

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Corporate Governance Committee **DATE:** 8th July 2015

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WARD(S): All

PART I **FOR DECISION**

Quarter 4 2014-15 Audit & Risk Management Update and Approval of the Annual Governance Statement

1 Purpose of Report

The purpose of this report is to:

- Report to members on the progress against the 2014/15 Internal Audit Plan up to Quarter 4 and the Head of Internal Audit Opinion for the financial year
- To approve the Annual Governance Statement
- 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(s)/Proposed Action

- a) That the Annual Governance Statement for 2014-15 be approved.
- b) That the Committee comment on and note the Internal Audit Plan Quarter 4, Head of Internal Audit Opinion, Counter Fraud Activity and the Council's Risk Register.

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 all internal reports expected during the

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; indeed, there have been a number of green and amber-green audits in respect of core financial systems.

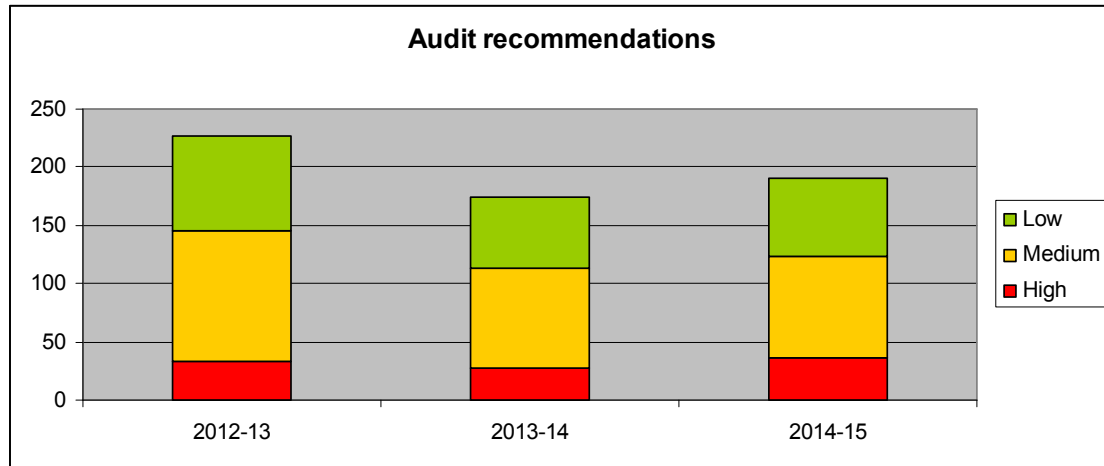
5.1.3 The Annual Governance Statement is attached and is requested for approval. This sets out the key risks and improvements in governance required for the year ahead and for the previous twelve months. Members are asked to consider and review this document for approval to the external auditors as part of their audit of the Council's financial statements. See appendix C.

5.2 Internal Audit Q4 2014-15 progress report

5.2.1 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.

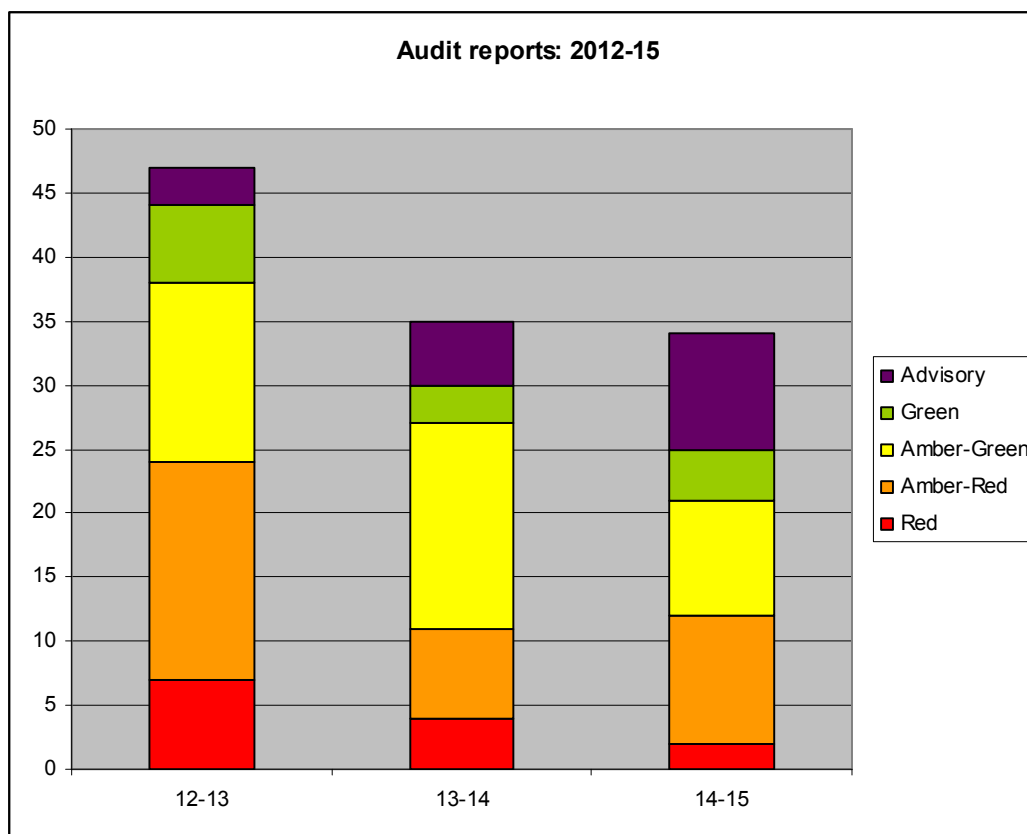
5.2.2 The full report is attached at appendix A. This summarises the full year's audits for the Committee, so many of these have been presented in further detail at previous meetings.

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



5.2.4 There has been a slight increase in the proportion, and overall number, of high recommendations raised this year compared to the last. The Council need to gain assurance over these areas in 2015-16 that the recommendations are being followed up, and that for recurrent audits, that these are reducing. The follow-up audits and audit tracker will be used to monitor this during the coming year.

5.2.5 Overall, compared to the previous years there have been less red reports, though there has been a growth in the proportion of amber-red reports. The Council has also commissioned more advisory reports than in previous years (though four of these were in respect of the Troubled Families Grant).



5.2.6 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.

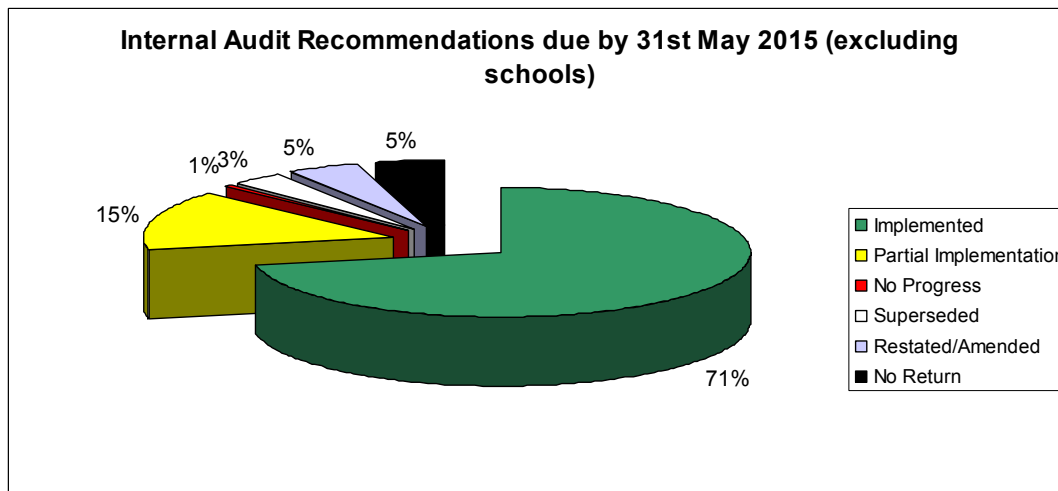
5.3 Finalising Internal Audit Reports

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 30th May 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
arvarto phase II contract Management review 25 14 15	10 February 2015	24 February 2015	Roger Parkin	Advisory
Budgetary Control & Savings Plan 32 14 15	09 April 2015	23 April 2015	Joseph Holmes	Amber Green
Education Services Contract Management 37 14 15	07 May 2015	21 May 2015	Jane Wood	Red
Payroll 38 14 15	07 May 2015	21 May 2015	Joseph Holmes	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 remained consistent at 71% (71% 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
Corporate Reports		
Direct Payments	0	1
Purchase Cards	1	4
Mobile Data Security	0	1
Data Quality: Performance Indicators within Contracts	2	0
VAT Follow UP	1	0
Use of Agency & Workforce Planning	1	1
Governance - Training for Members	0	1
Debtors and Cash Management	0	1
Sub Total	5	9

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Schools		
Baylis Court Nursery School	0	1
Chalvey Early Years 1 14 15	2	3
Lea Nursery School	0	2
Holy Family Catholic Primary 2 14 15	0	2
Wexham 20 13.14	1	1
Total	8	18

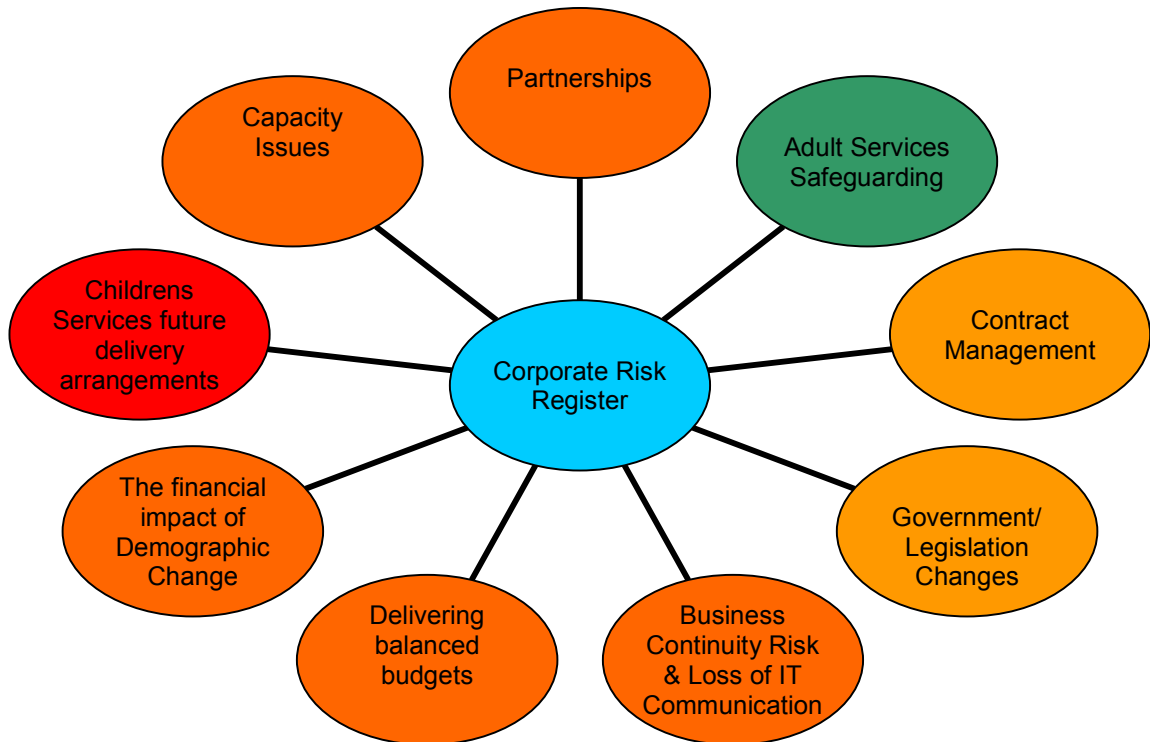
5.5 Fraud update

- 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. No fraud activity recorded in excess of £10,000 for Q4 2014/15. The December 2014 transfer of benefit fraud investigations to the DWP, has impacted on this activity.
- 5.5.2** In the period DWP have made 20 requests to SBC for investigation material relating to suspected housing benefit fraud. The requests require an SBC investigator to review and provided the necessary evidence, and where appropriate, submit a case report to benefits, requesting suspension and the creation of overpayments.
- 5.5.3** Corporate fraud investigations have been working closely with housing regarding tenancy and right to buy fraud. A meeting is attended every two weeks by relevant stakeholders; a RTB officer, the housing investigator and the fraud manager. The increased data sharing and escalations for fraud have resulted in SBC recovering four properties and witnessing six RTB withdrawals in the past quarter. Further criminal enquiries are ongoing into one case.
- 5.5.4** As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements is being completed. The Baker Tilly draft audit report was published on 03/06/15. The recommendations will feature in the next Audit & Risk Committee for consideration.
- 5.5.5** Oxford City Council have contracted SBC's counter-fraud service for financial investigations. In January 2015 Oxford City Council, with the help of SBC secured a conviction against one defendant for a benefit fraud in excess of £85,000. SBC officers obtained a confiscation order for Oxford City for £77,000 and costs of £6,000. The order has been fully redeemed. SBC financial investigations are available to other surrounding authorities for an hourly rate or a percentage share of the recovery, 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 Q4 2014-15 progress report and opinion
- 'B' - Corporate Risk Register
- 'C' - Annual Governance Statement

9 Background Papers

Baker Tilley Audit Reports