Slough Borough Council

DRAFT Internal Audit Strategy 2013/2014 - 2015/2016

Presented at the CMT meeting in February 2015

Presented at the Audit and Risk Committee
meeting of: 12th March 2015

BAKER TILLY

Contents

Internal Plan approved by: Daniel Harris

Baker Tilly Risk Advisory Services LLP, March 2015

1   Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2013/2014 – 2015/2016 and the annual plan for 2015/2016.

1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Definition of Internal Audit: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Slough Borough Council has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Committee. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Board to support its Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. In developing our Audit Strategy for the Council and in particular our Internal Audit Plan for 2015/16 we have taken into consideration the following:

- Five Year Plan 2015-19
- Corporate Risk Registers
- Directorate Risk Registers

In preparing the strategy and the annual internal audit plan, we met with:

- Joseph Holmes, Assistant Director, Finance & Audit (Section 151 Officer)

- The Corporate Management Team

- Resources, Housing and Regeneration Senior Management Team

- Customer and Community Services Senior Management Team

- Chief Executive's Senior Management Team

The key areas / factors are summarised below.

Key areas discussed and their impact on the 2015/2016 internal audit plan
1   The Councils **Five Year Plan 2015-19** is a key document which will drive the future direction of the Council going forwards. We have therefore included an audit which is specifically linked to outcomes set within the plan. The focus of the audit will be to provide assurance that the Council has established effective project planning and performance management processes to ensure the delivery (and measurement) of these outcomes. It is intended that over the next three years that all outcomes within the plan will be subject to an internal audit review.

2	Our audits undertaken in 2014/15, as with the previous years, identified a number of significant weaknesses in the **contract management** processes in the Council. We have discussed this subject with the Assistant Director – Finance and Audit and rather than undertaking similar reviews on different contracts in 2015/16 we have agreed to review how the Council is taking forward the recommendations made within our previous audits in respect of developing an improved process for contract setting and management going forwards. In addition, we are also intending to undertake advisory reviews into the **pre-contract letting processes** to provide assurance that this is being undertaken in accordance with good practice and that the council is taking adequate steps to ensure new contracts are not let with similar weaknesses identified in a number of our previous reviews.
3	**Business Continuity** and **Disaster Recovery** have been highlighted as areas of key risk on the Corporate Risk Register and therefore we are intending to undertake an audit to provide assurance over the effectiveness of the these arrangements. We are also proposing to review how the Council is progressing with the implementation of its **IT Strategy** to provide assurance that key information technology risks are being managed effectively and that appropriate assurance are being received.
4	**The Care Act** represents a significant statutory change and will require the Council to implement major changes in system processes and the way that staff are required to work. We are therefore proposing to audit how the Council is managing the implementation of this act and have had specific requests from management to provide some independent scrutiny in this area.
5	The requirement for independent reviews to enable the Council to sign off declarations on the **Schools Financial Value Standard (SFVS)**. We also continue to deliver a number of audits at the **Schools** and we have also agreed to carry out a **thematic review** relating to purchasing across the schools to ensure that purchasing power is being realised and value for money obtained.
6	The Council continues to develop and embed the **Risk Management** framework and culture. We will therefore be providing assurance that this continues to evolve in a timely and effective manner and that the risk registers are reflective of the risks faced by the Council. Furthermore, we will also provide some challenge around the effective capturing and use of assurances.
7	**ERP**: The Council is upgrading to the Agresso system during the year and the Assistant Director, Finance and Audit has requested that Internal Audit provide ongoing assurance of the implementation of the project including: a) A review of balances brought forward b) Some real time auditing when the system is being developed and transferred c) A review of the robustness of the overall project management and governance arrangements

The strategy is set out at Appendix B, with the detailed internal audit plan for 2015/2016 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- Planned assurance on core areas of activity;

- Time to follow up previous recommendations and actions to provide the Assistant Director Finance and Audit and the Audit and Risk Committee with assurance on the actions taken by management to address previous internal audit recommendations; and

- Audit management, which is used at Partner and Senior Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at Audit and Risk Committee.

2   Assurance Resources

2.1 Your Internal Audit Team

Your internal audit team is led by Dan Harris as Head of Internal Audit.

Your Senior Manager is Chris Rising.

Your Assistant Manager is Amir Kapasi.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.2 Working with other assurance providers

We intend to meet with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Audit Committee is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

2.3 Considerations for the Audit and Risk Committee

Is the Audit and Risk Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?

Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Audit and Risk Committee?

Does the internal audit plan for 2015/2016 (Appendix C) reflect the areas that the Audit and Risk Committee believes should be covered as priority?

Appendix A: Issues affecting Slough Borough Council

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in dark blue) are those where internal audit coverage is planned in the coming year.
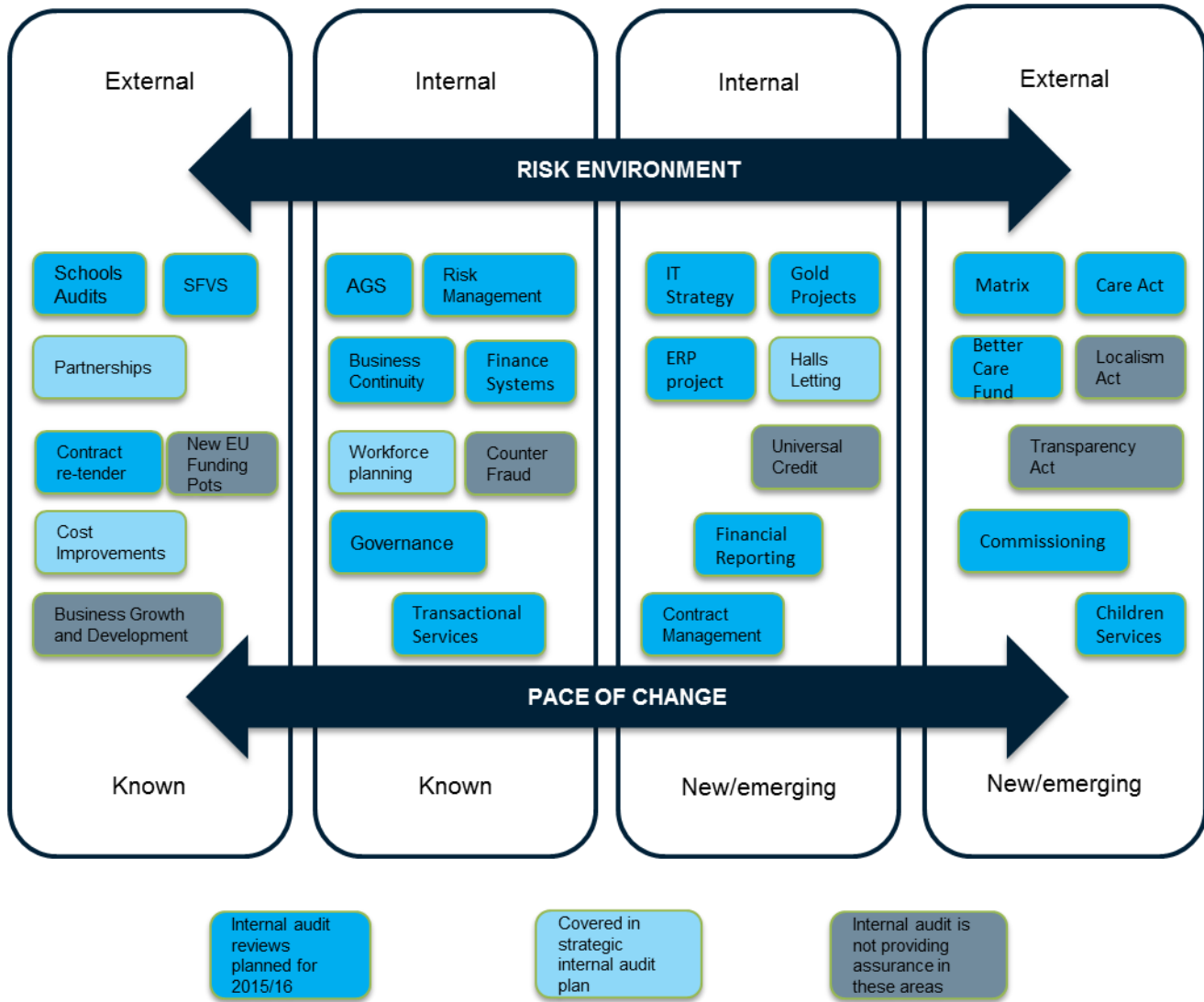
Appendix B: Internal Audit Strategy 2013/14 – 2015/16

Auditable Area	2013/14	2014/15	2015/16
Chief Executive Directorate			
Partnership Arrangements		✓	
Gold Projects / Project Management	✓		
5 year plan outcomes			✓
Health & Safety	✓		
Workforce Planning and Use of Agency	✓		
Training and Development	✓		
Recruitment			✓
Annual Governance Statement	✓	✓	✓
Governance	✓	✓	✓
Declarations of Interest	✓		
Matrix - recruitment of agency / interim staff			✓
Lone Working Procedures		✓	
Employment Tax Follow Up			✓
Wellbeing Directorate			
Contract Management - Block Contract Nursing Homes	✓		
Direct Payments		✓	
Data Protection Act – Children's Services		✓	
Troubled Families – Process & Validation Exercise	✓	✓	
Mallard's Children's Home		✓	
Children's Services Procurement	✓	✓	
Safeguarding Based Review (Adult Safeguarding)	✓		✓
Commissioning of Services			✓
Implementation of the Care Act			✓
Better Care Fund			✓
Due Diligence of Children's Services Organisation			✓
Fee Increase Project	✓		
Educational Services Contract Management Arrangements		✓	
Schools Audits			
Schools Audits	✓	✓	✓
Schools Thematic Review			✓
Demand for Schools Places			✓
Customer & Community Services Directorate			
Freedom of Information Compliance	✓		

Auditable Area	2013/14	2014/15	2015/16
Business Continuity and Disaster Recovery Arrangements			✓
Data Protection / Security		✓	
IT Strategy			✓
IT Applications Review	✓		
arvato – Governance Structure Setup Arrangements		✓	
Hiring of Council Buildings (Halls Lettings)			✓
Carbon Reduction Programme		✓	
Trading Standards	✓		
Blue Badges	✓		
Youth Service	✓		
General IT Coverage	✓	✓	
Purchase cards / credit card expenditure		✓	
arvato Performance Management	✓	✓	
Procurement	✓	✓	
Contract Management	✓	✓	✓
Resources, Housing & Regeneration Directorate			
Performance Management		✓	
Data Quality	✓	✓	
Risk Management	✓	✓	✓
Re-tendering and packaging of contracts			✓
ERP project			✓
Council Tax – Implementation of new rules	✓		
VAT / Pensions	✓	✓	
Atkins Limited – Contract Management & 3rd Party Procurement	✓	✓	
School's Financial Value Standard (SFVS)	✓	✓	✓
Contract Management Arrangements – Amey Plc	✓	✓	
Financial Controls / System Based Audits			
General Ledger	✓	✓	✓
Creditors	✓	✓	✓
Treasury Management	✓	✓	✓
Debtors and Cashiers	✓	✓	✓
Asset Register	✓	✓	✓
Cash Collection and Management	✓	✓	✓
Housing Benefit	✓	✓	✓
Payroll	✓	✓	✓
Council Tax	✓	✓	✓
Rent Accounts	✓	✓	✓
Business Rates	✓	✓	✓

Auditable Area	2013/14	2014/15	2015/16
Budget Setting including Savings Plans Development	✓	✓	✓
Budgetary Control & Financial Reporting	✓	✓	✓
Capital Expenditure	✓	✓	✓
Other Internal Audit Activity			
Grant Expenditure		✓	✓
Cheque Payments			✓
Follow Up	✓	✓	✓
Management and Meeting attendance	✓	✓	✓
Audit Management	✓	✓	✓

Appendix C: Internal Audit Plan 2015/2016

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
Chief Executive Directorate				
Governance	**Coverage:** to provide assurance over the effectiveness of governance arrangements within the Council. The area of coverage to be determined nearer the audit commencement date following discussions with Council staff.	Assurance	Q3	December 2015
Annual Governance Statement	**Coverage:** To assist the Council in the production of the Annual Governance Statement for 2015/16.	Advisory	Q4	March 2016
Matrix – management of agency staff	**Coverage:** To review those staff who are contracted through Matrix to ensure that these are not retained on an agency/interim basis for excessive periods, and that the costs of these staff are subject to regular review within the Council.	Assurance	Q1	September 2015
5 year plan outcomes	**Risk** The organisations capacity to deliver current operations and "conduct major change activities "**Reference: Slough will be one of the safest places in the Thames Valley (five year plan objective 4)Coverage:** To provide assurance that the Council has in place effective processes to ensure the delivery of outcome 4 of the 5 year plan, including: Project management arrangement; Performance management and monitoring of the effectiveness of partnership arrangements Accommodation Strategy **Coverage:** to provide assurance that the Council has effective processes in place to enable the successful delivery of the accommodation strategy.	Assurance	Q2	September 2015
Recruitment	**Coverage:** The council are in the process of moving from a paper based recruitment process to an electronic system. We will provide assurance to the Council that effective processes have been put into place and are working.	Assurance	Q2	December 2015
Employment Tax Follow Up	**Coverage:** To follow up on the implementation of recommendations made as part of the previous review in 14/15.	Assurance	Q1	September 2015
Wellbeing Directorate				
Commissioning	**Risk:** Commissioning arrangements are not of consistent quality. Contracts and grant funded suppliers fail to deliver key services that are effective and deliver to Council priorities	Assurance	Q3	December 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	Ensure that commissioning arrangements are robust, monitoring to ensure effective service deliver within agreed time scales. **Coverage**: To provide assurance that there are effective systems in place to ensure the commissioning of services for the Council.			
Implementation of the Care Act	**Risk:** Social Care Act - the most significant statutory change in since 1948 – requiring extensive redesign, training of staff and ICT change programmes with a limited lead. **Coverage**: To ensure that the Council has established effective mechanisms to ensure the implementation of the requirements of the Care Act.	Assurance	Q3	December 2015
Better Care Fund	**Risk**: Impact of Governments reforms to Adult Social Care through Care Act 2014 and through the direction of the Better Care Fund **Coverage**: To provide assurance that the Council has in place effective systems to ensure the effective use of the Better Care Fund through working with partners.	Assurance	Q2	March 2016
Due Diligence of Children's Services Organisation	**Risk:** Following the 2013 OFSTED inspection into Safeguarding where the Council were rated inadequate for the provision of Children's Services, a letter was issued from the DfE suggesting that the provision of children's services would be removed from the Council. The Government has clearly signalled their intent to move Children's Social Care away from the Council's direct management. **Coverage:** To undertake a due diligence review of the new organisation being set up to provide Children's services across Slough. To provide some independent assurance to the Section 151 Officer regarding the expenditure of public funds.	Advisory	Q2	September 2015
Adult Safeguarding	**Risk:** Serious failure in safeguarding has a devastating effect on the individual and the community and undermines organisational credibility. **Coverage:** To provide assurance that the Council has effective systems in place to ensure the safety of vulnerable adults within the Borough.	Assurance	Q1	September 2015
Schools				
Schools Audits	**Coverage:** To provide assurance over the effectiveness of governance and financial management arrangements within schools.	Assurance	Q1 – Q3	Throughout

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	A schedule of the proposed schools for audit during 2015/16 is detailed in appendix D below. It is proposed that our audits will cover the following areas: • Follow up of any previous recommendations made; • Leadership and governance • Financial planning and budget monitoring • Security of assets including maintenance • Payroll • Purchasing including Procurement arrangements • Safeguarding			
Schools Thematic Reviews	**Coverage:** to review the extent to which the Council manages key areas of risk e.g. procurement across all of the schools under local authority control and ensures that best practice is being complied with and that value for money is being achieved.	Advisory	Q1	September 2015
Customer and Community Services Directorate				
Contract Management – Delivery of improvement actions	**Risk:** Internal audits completed in 2013 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed The latest internal audits on Procurement have been RED. Copies of contracts are not always available and are not kept in a central repository. The system for amending contractor details or recording contractual changes is not sufficiently robust. **Coverage**: to provide assurance that actions are being taken across the Council to ensure future improvements in the management of contracts in line with recommendations made within our audits.	Assurance	Q3	December 2015
IT Strategy Implementation	**Risk:** Delivery of an Information and Communication Technology function that is robust and has the capacity to meet the needs of the organisation. There is a staff /skills capacity issue which is affecting the section's ability to respond to the Council's Transformation and Change agenda and it's ability to deliver the ongoing Information Technology programme of work. **Coverage:** to provide assurance that the Council has effective systems in place to ensure the delivery of the IT strategy, including where this has been outsourced to arvato, and that delivery of this strategy	Assurance	Q2	December 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	is being effectively monitored.			
Business Continuity and Disaster Recovery	**Risk:** A full Disaster Recovery Plan is required for the Council's Information Technology systems. There are a number of bespoke Information Technology systems that require specialist niche skills to support and that are unable/costly to interface with each other. The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space. **Coverage:** To provide assurance over the effectiveness of the Councils Business Continuity and Disaster Recovery arrangements.	Assurance	Q1	September 2015
Hiring of Council Buildings (Halls Lettings)	This audit was carried out because concerns have been raised over the consistency in charges being applied to community based council buildings that are available for hire. This review was specifically requested by the Corporate Management Team for inclusion in the 2015/16 Internal Audit plan.	Assurance	Q2	December 2015
Resources Housing & Regeneration Directorate				
Risk Management	**Coverage:** A maturity review to consider the approach to risk appetite and identifying controls and assurances on key risks.	Assurance	Q3	March 2016
Contract Letting Assurance	**Coverage**: To provide proactive advice and support to the Council as part of the re-procurement of significant contracts to provide assurance that key stages of the contract procurement process are being undertaken in accordance with best practice. The audit will also consider whether the Council has in place effective mechanisms to determine which services should best be provided through an out-sourced provider and which can be delivered in-house.	Advisory	Q1-4	Ongoing
ERP project	**Coverage:** To provide ongoing advice and support to the Council over the implementation of the ERP project. The audit will be undertaken through a phased approach with assurance provided to the Council following the completion of key stages of the project.	Advisory	Q1-4	Update provided to each Audit Committee meeting.

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	Some potential testing: a) Balances carry forward testing (for external audit to rely on) b) Some real time auditing on when the system is being developed and transferred (also for external audit reliance) c) Review of programme governance and outcomes to measure the success of the project (to be undertaken early in the project).			
Schools Financial Value Standard (SFVS)	**Coverage:** Providing the assurance to the Council on the appropriate completion of each school's SFVS. This service will ensure the Council has a thorough assessment of each school to meet requirements of the Education Funding Agency. This will include a review as to whether supportive information including Internal Audit opinions are consistent with statements within each schools completed standards.	Advisory	Q1	June 2015
Housing Benefit	Coverage to meet External Audit / Regulatory Requirements and any management concerns.	Assurance	Q3	March 2016
Council Tax		Assurance	Q3	March 2016
Business Rates		Assurance	Q3	March 2016
Rent Accounts		Assurance	Q3	March 2016
Payroll		Assurance	Q4	March 2016
Creditors		Assurance	Q4	March 2016
Income & Debt Management		Assurance	Q4	March 2016
Cash Collection & Management		Assurance	Q3	December 2015
Treasury Management		Assurance	Q3	March 2016
General Ledger		Assurance	Q3	December 2016
Asset Register		Assurance	Q4	March 2016
Capital Expenditure		Assurance	Q3	March 2016
Budget Setting including Savings Plans development	**Risk:** Continued reduction to the Council's budget leaving to increased levels of service reductions and organisational wide transformation. The requirement for balanced corporate strategy that seeks to address the needs of vulnerable individuals whilst ensuring appropriate levels of service provision for the universal services. **Coverage:** The audit will consider the following:	Assurance	Q1	September 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	• The effectiveness of the budget setting process; • The development of CIPs and the robustness of the assumptions behind these; • The involvement of budget holders in the development of budgets; • The budget sign off approval process.			
Budgetary Control and Financial Reporting	**Risk:** In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year. **Coverage:** The audit will consider the following: • The robustness of the month end processes and budget report production; • The involvement of budget holders in management of individual budgets; • The timeliness and accuracy of financial reporting information	Assurance	Q3	March 2016
Other Internal Audit Activity				
Grant Expenditure	To provide assurance that Grant expenditure has been carried out in accordance with its original purpose.	Advisory	Q2	December 2015
Cheque Payments	Coverage to determine the extent of cheque payments being made by the Council. This will include a comparison with a sample of other local authorities to determine if Slough are out of line with the average. We will also consider the level of BACS payments and provide some estimation of the efficiency saving to be achieved by improving the level of BACS payments.	Advisory	Q2	September 2015
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow Up	Q3 – Q4	March 2016
Management Meeting attendance	Management Meetings (Berkshire Audit Group, Risk Management Group, Schools Forum, Bursars Forum, SMT, DMT, CMT and other internal meetings where attendance is requested)	-	Q1 – Q4 – ongoing throughout the year	N/A
Management	This will include: Annual planning Preparation for, and attendance at, Audit Committee Regular liaison and progress updates Liaison with external audit and other	-	Q1 – Q4 – ongoing throughout the year	All audit and risk committees.

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit Committee
	assurance providers Preparation of the annual opinion			

Appendix D: Additional Audits for consideration in 2015/2016

The following are a list of audits which were proposed to address specific risks at the Council during the planning process. These audits were not approved by officers to be included within the agreed audit plan for 2015/16 due to resource constraints and areas of higher priority.

Audit	Internal Audit Coverage	Assurance / Advisory
Sickness and Absence Management	**Coverage:** to provide assurance that the Council has effective processes in place to address and manage increasing levels of sickness absence	Assurance
Demand for School Places	**Risk:** Education: An increase in population may have the affect of skewing the estimates of population made and therefore leading to a short fall in school place. **Coverage:** To provide assurance that the Council has effective systems in place to ensure that numbers of school place available is reflective of the needs of the local population.	Assurance
Supporting Living	**Background:** Excessive costs (£000's) have been incurred through poor management at other Berkshire Local Authorities where contract providers have not been appropriately managed. This review would **Coverage:** This review would determine whether the Council is making payments as per hours received by customers rather than as per agreed service plans.	Assurance
Public Health	**Coverage:** A review to consider how management are assured that public health services are being effectively delivered in the community.	Assurance
Adult Social Care – Lean Thinking	**Coverage:** An advisory review to consider how the service can work more efficiently.	Advisory
Leisure Strategy – Community Based Leisure Delivery	**Coverage:** The Council is reviewing the most effective method for the delivery of Community Based Leisure Services. The audit will provide assurance over the robustness of the business model which is being utilised to plan the delivery of future services and the revenue flows from these.	Assurance or Advisory
Adult and Community Learning	**Coverage:** the funding model for adult and community learning services is moving to a payment by results model. The audit will provide assurance that the Council has moved the model of service delivery to reflect this to ensure that services can continue to be delivered effectively within the budget provided.	Assurance
The Curve	**Coverage:** The Council has identified a shortfall in revenue for the Curve and are currently considering options regarding how this shortfall can be addressed. The audit will therefore consider whether the Council has established a robust process for exploring alternative revenue streams to enable the project to pay for itself in the future.	Advisory
Business Growth and Development	**Outcome:** Slough will be the premier location in the south east for businesses of all sizes to locate start, grow, and stay. (five year plan objective 1) **Coverage:** To provide assurance that the Council has in place effective processes to ensure the delivery of outcome 1 of the 5 year plan, including: • Project management arrangement; • Performance management and monitoring of the effectiveness of partnership arrangements	Assurance

Appendix E: School Audit Coverage 2015/16

School Name	Proposed Timing (School Term)	Audit & Risk Committee
Nursery Schools		
Chalvey Early Years Centre (DFE: 1025)	Summer Term	TBC
Lea Nursery School (DFE: 1023)	Autumn Term	TBC
Slough Centre Nursery (DFE: 1020)	Autumn Term	TBC
Primary Schools (including Infants & Juniors)		
Claycots School (DFE: 2256)	Summer Term	TBC
Holy Family Catholic Primary School (DFE: 5202)	Summer Term	TBC
Khalsa Primary School (DFE: 3366)	Summer Term	TBC
Penn Wood Primary and Nursery School (DFE: 2255)	Summer Term	TBC
Pippins School (DFE: 5207)	Autumn Term	TBC
St Ethelbert's Catholic Primary School (DFE: 3363)	Autumn Term	TBC
Wexham Court Primary School (DFE: 2252)	Autumn Term	TBC