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Audit Committee

WORK OF INTERNAL AUDIT – SECOND QUARTER 2009/10

Report by: Head of Audit and Risk Management

Summary

The Head of Audit and Risk Management produces a quarterly summary of the work of Internal Audit.

This summary consists of a narrative in which the Head of Audit and Risk Management updates the Audit Committee on any changes in the audit plan and also highlights other areas that he feels the Audit Committee should be aware of.

In addition to the narrative key matters are attached in the following statements:

- Statement 1:** Comparison of allocation and use of resources to 30 September 2009
- Statement 2:** Performance Indicators for quarter ending 30 September 2009
- Statement 3:** Summary of Audit Reports Issued in Quarter 2 2009/10
- Statement 4:** Audit Reports experiencing delay in implementation
- Statement 5:** Position on contingency audits/irregularity reviews up to 30 September 2009
- Statement 6:** Irregularities finalised in 2009/10
- Statement 7:** Risk Management Update
- Statement 8:** Annual Governance Statement

1 Head of Audit and Risk Management Update

- 1.1 The audit plan continues to be risk based and as part of this process the Head of Audit meets with Directors and 2nd tier officers and discusses the following areas to inform the Audit Plan:
- Key risks
 - Risk Management and Risk Registers
- 1.2 The Head of Audit continues to monitor the risks in the organisation and update the Audit Plan to reflect changing priorities. Any changes in the plan are reported to the Audit Committee.
- 1.3 Part of this process is the continuing identification of risk areas by ongoing consultation with relevant staff across the organisation and inclusion of high risk areas in the audit plan.
- 1.4 The 2009/10 Audit Plan was agreed in March 2009 and had 1209 auditable days allocated across the organisation. During quarter one and quarter two 72 audit days have been added and 97 days have been deleted. The plan currently has 1184 auditable days. The list of added and deleted items is provided in the table below.

Audits added and deleted in 2009/10			
Audit Description	Audit Days	Status	Comments
IT Business Continuity	7	added	Audit added as this area is now ready to be audited
Members Allowances	2	added	Days added to initial 5 day allocation to allow work to be completed
Planning Policy & Projects	2	added	As above
Cippenham Library	6	added	Replace combined Libraries Audit
Langley Library	6	added	As above
Youth Service	10	added	Replacement to deleted Music Service Audit
FMSiS	10	added	Management of the Financial Management Standard in Schools assessment process
Business Continuity & Disaster Recovery	9	added	To replace school catering own provision

Audits added and deleted in 2009/10			
Audit Description	Audit Days	Status	Comments
Slough & Eton School	10	added	To replace Priory School
Lavender Court	5	added	To replace food & safety
Respond	5	added	To replace food & safety
Cippenham & Langley Libraries	10	deleted	Need to be audited as separate entities
Cippenham Library	6	deleted	Libraries to be assessed by AD
Music Service	10	deleted	Satisfactory assurance in 2008/09 replaced by Youth Service
West Wing	10	deleted	Facility to be closed
SMT Priorities	10	deleted	10 days allocated to FMSiS management
Britwell Library	10	deleted	Libraries to be assessed by AD
Food & Safety	10	deleted	Low priority area replaced by high priority Respond & Lavender Court
Programmes & Procurement	15	deleted	Included in Procurement Audit
School Catering Own Provision	10	deleted	Replaced by higher priority Business Continuity and Disaster Recovery
Priory School	6	deleted	Replaced by Montem Primary FMSiS
Net change	25	deleted	

Staffing

1.5 The Head of Audit and Risk Management has four key areas of responsibility:

- Internal Audit
- Risk Management
- Insurance
- Health and Safety

- 1.6 The Head of Audit is also leading on Business Continuity with the aim of handing over responsibility once the process is in place.

Internal Audit

- 1.7 The Internal Audit section consists of two audit manager posts and seven auditor posts. The section is currently carrying vacancies for one audit manager and two auditors.
- 1.8 The vacancies are being covered by a partnering arrangement with Deloitte and Touche (D&T). The appointment of D&T was agreed by both the procurement and legal section in Slough BC for 2008/09. For 2009/10 the services of D&T have been procured through a framework agreement with the London Borough of Croydon.
- 1.9 Although D&T have a robust quality review process in place the Head of Audit quality reviews all reports before they are issued. A review of the partnering arrangement with D&T was carried out in April 2009. This review determined that the partnering arrangements with Deloitte provide access to scarce expertise and also provides good value for money.
- 1.10 A specific number of audits have been allocated to D&T covering both General Audits and IT audits.

Insurance

- 1.11 In 2008/09 the insurance section comprised of an insurance and risk manager and an insurance assistant. A business process re-engineering exercise was carried out and this has enabled the section to be restructured. The effect has been to delete the post of the insurance assistant. The impact on workloads will be kept under review to ensure that service levels for the organisation are maintained.
- 1.12 The impact on the delivery of Risk Management services will be particularly important and I will continue to update the Audit Committee on this aspect during the 09/10 financial year.

Health and Safety

- 1.13 In 2008/09 the section comprised three full time posts and one part time post. The full time posts were the Senior Health and Safety advisor, one Health and Safety advisor and one Health and Safety Trainee. The part time post was that of a health and safety advisor.
- 1.14 As part of efficiency savings the section has been restructured with the deletion of the Senior Health and Safety advisor and the Health and Safety trainee posts. A post of Health and Safety Manager has been created with a wider corporate remit.

Counter Fraud arrangements

- 1.15 Internal Audit has taken a number of steps to ensure that counter fraud arrangements in Slough Borough Council are effective. These include both proactive and reactive anti fraud arrangements.

Policy Updates

- 1.16 The anti fraud and corruption policy was updated in March 2009 and was approved by CMT on 01/04/09. The fraud response plan was also approved by CMT on 01/04/09. These documents outline the roles and responsibilities of officers and members and the actions they should take in the event of a fraud occurring.

Training

- 1.17 In May 2009 SBC purchased an electronic antifraud training package to further raise antifraud awareness amongst staff. The training package is web based and highlights
- staff and management responsibilities in respect of fraud
 - how to combat fraud and create an anti fraud culture
 - how to detect potential fraud and
 - what actions to take if fraud is detected.
- 1.18 The training package tutorial takes approximately 30 to 40 minutes to complete and is followed by a test of knowledge. A log is kept of those employees who have completed the test.
- 1.19 The original target was to roll out the training in Quarter 2, however, due to capacity within the internal audit section this will now be rolled out in quarter 3.

Anti Fraud Plan

- 1.20 The audit work carried out by Internal Audit and the work carried out by the Housing Benefit Fraud Unit contribute to the anti fraud arrangements in the organisation. These activities have been identified and brought together in one document to enable further clarity in respect of anti fraud work being carried out. This was presented informally at the previous audit committee. The antifraud plan is presented formally at this Audit Committee at Appendix 5

Corporate Fraud

- 1.21 In order to strengthen the anti fraud arrangements in the Council, the Head of Audit and the Head of the Housing Benefit Fraud Unit have been discussing the possibility of creating a Corporate Fraud Unit.
- 1.22 The principle of the formation of a corporate fraud unit was agreed at Audit Committee and is being jointly pursued by the Head of Audit and the Head of the Housing Benefit Fraud Unit. This will utilise the existing skills and information in the two sections and will not create a separate unit but will involve joint working.

- 1.23 Two key elements have brought this to the forefront for consideration.
- 1.24 Firstly the removal of the central government performance indicator BVPI76 which measured the number of sanctions taken against Housing Benefit fraudsters. This means that the Housing Benefit Fraud Unit (HBFU) will set its own target internally. Although the HBFU may keep the performance indicator at the same level, or indeed increase it, there is an option to reduce it.
- 1.25 Secondly there have been changes in the National Fraud Initiative (NFI). The NFI collates information from various public bodies and compares data to identify potential fraudulent or duplicate claims and applications for a variety of Council services. The information is also used by Revenue and Customs to detect unidentified tax liabilities and instances of tax evasion.
- 1.26 The broadening of the NFI and the removal of BVPI76 provide the opportunity to consider reprioritising the resources of both the HBFU and Internal Audit. The Head of Audit and Head of the HBFU are intending to review the NFI matches to determine whether a corporate fraud approach would be beneficial. The key criteria will be the number of matches and whether the expertise of the HBFU and Internal Audit will be better applied to examining these matches or whether officers in the areas effected should take the matches forward.
- 1.27 The categories covered by NFI are listed below. The last three areas relating to Transport passes, Insurance claimants and Licences were new in 2008/09. The data for Council Tax and Electoral Registration is also new this year and was subject to legal review prior to being provided.
- Payroll and pensions payroll
 - Trade creditors' payment history and standing data
 - Housing
 - Housing benefits
 - Council tax
 - Electoral register
 - Students eligible for a loan
 - Private supported care home residents
 - Transport passes and permits (including residents' parking, blue badges and concessionary travel)
 - Insurance claimants
 - Licences - Market trader/operator, Taxi driver and (new) Personal licences to supply alcohol
- 1.28 The complete set of NFI results were received in May 2009. An initial review of the NFi matches showed that there were 3,734 matches of which 2,948 were high level matches.
- 1.29 The potential for the formation of a corporate fraud unit will be examined after the outcomes of the initial review of the NFi matches has been carried out and will be reported to the audit committee. It is expected that the outcomes of the initial review will be completed by the end of January 2010.

1.30 The Audit Commission requested additional data sets in October 2009 and a further set of data will be submitted in December 2009. The matches should be available for review by the end of February 2010.

1.31 Internal Audit have

- identified the relevant officers officers dealing with each area
- distributed the matches to the relevant staff
- provided training to relevant staff to enable them to carry out preliminary investigative work
- instructed the Housing and Council Tax Benefits section to update the Audit Commission website directly
- instructed all other areas to forward information to Internal Audit in order to update the Audit Commission website

1.32 Any areas that require further investigation are carried out as follows

- Housing and Council Tax Benefit by Housing Benefit Fraud Unit
- Council Tax by the Council Tax team
- Electoral register queries by the electoral registratuion section
- Any other queries by Internal Audit

IT Audit

1.33 The Head of Audit and Risk Management is a qualified “Certified Information Systems Auditor”. However, the Internal Audit section currently lacks auditors with an expertise in IT audit. This is an area where suitable expertise is scarce and the use of a partnering arrangement provides best value for money.

1.34 An ‘IT audit needs assessment’ was carried out to identify all areas of risk in IT and to provide an allocation of audit days for each area. The remit of this work deliberately did not take into account available resources or funding to carry out the identified areas of work and consequently 165 audit days were identified for 08/09 and 155 audit days for 09/10.

1.35 The Head of Audit has reviewed the audits identified through the IT audit needs assessment and prioritised these over a three year period. The allocation for 2008/09 was 68 days and the allocation for 2009/10 is 81 days of IT audit.

Audit methodology

1.36 All staff have received appropriate in house training and operate using a risk based audit methodology. One to one coaching continues on a regular basis to ensure quality of audits.

1.37 An electronic audit package, to supplement the risk based audit methodology, has been identified. This package will integrate time recording and management information and will reduce administration time within the Internal Audit section thus further enhance the productivity of the audit section and provide a more

focussed audit service. More importantly the package will allow real time electronic review of audit files and reports.

- 1.38 The Head of Audit has viewed a demonstration of the electronic audit package and has attended a training session with an organisation who have purchased the product.
- 1.39 The purchase and introduction of the electronic audit package is now on hold waiting for the shared service development. The introduction of the electronic audit package is likely to be introduced after shared services has been further developed.

External Audit

- 1.40 Internal Audit continues to work closely with the Councils external auditors i.e. the Audit Commission. Regular meetings are held between the Strategic Director of Resources, the Director of Improvement and Development, the Head of Audit and representatives from the Audit Commission.
- 1.41 Key areas of concern or good practice are shared and highlighted. Planned work is discussed and this aids a coordinated approach to audit work across the organisation and avoids duplication.
- 1.42 The detailed work carried out by Internal Audit is discussed at regular meetings between the Head of Audit, the Audit Manager and the Audit Commission. At these meetings the work required is discussed and agreement reached on who will carry out the work, the timings of the audits and how best to reduce the inspection burden on auditees.
- 1.43 These meetings ensure that assurance is taken and provided wherever possible with clear protocols of work.
- 1.44 This process has worked extremely well and the working relationship between the Internal Audit section and the Audit Commission remains strong and productive.

Effectiveness of Internal Audit

- 1.45 The effectiveness of Internal Audit is reviewed throughout the year using feedback forms from auditees and by actively seeking feedback from Directors and Assistant Directors in respect of Internal Audit performance.
- 1.46 The Audit Commission carried out a review of Internal Audit in 2007 and all recommendations from that report have now been implemented and reviewed by the Audit Commission.
- 1.47 Internal Audit and Risk Management have also been independently reviewed as part of the CIPFA Financial Model framework. The results are awaited and any areas for improvement will be reported to the Audit Committee together with an action plan for implementation.
- 1.48 It is proposed to carry out a peer review with a neighbouring authority in 2009/10

Financial Management System in Schools (FMSiS)

- 1.49 The FMSiS programme started in 2006/07 and required a judgement to be made on all Secondary, Primary and Special schools in respect of the adequacy of the governance and financial arrangements in each school.
- 1.50 The judgements on the adequacy of the arrangements in place at schools can only be made by approved assessors of which the Internal Audit section is one.
- 1.51 There are 41 secondary, primary and special schools in SBC and these should all be accredited by the end of the 09/10 financial year.
- 1.52 To date 29 schools have been accredited as having successfully reached the required standard.
- 1.53 Five schools have been judged as not yet having achieved the standard required for accreditation and both Internal Audit and Education Finance are actively assisting the schools to address the identified weaknesses.

STATEMENT 1

Comparison of allocation and use of resources –to 30 September 2009

	ANNUAL AUDIT PLAN ALLOCATION - ORIGINAL	ANNUAL AUDIT PLAN ALLOCATION - LATEST	ACTUAL USED TO END OF QUARTER 2	
			Days	%
PLANNED AUDITS				
Fundamental (Core) Systems Audits	392	401	12	3
Non-Core Systems Audits	743	702	240	34
IT Audit	74	81	23	29
TOTAL PLANNED AUDITS:	1209	1184	275	23
OTHER AUDIT WORK				
Old Year Audits	10	10	11	110
Follow Ups	40	40	45	113
Contingency Audits	42	42	17	40
Investigations	40	65	75	115
TOTAL OTHER AUDIT WORK	132	157	148	94
TOTAL AUDIT DAYS				
OTHER CHARGEABLE				
Chargeable Management	324	324	132	41
TOTAL CHARGEABLE DAYS	324	324	132	41
AUDIT MANAGEMENT & ADMIN				
Non Chargeable Management	76	76	65	85
Management Information/Admin	121	121	48	40
TOTAL MANAGEMENT & ADMIN	197	197	113	58
LEAVE & TRAINING				
Statutory Leave	80	80	24	30
Annual Leave	309	309	121	39
Special Leave	145	145	65	45
Sick Absence	80	80	65	81
Professional Training	124	124	5	4
TOTAL LEAVE & TRAINING	738	738	280	38
TOTAL STAFF DAYS	2600	2600	948	36

Vacancies are used to fund work from Deloitte & Touche.

These days will be applied and reported when draft reports are issued.

STATEMENT 2

Performance Indicators for quarter ending 30 September 2009

Planned work

	Current Quarter	Year to 30.06.09
	%	%
Proportion of planned audit work completed	14	17

In addition, during the second quarter of 2009-10, an additional 35 % of the plan was work in progress

Recommendations

Recommendations:	Made	Agreed	Proportion agreed
Current years audits			
Quarter	16	16	100%
Year	27	27	100%

Follow-up responses received*

Recommendations			
	Agreed	Implemented	Proportion implemented
Quarter	27	17	63%

* NB: statistics of recommendations implemented are based on a six month follow up review after the issue of a final report. Also note that some recommendations may not have been due for implementation within 6 months of the issue of the final report.

Survey results received

	Quarter	Year to 30.09.09
	Proportion	Proportion
Good	67	67
Satisfactory	33	33
Poor		
Unsatisfactory		

STATEMENT 3

Summary of Audit Reports Issued in Quarter 2 2009/10

3.1 The following Audits received a Satisfactory Assurance

- Members Allowances
- Local Land Charges
- Domiciliary Care In-House
- Respond
- Lavender Court
- Planning Policy & Projects
- Public Transport (Contracts & Concessions)

3.2 The following audits received Limited Assurance

Direct Payments

3.3 Legislation provides that, following an assessment, a client or carer can opt to receive a payment to procure their own service rather than receive service from Social Services. Payments can only be made using Direct Payments (DP) against a client or carer's needs as stated in a care plan.

3.4 We made ten recommendations, four of which related to the provision of an updated policy and six which related to processes and other controls

- An up-to-date Direct Payments policy should
 - be produced, and its contents made known to all relevant staff and be subject to regular review
 - identify the level and nature of support to be provided to Direct Payment clients
 - include a requirement to assess the frequency of support visits necessary
 - determine the monitoring returns necessary
- Implement a process to monitor whether the option of direct payments has been offered to the client – either in supervision or via an exception report.
- Ensure the policy covering care plan reviews is up-to-date.
- Annual care plan reviews should be carried out in line with approved policy.
- A succession plan should be produced, which includes short and long-term absences, as well as vacancy of the post.
 - include a protocol for the collection and recording of returns made i.e. by whom and how regularly, and
 - a policy decision

- In addition to a completed proforma, the client should be asked to provide a copy of the opening bank account statement, which should be verified to the details stated on the proforma. The copy of the bank account statement should be retained on file.
- The client's completed proforma, which states their bank account details, should be sent to Finance to retain on file. A copy should also be held on the paper file in the social work office.

Recommendations not implemented

- 3.5 The Audit Committee in September received a report outlining the recommendations not implemented in respect of Physical Disability, Other Care and Support. The key recommendations not implemented were
- ensuring that annual reviews of client needs are carried out (significant)
 - Periodic client satisfaction surveys to be carried out (medium)
- 3.6 In discussion with client management we have established that the annual care reviews have been carried out. We were unable to confirm this at the time of the audit as the relevant manager was unable to correctly navigate the computerised Integrated Adult System. In addition two hard copy files were maintained and the one that was shown to Internal Audit did not contain any care plan updates
- 3.7 In the second quarter of 2009/10 fourteen of the twenty-four medium and significant risk recommendations followed up were not implemented. These are outlined below:
- 3.8 **Travel & Subsistence**
Three medium risk recommendations made and not implemented
- 3.9 **Postal & Dip**
One medium recommendation not implemented out of five agreed
- 3.10 **Governor Services & Training**
Two medium and one significant risk recommendations not implemented out of six agreed recommendations
- 3.11 **Home to School Transport**
One medium and one significant risk recommendations not implemented out of the four agreed
- 3.12 **Mental Health**
One medium risk recommendation not implemented out of two agreed
- 3.13 **Communications News**
One medium risk recommendation has not been implemented. The remaining three recommendations were low risk.

3.14 Environmental Services

Three medium risk recommendations not implemented out of the three agreed. These are to be followed up again in December 2009.

3.15 As agreed at the last audit committee, where these have not subsequently been implemented, the responsible officers will be given an opportunity to explain why at the next audit committee.

STATEMENT 4

Audit Reports experiencing delay in implementation

4.1 Outstanding Follow ups

Audit no and title	Department name	Final report issued	Follow-up Due

Note: Follow up of recommendations is carried out with every audit and/or after 6 months.

4.2 Outstanding drafts

Audit title	Department name	Draft sent	Contact name

There are no draft reports for which we are awaiting a response

STATEMENT 5

Position on contingency audits/irregularity reviews up to 30 September 2009

5.1 Contingency Audits

Description	Total Days to 30/09/09	Current position
Housing Management Information system	1.0	On-going with significant issues

5.2 Irregularity reviews

Description	Total Days to 30/09/09	Current position
Overpayment to Care leaver	1.0	Initial report and recommendations issued. Awaiting a response to finalise the report
ALMO investigation	15.0	Disciplinary process completed.
Allegation of Personal business being managed from SBC premises	2.0	Management investigation currently underway following Internal Audit advice
Supported Living Financial Irregularities	50	Audit investigation complete. Currently liaising with Police.

STATEMENT 6

Irregularities finalised in 2009/10

E-mail abuse complaint in CWB directorate

- 6.1 An offensive email was sent by an employee of Slough Borough Council to another employee of Slough Borough Council. After investigation it was found that the email originated from a personal e-mail account rather than a work account.
- 6.2 The officer concerned was reminded of the email policy and no further action was taken

Query on payment card usage

- 6.3 A number of payments made using a payment card issued to the Creative Academy Co-ordinator in the Community & Wellbeing Directorate were identified as potentially personal rather than business.
- 6.4 An investigation showed that all the payments identified were made for business and that a management trail existed for each one.
- 6.5 It was further established that where appropriate, the suppliers had been invited to apply for inclusion on I-Proc so that the card would not need to be used in future for similar purchases.

Financial Irregularities at Longcroft residential home

- 6.6 On 1st December 2008 an irregularity in the funds held at Phoenix Day Centre was identified by the Assistant Unit Manager and reported to the Group/Locality Manager and Director of Community and Wellbeing. The allegation indicated a potential theft of £670 from the Phoenix Day Centre. The matter was reported immediately to the Council's Internal Audit Team.
- 6.7 On 2nd December 2008 and following the initial management investigation, the Administration Officer at Longcroft Residential Home, an employee of the Council, was suspended in respect of the alleged theft. The matter was reported to Thames Valley Police, who requested the Council complete and report back the findings of the internal investigations.
- 6.8 A full disciplinary investigation and Internal Audit investigation have been simultaneously undertaken into the management of finances at the Phoenix Day Centre and Longcroft Residential Home where administrative officer also worked. The administrative officers

responsibilities included the handling and management of residents personal accounts.

- 6.9 The administrative officer was dismissed with immediate effect. The findings of the investigation were reported to Thames Valley Police, who on the 25th March arrested the administrative officer and pressed charges.
- 6.10 The police requested a report from a forensic accountant in order to pursue prosecution. Given the estimated cost is approximately £8,000, and maybe higher, the Interim Strategic Director of Resources felt that the cost could not be justified.
- 6.11 There were a total of 24 clients at the Longcroft site. Internal audit examined the personal and pension accounts of residents. Irregularities were found in relation to three of the residents' accounts totalling £14,000
- 6.12 In a meeting held on 12th March 2009, Internal Audit confirmed to the Directorate of CWB that they are satisfied that the required and correct procedures for the management of client finances are being appropriately deployed in the Council's remaining residential care homes.

STATEMENT 7

7 Risk Management Update

- 7.1 This update report focuses on
- the framework in place for updating Senior Management on Risk Management
 - the key actions taken in the quarter July 2009 to September 2009
 - the proposed actions for the quarter October 2009 to December 2009
 - the actions taken to mitigate the risks identified within the Corporate Risk Register
 - relevant insurance actions

Risk Management updates to Senior Management

- 7.2 There is a Corporate Risk Register in place.
- 7.3 Risk registers are in place for each of the Directorates.
- 7.4 Software has been purchased and installed to enhance the monitoring and reporting of risk management throughout the authority.
- 7.5 CMT receive formal reports providing quarterly updates on Risk Management issues. These include
- Actions taken to mitigate identified risks
 - Movements of risks between the red, amber and green status
 - New and emerging risks
 - Updates on areas where risks have not been addressed in order that CMT can take informed decisions on allocation of resources
- 7.6 Internal Audit and Risk Management regularly attend SMTs to discuss and update Risk Registers and also provide training as and when required. The Risk Management profile is currently high and SMTs are inviting Internal Audit and Risk Management to attend SMTs in order to keep Risk Registers updated and relevant.
- 7.7 This is a positive situation as it demonstrates ownership of Risks by Directorates and that Risk Management continues to be further embedded across the organisation.

- 7.8 Updated Risk Management Guidance has been published on the intranet along with the corporate risk register and all individual directorate risk registers.

Key actions taken for the quarter July 2009 to September 2009

- 7.9 The majority of risk management work during quarter 1 and quarter 2 centred around the issue of the “Swine Flu” pandemic and ensuring that business critical areas maintained an adequate level of service in the event of loss of staff through either having “Swine Flu” or caring for others with “Swine Flu”.
- 7.10 The Head of Internal Audit and the Risk and Insurance Officer have obtained the Business Continuity Plans from key suppliers and reviewed them to ensure that are fit for purpose to deal with the predicted Swine Flu pandemic. The outcome of these reviews were reported to the Strategic Influenza Control Group.
- 7.11 The Strategic Influenza Control Group has fed back to the suppliers at the Community & Wellbeing Provider Forum on the 30th October. A “Good Practice” version has also been sent out to suppliers as requested at the Forum.
- 7.12 In order to ensure that the Council’s own services are able to provide business critical services the business continuity plans of the 43 business critical services have been quality reviewed and amendments have been suggested in the majority of cases
- 7.13 As stated in 7.9 above the “Swine Flu” issue has taken up much of the time available to deal with some of the proposed actions for the first quarter as described in the previous report. Therefore those actions will need to be deferred until the following quarter.

Key actions proposed for the quarter October 2009 to December 2009

- 7.14 The roll out of the Risk Management system has been delayed due to conflicting priorities such as Swine Flu. With the roll out of the Risk Management Database it is envisaged that a Risk Management Champion will be nominated in each department. The Risk Management Champion will be responsible for overseeing and monitoring the risks that are identified within their department. Ownership of risks will continue to sit within departments.
- 7.15 The role of each Risk Management Champion will be formally agreed and training will be provided on an ongoing basis.
- 7.16 The Director of Improvement and Development will identify actions to further strengthen the governance and Risk Management arrangements of SBC partnerships.

Update of Departmental Risk Registers.

- 7.17 The Risk and Insurance Officer will circulate current risk registers to each Directorate with two options for update:

Either the Risk & Insurance Officer can meet Assistant Directors individually to facilitate in the update their particular part of the risk register,

Or departments may wish to update their risk registers at an SMT meeting with or without facilitation from the Risk & Insurance Officer.

Update of the Corporate Risk Register.

- 7.18 Once the departmental risk registers have been updated the Corporate Risk Register will also be updated and presented to the Audit Committee.

Further embed Risk Management in the organisation and ensure ownership moves from the centre out to departments.

- 7.19 In order that departments may update their own risk registers without recourse to the Risk and Insurance Officer an identified member in each department will need to be trained to enter, update and report on risks using the Risk Management Software

- 7.20 It is envisaged that the introduction of more localised control over risk registers will encourage the completion and use of risk registers throughout the organisation.

Training

- 7.21 As identified above a member of each department is required to undergo training so they are able to update departmental risk registers independently of the Risk and Insurance Officer.

- 7.22 A Members training pack for risk management has been produced and two training sessions will be delivered on 10th December 2009 with a further two sessions on 16th January 2010.

- 7.23 Specific risk management training in respect of the Shared Services project is being planned.

- 7.24 It is also proposed to facilitate a workshop for Directors and Assistant Directors concentrating on Supply Chain Management to assist with the risk management issues surrounding the Shared Services project

- 7.25 This training is in line with the information supplied to the Audit Committee dated 14th September 2009

- 7.26 The newly appointed Director of Resources is reviewing the approach

to Risk Management and the role of Risk Management Champions.
Any changes in methodology will be reported to the Audit Committee.

Relevant Insurance Actions

- 7.27 The Insurance portfolio is due for renewal in April 2010 and work has continued through quarter 2. The Insurance Specification has been produced with a view to receiving as many responses as possible from the Insurance market.
- 7.28 The Insurance tender Specification was produced at the end of August in line with the timetable and publicised as required under the OJEU regulations.
- 7.29 The Insurance Portfolio Tenders were returned by prospective insurers in mid-October. These tenders will be evaluated in November 2009.
- 7.30 A report recommending the insurers for the next three years, with the possibility of extending for a further two years, will be produced by December 2009 and discussed at CMT and then forwarded to the appropriate member forum agreement.

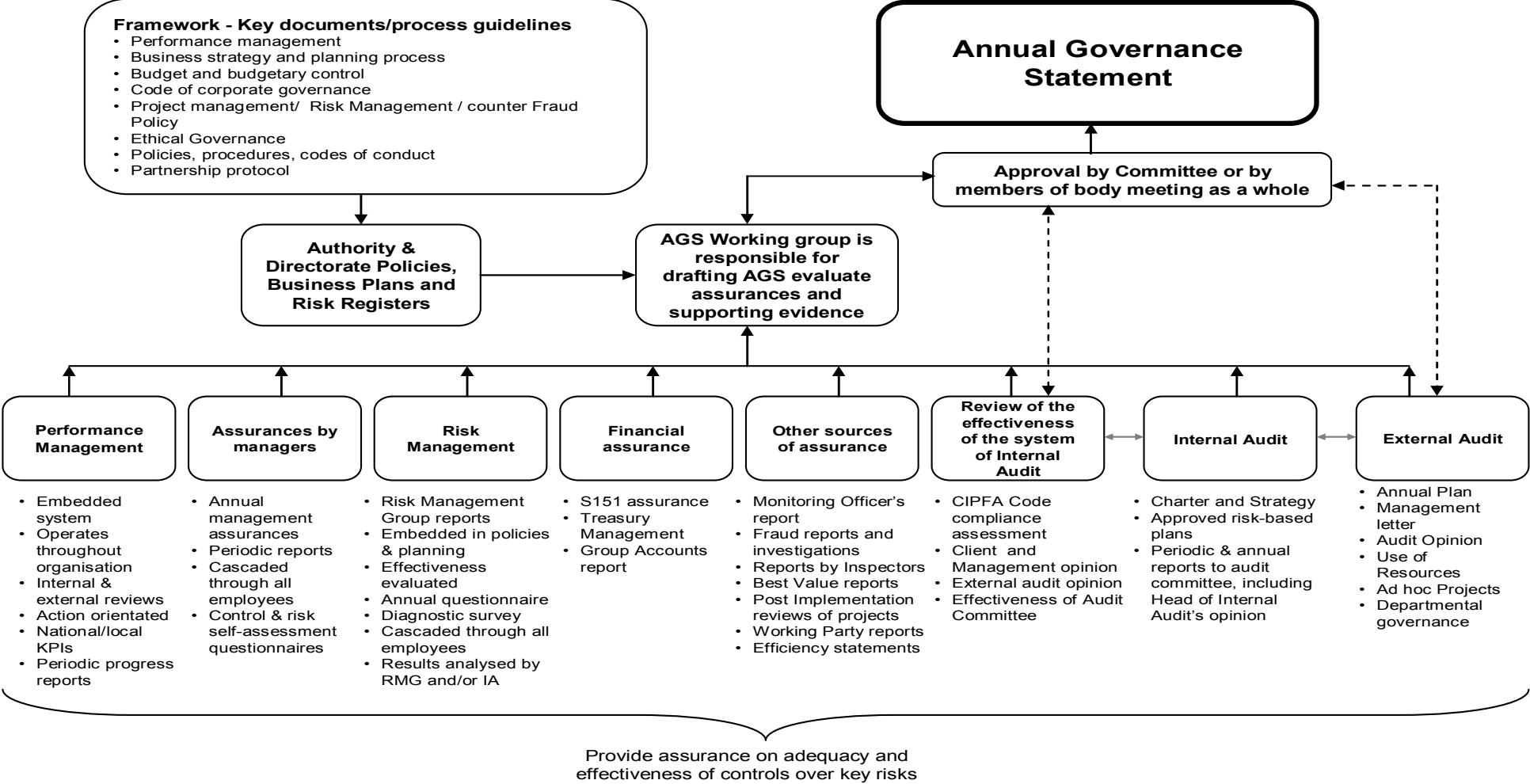
Statement 8

8 Annual Governance Statement

- 8.1 From 2007/08, Local Authorities are required to produce an Annual Governance Statement (AGS).
- 8.2 The AGS states whether the Governance arrangements in the organisation are effective and that any of areas of concern have been identified. An action plan should be put in place to address the areas of concern identified.
- 8.3 The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness.
- 8.4 The AGS was signed by the Leader of the Council and the Chief Executive in June 2009.
- 8.5 The 2008/09 AGS identified six areas of concern as follows;
 - a) Project Management
 - b) Partnerships and governance arrangements
 - c) Harmonisation/ Staffing Issues
 - d) Community Cohesion
 - e) Business Continuity
 - f) Impact of world Economic climate
- 8.6 Actions have been identified to address these areas of concern.
- 8.7 Risk management features strongly in the AGS process. It supports the coordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.
 - Assurance statements together with reference to sources of assurance
 - Timetable with dates for review by audit committee, date for sign off by CE and leader, date for publication, date for presentation to full council
- 8.8 In line with previous years an overview of the AGS is provided for members
 - Appendix 1 - One page overview
 - Appendix 2 – Diagrammatic representation of the AGS methodology
 - Appendix 3 – Timetable for AGS methodology
 - Appendix 4 – Directors Assurance Statement

**THE ANNUAL GOVERNANCE STATEMENT
AN OVERVIEW**

1. From 2007/08, Local Authorities need to produce an Annual Governance Statement (AGS). This replaces the Statement on Internal Control (SIC).
2. The Annual Governance Statement (AGS) is a key corporate document. The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness.
3. The AGS should be approved at a meeting of the authority or delegated committee.
4. As a corporate document the AGS should be owned by all senior officers and members of the authority.
5. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. In order to achieve this they are likely to rely on many sources of assurance, such as:
 - directors and managers;
 - the responsible financial officer;
 - the monitoring officer;
 - members;
 - the Head of Internal Audit;
 - performance and risk management
 - third-parties, e.g. partnerships;
 - external audit and other review agencies.
6. The statement should be continuously reviewed throughout the year, however, in practice, authorities with well-developed arrangements will find that it will emerge from the routine governance and managerial processes (which necessarily operate continuously).
7. Risk management should feature strongly in the AGS process. It should support the co-ordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.
8. The Head of Internal Audit should provide a written annual report to those charged with governance timed to support the Annual Governance Statement. The review of the effectiveness of the system of internal audit helps to ensure that the opinion in the annual report of the Head of Internal Audit may be relied upon as a key source of evidence in the AGS.



Appendix 3

Timetable for Annual Governance Statement 2009/10

Date	Action	Responsibility	Notes
February	First meeting of AGS working group	Monitoring Officer	HOIARM, Risk Officer, Strategic Director of Resources, Monitoring Officer, relevant ADs and Directors.
Early February	Circulate revised self-certification checklists to managers	Head Of Internal Audit and Risk Management	This gives managers time to think through what the forms are asking, and how they should respond
Mid February	Managers complete self-certification forms and raise issues with directors and start to formulate action plans	All Senior Managers	Managers must ensure that their most serious concerns are fully shared with their directors
Late February	Managers begin to assemble and index evidence to support their declarations to directors	All Senior Managers	This is vital to the process – the Audit Commission have previously criticised the lack of evidence last year
Late February	Assemble other evidence of control from various sources	AGS Working Group	The Group as a whole must take responsibility for bringing it together
March	Prepare framework AGS: sketch in likely issues and feed back to directors	AGS Working Group	This will help ensure that directors' declarations are complete and evidenced
April	Head Of Internal Audit and Risk Management's annual report on control issues	Head Of Internal Audit and Risk Management	"Quality control" on info from other sources
Mid to late April	External audit management letter	Audit Commission	Important external source of assurance (and of issues to include)
Early May	Corporate Management Team review AGS, and take full ownership for it	CMT	There must be a strong sense of corporate ownership
Mid May	Sign AGS	Chief Exec and Lead Member	Formal acceptance of responsibility for the internal control system
Late May	Submit AGS to Audit Commission for review	Director of Resources	

	alongside accounts		
June	Approval at Cabinet and Full Council		There must be a strong sense of corporate ownership

The Annual Governance Statement

The Accounts and Audit Regulations 2006 require the Council to include an Annual Governance Statement, (AGS), on the systems on internal control with the final accounts.

The statement is a public assurance that the Council has sound systems of internal control, which help manage and control business risk. It is an important public expression of what the Council has done to ensure good business practice, high standards of conduct and sound governance.

Each director must complete, certify and return a statement of their directorate's current position, using the model format below.

Directors may choose to ask their direct reports to provide subsidiary statements, but this is a matter of choice.

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected in a timely way.

Therefore, please complete the statement 'to the best of your knowledge' – it's particularly important that you bring out the matters that are currently causing you concern.

When you've completed and signed the statement, please send hard copy to the Head of Internal Audit & Risk Management, Sudhi Pathak.

We suggest that you also keep a copy of your statement, cross-referenced to the sources of evidence you are relying on.

It is likely that external audit will want to trace your assurance back to the source data.

If you have any queries, please contact Sudhi Pathak (ext. 5374).

If there are any issues of principle causing concern, please ask your representative on the corporate working group to raise these in the Annual Governance Statement Working Group discussions.

Internal Audit - Fraud Audit Plan 2009-2012

1. Introduction
2. Fraud Overview
3. New Fraud Strategy
4. Preparation of the Plan

1. Introduction

This is the first Fraud Audit Plan drawn up for Slough Borough Council and forms a key part of the anti-fraud strategy.

2. Fraud Overview

2.1 Fraud is characterised by the following three elements

- **Deception** – someone (usually but not always, or only, the victim) must have been misled in some way.
- **Dishonesty and intent** – misleading must generally have been dishonest and intentional, not accidental.
- **Materiality of that deception** – deception must have led to someone's detriment or loss. A non-material misrepresentation causing no loss or detriment would not usually be deemed to be fraudulent.

2.2 The Fraud Act 2006

This Act came into force on 15th January 2007 creating a general offence of fraud which can be committed in any one of three ways:

- False representation (including Implicit misrepresentations)
- Failure to disclose information
- Abuse of position

This general offence focuses on intent as opposed to outcome – deception need not succeed to be liable. This may lead to its use in preference to other offences, under laws that focus on outcomes.

Examples of new offences created by the new Act are:

- Obtaining services dishonestly; and
- Possessing, making and supplying articles for use in frauds.

Additionally, it covers activities involving newer technologies by:

- Updating the definition of an “account” in the Theft Act 1968 to include the electronic money accounts, as well as conventional bank accounts;
- Covering the creation, adaptation or possession of software for use in fraud

3 The New Fraud Strategy

- 3.1 In order to strengthen the anti-fraud arrangements in the Council, the Head of Internal Audit and the Head of Housing Benefit Fraud Unit have been discussing the possibility of creating a Corporate Fraud Unit. The broadening of the scope of the National Fraud Initiative and the removal of BVPI76 allows for the reprioritising of available resources.
- 3.2 The future approach to the countering, prevention and detection of fraud will centre on a comprehensive fraud risk assessment.

4 Preparation of the Plan

- 4.1 The Fraud Audit Plan is based on a risk assessment of work categories. These include the risk factors used to produce the audit plan i.e
- Corporate importance – materiality and the impact on the organisation of service failures
 - Corporate sensitivity – reputational risk and management concerns or sensitivities
 - Control risk – previous history of problems
 - Inherent risk – complexity of the system, nature of the service and dealing with assets
- 4.2 The plan for 2009-12 is attached. This includes the proposed anti-fraud work from Internal Audit and the Housing Benefit Fraud Unit.

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
<i>Housing & Council Tax Benefit</i>						
HBMS data matching cases		35	35	35		105
NFI data matching cases		20	20	20		60
Working and claiming		245	245	245		735
Not resident		65	65	65		195
Multiple claims						0
False identities / hijacked identities						
Living together		395	395	395		1185
Sub letting and undeclared rental income						0
Undeclared Student Loan						
Undeclared Student bursary						
Landlord fraud						
Undeclared capital and bank accounts						
Undeclared income						
Undeclared property in the UK and abroad						
Household		120	120	120		360
Residency/Household enquiries		220	220	220		660
<i>Cash Collection</i>						
Cash collection, receipting and banking		20	20	20		60
<i>Car Parking</i>						
Car Parking income		15				15
Blue Badges (incl NFI)						
Resident's Parking Permits (incl NFI)						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
<i>Credit Income</i>						
Debt management		15				15
General Income		15	15	15		45
Single Person Discount (Council Tax)		15	15	15		45
NNDR		12				12
<i>Creditor Payments</i>						
E-payments		10				10
Procurement		10	15	15		40
Creditors (incl NFI)		15	15	15		45
<i>Stores and Inventories</i>						
Stores				10		10
Control of Assets						
<i>Contracts</i>						
Construction contracts						
Community Care contracts				10		10
<i>Payroll / HR</i>						
Employment checks				10		10
Salaries, Wages and Pensions (incl NFI)		25	15	15		55
<i>Expense Claims</i>						
Car, Travel and subsistence expenses			15	5		20
<i>Other</i>						
Computer logs						
Leisure Services 1		15				15
Freedom Passes (incl NFI)						
Bogus colleges						
Proceeds of crime						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
Care homes (incl NFI)		10				10
Insurance (incl NFI)						
Licenses (incl NFI)			10	10		20
Market traders (incl NFI)						
Housing Right To Buy / Benefit claimants) (incl NFI)			10			10
Management of projects						
Management of individual investigations						
Project Management Methodology		15	15	15		45
sub-total programmed work						0
Private Sector Housing Unit						0
Grants						0
Rehousing						0
Housing Register Applications			8	10		18
Registration Procedure						0
Housing Register – Change of Circumstances						0
Temporary Accommodation						0
Private Sector Leasing		8	14			22
PSL - Hostels						0
Temporary Accommodation Not Resident						0
Homeless Persons Unit						0
Applications						0
Bed& Breakfast						0
Bed& Breakfast not resident						0
Invoicing						0
Contractors						

Slough Borough Council		Planned days	Planned days	Planned days		Planned days over 3 years
Strategic Fraud Audit Plan 2009-2012		2009-10	2010-11	2011-12		2009-12
NFI data matching cases						
Internal staff cases						
Community Team						
Asylum Team				15		15
<i>People 1st Slough</i>						
Sign-up						
Void Properties						
Not Resident and Sub-letting						
Change of Circumstances						
Right to buy			10			10
sub-total planned work						
<i>Contingency</i>						
Ad-hoc investigations		73	157	272		502
Total staff days		1373	1434	1552		4359