

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit & Corporate Governance Committee **DATE:** 24<sup>th</sup> September 2015

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**WARD(S):** All

### **PART I** **FOR COMMENT AND CONSIDERATION**

#### **Audit & Risk Management Update – Quarter 1 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 1
- 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**

That Audit & Corporate Governance Committee Members 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 first quarter of 2015-16.

5.1.2 The overall Internal audit reports have continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2014-15 internal audits, **four remain outstanding for the Council:**

- Procurement
- arvato performance management
- Educational Services – Contract Management Arrangements

5.1.3 No reports in respect of schools remain outstanding.

5.1.4 The Committee saw many of the reports summary in draft at the previous meeting. In the Annual Governance Statement that was approved at the previous meeting, many of these reports were highlighted as red and were included in the Statement as key issues, for example contract management. The Council is working to improve contract management arrangements and there is a separate appendix on contract management audits summarised the key issues found over the past 12 months.

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

#### 5.2 Internal Audit Q1 2015-16 progress report

5.2.1 The full report 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 It is pleasing to note that in respect of the budget setting audit for 2015-16 that this has again been assessed as green and can provide some strong assurance for the second year in a row to members and senior management around the processes governing how the budget was set for 2015-16 in a time of increasingly scarce resources.

#### 5.3 Finalising Internal Audit Reports

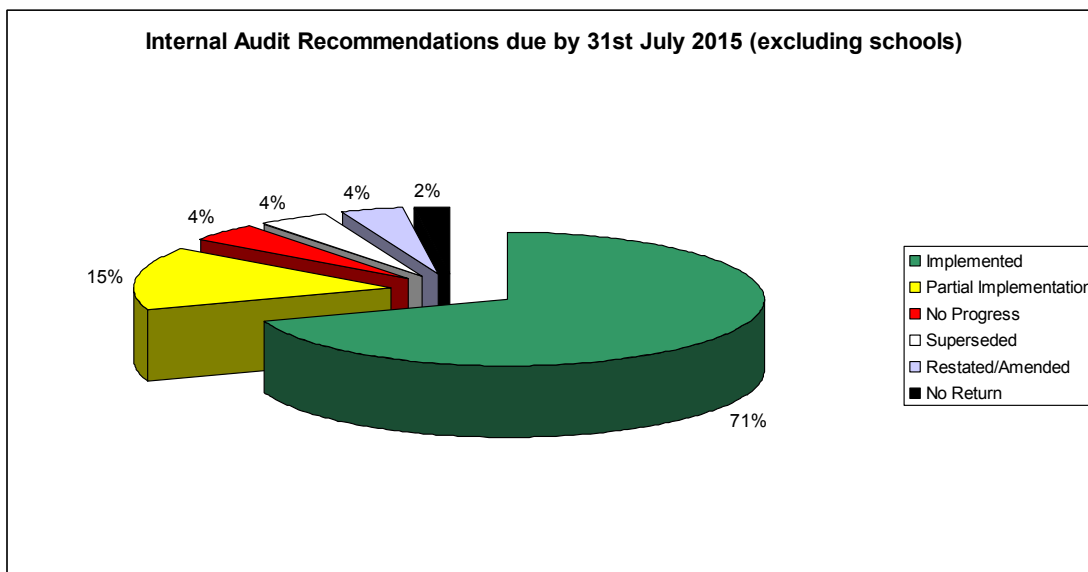
5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 1<sup>st</sup> September 2015. This list of

Audit Title	Draft Issued	Responses due	Client sponsor	Rating
Education Services Contract Management 37 14 15	07 May 2015	21 May 2015	Jane Wood	Red
Procurement 40 14 15	21 May 2015	4 June 2015	Roger Parkin	Amber Red
Avaro Performance management 45 14 15	19 June 2015	3 July 2015	Roger Parkin	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.

5.3.3 Bakertilly has received assurance that the Council’s Internal Audit recommendation tracking tool implemented by the Council is a useful tool for the Committee.

5.3.4 The number of implemented recommendations has now reached a plateau of just over half (it has stayed in a range around the 60-70% mark over the past year). A further effort will be made to now move this figure to a higher number, accepting that sometimes the recommendations will be superseded or the environment changes.



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
<b>Corporate Reports</b>		
Purchase Cards	0	1
Mobile Data Security	0	2
Data Quality: Performance Indicators within Contracts	3	1
Use of Agency & Workforce Planning	1	1

<b>Name of Audit</b>	<b>High Level rec's not Responded to</b>	<b>Medium Level rec's not Responded to</b>
Governance - Training for Members	0	1
Debtors and Cash Management	0	1
Lone Working Procedures	1	0
General Ledger	0	1
Creditors	0	2
<b>Sub Total</b>	<b>5</b>	<b>10</b>
<b>Schools</b>		
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
Our Lady of Peace Junior	0	2
Khalsa	2	3
<b>Total</b>	<b>10</b>	<b>24</b>

## 5.5 Fraud update

- 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 Q1 2015-16.
- SBC fraud team received 43 referrals for investigation. This figure does not include tenancy and right to buy reviews, conducted with Housing staff.
- SBC opened 13 investigations jointly with the DWP, Single Fraud Investigation Service (SFIS). SBC fraud has joined a DWP joint national steering group to discuss future working practices between local authorities and fraud. There is a recognition by the DWP they still require to work closely with local authority investigators for the benefit of all in tackling fraud against the public purse.
- Corporate fraud has been working closely with housing officers and the dedicated housing fraud officer, regarding tenancy and right to buy fraud. Relevant stakeholders attend a meeting every two weeks. The fraud team have reviewed multiple cases and commenced four live investigations for tenancy and or right to buy fraud. The housing fraud officer issued five tenancy terminations, during the period recovering five properties. The National Audit Office estimates one property recovery to represent a £18,000 benefit to a local authority.
- Sanctions. The fraud team secured two guilty prosecutions for benefit fraud. One case involved benefit fraud overpayments of: housing benefit £10,203.41 and council tax benefit £1,738.62. The fraud value was discovered in a previous quarter. Two administrative penalties were applied: one for housing benefit overpayment and the other for a council tax support overpayment. The value of the penalties exceed £2,500.
- Following an SBC investigation, it was discovered a housing benefit claimant was overpaid benefit to the value of £36,914.49. The case was transferred to the DWP on

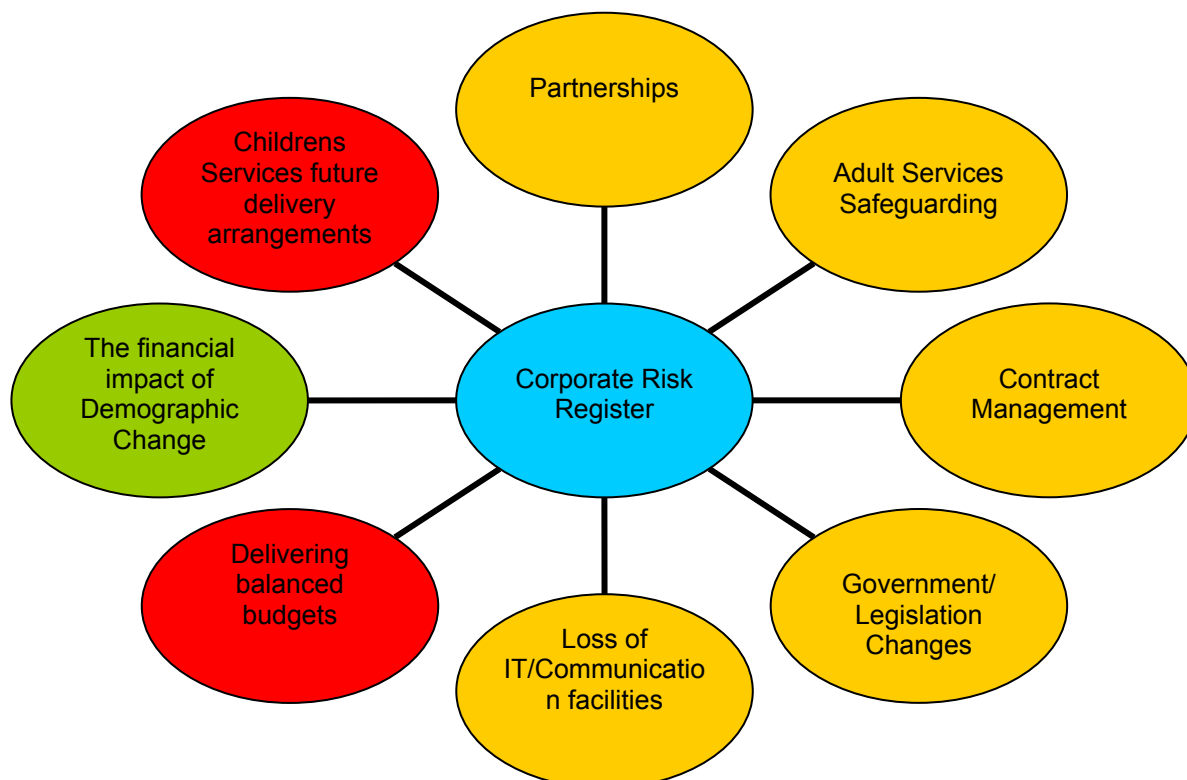
17/11/14 for further action. In Q1, the claimant attended SBC offices and repaid the total value of the overpayment.

- Of all other internal departments, Trading Standards, Environmental Health and Planning referred one case each for consideration of a financial investigation under The Proceeds of Crime Act 2002.
- Externally Reading Borough Council referred one case for consideration of a financial investigation under The Proceeds of Crime Act 2002.
- As part of the 2014-15 internal audit plan, a review of the Council's counter-fraud arrangements is being completed. The Baker Tilly audit report was published on 09/07/15, in Q2. The recommendations will feature in the next Audit & Risk Committee for consideration.
- 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 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 around the delivery of the curve has been removed as this has been replaced with a risk concerning partnership working with other elements of the public sector.

**6 Comments of Other Committees**

n/a

**7 Conclusion**

That the Audit Committee notes the latest updates from Internal Audit.

**8 Appendices Attached**

- 'A' - Internal Audit Q1 2015-16 progress report
- 'B' - Corporate Risk Register
- 'C' - Contract Management summary

**9 Background Papers**

Baker Tilley Audit Reports