

SLOUGH BOROUGH COUNCIL

REPORT TO: **Audit & Governance Committee** **DATE: 10th March 2016**

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WARD(S): **All**

PART I **FOR COMMENT AND CONSIDERATION**

Audit & Risk Management Update – Quarter 3 2015-16

1 Purpose of Report

The purpose of this report is to:

- Report to members on the progress against the 2015/16 Internal Audit Plan up to Quarter 3
- Approve the internal audit strategy for the year ahead
- Approve the accounting policies for the 2015-16 financial year
- Report to members progress on actions from the 2014-15 External Audit report on the financial statements
- 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
- Request that members approve the Anti Fraud & Corruption policy

2 Recommendation(s)/Proposed Action

That Audit & Risk Committee is requested to 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 number of audits from their work during the third quarter of 2015-16.

5.1.2 The overall Internal audit reports have continued to be finalised at an effective rate. Of the 2014-15 internal audits, **three** remain in draft and RSM are working with the Council to finalise these shortly and we expect these to be in Final stage by the time of the Audit Committee.

5.1.3 One report in respect of schools remains outstanding for longer than two months.

5.1.4 The Committee were provided an update of policies at its previous meeting that need revising, as well as the latest anti fraud and corruption policy. This is attached in appendix C for the committee's review and approval.

5.1.5 The corporate risk register has been updated to reflect the latest risks.

5.2 Internal Audit Q3 2015-16 progress report and Audit Plan for 2016-17

5.2.1 The full report in respect of Q3 of the internal audit plan is attached at appendix A.

5.2.2 The internal audit plan for 2015-16 was set very much with a focus on addressing identified risks in the Corporate Risk Register, External audit's risk focus and in light of the 5YP.

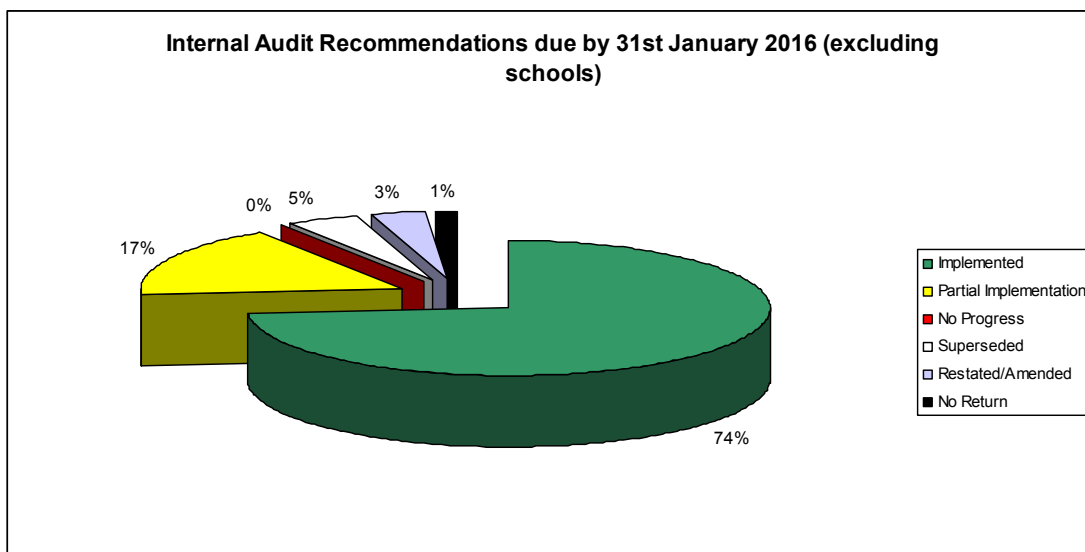
5.2.3 The proposed 2016-17 internal audit plan is also focussed on the risk register and 5YP and is included at appendix D for members to comment upon, propose amendments and approve.

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 31st January 2016. 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
Arvato phase II contract Management review 25 14 15	10 February 2015	24 February 2015	Roger Parkin
Procurement 40 14 15	21 May 2015	04 June 2015	Roger Parkin
Arvato Performance management 45 14 15	19 June 2015	03 July 2015	Roger Parkin
Chalvey Early Years Centre 5 15 16	30 July 2015	13 August 2015	Krutika Pau
Matrix - Agency Staff 7 15 16	06 August 2015	20 August 2015	Ruth Bagley
Cheque Payments 15 15 16	24 December 2015	07 January 2016	Joseph Holmes
Data Migration 17 15 16	04 January 2016	18 January 2016	Joseph Holmes

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 has increased to 74%, (it is slightly up on the 70% 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 no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Recruitment	0	1
Budgetary Control including Savings Plan Monitoring	0	3
Creditors	1	0
General Ledger	0	1
Slough Community Leisure 7 14 15	0	1
Sub Total	1	6
Schools		
Khalsa	0	2
Our of Peace Junior	0	2
Chalvey Early Years 1 14 15	2	3
Lea Nursery School	0	2
Holy Family Catholic Primary 2 14 15	0	2
Total	3	17

5.4 Fraud update

5.4.1 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, see the below.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Nothing to report			

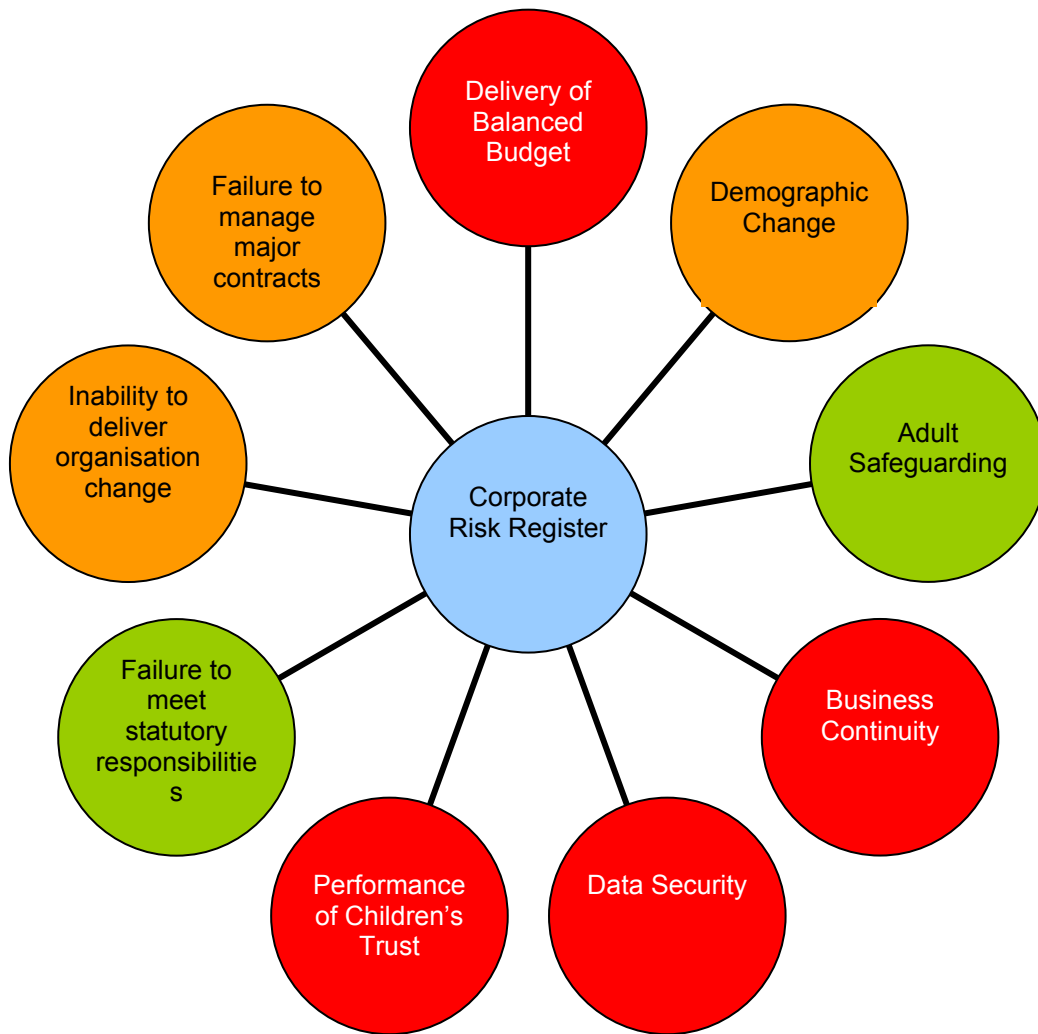
5.4.2 Corporate Fraud opened 52 investigations, either individually or jointly with the DWP, Single Fraud Investigation Service (SFIS) and a further 8 investigations encompassing other areas of fraud.

- Sanctions: 2 administrative penalties were issued for Council Tax Support fraud.
- Joint investigations with the DWP lead to 7 administrative penalties for HB fraud, to be collected by SBC.

- SBC had one successful confiscation order for £8,180 from a previous benefit fraud conviction and financial investigation.
- Financial investigations received two referrals for consideration of a financial investigation under The Proceeds of Crime Act 2002. Referrals are made when an independent department or other Local Authority is considering a prosecution for criminal and regulatory offences, such as Planning or Trading Standards.
- The tenancy fraud investigator recovered three properties.
- As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements has been completed. The report recommended an update of key policies. These have been written and were presented to the Audit Committee in December 2015.
- The fraud team is reviewing National Fraud Investigation (NFI) data matches, as and when other operational commitments allow.

5.6 Corporate Risk Register

- 5.6.1 The Corporate Risk Register is included within appendix C. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.
- 5.6.2 Following the last quarterly review of the Corporate Risk Register the following major amendments have been made;
- The transition to the new Children's Trust has been removed from the risk register.
 - A new corporate risk has been added that reflects the need to monitor the Children's Trust to ensure it delivers the required service improvements.
 - The Better Care Fund risk has been amalgamated into the "Failure to deliver a Balanced Budget" risk.
- 5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking



5.7 Accounting policies for the 2015-16 financial year

- 5.7.1 The Financial Statements (that are due to approved in September in respect of the 2015-16 financial year) include a set of accounting policies. The proposed policies are attached at appendix D.
- 5.7.2 There are a number of changes to the accounting policies compared to 2014-15 as a result of either changes from the CIPFA LASAAC Board (the Board that approves the Accounting code for Local Government) or from Council changes due. The changes include:
- Incorporating the highways infrastructure assets impact for 2015-16 and 2016-17
 - Changes to the Minimum Revenue Provision as a result of reviewing the current policy and in respect of the Council's strategic acquisition programme of purchasing more investment property

5.8 External Audit recommendations

- 5.8.1 The External Auditors (BDO) produced an action plan to accompany their report to the Committee in September 2015. Council officer's actions against this are included in appendix E to provide members of the committee with an update on work to adhere to the recommendations raised.
- 5.8.2 It was highlighted in this report that the external auditors (BDO) would be issuing an unqualified opinion on the financial statements for the year ended 31 March 2015. The audit deadlines for submitting both the draft and the final statement of accounts had once again been met. The Council's financial statements for the 2013/14 financial year were approved and the external auditors report on the Council's financial statements for the same year and the accompanying recommendations going forward noted.
- 5.8.3 It was confirmed that progress had been made in reducing the number of weakness identified in the report, in comparison to previous years. There were less material and non-fundamental errors found and the standard of draft accounts was greatly improved. This enabled the opinion to be delivered in a timely fashion.
- 5.8.4 Some issues still remained, particularly relating to schools, although it was acknowledged that this was an issue common to many local authorities. The majority of the issues were a result of internal processes needing improvement. Some of our schools are not on the Council's finance system which made reconciling information difficult. Some of the schools were also struggling to manage the data requested and required more support going forward.
- 5.8.5 To address these issues the Council finance staff would be visiting other BDO clients in order to review how they managed those issues and to improve internal processes as part of a best practice initiative. In addition the Council has moved to a new finance system (Agresso) which would highlight further improvement, while staff would be sent to the schools to help them declare their information properly.
- 5.8.6 This report has been brought to this committee meeting highlighting the problems identified during the audit and the solutions implemented.
- 5.8.7 The audit opinion was given on 29 September 2015. The opinion was an unqualified true and fair opinion on the financial statements for the year ended 31 March 2015. A number of presentational misstatements were identified in the notes for financial instruments; amounts reported for resource allocation decisions and remuneration banding and exit packages. Whilst by their nature they are material there was no overall impact on the general fund balance. The report stated that improvement on previous years was evident although a number of areas for improvement were identified, such as more effective working papers in some areas and school transactions.

6 **Comments of Other Committees**

n/a

7 **Conclusion**

That the Audit and Corporate Governance Committee approves the internal audit plan for 2016-17, approves the accounting policies for 2015-16 and notes the latest updates from Internal Audit.

8 **Appendices Attached**

'A' - Internal Audit Q3 2015-16 progress report

'B' - Corporate Risk Register

'C' - Internal Audit Strategy 2016-17

'D' - Accounting policies 2015-16

'E' - Progress on the External Audit recommendations in respect of the 2014-15 financial year

9 **Background Papers**

Baker Tilley Audit Reports