Security Administration Act 1992 as amended. Accepted 19/11/14. Offered due to the evidential concerns of securing a successful prosecution and impending SFIS transfer.</p>

In addition to the above there have also been thirteen housing properties brought back into use through counter-fraud work.

- 5.5.2 The Council's benefits counter fraud capacity was moved to the DWP (Department of Work & Pensions) in December 2014 as part of the SFIS (Single Fraud & Investigations Service). All information on the council's website relating to this transfer has been amended.
- 5.5.3 As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements is being completed. Recommendations and changes to the Council's counter fraud strategy as a result of this review will be taken to the next meeting of the Audit & Risk Committee for consideration.
- 5.5.4 The Council has recently been successful in a significant prosecution. Two defendants were convicted for offences of conspiracy to defraud, and the final confiscation hearing is due from April 2015. This will set out the final amounts of money that the taxpayers is due to receive returned as a result of this prosecution. It is anticipated that this could be a significant sum of money, with the Council being the recipient of some of these funds.
- 5.5.5 It should also be noted that the Council's counter-fraud service provides financial investigations services to other Councils including other Berkshire authorities as well as others in the South East. This assists in providing an income stream to the Council.
- 5.5.6 The service has recently received the National Fraud Investigation (NFI) data matches and has disseminated these for further review across the Council.

## **5.6 Corporate Risk Register**

- 5.6.1 The Corporate Risk Register is included within appendix B. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.
- 5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking



**5.6.3** Since the previous audit committee, the risk concerning resources and capacity to manage change has been added

**6 Comments of Other Committees**

n/a

**7 Conclusion**

That the Audit Committee notes the latest updates from Internal Audit and External Audit

**8 Appendices Attached**

- 'A' - Internal Audit Q3 2014-15 progress report
- 'B' - Corporate Risk Register
- 'C' - External Audit Grants audit summary

**9 Background Papers**

Baker Tilley Audit Reports