



# Slough Borough Council

## Internal Audit Progress Report

18 August 2015

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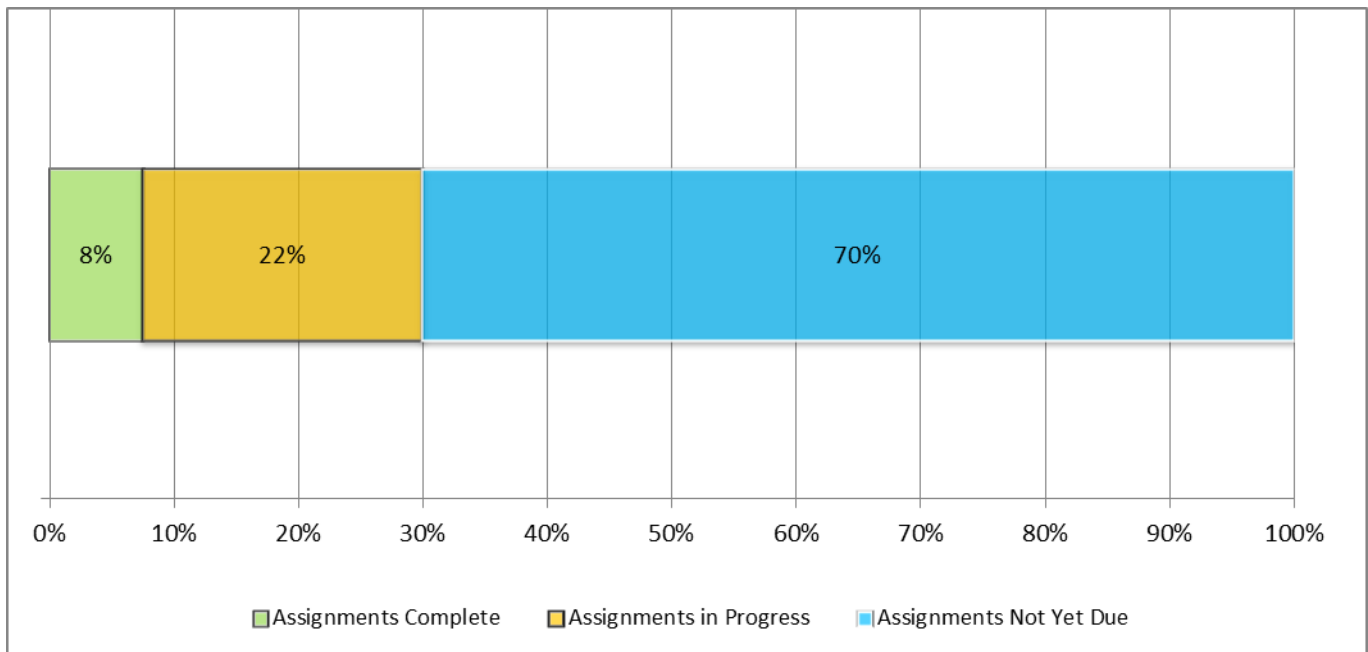
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# 1 Introduction

The Internal Audit Plan for 2015/16 was approved by the Audit and Risk Committee in March 2015. This report provides a summary update on progress against that plan and summarises the results of our work to date. Please see chart below for current progress with the plan:



## 2 Reports considered at this Meeting

This table informs of the audit assignments that have been completed and the impacts of those findings since the last Audit Committee held. The internal audit plan for 2015/16 was approved by the March Audit and Risk Committee in March 2015. Below provides a summary update on progress against that plan and summarises the results of our work to date. The Executive Summary and Key Findings of the assignments below are attached to this progress report where a red or amber red assurance opinion has been provided.

In addition to those reports finalised overleaf, the following reports have been issued to management in draft for 2015/16

- Penwood School (2.15/16)
- Budget setting (3.15/16)
- Chalvey Early Years Centre (5.15/16)
- Matrix – Management of Agency Staff (7.15/16)
- SFVS (8.15/16)
- Hire of Council Buildings (9.15/16)

| Assignment | Status | Opinion issued | Actions agreed |   |   |
|------------|--------|----------------|----------------|---|---|
|            |        |                | H              | M | L |

**2014/15 REPORTS**

|   |       |               |   |   |   |
|---|-------|---------------|---|---|---|
| Budgetary Control including savings plans monitoring            | FINAL | AMBER / GREEN | 0 | 3 | 5 |
| Payroll   | FINAL | AMBER / GREEN | 0 | 2 | 1 |
| Governance – Framework for reporting against the five year plan | FINAL | AMBER / GREEN | 0 | 2 | 0 |
| Review of Anti-fraud and bribery arrangements                   | FINAL | ADVISORY      |   |   |   |
| Asset Register  | FINAL | AMBER / RED   | 2 | 1 | 2 |

**2015/16 FINAL REPORTS**

|   |       |                     |   |   |   |
|---|-------|---------------------|---|---|---|
| Troubled Families (May Submission) ( 1.15/16) | FINAL | ADVISORY            |   |   |   |
| Employment Tax Follow Up (4.15/16))           | FINAL | REASONABLE PROGRESS | 0 | 0 | 0 |
| Better Care Fund (6.15/16)                    | FINAL | AMBER /GREEN        | 0 | 3 | 3 |

The following audits in respect of the 2015/16 plan are currently in progress:

- Adult Safeguarding
- Social Care Procurement
- Schools Thematic reviews

The following reports in respect of the 2014/15 Internal Audit Plan remain in draft and we are actively working with management to try and ensure that these are finalised in a timely manner;

- arvato Phase II Contract Management review
- Procurement
- arvato performance management
- Educational Services – Contract Management Arrangements
- Follow up.

### 3 Looking ahead

| Assignment area                               | Timing per approved IA plan 2015/16 | Status                         | Target Audit Committee per the IA Plan 2015/16 |
|---|-------------------------------------|--------------------------------|--|
| Adult Safeguarding                            | July 2015                           | In progress                    | September 2015                                 |
| Social Care Procurement                       | July 2015                           | In progress                    | September 2015                                 |
| Budget Setting (3.15/16)                      | July 2015                           | Draft issued on 23 July 2015   | September 2015                                 |
| Matrix - Management of Agency Staff (7.15/16) | July 2015                           | Draft issued on 6 August 2015  | September 2015                                 |
| Penwood School (2.15/16)                      | July 2015                           | Draft issued on 23 July 2015   | September 2015                                 |
| Chalvey Early Years Centre (5.15/16)          | July 2015                           | Draft issued on 30 July 2015   | September 2015                                 |
| SFVS (8.15/16)                                | July 2015                           | Draft issued on 11 August 2015 | September 2015                                 |
| Schools Thematic Review                       | July 2015                           | In progress                    | September 2015                                 |
| Cheque Payments                               | 3/08/2015                           | December 2015                  | September 2015                                 |
| Grants  | Commencing 24/08/2015               | Scope issued and agreed        | December 2015                                  |
| Pippins School                                | Commencing 07/09/2015               | Scope Issued and agreed        | December 2015                                  |
| Recruitment                                   | Commencing 14/09/2015               | Scope Issued and agreed        | December 2015                                  |
| Hire of Council Buildings (9.15/16)           | July 2015                           | Draft issued on 12 August 2015 | December 2015                                  |
| Commissioning                                 | Commencing 16/09/2015               | Scope issued                   | December 2015                                  |

|   |                          |                            |               |
|---|--------------------------|----------------------------|---------------|
| Contract Lettings Assurance               | Commencing<br>21/09/2015 |                            | December 2015 |
| Governance                                | Commencing<br>12/10/2015 |                            | December 2015 |
| Wexham Secondary School                   | Commencing<br>02/11/2015 | Scope Issued and<br>agreed | December 2015 |
| School reviews                            | Commencing<br>17/11/2015 | Scope Issued and<br>agreed | March 2016    |
| Slough Centre Nursery                     | Commencing<br>19/11/2015 | Scope Issued and<br>agreed | March 2016    |
| Rent Accounts                             | Commencing<br>23/11/2015 |                            | March 2016    |
| 5 Year Plan Outcomes                      | Commencing<br>24/11/2015 |                            | March 2016    |
| Council Tax                               | Commencing<br>27/11/2015 |                            | March 2016    |
| Treasury Management                       | Commencing<br>03/12/2015 |                            | March 2016    |
| Budgetary Control and Financial Reporting | Commencing<br>07/12/2015 |                            | March 2016    |
| Cash Handling                             | Commencing<br>09/12/2015 |                            | March 2016    |
| Debtors Management                        | Commencing<br>14/12/2015 |                            | March 2016    |
| Capital                                   | Commencing<br>16/12/2015 |                            | March 2016    |
| Risk Management                           | Commencing<br>18/12/2015 |                            | March 2016    |



|                                |                          |            |
|--------------------------------|--------------------------|------------|
| Assets                         | Commencing<br>04/01/2016 | March 2016 |
| General Ledger                 | Commencing<br>04/01/2016 | March 2016 |
| Implementation of the Care Act | Commencing<br>18/01/2016 | March 2016 |
| Creditors                      | Commencing<br>22/01/2016 | March 2016 |
| Business Rates                 | Commencing<br>25/01/2016 | March 2016 |
| Housing Benefits               | Commencing<br>25/01/2016 | March 2016 |
| Payroll                        | Commencing<br>02/02/2016 | July 2016  |
| Follow Up                      | Commencing<br>08/02/2016 | July 2016  |
| Annual Governance Statement    | Commencing<br>29/03/2016 | July 2016  |

## 4 Other matters

### 4.1 Use of specialists as part of the audit plan

Certain audits, while part of the Council's Internal Audit plan, will be undertaken by staff from Baker Tilly's specialist teams, please see details below:

| Auditable area   | Reason for change  |
|--|--|
| ERP Implementation   | This work will be conducted in 3 stages; a transfer of balances review to provide assurance that balances have been appropriately transferred across to the new CSO; sitting on the ERP project Board to provide a 'critical friend' opinion on the progress of the project and some 'real time auditing' on the system as it being developed. |
| IT Strategy  | This review will be undertaken by our IT specialist Team, and we are liaising with the Director of Customer and Community Services regarding a start date as this work will be undertaken in conjunction with arvato, and this comes under this Director's remit.  |
| Contract Management - Implementation of Previous Recommendations | This work will be undertaken by our Contract Management Specialist Team, who have previously provided Advisory reports for the Council, looking at: <ul style="list-style-type: none"> <li>•Slough Community Leisure</li> <li>•arvato Performance Management</li> <li>•arvato Phase II</li> </ul>  |
| Business Continuity and Disaster Recovery                        | This review will be undertaken by our IT specialist Team, and we are liaising with the Director of Customer and Community Services regarding a start date as this work will be undertaken in conjunction with arvato, and this comes under this Director's remit.  |

## 4.2 Added value work

We have undertaken the following added value work since the previous Audit Committee:

| Area of work   | How this has added value   |
|--|--|
| <p>Our audit of Troubled Families (May Submission) was undertaken to provide assurance that the Council had identified appropriate families for inclusion within the scheme in line with DCLG guidance.</p>  | <p>Our audit provided the Council with assurance that the Troubled Families Team had identified appropriate families, in line with the guidance provided by DCLG for inclusion within the Troubled Families Phase I scheme.</p> <p>Our findings were also verified by an independent review conducted by DCLG in May 2015 whose results were consistent with our findings.</p> |
| <p>Our consultancy team has undertaken a review of the Council's contract with Slough Community Leisure to provide assurance as to the accuracy of figures used as part of the contract, which was won following a Council led Tender Exercise through the Procurement Team.</p> | <p>The work will provide assurance to the Council that accurate financial information is contained within the contract.</p>  |
| <p>We are attending meetings of the ERP Project Board. This role is being undertaken by one of our IT specialists</p>  | <p>Through attendance at the Project Board we will be able to provide assurance over the effectiveness of project management arrangements in respect of the ERP project implementation.</p>  |

### **4.3 Information and briefings**

The following items were highlighted as part of our information briefings since the last Audit Committee:

| Key issues | Impact and actions required |
|------------|-----------------------------|
|------------|-----------------------------|

**Housing the nation: Ensuring councils can deliver more and better homes**

Council to note.

The Association for Public Service Excellence (APSE) and the Town and Country Planning Association (TCPA) have produced a report that looks at the role of local authorities in the delivery of housing. The report specifically focuses on the delivery of both affordable and social housing provisions. Identified within the report is the need for imminent action on six key areas: leadership, planning, land, housing management, funding, and construction skills and capacity. Within these six areas the report makes 18 recommendations covering: councils taking a leading role in driving planning delivery and development; the need for the government to re-address regional imbalances within housing and infrastructure; and the opportunity for councils to provide services to both landlords and tenants so that they become the 'landlord of choice'.

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**Local government new burdens**

Council to note.

The National Audit Office (NAO) has issued a report which evaluates how well the Department for Communities and Local Government (DCLG) has applied The New Burdens Doctrine. The report is split into three parts covering: changes to local government's finances and the aims and scope of the new burdens doctrine; how DCLG has managed the new burdens doctrine; and how government departments have assessed the new burdens. The report discovers that local government has dealt well with the 25% reduction in income they have experienced between 2010-11 and 2015-16, mainly by reducing spending. The report concludes by making five recommendations DCLG should undertake to ensure that it operates the new burden doctrine fairly including: transparency about possible new burdens; using information available to it to understand the cumulative financial pressures new burdens have on local government; and reviewing the support it provides to ensure that it matches the intentions of

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the government.

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### Care Act first-phase reforms

Council to note.

This NAO report examines the Care Act phase one changes that took effect from April 2015 and the financial impact of the phase two changes for 2015-16. The report considers three main areas: the content in which the Care Act changes are being implemented, this includes analysis of the policy, demographic and financial considerations; the Department of Health's (DH) arrangements for the roll out of the Care Act, and the preparedness of local authorities for 2015-16; and the funding that DH has provided towards the introduction of the Care Act in 2015-16. The NAO report makes four recommendations with the intention of assisting DH to minimise the effects the new burdens in the Care Act have upon local authorities. These recommendations include: the need for DH to identify quickly any individual local authorities that are struggling with their new burdens and to respond accordingly; DH should report to parliament whether it has achieved the objectives outlined by the government; and DH should maximise both the time and the resources that it has available for the implementation of phase two of the Care Act.

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### Future funding outlook for councils 2019/20 - interim 2015 update

Council to note.

Following the Local Government Association's (LGAs) 2014 analysis, this 2015 interim report outlines the financial challenges that local councils are currently facing. The LGA hopes that the government takes into consideration these challenges when they announce their plans in both the Budget in July and the autumn Spending Review. The report utilises figures from the Office of Budget Responsibilities economic and fiscal outlook to predict that by 2019-20 the local authority funding gap will be £9.5 billion. The report concludes that to ensure that local services have a sustainable future, when confronted with continued funding cuts, there needs to be a fundamental

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rethink about how these services are managed.

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## The Budget and Local Government

The July 2015 Budget outlined a number of key areas that will affect Local Government. These include:

- The government are to fund a 1% pay award for the public sector workforce that will take effect for 4 years from 2016/17.
- There will be an introduction of a new National Living Wage. This will take effect from April 2016 and will apply to people aged 25 and over. In April 2016 the National Living Wage will be set at £7.20 per hour. The Low Pay Commission will outline how the National Living Wage is to reach 60% of median earnings by the year 2020, with a government target of over £9 per hour.
- The Budget outlined further northern towns that are working towards devolution deals. Further powers were also devolved to Greater Manchester.
- Further cuts were announced to welfare including the household benefit cap reducing from £26,000 to £23,000 in London and £20,000 outside London. There will be a freeze on most working-age benefits for four years from April 2016. Also the Discretionary Housing Payment funding available to local councils in the future has been outlined by the government.
- A further £6 million was committed to the One Public Estate programme.
- A consultation on the devolution of powers to local authorities and mayors in relation to Sunday trading.

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## Employee Fraudscope 2015

Council to note

The Credit Industry Fraud Avoidance System (Cifas) has produced their annual Employee Fraudscope report. The report identifies that there

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was an 18% increase in recorded internal frauds in 2014. The frauds that were recorded included: data theft; employment application form fraud; and bribery. Along with the analysis of the internal fraud data the report also includes expert opinions on: degree fraud; the psychology of internal fraudsters; and the need for equal treatment for all staff in relation to fraud. The aim of the report is to encourage organisations to think about the different aspects of internal fraud and examine the risks facing their organisation.

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## Appendix A: Internal Audit Assignments completed to date

Reports previously seen by the Audit Committee and included for information purposes only:

| Assignment | Opinion issued | Actions agreed |   |   |
|------------|----------------|----------------|---|---|
|            |                | H              | M | L |

No final reports have been issued for 2015/16 to date with the exception of those included within Section 2 of this report.

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