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Audit Committee

WORK OF INTERNAL AUDIT – THIRD 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 31December 2009

Statement 2: Performance Indicators for quarter ending 31December 2009

Statement 3: Summary of Audit Reports Issued in Quarter 3 2009/10

Statement 4: Audit Reports experiencing delay in implementation

Statement 5: Position on contingency audits/irregularity reviews up to 31December 2009

Statement 6: Irregularities finalised in 2009/10

Statement 7: Risk Management Update

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. Between quarter one and quarter three 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	Future of West Wing currently under review
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 Slough and Eton
Net change	25	deleted	

Counter Fraud arrangements

- 1.5 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

- 1.6 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

- 1.7 In July 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.
- 1.8 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.
- 1.9 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 4.

Anti Fraud Plan

- 1.10 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 formally to the previous audit committee. It is proposed that progress against the plan will be measured in the quarter 4 report and quarterly thereafter.
- 1.11 An updated anti fraud plan will be presented to Audit Committee in quarter 4.

STATEMENT 1

Comparison of allocation and use of resources—to 31December 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	34	
Non-Core Systems Audits	743	658	403	
IT Audit	74	90	43	
TOTAL PLANNED AUDITS:	1209	1149	480	
OTHER AUDIT WORK				
Old Year Audits	10	10	11	
Follow Ups	40	40	71	
Contingency Audits	42	42	122	
Investigations	40	65	61	
TOTAL OTHER AUDIT WORK	132	157	265	
TOTAL AUDIT DAYS				
OTHER CHARGEABLE				
Chargeable Management	324	324	101	
TOTAL CHARGEABLE DAYS	324	324	101	
AUDIT MANAGEMENT & ADMIN				
Non Chargeable Management	76	76	18	
Management Information/Admin	121	121	77	
TOTAL MANAGEMENT & ADMIN	197	197	95	
LEAVE & TRAINING				
Statutory Leave	80	80	40	
Annual Leave	309	309	161	
Special Leave	145	145	67	
Sick Absence	80	80	187	
Professional Training	124	124	7	
TOTAL LEAVE & TRAINING	738	738	462	
TOTAL STAFF DAYS	2600	2600		

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 31December 2009

Planned work

	Current Quarter	Year to 31.12.09
	%	%
Proportion of planned audit work completed	18	35

Anticipated 60% completion by end of February 2010

Recommendations

Recommendations:	Made	Agreed	Proportion agreed
Current years audits			
Quarter	70	70	100%
Year	97	97	100%

Follow-up responses received*

	Recommendations		
	Agreed	Implemented	Proportion implemented
Quarter	24	22	92%

* 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 31.12.09
	Proportion	Proportion
Good	78	70
Satisfactory	22	30
Poor		
Unsatisfactory		

STATEMENT 3

Summary of Audit Reports Issued in Quarter 3 2009/10

3.1 The following Audits received a Satisfactory Assurance

- Building Control
- Lea Nursery School
- Supporting People Grant Certification
- Occupational Health
- Cippenham Junior School
- St Bernards Catholic Grammar School
- Haybrook College
- Education Welfare
- Contact Point
- Pippins School
- Anti-Virus & Spyware
- Data Centre
- Single Status Harmonisation & Job Evaluation
- Disabled Facilities grant

3.2 The following audits received Limited Assurance

DPA & FOI

We made thirteen significant risk and two medium risk recommendations to improve the administration and management overview the Data Protection Act and Freedom of Information.

An action plan is in place and progress will be reported to a future audit committee.

Overtime Payments

We made six recommendations to improve the administration and management of the overtime costs and processes.

An action plan is in place and progress will be reported to a future audit committee.

3.3 The Following Audits received No Assurance

Slough & Eton School

We made 24 significant risk recommendations and nine medium risk recommendations to improve the financial management of the school.

An action plan is in place and progress will be reported to a future audit committee.

3.4 Recommendations not implemented

In the third quarter of 2009/10 seven of the twenty-six medium and significant risk recommendations followed up were not implemented. These are outlined below:

Lettings Management

Two medium risk recommendations not implemented

- The Assessment Manager should record the 10% checks that are carried out in respect of applications to join the Housing Register and the correct allocation on the register
- Copies of declarations are to be returned to the departments director for inclusion in the departmental register of employees interests.

Mobile Phones

This audit was reported in December 2008 and made seven high and medium risk recommendations.

A follow up audit was completed in June 2009 and a further follow up in October 2009.

Five medium risk recommendations have not been implemented; all of these relate to the out of date mobile phones policy and to user terms and conditions.

As a result of non implementation of recommendations there remains a high risk of mobile phone abuse

- 3.5 As agreed by members, where recommendations or actions have not implemented recommendations the responsible officers may be given an opportunity to explain why at the following 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 31December 2009

5.1 Contingency Audits

Description	Total Days to 31/12/09	Current position
Housing Management Information system	8	On-going with significant issues

5.2 Irregularity reviews

Description	Total Days to 31/12/09	Current position
Overpayment to Care leaver	1.0	Initial report and recommendations issued. Awaiting a response to finalise the report
Allegation of Personal business being managed from SBC premises	2.0	Management investigation currently underway following Internal Audit advice
Supported Living Investigation	50	Audit investigation complete. Police investigation complete.

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.
- 6.7 A full disciplinary investigation and Internal Audit investigation was undertaken and 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.
- 6.8 The administrative officer received a police caution

Supported Living

- 6.9 Supported Living is about people with disability
 - Living in their own home
 - Making choices about their life
 - Getting support to live the way they want to

- 6.10 In August 2009 Internal audit carried out an investigation in respect of suspected financial irregularities and shared their findings with the Police.
- 6.11 One member of staff was dismissed and in January 2010 received a suspended custodial sentence and 100 hours of community service. The financial crime unit are also applying for an asset seizure order from the Crown Court.

STATEMENT 7

7 Risk Management Update

- 7.1 This update report focuses on
- the framework in place for updating Senior Management on Risk Management developments and issues
 - the key actions taken in the quarter October 2009 to December 2009
 - the proposed actions for the quarter January 2010 to March 2009
 - the actions taken to mitigate the risks identified within the Corporate Risk Register
 - relevant insurance actions

Reporting Risk Management issues to senior management

- 7.2 CMT are receiving 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
- 7.3 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.
- 7.4 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.
- 7.5 Updated Risk Management Guidance has been published on the intranet along with the corporate risk register and all individual directorate risk registers.
- 7.6 Risk Registers are being developed for the Council's key strategic projects, such as Heart of Slough and Shared Services.

Key actions taken for the quarter October 2009 to December 2009

- 7.7 The Risks Registers for Community and Well-Being and for Education and Children's Services were up-dated by the respective Senior Management teams.
- 7.8 The Directors of Resources and Improvement & Development were both shown how to enter and update risks on the council's risk management system, this will enable departments to take further ownership of their risks and the responsibility for their management.
- 7.9 Three officers within the Improvement & Development Department were trained on the Risk Management to establish whether the JCAD Risk system would be able to be tailored to monitor performance management.

Key actions proposed for the quarter January 2010 to March 2010

- 7.10 The remainder of the Departmental Risk Registers are to be updated.
- 7.11 It is proposed to complete the programme of roll out to Directors and Assistant directors.
- 7.12 In order that departments may update their own risk registers without recourse to the Risk and Insurance Officer a member of each department will be trained to enter, update and report on risks. This officer will take on the roll of Risk Champion.
- 7.13 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 on a regular basis.

Relevant Insurance Actions

- 7.14 Work was carried out in preparing the insurance portfolio tender in conjunction with the Council's Insurance brokers.
- 7.15 The insurance cover for SBC is currently in the tender evaluation stage.
- 7.16 A report will be produced for CMT and members in February 2010 that recommends the make up of the Council's insurance portfolio, this report will include budget implications for 2010/11.