

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO: Audit & Corporate Governance Committee DATE: 12<sup>th</sup> July 2016**

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**WARD(S):** All

### **PART I** **FOR DECISION**

#### **Audit & Risk Management Update – Quarter 4 2015-16 & 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 2015/16 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 Audit & Corporate Governance Committee comment on and note the reports.
- b) That the Annual Governance Statement for 2015-16 be approved.

##### **3 The Slough Joint Wellbeing Strategy, JSNA and the Five Year Plan**

The actions contained within the attached reports contribute to the outcomes contained within the Five Year Plan.

##### **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 RSM, as the Council's internal auditor have concluded that the Council audit opinion for the financial year is per the below, which is overall positive opinion.

**Head of internal audit opinion 2015/2016**

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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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 if Internal Audit's opinion; indeed, there have been a number of green and amber-green audits overall.

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 documents for approval to the external auditors as part of their audit of the Council's financial statements. See appendix C.

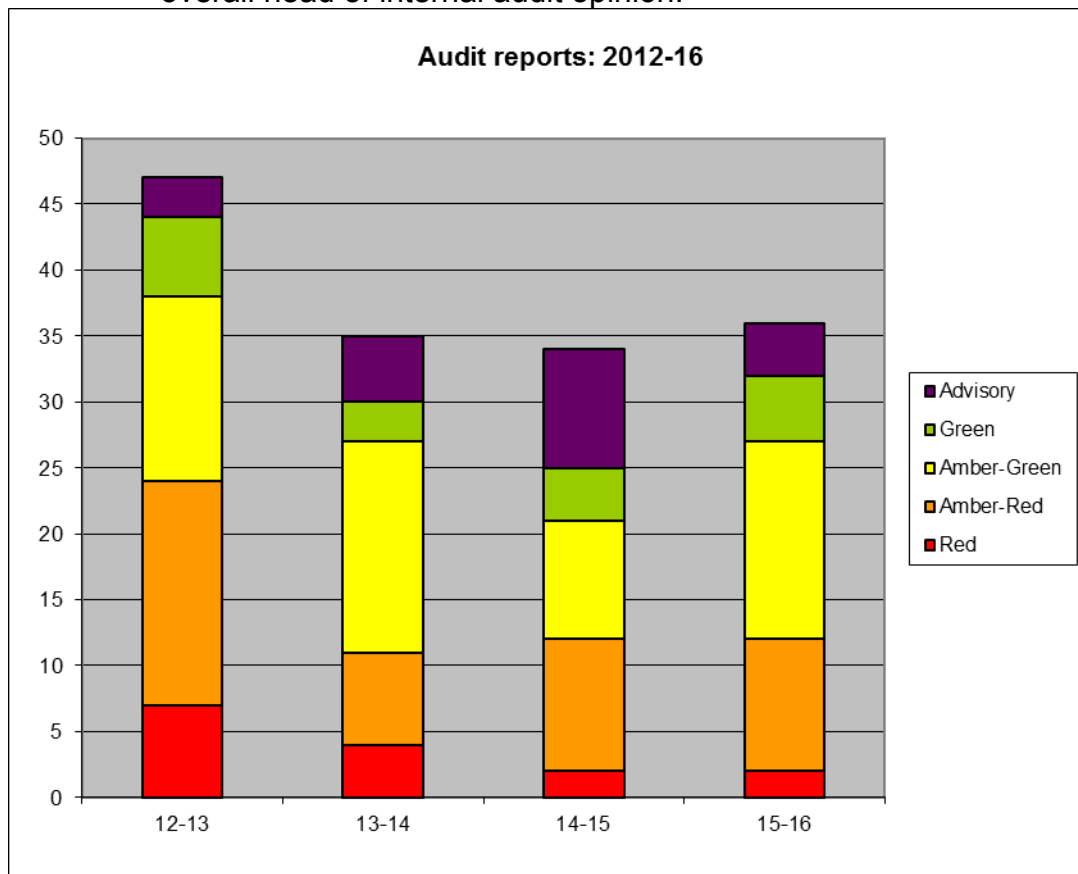
5.2 Internal Audit Q4 2015-16 progress report

5.2.1 The internal audit plan for 2015-16 was set very much with a focus on addressing identified risks. As RSM have had three years of experience at the Council, management and the audit & corporate governance 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 Council need to gain assurance over those areas in 2016-17 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 and RSM have completed a follow up audit.

5.2.4 Overall, compared to the previous years there have been an increase in the proportion of green and amber-green audit reports. There have been two red reports, though neither of these have a substantial impact on the overall head of internal audit opinion.



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.

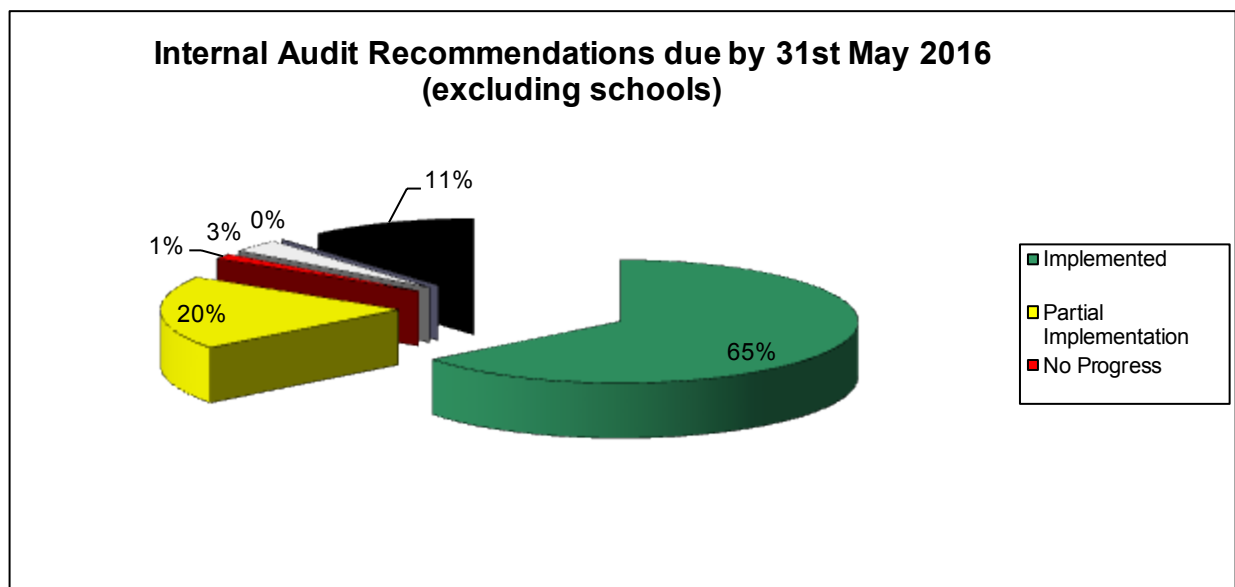
### 5.3 Finalising Internal Audit Reports

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 30<sup>th</sup> June 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 previous 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. In recent months, schools audit have been responded to in a prompt fashion.

<b>Audit Title</b>	<b>Responses due</b>	<b>Client sponsor</b>	<b>Rating</b>
Rent accounts 28 15 16	23 March 2016	Joseph Holmes	Amber Green
Asset Register 29 15 16	07 April 2016	Joseph Holmes / Joe Carter	Amber Red
Five Year Plan Outcomes 33 15 16	24 May 2016	Joseph Holmes	Amber Green
Khalsa Primary School	6 June 2016	Krutika Pau	Amber Green
Governance	14 June	Joseph Holmes / Tracy Luck	Amber Green
Business Continuity and IT Disaster recovery 34 15 16	31 May 2016	Simon Pallett	Amber Red

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 declined since the previous meeting to 65% progressed in full implementation



5.3.5 The number of implemented recommendations has decreased to 65%, (this is down on the 74% at the previous audit committee).

5.3.6 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>		
avarto phase II contract management	2	1
avarto performance management	1	2
Educational Services - Contract Arrangements	0	1
Budgetary Control including Savings Plan Monitoring	0	3
General Ledger	0	1
Slough Community Leisure	0	1
<b>Sub Total</b>	<b>3</b>	<b>9</b>
<b>Schools</b>		
Pippins	0	1
Khalsa	0	2
Our of Peace Primary	0	2
<b>Total</b>	<b>3</b>	<b>14</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. Three fraud activities recorded in excess of £10,000 for Q4 2014/15. Details:

- Fraudulent tenancy of SBC property from December 2005.
- SBC V Ralhan, Raj Rani - Benefit fraud prosecution – conviction – loss to SBC £59,000.
- HB Fraud to value of £14,161.25

5.5.2 The Corporate Fraud Team received 80 investigation referrals of which, the DWP have made 53 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 three properties, a total of fifteen for the year. Further criminal enquiries are ongoing into one case.

In total the Fraud Team has administered 41 investigation sanctions as follows:

- One internal discipline resulting in dismissal.
- One prosecution for benefit fraud.
- One caution for tenancy fraud
- Ten Administrative penalties for Council Tax Support Fraud
- Twenty Eight Administrative Penalties jointly agreed with the DWP for Housing Benefit Fraud.

**5.5.4** 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 There have been no major amendments to the risk register since the last meeting



## 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 2015-16 progress report and opinion
- 'B' - Corporate Risk Register
- 'C' - Annual Governance Statement

## 9 Background Papers

RSM Audit Reports