

Date of issue: Tuesday, 18 July 2017

<b>MEETING:</b>	<b>AUDIT AND CORPORATE GOVERNANCE COMMITTEE</b> (Councillors Chaudhry (Chair), Chohan (Vice Chair), Brooker, Cheema, Amarpreet Dhaliwal, Sadiq and Swindlehurst)  <b>CO-OPTED INDEPENDENT MEMBERS:</b> Ronald Roberts, Alan Sunderland and Iqbal Zafar  <b>PARISH COUNCIL MEMBERS:</b> Parish Councillor Raymond Jackson and Parish Councillor Raja Muhammad Fayyaz  <b>INDEPENDENT PERSON</b> Dr Louis Lee
<b>DATE AND TIME:</b>	WEDNESDAY, 26TH JULY, 2017 AT 6.30 PM
<b>VENUE:</b>	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
<b>DEMOCRATIC SERVICES OFFICER: (for all enquiries)</b>	SHABANA KAUSER  01753 787503

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



**ROGER PARKIN**  
Interim Chief Executive

**AGENDA**

**PART I**



**AGENDA**  
**ITEM**

**REPORT TITLE**

**PAGE**

**WARD**

Apologies for absence.

1. Declarations of Interest

*All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.*

*The Chair will ask Members to confirm that they do not have a declarable interest. All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.*

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3.	Audit and Corporate Governance Committee - Terms of Reference	7 - 12	All
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11.	Date of Next Meeting - 21 September 2017		

**Press and Public**

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Please contact the Democratic Services Officer shown above for further details.

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**Audit and Corporate Governance Committee – Meeting held on Thursday, 16th March, 2017.**

**Present:-** Councillors Sadiq (Chair), Bedi (Vice-Chair, until 8.09pm), Amarpreet Dhaliwal, Rana and Sarfraz (until 8.09pm)

**Co-opted Independent Member:** Mr Sunderland

**Parish Council Members:** Councillor Jackson (Colnbrook with Poyle) and Councillor Fayyaz (Wexham Court)

**Apologies for Absence:-** Councillors Sharif, Swindlehurst, Mr Roberts and Dr Lee

**PART 1**

**27. Declarations of Interest**

Agenda item 9 - Code of Conduct: Schedule of Activity - Parish Councillor Jackson, Colnbrook with Poyle Parish Council, declared that the report contained information relating to the Parish Council of which he was a member.

**28. Minutes of the Last Meeting held on 11th January 2017**

Prior to approval of the minutes of the last meeting, the Committee was updated on a number of matters:

Committee Membership – the progress on the recruitment process for two Independent Co-Opted Members of the Committee was noted.

Working Group – a Working Group to review the Council's Policies and Procedures, including governance arrangements, had been established and was being led by the Head of Policy, Partnership & Programmes.

Deputy Monitoring Officer – the Director of Law and Governance at Harrow Council had been appointed as a Deputy Monitoring Officer for the Council.

**Resolved** – That the minutes of the meeting held on 11<sup>th</sup> January 2017 be approved as a correct record.

**29. Audit and Risk Management Update Quarter 3 2016/17**

The Assistant Director, Finance & Audit introduced a report that updated the Committee on the progress of implementing internal audit recommendations for the third quarter of 2016-17 and on the Council's Risk Register.

The procedures had been tightened to ensure internal audit reports were signed off at a more timely rate and progress was regularly monitored by the Corporate Management Team. There had been a further improvement in the

number of recommendations implemented, up from 58% at the time of the previous meeting to 61% in the current reporting period. The outstanding audit recommendations and position regarding the management actions falling due since the last quarter, as detailed in Appendix 1 to the report, were noted.

The Committee also considered and noted the Council's latest Corporate Risk Register. The Assistant Director indicated that future reports on the register were likely to be presented in a different format.

**Resolved** – That details on the progress of Internal Audit recommendations and the updated Corporate Risk Register, as detailed in the appendices to the report, be noted.

**30. Internal Audit Update: Quarter 3 2016/17**

The Head of Internal Audit summarised the key aspects of the Internal Audit Progress Report for the third quarter of 2016-17. The report set out the results of the work carried out against the Internal Audit Plan 2016-17 and highlighted the key actions for the audits where partial or no assurance had been provided.

The Committee had been previously advised by the Head of Internal Audit that any further negative assurance reports on key systems of internal control could result in a qualified year end opinion. Two further reports relating to Governance (still in draft) and Risk Management had subsequently resulted in negative, partial assurance opinions and the Chair of the Committee, Section 151 Officer and senior management had therefore been advised that these additional negative opinions would lead to a qualified opinion at year end. The Committee expressed concern that a number of the weaknesses identified in such internal systems had been raised in previous years and not adequately addressed by management. Assurance was therefore sought that the appropriate action plans were in place to address the issues raised. The Assistant Director Finance & Audit highlighted that processes had been strengthened to track and address internal audit recommendations. There were 152 recommendations being tracked and the Council was seeking to work in partnership with RSM, as the internal auditors, to embed good practice and ensure robust systems were in place to take the necessary action in response to recommendations.

The Committee considered the capacity within the Council to manage risk and improve internal systems and discussed the ways in which processes could be improved. The possibility of establishing a Business Management Working Group to examine/review implementation of actions arising from finalised Internal Audit reports was to be explored.

At the conclusion of the discussion, the Internal Audit Update was noted.

**Resolved** – That details of the report be noted.

**31. Internal Audit Strategy 2017-18**

The Head of Internal Audit introduced a report that sought approval of the Internal Audit Strategy 2017-2020 and the Plan for 2017/18 as at Appendix A to the report. It was a refreshed 3-year strategy that had been developed in line with the Council's strategic objectives, risk profile and challenges facing the organisation.

The Committee noted the key audit areas and specific reviews proposed to be undertaken, the reasons for inclusion and links to the Council's strategic objectives. Some of the audit areas had been selected to follow up where weaknesses had been previously identified, for example reviews proposed on Information Governance and Fixed Penalty Notices had been included as the 2016/17 audit had provided a 'no assurance' opinion. Other reviews were more forward looking such as Data Protection Preparedness and AMEY contract management ahead of the insourcing of Environmental Services. It was proposed that RSM would deliver some additional advice and support to the Council in the coming year. The Committee was assured that safeguards would be put in place to manage any potential conflicts of interests and ensure the appropriate separation between advisory and internal audit work.

Members raised a number of issues about the proposed plan and timetable including for the review of the new housing companies which had been moved back from 2017/18 to 2018/19. It was responded that this was because the companies had only very recently been established and the review would best be undertaken once they had operated for a period of time. The review could be brought forward if required.

After due consideration, the Committee approved the Internal Audit Strategy 2017-2020 including the Internal Audit Plan for 2017/18.

**Resolved –** That the Internal Audit Strategy be approved.

**32. Annual Audit Letter 2015/16**

The Committee considered the Annual Audit Letter which summarised the key issues arising from the work that the external auditor, BDO, had carried out in respect of the financial year ended 31 March 2016.

The External Auditor confirmed that an unqualified opinion had been issued on the financial statements. In terms of use of resources, a qualified 'except for' opinion was issued on the basis of significant weaknesses in children's social care services identified by Ofsted during 2015/16 and insufficient monitoring of contractual performance since the transfer to Slough Children's Services Trust. It was also noted that the review of housing benefit subsidy grant claim was in progress and would be reported to the Committee in July.

In response to a question it was confirmed that all of the misstatements in the statements had been corrected. It was also agreed that the External Audit

Plan be circulated to the Committee following approval by the Corporate Management Team.

**Resolved –** That details of the Annual Audit Letter 2015/16 be noted.

### **33. Counter Fraud Strategy**

The Assistant Director Finance & Audit introduced a report which asked the Committee to recommend approval of the Counter Fraud and Corruption Strategy to the Cabinet.

The Strategy set out how the Council would protect against, detect and respond to fraud and corruption. It would apply to all parts of the Council and to employees, volunteers, contractors and consultants in relation to their work with the authority. The Council operated a 'zero tolerance' approach towards fraud and corruption and the full range of sanctions available would be used where individuals or organisations were found to commit fraud. The document had been substantially revised on previous versions and Committee Members requested that a comparison between the old and new Counter Fraud Policy be circulated. Implementation would include the roll out of a training programme to staff and councillors.

The Committee agreed to recommend approval of the Strategy to the Cabinet and thanked Officers for their work in the development of the revised approach.

**Recommended to Cabinet –** That the Counter Fraud and Corruption Strategy be approved.

### **34. Review of Whistleblowing Policy**

The Interim Monitoring Officer introduced a report that updated the Committee on the review of the Council's Whistleblowing Policy and requested that the policy be recommended to full Council for approval. It was proposed that the Whistleblowing Policy be renamed the Confidential Reporting Code and be incorporated into the Constitution.

Adopting the new policy would strengthen the Council's commitment to the highest possible standards of openness, honesty and accountability. The review had taken account of three substantive whistleblowing complaints in the past year which had all required investigation. The policy clarified the processes to be followed and was in line with good practice followed by other local authorities.

The Committee expressed concern about the apparent leaking of information relating to recent investigations. Members requested that the three Statutory Officers, as a matter of urgency, investigate recent breaches of confidential information / IT security breaches and put in place measures to address these concerns.

Members also asked whether employees had been involved in the revision of the strategy and emphasised the importance of ensuring they had confidence in the new processes put in place. It was responded that staff had not been involved to date, but that it could be further reviewed if there was any feedback, and there would be training for staff on the new Code.

At the conclusion of the discussion, the Committee agreed to recommend the Confidential Reporting Code to full Council.

**Recommended to Council –** That the Confidential Reporting Code be approved.

### **35. Code of Conduct - Schedule of Activity**

The Interim Monitoring Officer updated Members on the activity recently undertaken in relation to complaints received under the Councillors' Code of Conduct. Five complaints had been received since September 2016, as detailed in the report, and the Interim Monitoring Officer was also working with Wexham Court Parish Council, in relation to other matters that had been raised. The Committee would be updated on the outcome of the investigations in the next report.

Clarification was sought on the expected timelines for dealing with complaints as this information was not included in the report. The Interim Monitoring Officer stated that the timescales varied depending on the nature of the complaint and of any investigation. It was agreed that future reports include information detailing the date of when complaint received, type of investigation (internal/external) and outcome/sanctions following outcome of an investigation.

At the conclusion of the discussion, the report was noted.

**Resolved –** That details of the report be noted.

### **36. Local Government Ombudsman Complaint Investigation Outcome**

The Committee received an information report on the outcome of an investigation by the Local Government Ombudsman that found maladministration with injustice against the Council's housing services.

*(Councillors Bedi and Sarfraz left the meeting)*

The details of the particular case were reviewed and it was considered good practice to bring the matter to the attention of the Committee. The report was noted and it was agreed that the outcome of any future investigations also be brought to the Committee.

**Resolved –**

(a) That details of the report be noted.

**Audit and Corporate Governance Committee - 16.03.17**

(b) That the Committee receive regular reports regarding outcome of cases determined by the Local Government Ombudsman.

**37. Members Attendance Record**

**Resolved** – That details of the Members' Attendance Record be noted.

**38. Date of Next Meeting - 11th July 2017**

The date of the next meeting was confirmed as 11<sup>th</sup> July 2017.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.13 pm)



## ARTICLE 9 – AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Council will appoint an Audit and Corporate Governance Committee

### 1. Statement of Purpose

The purpose of this Committee is to

- promote and maintain high standards of conduct by Members
- provide independent assurance of the adequacy of the risk management framework and the associated control environment
- independently scrutinise the authority’s financial and non-financial performance, to the extent that it affects the authority’s exposure to risk and weakens the control environment and to oversee the financial reporting process
- approve the financial statements
- approve the Annual Governance Statement.

### Terms of Reference

### 2. Within the Terms of Reference of the Committee it will be

- the member forum for external audit matters, approving the financial statements on behalf of the full Council
- the member forum for ethical framework matters
- the member forum for internal audit matters
- a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council
- be the member forum for risk management matters
- be the member forum for corporate governance matters.

### Membership

### 3 The Committee is subject to the provisions of the Local Government Access to Information Act 1985.

### 4 The Committee will comprise\*:

Seven councillors (politically balanced) (not the Leader, Mayor and Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders\*)

Up to four co-opted (non-voting) independent members from outside the Council with suitable experience

The Council’s Independent Person (as an observer).

\* executive members limited to one

\* one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct

In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Corporate Governance Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

The Chair of the Committee will be an elected Member of the Council

### Working Arrangements

- 5 That Committee will meet four or more times per year.
- 6 The quorum of the Committee shall be a minimum of three voting members of the committee.
- 7 The Committee will be subject to the statutory access to information provisions. The press and public may be excluded and papers withheld from access only if they meet statutory definitions of exempt or confidential information.
- 8 All Members of the Council and members of the press and public can attend the Committee when it is discussing business in Part I of the agenda. When the Committee is discussing exempt or confidential information (Part II) only Members of the Committee and Members of the Council (with the consent of the Committee given by majority resolution) can attend.
- 9 The Committee will appoint a Standards and Determination Sub Committee to
  - determine complaints following an investigation; and
  - give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.
- 10 The Committee and its Sub Committee may require Members of the Council and Officers of the Authority to attend before it to answer questions.
- 11 The Committee and its Sub Committee may require the production of any document or record in the possession of the Council to be submitted to it, unless to do so would involve a breach of data protection or other statutory provisions.
- 12 The Committee may require the Monitoring Officer or his/her nominee to investigate on its behalf allegations of impropriety referred to the Committee.

### Specific Functions

The Committee's specific functions shall include but not be limited to

- 13 External Audit
  - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
  - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
  - To consider and comment on any plans of the external auditors
  - To comment on the scope and depth of the external audit work and to ensure it gives value for money
  - To consider any other reports by the external auditors

- To liaise with the appointed body over the appointment of the Council's external auditor.

#### 14 Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils corporate governance, risk management and control arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the annual Internal Audit plan ensuring that there is sufficient and appropriate coverage
- To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
- To contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Committee.

#### 15 Internal Control

- To approve the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

#### 16 Risk Management

- To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
- To review the Council's risk register.

#### 17 Governance

- To consider the arrangements for corporate governance and to make appropriate recommendations to ensure corporate governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by internal or external audit
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy.

## Standards and Ethical Framework

- (a) To promote and maintain high standards of conduct by Members, (i.e. Elected and Co-opted).
- (b) To assist Members to observe the Council's Ethical Framework including the Code of Conduct.
- (c) To advise the Council on the adoption or revision of the Council's Ethical Framework including the Code of Conduct.
- (d) To monitor the operation of the Council's Ethical Framework including the Code of Conduct.
- (e) To advise, train or arrange to train Members on matters relating to the Council's Ethical Framework including the Code of Conduct.
- (f) To determine written complaints made against a Member (including a Parish Council Member) alleging a breach of the Code of Conduct and taking any action that is deemed appropriate and permitted under the Localism Act 2011 and Regulations thereunder.
- (g) To exercise of (a) to (f) above in relation to the Parish Councils wholly or mainly in its area and the Members of those Parish Councils.
- (h) To keep under review and make recommendations to the Council on the Whistle-Blowing Policy and Procedure.
- (i) To put in place and keep under review arrangements for monitoring Members' performance.
- (j) To receive and consider reports on individual Members' performance.
- (k) To decide any requests from a Member or Officer for indemnity as set out in the Council's adopted Policy on Terms of Indemnity.

## 18 Other

- (a) To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary.
- (b) To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted.
- (c) To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
- (d) The Committee shall, in conjunction with the Monitoring Officer and Chief Finance Officer, produce an Annual Review of work completed and proposed and report on an exception basis through the Performance Report for Cabinet.

19 The terms of reference of the Committee shall be reviewed annually.

## Determination Sub-Committee

### 1. Terms of Reference

The Sub-Committee is established to

- determine complaints following an investigation.
  - give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.
2. Following a hearing the Sub-Committee will make one of the following findings:
- (a) That the Member who was the subject of the hearing had not failed to comply with the Code of Conduct of the relevant Authority concerned;
  - (b) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned, but that no action needs to be taken in respect of the matters which were considered at the hearing; or
  - (c) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned and that a sanction should be imposed.
3. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is no longer a Member of any authority that the Committee has responsibility for it shall censure that person.
4. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is a serving Member of any authority that the Committee has responsibility for, it shall impose any of, or a combination of, the following sanctions:
- (a) censure of that Member
  - (b) restriction for a period not exceeding six months of that Member's access to the premises of the relevant Authority or the resources of the relevant Authority provided that those restrictions:
    - i. are reasonable and proportionate to the nature of the breach;
    - ii. do not unduly restrict the person's ability to perform the functions of a Member.
  - (c) that the Member submits a written apology in a form specified by the Sub-Committee;
  - (d) that the Member undertakes such training as the Sub-Committee specifies;
  - (e) that the Member participate in such conciliation as the Sub-Committee specifies.

## 5. Appointment and Composition of the Sub-Committee

- (a) The Sub Committee will be convened as necessary from the membership of the Audit and Corporate Governance Committee. The Sub-Committee will therefore not have a fixed membership.
- (b) The Sub-Committee shall comprise five Members, of whom a maximum of three shall be elected members **drawn on a politically proportionate basis, wherever possible. If an opposition Member is not available, the three Members will be appointed from the same political party.** No more than two should be Co-Opted Independent Members of the Audit and Corporate Governance Committee.
- (c) The Sub-Committee shall elect a Chair at each hearing/meeting. The Chair will be an elected Councillor.
- (d) The appointment and composition of the Sub-Committee shall increase to include a Parish Member (observer) of the Audit and Corporate Governance Committee where the Sub-Committee is considering a report or recommendations that relate to a Parish Council Member.

## 6 Quorum

The quorum for a meeting of the Sub-Committee shall be three Members, two of whom must be elected Members and at least one Independent Member. When considering a matter relating to the conduct of a Member as Parish Councillor at least one Parish Council representative shall also be present.

## 7 Frequency of Meetings

The Sub-Committee shall meet as and when required to enable it to undertake its functions.

**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Corporate Governance Committee

**DATE:** 26<sup>th</sup> July 2017

**CONTACT OFFICER:** Neil Wilcox Section 151 Officer, Assistant Director Finance & Audit  
**(For all Enquiries)** (01753) 875358

**WARD(S):** ALL

**PART I**  
**FOR COMMENT & CONSIDERATION**

**ANNUAL GOVERNANCE STATEMENT 2016/17**1. **Purpose of Report**

The purpose of this report is to allow Members to review and comment on the Annual Governance Statement.

2. **Recommendation(s)/Proposed Action**

That the Committee comment on and note the Annual Governance Statement as attached at Appendix 1.

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

The Slough Joint Wellbeing Strategy (SJWS) is the document that details the priorities agreed for Slough with partner organisations. The SJWS has been developed using a comprehensive evidence base that includes the Joint Strategic Needs Assessment (JSNA). Both are clearly linked and must be used in conjunction when preparing your report. They have been combined in the Slough Wellbeing Board report template to enable you to provide supporting information highlighting the link between the SJWS and JSNA priorities.

3a. **Slough Joint Wellbeing Strategy Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes.

The maintenance of excellent governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

The report helps achieve the corporate objectives by detailing how the Council is delivering the Council's budget in line with the approved budget.

#### 4. **Other Implications**

##### (a) Financial

There are no direct financial implications of this report, however failure to implement actions raised could have an impact on the Council's ability to achieve its financial objectives.

##### (b) Risk Management

This report is concerned with the risk management and other governance arrangements of the Council

##### (c) Human Rights Act and Other Legal Implications

There are no human rights issues arising from this report

##### (d) Equalities Impact Assessment

There are no equality issues arising from this report.

#### 5. **Supporting Information**

- 5.1 Each Council is required to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and control in place to ensure that public services are delivered and public money is spent wisely.
- 5.2 The Councils Annual Governance statement is attached at Appendix 1.
- 5.3 The Annual Governance Statement is included with the Statement of Accounts and is also available on the Council web site.

#### 6. **Comments of Other Committees**

None.

#### 7. **Conclusion**

That Members consider and review details of the Annual Governance Statement.

#### 8. **Appendices Attached**

Appendix 1 - 2016/17 Annual Governance Statement

#### 9. **Background Papers**

None.



# Annual Governance Statement

**How did we do in 2016/17?  
Were we well-governed?**



# Slough Borough Council

## INTRODUCTION AND PURPOSE OF THIS DOCUMENT

Slough Borough Council is responsible for ensuring that its business is conducted in accordance with the law and regulations, internal policies and procedures and that public money is safeguarded and properly accounted for, and used economically, efficiently, effectively and lawfully. Slough Borough Council also has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Slough Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Slough Borough Council has approved and adopted a code of corporate governance through its constitution and five year plan, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 edition*. A copy of the authority's constitution is on our website at [www.slough.gov.uk](http://www.slough.gov.uk) or can be obtained from the Section 151 Officer. This statement explains how Slough Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

This document is an assessment of our "governance", but what do we mean by that word? There is no legal definition of "governance", but we believe it is best summarised as:

having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **plan of action** (including **vision, aims, approaches and ambitions**); and
- the right **way of operating** (including openly, honestly and efficiently)  
so that we deliver:
- the **right services**, to the **right people**, at the **right price** and at the **right time**.

Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) which in 2007 jointly published a "Framework for Delivering Good Governance in Local Government", updated on an annual basis with the latest revision dated 2016.

This guidance is recognised as the proper practices referred to in the Accounts & Audit Regulations that we must follow (and in that sense is the nearest one can get to the 'official' definition of Governance), and sets out seven core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

- 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law**
- 2. Ensuring openness and comprehensive stakeholder engagement**
- 3. Defining outcomes in terms of sustainable economic, social and environmental benefits**
- 4. Determining the interventions necessary to optimise the achievement of intended outcomes**
- 5. Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- 6. Managing risks and performance through robust internal control and strong public financial management**
- 7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our 'Annual Governance Statement' and includes a 'review of effectiveness'.**

This report is written under the authority of the Council's Audit and Corporate Governance Committee and approved by the committee at its meeting on 11th July 2017 through its delegated authority. It is signed by the Leader (an elected Councillor) and Interim Chief Executive (an Officer) and published with the final accounts by 30<sup>th</sup> September 2017. It was submitted to our external auditors along with our annual accounts in June 2017; the auditors will consider whether the information we've submitted meets their expectations as part of their annual opinion in September 2017.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. The 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 would be detected within a timely period.

### **GOVERNANCE STRUCTURES**

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

In the introduction above, the first thing we said was that we should have the right governance structures in place.

The key elements of the systems and processes that comprise Slough Borough Council's governance arrangements are set out below and include arrangements for:

- Identifying and communicating Slough Borough Council's Strategy through our Five Year Plan 2017-2021. The Plan sets out our intended outcomes for citizens and service users, the key actions to deliver these outcomes and how we will measure success
- Measuring the quality of services for users, ensuring they are delivered in accordance with Slough Borough Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating the Constitution including Financial Procedure Rules and the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (April 2016)"
- The Audit and Corporate Governance committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities" (2014)
- Policies for Whistle-blowing, and requirements defined within the Constitution for managing conflicts of interest and for procedures which are available via the Council's website in relation to receiving and investigating complaints from the public
- Demonstrating a commitment to openness and acting in the public interest by exercising leadership through a robust scrutiny function (including the Audit and Corporate Governance and Overview and Scrutiny Committees) and demonstrating openness through the public's ability to attend Council meetings.
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This section reviews those structures. We govern ourselves through **Council**, a **Corporate Management Team**, **Cabinet** and **Committees**, and we have many **policies** in place that govern our activities which we follow. These are listed in turn below:

### **Council**

The number of elected Councillors in place at the end of the 2016/17 financial year is 41. The Council met eight times during the year. In June 2016, the Council elected a new leader, Councillor Sohail Munawar. The numbers attending each meeting were as follows:

- 19 Apr 2016: 37 Councillors attended the meeting
- 17 May 2016: 42 Councillors attended the meeting
- 6 Jun 2016: 40 Councillors attended the meeting
- 26 Jul 2016: 38 Councillors attended the meeting
- 27 Sep 2016: 38 Councillors attended the meeting
- 29 Nov 2016: 39 Councillors attended the meeting
- 22 Dec 2016: 32 Councillors attended the meeting
- 31 Jan 2017: 37 Councillors attended the meeting
- 23 Feb 2017: 35 Councillors attended the meeting

Meetings of Council were held in open forum and considered reports from other committees.

### **Corporate Management Team (CMT)**

CMT meets regularly throughout the year, and reviews and approves reports before they are sent on for consideration by the relevant Committee. They are also involved in the development of new policies and strategies for the Council, either directly, or by management review and comment. Senior members are:

- the **Interim Chief Executive** (Roger Parkin) is the person who is ultimately responsible for the welfare of the Council's employees and is Head of Paid Service (Mr Parkin also retains his substantive role as Strategic Director of Customer and Community Services); the role was previously filled for part of the year by Ruth Bagley;
- the **Strategic Director for, Children, Learning and Skills**;
- the **Director, Adult Social Care**;
- the **Assistant Director for Finance and Audit**; and
- the **Interim Strategic Director, Regeneration, Housing & Resources**.

### **Supporting Officers**

- The **Section 151 Officer** (Neil Wilcox) is responsible for looking after the financial affairs of the Council, fulfils the role of Chief Financial Officer and is a CIPFA Qualified Accountant. This role was previously filled by Joseph Holmes up to July 2016. From July 2016 to November 2016, this role was filled by an Interim Section 151 Officer, Stephen Fitzgerald until the current post holder commenced in November 2016. The role of the Chief Financial Officer complies with the governance requirements as set out within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) through:
  - Being a key member of the Leadership Team, with a dotted reporting line to the Chief Executive, helping the Council to develop and implement strategy and to resource and deliver the organisation's strategic objectives and having access to CMT papers and meetings;
  - Being involved in all material business decisions made by the Council to ensure both immediate and long term risks and implications are considered and that these are in line with the financial strategy;
  - Leading the promotion and delivery of good financial management across the Council through ensuring that key financial targets are being set and reporting on performance against these to CMT and Members;
  - Ensuring the finance function is well led and effectively resourced throughout the year.
- The **Monitoring Officer** (Linda Walker) is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about conduct and behaviour. The current post holder has held the position from September 2016 to date with the post filled by a previous post holder (Gurpreet Anand) from the start of the year until this date.

### **Cabinet**

The Cabinet is the Council's principal decision-making body, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a 'portfolio' for which they are 'Commissioners'. Although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party.

### **Audit & Corporate Governance Committee**

This Committee met four times during the year. The purpose of this Committee is to advise and review the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance, in line with the CIPFA Practical Guidance for Local Authorities (2013). The Committee will also:

- Promote and maintain high standards of conduct by Members.
- Provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- Approve the financial statements.
- Approve the Annual Governance Statement.

### **Overview & Scrutiny Committee**

The Overview & Scrutiny Committee consisted of nine non-Executive members (those who are not members of the Cabinet) and is appointed on a proportional basis (with political groups represented in the same proportion as on the whole Council).

This Committee scrutinises a range of policy, financial and performance issues and makes reports and recommendations to Cabinet or full Council.

The Committee also scrutinises the implementation of the community and corporate performance plans, as well as investigating broad policy matters, including reviewing decisions taken or to be taken by the cabinet or Chief Officers under delegated powers.

The Committee is responsible for co-ordinating the consideration of 'member call-ins' where a Councillor requests that a particular issue is considered.

There are also three Scrutiny Panels in addition to the Overview and Scrutiny Committee which focus on the different aspects of the Council's work – Health, Neighbourhoods and Community Services and Education and Children's Services

The Council also has other committees (planning, licensing etc.), but these are not concerned directly with governance arrangements so are not listed here.

### **Policies**

The following table lists the Council's main documents, policies and procedures; we refer to and follow these, to make sure we do things in the right and consistent way. All these policies have been approved by your elected Councillors where required.

<b>Title</b>	<b>Last updated</b>
Constitution (including Financial Procedure Rules)	2016
Risk Management Strategy 2016	2016
ICT Strategy 2015-2018	2015
Slough Joint Wellbeing Strategy 2016-2020	2016
Whistleblowing Policy and Procedure	2017
Corporate Plan (Five Year Plan) 2017-21	2017
Slough Wellbeing Strategy 2016-20	2016
Economic Development Strategic Plan for Growth 2014-18	2014
Equalities Strategy 2017	2017
Commissioning Strategy for Adult Social Care 2010	2010

Better Care Fund Plan 2016-17	2016
Safeguarding Adults Multi-Agency Workforce Development Strategy 2014-17	2014
Joint Carers Commissioning Strategy 2016-21	2016
Autism Strategy 2014-2017	2014
Learning Disabilities Plan 2016-2019	2016
Voluntary Sector (Partnership) Strategy 2015-2020	2015
Joint Strategic Needs Assessment 2016	2016
Sustainability and Transformation Plan 2016-2020	2016
Corporate Parenting Strategy 2016-2018	2016
Corporate Procurement Strategy 2012	2012
Leisure Strategy 2016	2016
Parks and Open Spaces Strategy 2015-20	2015
Carbon Management Plan 2015-20	2015
Regulatory and Enforcement Services Enforcement Policy 2016	2016
Asset Management Plan 2014-17	2014
Local Transport Plan 2011-26	2011
Housing Revenue Account Business Plan 2016-46	2016
Draft Housing Strategy 2016-21	2016
Housing Allocations Scheme 2013-18	2013
Tenancy Strategy and Policy 2013-18	2013
Medium Term Financial Strategy 2017-21 (included in Revenue Budget)	2017
Capital Strategy 2017-23	2017
Treasury Management Strategy 2017-18	2017

In addition to the above, we are currently revising our Anti Fraud and Corruption Strategy and Policy and are developing a Confidential Reporting Code, which will include whistle-blowing arrangements. These policies will be made available on our website once approved.

### **VISION, AIMS, APPROACHES AND ACTIONS**

In the introduction to this document, the second thing we said we needed was the right plan of action. The Five Year Plan was introduced in January 2015 and replaced the previous Corporate Plan. This is reviewed and refreshed on an annual basis, the most recent version being updated in 2017. It was accepted that as a result of the funding challenges the Council faces, we needed a new approach to forward planning over the medium term.

The Plan sets the following overarching **Vision** for the Council:

***“Growing a place of opportunity and ambition”***



The Plan further outlines the priority outcomes of the Council which, by 2021, is:

- Our children and young people will have the best start in life and opportunities to give them positive lives
- Our people will become healthier and will manage their own health, care and support needs
- Slough will be an attractive place where people choose to live, work and visit
- Our residents will have access to good quality homes
- Slough will attract, retain and grow businesses and investment to provide jobs and opportunities for our residents.

The Plan identifies the challenges and opportunities facing the town, and includes five outcomes to respond to these opportunities and challenges, along with key actions to deliver the outcomes and measures of success. We have chosen to express our Plan in terms of outcomes supported by actions and success measures that will assist us in delivering our Plan, because we believe that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

The introduction of the Five Year Plan was important in providing clarity of vision and direction, explaining how and why the council is changing and identifying more effective and efficient ways of working together. The Five Year Plan is updated every year and we also produce an Annual Report so we can check progress. Last year, 2016, we carried out a light-touch refresh of the Five Year Plan to update the actions in the outcome plans and set out how we will work with our partners and communities. This year there has been a more in-depth review. The Leader and Cabinet have worked with officers to define their political priorities and revised the outcomes to reflect these. The Leader has been clear in his foreword about his priority to put people first. We have reduced the number of outcomes from eight to five, combining some where there was overlap and duplication and removing others where they were more about ways of working than tangible outcomes.

The Plan is therefore an important element of our strategic narrative in explaining our ambitions for Slough and how we are delivering major schemes to transform the borough for the better, while at the same time ensuring that vital services for those most in need are provided.

## **REPORTING**

In the Introduction, we said that we needed the right way of operating (including openly, honestly, efficiently, etc.) so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also mentioned above that “it is standard practice to ‘work backwards’ and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly. This section reviews how we reported on the results.

### **Regular reporting**

Within our Five Year Plan we have established a number of key performance indicators which we use to measure the performance of the Council during the year. These are reported in the form of a balanced scorecard, which is reviewed and updated annually. The following regular reports are received at our Cabinet meetings:

- **Five Year Plan Progress Updates and Annual Report (formerly Corporate Plan)**
- **Finance and Performance Report:** quarterly reporting on progress against the targets in the Corporate Plan and delivery of performance targets. We also publish detailed revenue and capital expenditure reports each quarter, and include financial forecasts.
- **Balanced Scorecard:** quarterly performance against the Council's key performance indicators
- **Council's Gold Projects Updates:** we publish quarterly performance in respect of the delivery of the Council's Gold projects, which are our key strategic projects.
- **Financial and Performance Outturn Report:** we will publish a report following the year end detailing how we performed against our targets for 2016/17



We publish, annually:

- The **Statement of Accounts**: The format of these is set by accounting regulations. The council's accounts are subject to external audit, currently by BDO. Members of the public and local government electors have certain rights in the audit process.
- An **Annual Audit Letter**: Every year the council's external auditors, produce an Annual Audit Letter. This letter is a high level summary of the auditors' findings from their work during the previous financial year.

### **Auditing and monitoring**

The Council was subject to auditing and monitoring processes, which were intended to be objective and (where necessary) critical:

- **Internal audit**: we appointed RSM to carry out audits on a number of specific areas that we asked them to review, linking them with our known risk areas.

To satisfy the requirements of the CIPFA guidance in relation to the role of the Head of Internal Audit, RSM's Head of Internal Audit provides an annual opinion to the council on all aspects covered in relation to governance, risk management and internal control following objective assessments during the year of the adequacy of governance and the management of risks. RSM's Head of Internal Audit is a Partner within RSM, and leads an Internal Audit service which has been independently assessed by the Institute of Internal Auditors (IIA) during 2016 which concluded that the service provided by RSM was fit for purpose.

The head of Internal Audit also has a functional reporting link into the Audit and Corporate Governance Committee, and a direct link in to both the Chief Executive and Section 151 Officer.

To comply with good governance on partnership arrangements, the Internal Audit service reports into the Audit and Corporate Governance Committee, and the management of this relationship is through the Council's Section 151 officer.

For each area of review, internal audit typically provide assurance on the policies and procedures in place and the governance arrangements in operation to monitor the performance in that area. For each area, a report was issued concluding with an assurance opinion that utilised a 'traffic light' system (red, amber, green) as to how they think each area was doing; and to agree management actions for changes to our procedures and governance arrangements. RSM have provided an Annual Report in which it includes all the areas they reviewed; what 'traffic light' they gave and how many [high/medium/low priority] management actions were agreed.

The Head of Internal Audit Opinion for 2016/17 concluded that 'there were weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective'.

Positive assurance opinions were provided in 14 of the 27 assurance (33 reports issued in total) reports issued in 2016/17. Of the four 'no assurance' and nine 'partial' assurance opinions issued during the year a number of areas were identified where improvements in the control framework were required. It should also be noted that a number of advisory reviews were also undertaken which identified weaknesses in control, and these, together with the significant issues identified within the no assurance and partial assurance reports have been highlighted within the improvements section below.

- **External audit**: The Council's external auditors, BDO, provided an unqualified opinion on the financial statements for the year ended 31 March 2016. However, due to significant weaknesses in children's social care services identified by Ofsted during 2015/16, and insufficient monitoring of contractual performance of the service after it transferred to Slough Children's Services Trust on 1 October 2015, BDO's value for money conclusion was qualified on an 'except for' basis. Except for weaknesses in the arrangements for children's social care services during the year, BDO were satisfied that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness from its use of resources for the year ended 31 March 2016.

- **Other external assurance sources:** Sometimes we are reviewed by external bodies that look at certain services such as OFSTED, which provided a review of Children's services, resulting in an inspection in December 2015 with an 'inadequate' rating. This was following the intervention of the Parliamentary Under Secretary of State for Children and Families using intervention powers under section 497A of the Education Act 1996 with respect to the Council's exercise of its children's social services functions, and creating a new organisation (Slough Children's Services Trust) from 1 October 2015.

The trust has quickly established an accurate view of what needs to change. Managers are rightly prioritising workforce, performance management and the management oversight of practice. Under the decisive leadership of the chief executive of the trust, some important areas of poor practice are being tackled and children are already safer as a result.

- **Corporate Risk Register:** We document our corporate risks within this register which enables the Council to monitor how risks are being managed through regular review at the Risk Management Group and CMT. The Corporate Risk Register describes and rates each risk in terms of likelihood and consequence. It also lists controls mechanisms in place to manage those risks stated and actions to be undertaken to reduce the risks. This process has continued into 2016/17, Due to the implementation of new risk management software a corporate risk register was not presented to CMT for the first nine months of the year, although this is now reported regularly to CMT meetings.
- **Audit recommendation tracker:** In 2013/14 we introduced a process of recommendation tracking to ensure that recommendations made by our Internal Auditors are implemented in a timely manner. We report on the progress in implementing recommendations to the Risk Management Group each meeting. This process has continued into 2016/17.

## **REVIEW OF EFFECTIVENESS**

Slough Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within Slough Borough Council who have responsibility for the development and maintenance of the governance environment.

The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:

- The work of the Risk Management Group and the Risk Management Strategy
- The annual assurance statements produced by all Heads of Service
- The work of the Audit and Corporate Governance Committee
- The work of the Standards Sub-Committee
- The work of Internal Audit
- The work of the Overview and Scrutiny Committee.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Assistant Director; these are available on request.

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Audit and Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **ANNUAL ASSURANCE STATEMENTS**

As detailed above, in order to provide confirmation that each Directorate within the Council has a sound system of internal control in operation, which in turn helps to manage and control business risk, each Director has been required to complete, certify and return a statement of their Directorate's current position.

Each Director and Assistant Director has been provided with a model format for completion and, in completing the statement, has facilitated the involvement of their Direct Reports (Heads of Service and Assistant Directors) to ensure that sufficient input has been obtained to provide a clear and coherent statement of all risk and control issues within any given area. These statements are held by Internal Audit.

While the statements do not make reference to specific actions or audits undertaken, they document the control frameworks currently operating and the changes in process, such as the process to assign responsibility for management actions to ensure accountability for improvements required, and the mechanisms to monitor the implementation, through Senior Management Team meetings for each directorate.

## **IMPROVEMENTS**

In the Annual Governance Statement for 2015/16 we identified a number of areas for improvement. The table below lists them, and comments how we did in addressing them in 2016/17.

<b><i>Issues reported in 2015/16 AGS</i></b>	<b><i>2016/17 actions taken</i></b>	<b><i>Is this an issue for 2017/18 and beyond?</i></b>
Safeguarding services and Safeguarding outcomes for children and young people (including risk assessments).	<p>Risks remain on the corporate risk register in Children’s Social Care following the Ofsted inspection in December 2013 and the follow up in February 2014. An inspection of Children’s Services was also undertaken during 2015/16 and the Service continues to be rated as inadequate.</p> <p>From the 1<sup>st</sup> October 2015 a new organisation, Slough Children’s Services Trust, was established with staff previously working with Children’s Services transferred to this organisation.</p> <p>The Council and Trust have worked together to develop a joint Ofsted Delivery Plan to address findings of Ofsted inspection and develop good services for vulnerable children.</p> <p>In August 2016 the council and Trust established a Joint Improvement Board (JIB) to monitor the delivery of the plan. The JIB includes all key partners, it meets monthly and is chaired by the Chief Executive of the Council with the Chief Executive of the Trust as the Vice Chair. The DfE attends as observer. The JIB reviews key performance and audit information as well as considering themed reports.</p> <p>There have been two Monitoring visits by Ofsted which have both recognised that progress has been made and the DfE have agreed that Slough no longer requires them to deploy a Commissioner for Children’s Social.</p>	Yes
Contract Management	<p>This remains a key risk for the Council and continues to be managed by officers and captured on the Strategic Risk Register. In 2016/17 Internal Audit undertook a number of advisory reviews to assist us in developing our contract management arrangements together with carrying out an open book review into significant contracts. This work will continue into 2017/18.</p> <p>We have specifically targeted some of our internal audit coverage to provide some advice and assistance around the transition of significant contracts back into the Council, together with further work to support the development of our contract management framework.</p>	Yes

Continued Economic Instability and Turbulence at a national level.	<p>The Failure to Deliver a Balanced Budget Remains on the Corporate Risk Register for 2016/17 and beyond. The Council has reported a final outturn underspend for 2016/17 of £26,000.</p> <p>We have set ourselves a balanced budget for 2017/18.</p> <p>In 2016/17 we also commissioned our Internal Auditors to undertake a review of our Budgetary Control arrangements together with a review of our key financial controls, and these audits provided only partial assurance over the effectiveness of controls in place for some areas reviewed including budgetary control. We have developed an action plan in response to this audit and are in the process of implementing these actions.</p>	Yes
Managing a mixed economy workforce.	<p>The Council continues to monitor performance through metrics to ensure outcomes are met. We are continuing to ensure that the actions agreed from previous Internal Audit reports in this area are being implemented throughout the Council.</p>	Yes
Partnership and Governance arrangements	<p>This in part relates to the above risk, though we need to continue to improve partnership governance arrangements in light of the Ofsted report and ensuring close working with partners into the future.</p> <p>In addition, a 2016/17 Internal Audit review into the Five Year Plan Outcomes provided a positive opinion in relation to the governance arrangements for the monitoring and delivery of outcomes.</p>	Yes
Procurement	<p>During 2016/17 we have continued to use Internal Audit in an advisory capacity to support us in the development of our contract management arrangements including how significant contracts are procured.</p>	Yes
Schools Environment	<p>We continued to commission an extensive programme of Internal Audit reviews around the management of our schools, including re-auditing a number of schools where negative opinions were provided in the previous year. Further audits of schools have taken place in 2016/17 to continue to drive forward improvements in internal controls, and to engage further with schools over improving safeguarding arrangements. This process will continue to be actively supported by our Audit and Corporate Governance Committee in 2017/18 and beyond. The Council needs to maximise its progress in respect of school improvement in an increasingly disparate education provision environment.</p> <p>We have also requested reviews in relation to Special Educational Needs (SEN) funding at schools and also a review in relation to how the Pupil Premium received by schools is being spent as part of the Internal Audit programme for 2017/18.</p>	Yes
Risk Management	<p>During 2016/17 we have been in the process of implementing new risk management software to aid the Council in the identification, prioritisation, management and reporting of risks within the Council.</p> <p>We have continued to develop our risk management arrangements during 2016/17, working towards implementing the actions agreed in this area by Internal Audit. Whilst we acknowledge that there is further work to be completed, improvements have been made in the processes in place, particularly with regards to developing the role of the Risk Management Group. In 2017/18 we will be further embedding risk management throughout the organisation and using this to support the delivery of our 5</p>	Yes

	year plan. As part of this, we plan to roll out risk management training to help embed understanding of how to manage risk.	
Asset Register	<p>During 2016/17 we requested our Internal Auditors to undertake a further review of the controls in place around our asset register, and to identify improvements made from the previous year. This review concluded that reasonable assurance can be provided over this area, although it noted that a number of further improvements were still required.</p> <p>We have developed an action plan in conjunction with Internal Audit and these actions will be monitored and implemented throughout 2017/18.</p>	No

**In addition to the above, the following significant control issues were identified as part of work undertaken by our Internal Auditors during 2016/17. The table below details both the issue identified together with the actions taken to address these.**

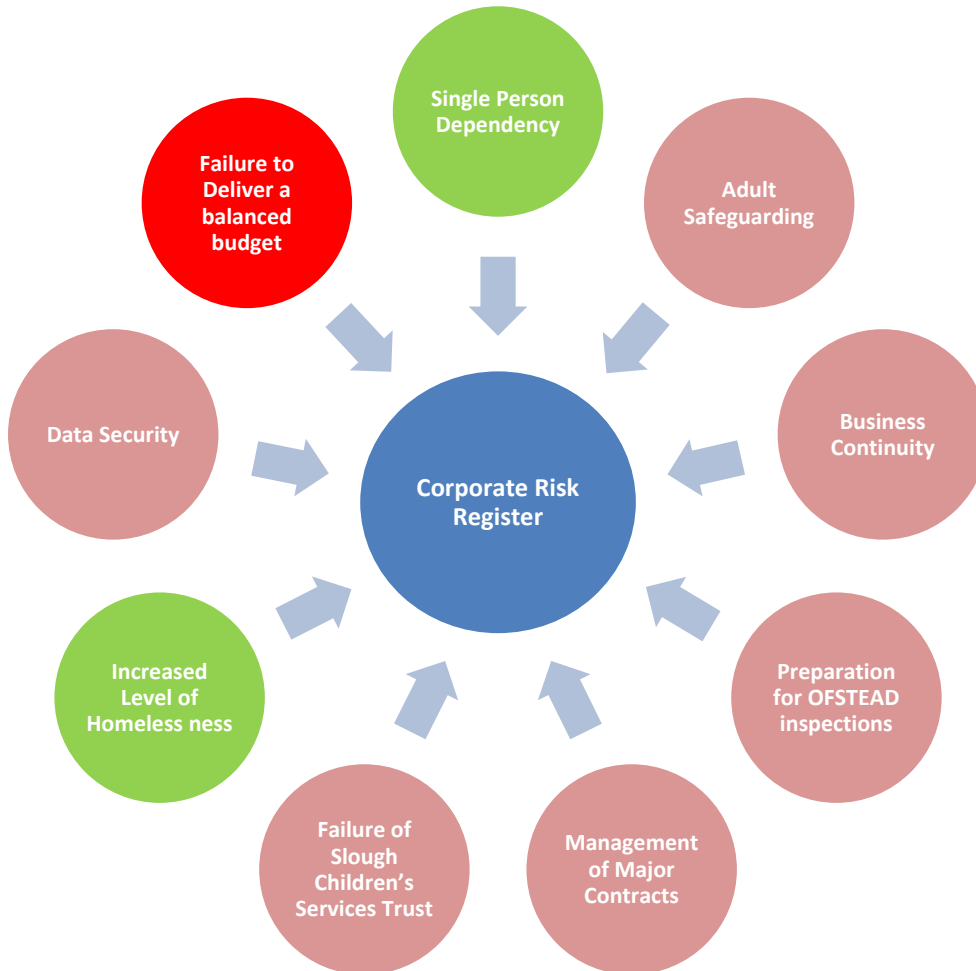
<b>Area</b>	<b>Issues identified during 2016/17</b>	<b>Action Taken</b>
Business Continuity	<p>An internal audit of this area provided a no assurance opinion over the effectiveness of controls in place and highlighted a lack of a robust framework for business continuity management within the Council.</p> <p>A lack of dedicated resource in this area over the last couple of years has resulted in a lack of attention being given to this important area. Furthermore, there were no arrangements for delivering business continuity management training to staff, or to ensure that there is effective monitoring and oversight of business continuity arrangements.</p>	<ul style="list-style-type: none"> <li>• The Council has reviewed the staffing resource and employed a resource to deal with Business Continuity</li> <li>• An overarching Business Continuity Management policy is in development</li> <li>• It has been agreed that progress against the Internal Audit actions and the plan will be reported monthly to the Risk Management Group.</li> </ul>
Information Governance	<p>An internal audit of this area provided no assurance opinion over the effectiveness of controls in place and identified that there was a lack of robust policies and procedures in place to support information governance framework within the Council, and as a consequence of this a number of key information governance requirements, such as data flow mapping were not being undertaken effectively across the Council.</p>	<ul style="list-style-type: none"> <li>• There has been little progress in this area but staffing levels are being reviewed to strengthen this area and address the agreed actions</li> </ul>
Voids Management	<p>An internal audit of our voids management procedures provided a no assurance opinion over the effectiveness of controls in place and highlighted a lack of policies and procedures in place to manage our voids process together with ineffective</p>	<ul style="list-style-type: none"> <li>• A recharge process using either Agresso or Capita will commence from May 2017</li> <li>• Three Performance Indicators were approved by Neighbourhood and Community Scrutiny Panel in</li> </ul>

	mechanisms to ensure that key controls are being complied with.	<p>January 2017</p> <ul style="list-style-type: none"> <li>• There is now an overarching Voids Policy in place</li> <li>• The Voids procedures have been updated and await final approval</li> <li>• The timeliness and the performance of the voids process is now recorded</li> </ul>
Fixed Penalty Notice Enforcement	An internal audit of our fixed penalty notice enforcement procedures provided a no assurance opinion over the effectiveness of controls in place as it was not possible to demonstrate that we were managing our contracts effectively and that all income due was being collected.	<ul style="list-style-type: none"> <li>• The Council can demonstrate that income received is being spent on related functions in line with Government guidance</li> </ul>
Health and Safety	An Internal Audit of our health and safety processes provided only partial assurance over the effectiveness of controls in place for this area and identified weaknesses in the reporting of health and safety risks across the Council, together with issues around the compliance with mandatory training not being identified.	<ul style="list-style-type: none"> <li>• The interim Chief Executive has taken responsibility for the majority of the Management Actions to ensure that they are completed</li> <li>• A member of the Health &amp; Safety Team now attends the Risk Management Group and Health &amp; Safety issues are now on the Corporate Risk register</li> <li>• The Corporate Management Team are currently reviewing the existing service provision.</li> <li>• The Manager's time input has been increased from 1 day to 3 days per week.</li> </ul>
Governance – Compliance with the Local Government Transparency Code 2015	<p>An Internal Audit of our compliance with the Local Government Transparency Code 2015 provided only partial assurance over the effectiveness of controls in place for this area.</p> <p>It identified that in a number of areas information which must be published by the Council was not and in a number of further instances the information that was published was out of date.</p>	<ul style="list-style-type: none"> <li>• Staff members have been assigned to maintain and update the information required</li> <li>• The list of transactions exceeding £500 has been updated</li> <li>• The publication date of the Social Housing Asset Value Spreadsheet has been stated.</li> <li>• The Housing Asset Value spreadsheet is now published at a general level</li> <li>• The Council has updated the detail required on Credit Card payments.</li> <li>• The Contracts Register is being updated to meet the requirements</li> <li>• The categorisation of payments is now consistent with the Local Government Transparency Code</li> </ul>

<p>Adult Safeguarding</p>	<p>In 2016/17, we requested that Internal Audit undertook a further review of our adult safeguarding arrangements and this identified that a number of areas of improvement were required. A partial assurance opinion was issued and one high and nine high priority actions were agreed.</p> <p>We have developed an action plan in response to this audit and are in the process of implementing actions to address the weaknesses identified.</p>	<ul style="list-style-type: none"> <li>• Regular review of delivery of actions at management meetings</li> <li>• Multi-agency audits of safeguarding practice and reporting outcome to statutory Safeguarding Adults Board and executive board</li> <li>• Executive board chaired by Director of Adult Social Care has oversight of safeguarding practice</li> <li>• Plans to establish a joint adult and children’s safeguarding business unit to ensure business support elements of safeguarding board functions are managed and improved</li> </ul>
<p>Voluntary Sector Commissioning</p>	<p>An audit of our arrangements for the ensuring the delivery of outcomes through our voluntary sector commissioning arrangements provided only partial assurance over the effectiveness of controls in place.</p>	<ul style="list-style-type: none"> <li>• Regular review of delivery of actions at management meetings</li> <li>• Resetting of the outcomes and outputs for this contract</li> <li>• Regular contract monitoring meetings have been set up</li> <li>• Publishing of delivery against outputs and outcomes.</li> </ul>

**Risk Register**

The following risks have been highlighted on the Corporate Risk register as at the 31<sup>st</sup> March 2017, together with the associated residual risk rating (colour coding):



*We, the Leader and Interim Chief Executive, undertake over the coming year to continue to improve and monitor our governance arrangements to ensure they remain fit for purpose. We acknowledge the weaknesses highlighted above in our governance arrangements and are committed to addressing these during 2017/18 and will reflect and report on their operation and effectiveness as part of our next annual review.*

Signed .....

Date:

Leader

Signed .....

Date:

Interim Chief Executive



## **CONCLUSION**

The Council's Audit & Corporate Governance Committee is responsible for providing independent assurance on the adequacy of the risk management framework and the associated control environment and ensuring that appropriate action is taken with respect the issues raised on the control environment (for which the Annual Governance Statement forms a key element).

The Committee believes that it has discharged that responsibility, and that this report is evidence of that.

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**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit & Corporate Governance Committee

**DATE:** 26<sup>th</sup> July 2017

**CONTACT OFFICER:** Neil Wilcox; Assistant Director, Audit & Finance  
**(For all enquiries)** (01753) 875368

**WARD(S):** All

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

**AUDIT & RISK MANAGEMENT UPDATE – QUARTER 1 2017-2018**

**1 Purpose of Report**

The purpose of this report is to:

- Report to Members on the progress of finalising draft Internal Audit reports
- Report to Members on the progress of the implementation of Internal Audit recommendations
- Report to Members the Council’s Risk Register
- Report to Members the Council’s latest counter-fraud activity

**2 Recommendation(s)/Proposed Action**

That Audit & Risk Committee is requested to 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 Finalising Internal Audit Reports

5.1.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 14<sup>th</sup> June 2017

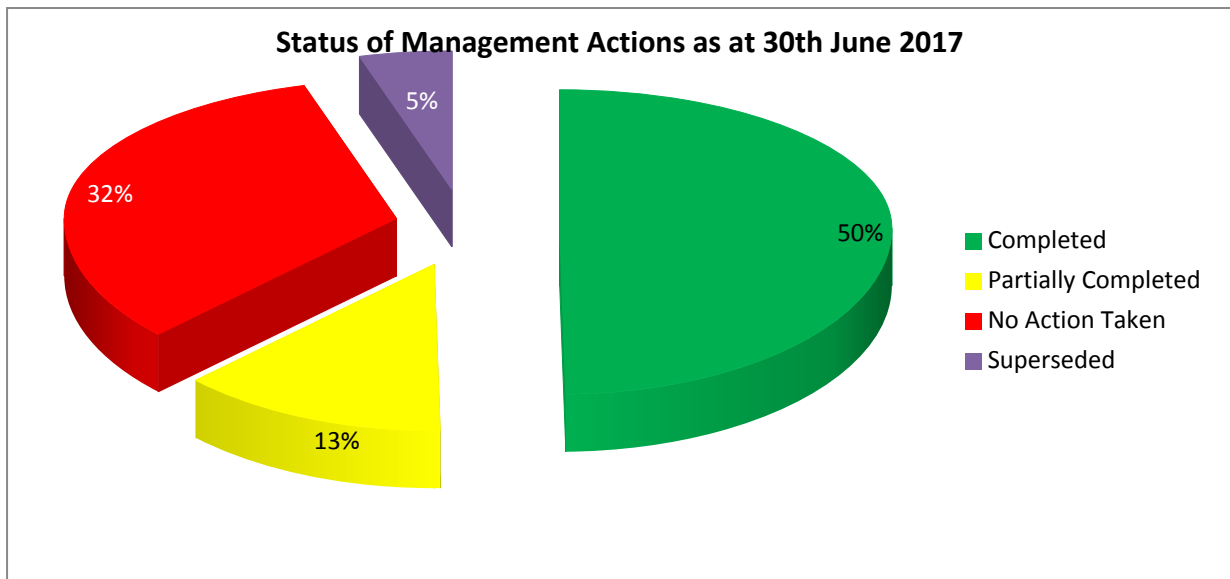
Audit	Audit Plan Year	Audit Sponsor	Assurance Level	Date to be Finalised by	Comments
Debtors Management	16/17	Neil Wilcox	Partial Assurance	16 <sup>th</sup> July 2017	To be finalised w/c 17 <sup>th</sup> July
Follow-Up	16/17	Neil Wilcox	N/A	4 <sup>th</sup> June 2017	To be finalised w/c 17 <sup>rd</sup> July
Follow-Up Financial Controls	16/17	Neil Wilcox	N/A	1 <sup>st</sup> April 2017	To be finalised w/c 17 <sup>rd</sup> July
Management of Housing Stock	17/18	Mike England	Partial Assurance	7 <sup>th</sup> July 2017	
Payroll	16/17	Neil Wilcox	Reasonable Assurance	28 <sup>th</sup> April 2017	To be finalised w/c 3 <sup>rd</sup> July

### 5.2 Monitoring Management Actions

5.2.1 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.

5.2.2 Attached at Appendix 1 is a table of Internal Audit from the 2015/16 and 2016/17 Audit Plans where actions are overdue or have been completed within since the last Governance report.

5.2.3 The number of implemented recommendations has decreased to 50%, down on the 58% report at the previous Audit and Corporate Governance committee.



### **5.3 Corporate Risk Register**

- 5.3.1 It was decided that the current Risk Management system does provide the quality of presentation that is required. It has therefore been decided that the Council will purchase the Risk Management system from RSM, who will provide a bespoke system for Slough Borough Council.
- 5.3.2 The reports and outputs from the existing system are difficult to follow and are visually unappealing.
- 5.3.3 The introduction of this new system has provided the impetus to refresh the Corporate Risk Register. RSM will be assisting in this refresh project and will be submitting a scope in the very near future, which will be circulated to CMT at the earliest opportunity. It is hoped to have the Corporate Risk Register updated by 1<sup>st</sup> September.

### **5.4 Fraud update**

- 5.4.1 Since April the Corporate Fraud Team (CFT) has dealt with 166 enquiries from a variety of sources including:
- Police,
  - Immigration,
  - Social Services
  - Other Local Authorities, and
  - Members of the Public

The Council has identified that assessing these inquiries reduces the capacity of the CFT to investigate fraud. Therefore we have appointed an Intelligence /Support Officer who will be the first point of contact for the CFT.

5.4.2 The CFT has opened new 23 cases since 1<sup>st</sup> April 2017 for Investigation. It is anticipated that with the Intelligence Officer in place more cases will be opened in the second half of the year.

5.4.3 The Corporate Fraud Team are also currently investigating nine Proceeds of Crime cases. The sources of these investigations are as follows:

3 Trading Standards  
2 Planning  
2 CFT  
1 Housing,  
1 case for Oxford City Council.

5.4.4 Appendix 2 details the 2017/18 Q1 results of the Corporate Fraud Team from 1<sup>st</sup> April 2017.

## **6 Conclusion**

That the Committee review and comment on details of the Audit and Risk Management Update Quarter 1 2017/18.

## **7 Appendices Attached**

Appendix 1 – Status of Internal Audit Management Actions  
Appendix 2 – Corporate Fraud Team – 2017/18 Q1 Results

## **8 Background Papers**




None.

Appendix 1

The Table Below details the status of Management Actions identified in the 2015/16 & 2016/17 Audit Plans






Name of Audit	Quarter 1 2017/18						DOT	Audit Sponsor
	High Level Actions not Completed		Medium Level Actions not Completed		Total of Actions not Completed	Action Completed in the last Quarter		
	No Progress	Partial	No Progress	Partial				
Adult Safeguarding 11 15 16	0	0	0	1	1	0		Alan Sinclair
Budgetary Control and Financial Reporting 25 15 16	0	0	0	0	<b>All Actions Complete</b>	1		Neil Wilcox
Business Continuity Planning Arrangements 1 16 17	0	3	2	0	5	2		Mike England
Creditors 19 15 16	0	0	0	0	<b>All Actions Complete</b>	2		Neil Wilcox
General Ledger 31 15 16	0	0	2	0	2	0		Neil Wilcox
Matrix - Management of Agency Staff 7 15 16	0	1	1	1	3	0		Roger Parkin

Appendix 1

Quarter 1 2017/18								
Name of Audit	High Level Actions not Completed		Medium Level Actions not Completed		Total of Actions not Completed	Action Completed in the last Quarter	DOT	Audit Sponsor
	No Progress	Partial	No Progress	Partial				
Payroll 26 15 16	0	0	0	0	<b>All Actions Complete</b>	1		Neil Wilcox
Rent Accounts 28 15 16	0	0	0	0	1	Action re stated in 16/17 Audit		Neil Wilcox
Risk Management	0	0	0	0	<b>All Actions Complete</b>	1		Neil Wilcox
Schools Thematic Review 24 15 16	0	0	1	0	1	0		Cate Duffy
Budgetary Control and Financial Reporting 10 16 17	0	0	0	1	1	5		Neil Wilcox



Appendix 1

Quarter 1 2017/18								
Name of Audit	High Level Actions not Completed		Medium Level Actions not Completed		Total of Actions not Completed	Action Completed in the last Quarter	DOT	Audit Sponsor
	No Progress	Partial	No Progress	Partial				
Treasury Management 20 15 16	0	0	0	0	<b>All Actions Complete</b>	2		Neil Wilcox
Cash Handling 22 15 16	0	0	0	1	1	Action Re stated in 16/17 Audit		Neil Wilcox
Counter Fraud Arrangements 43 15 16	0	0	1	1	2	2		Neil Wilcox
Income & Debtors Management 38 15 16	0	0	1	0	1	1		Neil Wilcox
Information Governance 31617	2	0	10	2	14	1		Roger Parkin

Appendix 1

Internal Audit Management Actions failing due since last quarter

Name of Audit	High Level rec's not Completed		Medium Level rec's not Completed		Action Completed	Total Actions Overdue	Sponsor
	No Progress	Partial	No Progress	Partial			
Transfer of Balances 21617	0	0	0	0	1	<b>All Actions Complete</b>	Roger Parkin
Budget Setting 41617	0	0	1	0	0	1	Neil Wilcox
School Financial Value Standard 51617	0	0	4	1	0	5	Neil Wilcox
VOIDS 61617	0	2	0	1	4	3	Mike England
Fixed Penalty Notice 91617	1	0	1	0	6	2	Mike England
Budgetary Control & Financial Reporting 101617	0	0	0	0	5	<b>All Actions Complete</b>	Neil Wilcox
Council Tax 111617	0	0	0	0	1	<b>All Actions Complete</b>	Neil Wilcox
Capital Expenditure 121617	0	0	0	1	1	1	Neil Wilcox
Rent Accounts 131617	0	0	0	2	1	1	Neil Wilcox
Business Rates 141617	0	0	0	0	1	<b>All Actions Complete</b>	Neil Wilcox
Transparency Code 151617	0	0	2	1	6	<b>3</b>	Tracy Luck

Appendix 1

Name of Audit	High Level rec's not Completed		Medium Level rec's not Completed		Action Completed	Total Actions Overdue	Sponsor
	No Progress	Partial	No Progress	Partial			
Housing Benefit 161617	0	0	0	0	1	<b>All Actions Complete</b>	Neil Wilcox
Risk Management 171617	0	1	0	7	4	12	Neil Wilcox
Treasury Management 191617	0	0	0	0	3	<b>All Actions Complete</b>	Neil Wilcox
General Ledger 201617	1	0	0	1	1	1	Neil Wilcox
Health & Safety 211617	0	0	3	2	2	5	Roger Parkin
Cash handling 241617	0	0	2	0	2	2	Neil Wilcox
Five Year Plan Outcomes 251617	0	0	0	0	1	0	Roger Parkin
Creditors 261617	0	0	2	0	1	2	Neil Wilcox
Asset Register 291617	0	0	2	0	0	2	Neil Wilcox
Procurement 321617	0	0	2	0	0	2	Neil Wilcox

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<b>Offence</b>	<b>Benefit to SBC</b>	<b>Comments</b>
Sub-Letting	£18,000	Tenant returned the keys to property and it has now been reallocated to someone on the Housing Register.
S8CTRS England Regs 2013 Right To Buy	£247 £778,000	Adpen accepted 24.4.17 Amount £247.27 Right to Buy
S8CTRS England Regs 2013 Right To Buy	£265 £778,000	Adpen accepted 8.5.17 Amount £265.44 Non residency proven RTB declined no discount awarded
S8CTRS England Regs 2013	£652	Adpen accepted and <b>paid in full by bankers cheque £651.84</b>
S8CTRS England Regs 2013 Right To Buy	£475 £778,000	Adpen accepted and <b>paid in full by bankers cheque £475.22</b> Non residency proven RTB declined no discount awarded
S8CTRS England Regs 2013 Grant & Benefit Fraud/POCA	£760 £17,302	Adpen accepted 21.6.17 Grant & Benefit fraud - Jointworking with TVP - Compensation from Confiscation
S8CTRS England Regs 2013	£1,483	Adpen Accepted 22.6.17 <b>paid in full by personal cheque £1483.12</b> (Landlord Liable for debt)
<b>Total</b>	<b><u>£2,373,184</u></b>	

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**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Corporate Governance Committee

**DATE:** 26<sup>th</sup> July 2017

**CONTACT OFFICER:** Neil Wilcox Section 151 Officer, Assistant Director Finance & Audit  
**(For all Enquiries)** (01753) 875358

**WARD(S):** ALL

**PART I**  
**FOR COMMENT & CONSIDERATION**

**INTERNAL AUDIT UPDATE – QUARTER 1 2017-2018****1. Purpose of Report**

The purpose of this report is to report to Members on the progress against the 2016/17 Internal Audit Plan and the 2017/18 Internal Audit Plan up to Quarter 1.

**2. Recommendation(s)/Proposed Action**

That the Committee comment on and note details of the Internal Audit Update Quarter 1 2017/18.

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

The Slough Joint Wellbeing Strategy (SJWS) is the document that details the priorities agreed for Slough with partner organisations. The SJWS has been developed using a comprehensive evidence base that includes the Joint Strategic Needs Assessment (JSNA). Both are clearly linked and must be used in conjunction when preparing your report. They have been combined in the Slough Wellbeing Board report template to enable you to provide supporting information highlighting the link between the SJWS and JSNA priorities.

**3a. Slough Joint Wellbeing Strategy Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes.

The maintenance of excellent governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

The report helps achieve the corporate objectives by detailing how the Council is delivering the Council's budget in line with the approved budget.

**4. Other Implications**

(a) Financial

There are no direct financial implications of this report, however failure to implement actions raised could have an impact on the Council's ability to achieve its financial objectives.

(b) Risk Management

This report is concerned with the risk management and other governance arrangements of the Council

(c) Human Rights Act and Other Legal Implications

There are no human rights issues arising from this report

(d) Equalities Impact Assessment

There are no equality issues arising from this report

5. **Supporting Information**

5.1 The Council has finalised the seventeen audit reports relating to the 2016/17 plan since the previous Audit and Corporate Governance Committee meeting.

5.2 Of these reports, one report (Fixed Penalty Enforcement) received a 'no' assurance opinion, and six reports (Governance, Health and Safety, General Ledger, Creditors, Adult Safeguarding and Voluntary Sector Commissioning) received only 'partial' assurance opinions.

5.3 The Council has finalised 4 audit reports relating to the 2017/18 plan.  
IQRA School

- Lea Nursery School
- Holy Family Catholic School
- Schools Financial Value Standard

5.4 Three reviews delivered a positive assurance opinion, IQRA being provided with 'substantial' assurance and Lea Nursery and Holy Family Catholic School being provided with 'Reasonable Assurance'.

6. **Comments of Other Committees**

None.

7. **Conclusion**

That the Committee comment on and note details of the Internal Audit Update Quarter 1 2017/18.

8. **Appendices Attached**

Appendix 1 - Internal Audit Progress Report

9. **Background Papers**

None.





**SLOUGH BOROUGH COUNCIL**

**Internal Audit Progress Report**

**For the Audit and Corporate Governance  
Committee meeting on 26<sup>th</sup> July 2017**

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no  
responsibility or liability in respect of this report to any other party.



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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

# 1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit Committee on 16<sup>th</sup> March 2017. This report provides a summary update on progress against that plan and any remaining audits within the 2016/17 plan as at the 22 June 2017.

## 2016/17 Internal Audit Plan

The Council have finalised 17 reports since the previous Audit and Corporate Governance Committee meeting. These are in the following areas:

- Capital Expenditure
- Housing Benefits
- Treasury Management
- Governance
- Health and Safety
- Fixed Penalty Notice Enforcement
- Cash Handling
- General Ledger
- Five Year Plan Outcomes
- Tax – Temporary Staff Arrangements, In-House VAT return Completion Process and Follow Up
- Homelessness
- Asset Register
- Allocations
- Creditors
- Procurement
- Adult Safeguarding
- Voluntary Sector Commissioning – Delivery of Outcomes

Of these reports, one report (Fixed Penalty Enforcement) received a 'no' assurance opinion, and six reports (Governance, Health and Safety, General Ledger, Creditors, Adult Safeguarding and Voluntary Sector Commissioning) received only 'partial' assurance opinions. A summary of the review and Medium and High Actions, along with implementation dates and owners has been included within Appendix A below. These opinions, including the areas of significant weakness identified, have been considered as part of our Head of Internal Audit Opinion for 2016/17, for which a qualified opinion has been provided to the Council.

Two of the reports above (Procurement and Tax Arrangements) were conducted as Advisory pieces of work and do not contain an opinion.

The remaining eight reports finalised as part of the 2016/17 Internal Audit Plan provided positive assurance. Of the reports above, one report (Housing Benefits) was given a 'substantial' assurance opinion. The remaining seven audits finalised were given a 'reasonable assurance' opinion (Allocations, Homelessness, Five Year Plan Outcomes, Cash Handling, Treasury Management, Capital Expenditure and Asset Register).

In addition to the above, the following reports have been issued in draft as part of the 2016/17 plan and are in the process of being finalised:

- Follow Up – sponsor is liaising with the Risk and Insurance Officer to complete.
- Follow Up of Financial Controls – sponsor is liaising with the Risk and Insurance Officer to complete.

- Payroll – sponsor is liaising with the Risk and Insurance Officer to complete.
- Debtors Management – recently issued.

### **2017/18 Internal Audit Plan**

The Council have finalised four reports since the previous Audit and Corporate Governance Committee meeting held on 16<sup>th</sup> March 2017. These are in the following areas:

- IQRA School
- Lea Nursery School
- Holy Family Catholic School
- Schools Financial Value Standard

Three reviews delivered a positive assurance opinion, IQRA being provided with ‘substantial’ assurance and Lea Nursery and Holy Family Catholic School being provided with ‘Reasonable Assurance’.

In addition to the above, the following reports have been issued in draft and we are awaiting responses by management before they are finalised.

- Management of Housing Stock
- Gas Servicing




The rest of this report summarises the progress of our work to date with the 2017/18 plan, and as stated above, contains details of finalised 2016/17 audits where a ‘No Assurance’ or ‘Partial Assurance’ opinion has been given in Appendix A. Delivery of the plan is in line with the delivery agreed by the Audit and Corporate Governance Committee.

## 2 SUMMARY OF PROGRESS TO DATE

Reports shown in bold have been finalised.

Executive summaries and action plans from any negative assurance reports finalised since the previous meeting are appended to the bottom of this progress report.

### 2017/18 Internal Audit Plan (includes draft opinions)

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
<b>Iqra School</b>	<b>April 2017</b>	<b>Final Report</b>	<b>2<sup>nd</sup> June 2017</b>	<b>7<sup>th</sup> June 2017</b>		<b>1</b>	<b>0</b>	<b>0</b>
<b>Lea Nursery School</b>	<b>April 2017</b>	<b>Final Report</b>	<b>2<sup>nd</sup> June 2017</b>	<b>23<sup>rd</sup> June 2017</b>		<b>10</b>	<b>3</b>	<b>0</b>
<b>Holy Family Catholic School</b>	<b>April 2017</b>	<b>Final Report</b>	<b>8<sup>th</sup> June 2017</b>	<b>11<sup>th</sup> July 2017</b>		<b>4</b>	<b>3</b>	<b>0</b>
<b>SFVS</b>	<b>May 2017</b>	<b>Final Report</b>	<b>23<sup>rd</sup> June 2017</b>	<b>3<sup>rd</sup> July 2017</b>	<b>Advisory</b>	<b>3</b>	<b>3</b>	<b>0</b>
Management of Housing Stock	May 2017	Draft Report	23 <sup>rd</sup> June 2017					
Gas Safety	June 2017	Draft Report	11 <sup>th</sup> July 2017					
Chalvey Early Years Centre	April 2017	In QA						
Amey Contract Management	May 2017	In progress						
Use of the Pupil Premium	May 2017	In progress						
SEN Funding	June 2017	In progress						
Follow Up Q1	June 2017	In progress						
Neighbourhood ASB Enforcement	June 2017	In progress						
Budgetary Control	July 2017	Scope issued						
Educational Welfare Service*	August 2017	Delay requested						
Information Governance	August 2017	Scope issued						
Delayed Transfers of Care	September 2017	Dates Agreed						

New Facilities Contract	September 2017	Dates Agreed
Council Tax	September 2017	Scope Agreed
Five Year Plan - Performance Reporting	September 2017	Dates Agreed
Business Continuity Advisory Support	September 2017	Scope Issued
Equal Pay Review / Gender Pay Reporting Gap	September 2017	Scope to be issued
Data Flow Mapping	September 2017	Scope Agreed
Follow Up Q2	October 2017	Dates Agreed
Staff Establishment Changes	October 2017	Dates Agreed
Capital Expenditure	October 2017	Scope issued
Debtors	October 2017	Scope issued
Adult Social Care Supervision	November 2017	Dates Agreed
Rent Accounts	November 2017	Scope Agreed
Creditors	November 2017	Scope issued
Fixed Penalty Enforcement*	November 2017	Dates Agreed
Data Protection	November 2017	Dates Agreed
Governance	November 2017	Dates Agreed
Cash Management & Collection / Treasury Management	December 2017	Scope Issued
Assets	December 2017	Scope Issued
Follow Up Q3	December 2017	Dates Agreed
Payroll	December 2017	Scope Agreed
Business Rates	December 2017	Dates Proposed
General Ledger	December 2017	Scope issued
Voids*	January 2018	Dates Agreed
Follow Up Q4	March 2018	Dates Agreed

\* Please note change from agreed plan, see details below.

# 3 OTHER MATTERS

## 3.1 Changes to the 2017/18 audit plan

Auditable area	Reason for change
Voids	Audit delayed to Q4 (initially agreed to be undertaken in Quarter 2) at the request of the Head of Neighbourhoods, as a new contractor will be in post from December 1 <sup>st</sup> , and the review would be better placed in January 2018 to provide assurance over the arrangements for voids with the new contractor.
Educational Welfare Service	This audit was initially agreed to be undertaken in Quarter 2, but has been delayed at the request of the Strategic Director, Children, Skills and Learning, as the service has only recently been brought back in house from Mott Macdonald (Cambridge Education).
Fixed Penalty Notices	This audit was due to be undertaken in Quarter 2, but has been delayed at the request of the Head of Neighbourhoods, as the 2016/17 report was only recently finalised, and Housing are in the process of implementing the actions.

## 3.2 Impact of our work to date on year end opinion

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The assurances given in our 2016/17 audit assignments are included within our 2016/17 Annual Assurance report. In particular the Committee should note that any negative assurance opinions (No Assurance or Partial Assurance opinions) have been noted in the annual report and have resulted in a qualified annual opinion.

The Committee should note there are a number of weaknesses that need to be promptly addressed and assurance provided through the recommendation tracking process that timely management action is being taken. Where we have issued 'no assurance' (red) and 'partial assurance' (amber / red) reports, a number of these opinions have impacted our 2016/17 Head of Internal Audit Opinion for the Council. We advised the Committee at the March 2017 meeting that we have qualified the annual opinion for 2016/17 and this opinion is provided as a separate agenda item for the Audit and Corporate Governance Committee as part of our Internal Audit Annual Report.

We have continued and will continue to keep the Section 151 Officer, CMT and Audit and Corporate Governance Committee updated over the coming months on the outcome of our remaining 2017/18 work. We have also agreed a number of areas where negative assurance opinions have been issued in 2016/17, where we can provide further support and advice to the Council to ensure that these weaknesses are addressed in a timely manner. These details are included below.



### 3.3 Added value work

Area of work	How this has added value
Risk Management Support	We are providing the council with support to embed and re-establish effective risk management processes to aid in the achievement of the Council's objectives. The scope of the support is currently being discussed with the Council.
Business Continuity Support	Following a negative assurance opinion issued within 2016/17, we have agreed to provide support to the Council in improving its processes in relation to Business Continuity and the scope of the work is currently being agreed with the Council.
Data Flow Mapping	Following a negative assurance opinion in 2016/17, we are providing the Council with support to map their flows of data, to aid in the Council's management and security of data. A scope of work has been agreed with the Council

### 3.4 Information and briefings

The following items were highlighted as part of our information briefings since the last Audit and Corporate Governance Committee in March 2017:

#### Uncertainty ahead according to CIPFA

The Chief Executive of CIPFA has warned of a 'greater period of uncertainty after the inconclusive result of the general election.' In a wide ranging speech Rob Whiteman anticipated that the new government would change tact from the austerity driven policies of recent years and stated that 'the government is going to get really bogged down in Brexit.'

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#### Crisis communications

The recent ransomware cyber-attack has certainly opened many eyes as to risks faced by organisations. In response, the Local Government Association (LGA) has published guidance for local authorities on how they should approach crisis communications in the event of a cyber-attack. Top tips include:

- Create a crisis communications plan
- Prepare and practicing your emergency response, this could uncover vital learning that will help to mitigate the effect of a crisis should a major incident occur
- As with all crisis situations it is important to communicate as early as possible to help your organisation proactively manage your message rather than reacting to conversations and speculation.
- Appoint a spokesperson to deliver both your internal and external messages
- Brief your contact centre
- Engage with IT and legal colleagues

#### Code for sports governance

A new Code for sports governance has been published setting out the 'levels of transparency, accountability and financial integrity' required from those bodies seeking government and National Lottery funding. It is applicable to any organisation that seeks funding from Sport England or UK Sport, including national governing bodies of sport, clubs, charities and local authorities.

## Integrating health and social care

The Public Accounts Committee (PAC) has published a report on the integration of health services with social care, with a damning verdict on the better care fund (BCF). The PAC opens up with the statement that the BCF has failed once again in its primary objectives (as detailed in a previous report in 2015), with the PAC stating that the BCF 'was little more than a complicated ruse to transfer money from health to local government to paper over the funding pressures on adult social care.' Moving forward the PAC is looking for immediate involvement of local government in the sustainability and transformation planning process, and for stakeholders to take responsibility for the performance of health and social care integration programmes.

## Scarce resources

The Local Government Association (LGA) has published a resource for the sector to gain understanding on whether they are making the best use of resources on social care. The report states that 'lead members for adult social care are having to engage in a fundamental re-think about how they use their scarce resources to benefit the most vulnerable members of their communities'. As such, the LGA sets out some key considerations when undertaking this process, including key questions that could be considered when changes to services are made.

## Webinars

Public Finance has a number of webinar resources available on topics such as 'how to pay suppliers promptly and support local growth' and 'financial planning and budgeting for health and social care integration.'

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## Integrating health and social care

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## The re-buy of the right to buy

The BBC has published a story on councils buying back homes at discount under right-to-buy laws.

## Responses to industrial strategy and housing paper

The Local Government Association has published its responses to the government's [housing white paper](#) and the [industrial strategy paper](#).

## Devolution deals

The Department for Communities and Local Government (DCLG) has published guidance explaining the powers that are being transferred to numerous English regions and the subsequent responsibilities of Mayors.

## Planning for business rate retention

The Department for Communities and Local Government (DCLG) has made good progress in the design of 100 per cent local business rates retention, but there are still doubts about the 'challenging timescale for delivery', according to the National Audit Office (NAO).

Concerns were raised over the tendency for this type of government project to suffer from over-optimism with the NAO also warning that the financial sustainability of the sector must not be put at risk in the search for local authority self-sustainability.

## Social care report

The Communities and Local Government Committee has published the report of its inquiry into adult social care, with some more alarming news for the sector and for the government. The Committee identified just one in twelve directors of adult social care are 'fully confident' that statutory requirements will be met by their local authority in 2017/18, with a high turnover rate of nurses in social care of 35.9 per cent also cited. Indeed these 'severe challenges' in the care workforce is regarded as one of the main reasons for the 'deterioration in overall quality of care', with this 'likely to continue.' Recommendations for the government include: calling on the government to publish a care workers' charter, which would set out what care workers can expect from their employer; and improvements made to pay and conditions, in order to encourage care worker retention in the sector.

## Spring budget

The government have in part responded to the 'social care crisis' as the Chancellor confirmed that an additional £2bn of funding for adult social care will be provided to councils over the next three years including £1.2bn upfront in 2017-18. The Local Government Association (LGA) remarked on this 'significant step' towards the protection of care services in the future but remained wary of the challenge of finding a long term solution. Finding a longer term solution to social care is to be the subject of a green paper 'to put the system on a more secure and sustainable long term footing.' The Chancellor also responded to recent criticisms of the business rates revaluation exercise announcing: £300m provided to local authorities to support discretionary relief of 'individual hard cases in their local area'; and a £1,000 discount to small pubs with local authorities fully compensated for these measures.

## Right to buy revisited

Housing Minister, Gavin Barwell, has pledged to look at the right to buy rules again stating it was 'only justifiable' if replacement homes were being built by the government.

## Council fined over fatal tower block fire

Southwark Council has been fined over half a million pounds over safety deficiencies which tragically led to six people losing their lives in a fire which enveloped a 14 storey block of flats in 2009. The court case was brought about by a London fire brigade inspection that identified a number of issues including the failure to make a fire safety assessment and numerous structural deficiencies for fire safety.

## Report of local government finance

The Secretary of State for Communities and Local Government, Sajid Javid, has presented before parliament the 2017 to 2018 report on local government finance in England with negative reaction coming from stakeholders including the Local Government Association (LGA) who stated 'it is hugely disappointing that today's settlement has confirmed that government will not provide any new funding for councils in 2017/18', with further warnings that despite a number of councils planning to increase their council tax rates it would not be enough to prevent cuts to services.

The government has also found itself in a battle regarding the [revaluation of business rates](#) as its original statement regarding the number of authorities seeing business rate cuts has been disputed vociferously in the media by property consultants Gerald Eve.

## Further business rate retention consultation

The Department for Communities and Local Government has announced a further consultation on the design of the reformed system for 100 per cent business rate retention. The consultation comes as the government [published](#) its response to the original consultation held which gathered views on giving local government the power to retain 100 per cent of business rates they raise locally. The further consultation seeks views on: how the government should approach the move to a centrally managed appeals risk system; and the proposed approach for partial resets. The consultation concludes 3 May 2017.

## Capital funding in schools

The National Audit Office (NAO) has published a report on the government's capital funding for schools with a focus on whether enough school places are being created and whether the government is working well with local bodies to ensure adequate maintenance and improvement is being carried out.

## Recruitment and retention of teachers

The Education Committee has delivered a scathing assessment of the government's record regarding the recruitment and retention of teachers, stating that 'although the government recognises that there are issues, it has been unable to address them and consistently fails to meet recruitment targets.' The Committee called for government to follow up on its plan for a national vacancy website, free for schools to use; and for the Department for Education to publish teacher recruitment split at a regional level in order for recruitment to be better informed.


## Workbook on fraud and bribery

The LGA in partnership with CIPFA has published 'A councillor's workbook on bribery and fraud prevention.' The workbook is described as a learning aid for elected members and invites the user to think about their own approach to neighbourhood and community engagement with sections including: council and councillor responsibilities in relation to fraud prevention and detection' and the fraud response.

## Working with care providers

This guide by CIPFA is aimed at adult social care commissioners and is designed to equip them with the knowledge and skills they need to improve relationships with care providers, working towards agreed fee rates and supporting market.

# APPENDIX A: KEY FINDINGS FROM FINALISED 2016/17 INTERNAL AUDIT WORK (HIGH AND MEDIUM PRIORITY MANAGEMENT ACTIONS ONLY WHERE PARTIAL OR NO ASSURANCE REPORTS HAVE BEEN ISSUED)

General Ledger (20.16/17) – PARTIAL ASSURANCE			6 - Low 3- Medium 1- High	
<ul style="list-style-type: none"> <li>We were advised that the Council’s General Ledger is backed up by Trustmarque and the contract between the Council and Trustmarque incorporates the procedures relating to this and disaster recovery. We were unable to obtain the contract with Trustmarque and were therefore unable to provide assurance that the agreements in place are adequate. Following discussions with the Head of Financial Reporting and Assistant Director of Finance, we established that information to confirm back-ups of Agresso (by Trustmarque) are undertaken on a daily basis are not sent to the Council or to arvato. In addition, evidence of disaster recovery tests being conducted by Trustmarque are also not received by either the Finance Team or the IT Team at the Council or through arvato. If the Council does not receive confirmation that back-ups are regularly and successfully undertaken, there is a risk that the Council’s contractor (and therefore the Council) may be unable recover all financial information if backups have not been conducted, or if testing has not been undertaken or assurance received on a contractors disaster recovery arrangements. We have agreed a <b>High</b> priority management action in respect of this.</li> <li>Responsibility for reconciliations is split between arvato and the Finance department at the Council with arvato undertaking the reconciliation of bank accounts. The Council have encountered a number of system problems since the implementation of Agresso in 2016 which has led to the Accounts Receivable and Miscellaneous accounts not being reconciled in a timely manner, only being conducted in December 2016, covering the period from April 2016-December 2016. We also noted that the suspense accounts are yet to be cleared due to technical issues with the system resulting in £1.4m being held in suspense with arvato due to take over the maintenance of the Agresso system as of 13<sup>th</sup> March 2017. If reconciliations are not undertaken on a monthly basis and reviewed appropriately, there is a risk that material differences or errors may not be identified in a timely manner. We have agreed a <b>medium</b> priority management action in respect of this.</li> <li>Access to Agresso is controlled by username and password and new users are given access according to their job role. We noted however that there was currently not a requirement in place for passwords to be changed on a regular basis. If passwords are not changed on a regular basis, there is a risk of unauthorised access as a result of insecure processes which are not in line with best practice. We have agreed a <b>medium</b> priority management action in respect of this.</li> <li>Any amendments to account codes such as changes to ‘approvers’ within workflow are undertaken by the Financial Systems Administrator following a request from an appropriate individual. We selected a sample of 20 cost centres in order to establish whether these had been accompanied by an appropriate request. We were unable obtain evidence of a request for eight account codes in our sample. In the remaining 12 instances we noted that three were accompanied by a signed form, with seven being amendments to existing codes and therefore not requiring a form. In the remaining two instances we noted that there had not been a form submitted. If the Council does not implement a formal request form which is signed by both HR and a manager for the relevant department, to verify the status of the employee and job role there is a risk that unauthorised access maybe be given. We have agreed a <b>medium</b> priority management action in respect of this.</li> </ul>				
Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible

1	The Council will ensure that the frequency of backups is stated within the contract with Trustmarque and that assurance is received that backups are conducted regularly and disaster recovery arrangements are tested for the ledger.	High	30 June 2017	Vijay Maguire – arvato contract lead
2	BACS Control account reconciliations will be conducted in a timely manner to ensure issues are resolved.	Medium	31 August 2017	Barry Stratfull – Head of Financial Reporting
3	The Council will implement a password policy and activate password control within Agresso, requiring passwords to be changed on a quarterly basis.	Medium	31 August 2017	Kim Bryant – Senior Accountant
4	The Council will ensure that a signed request form is received for all account codes prior to their set up and where the account code is for an emergency purpose, the Council will ensure that the receipt of the form is followed up.	Medium	31 August 2017	Barry Stratfull – Head of Financial Reporting

**Creditors (26.16/17) – PARTIAL ASSURANCE**



**2 - Low**  
**4- Medium**  
**1- High**

- The Council has an Agresso Accounts Payable Handbook which we verified is available on the Council Intranet. However, no Council specific procedure notes have been created, and therefore the roles and responsibilities of the Council and arvato have not been clearly outlined or communicated to all staff. We have raised a **medium** action to address the risk that staff are not able to discharge their duties effectively since there is no single procedure which can be referred to.
- Through our review, we also noted that a significant control weakness highlighted within 2014/15 and 2015/16 audit was in regards to the retention of evidence to support amendments to supplier standing data and the lack of verification checks to confirm the legitimacy of request to amend supplier details, which resulted in a **high** action, which has not yet been addressed. The weaknesses identified increases the risk that fraudulent requests to amend supplier standing data will be processed, resulting in the misappropriation of funds and financial loss to the Council. We have re-raised the high action, and raised an additional **two medium** actions in relation to issues identified for amendments to supplier details.
- Finally, we noted that the last general ledger to creditor's ledger reconciliation took place in November 2016 and it was not evidenced as dual reviewed or signed off. Monthly reconciliations have not occurred consistently over the year and therefore we have raised a **medium** management action to address this compliance issue.

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
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1	<p>The Supplier Amendment Form will be updated to include a section for capturing verification checks undertaken to confirm the legitimacy of requests to amend supplier details.</p> <p>All amendments to supplier standing data (including changes to email addresses and bank details) will be supported by a fully completed and authorised form (with any relevant correspondence), clearly evidencing the verification checks undertaken.</p>	High	30 July 2017	Barry Stratfull – Head of Financial Reporting
2	<p>The Council will create a procedural document for the creditors module of Agresso.</p> <p>This will include;</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities of key council staff;</li> <li>• Roles and responsibilities of Arvato;</li> <li>• Key functionalities of Agresso; and</li> <li>• Reporting arrangements</li> </ul> <p>This procedural document will be approved by a relevant body, uploaded to the intranet, and then notified to all appropriate finance staff by email.</p>	Medium	31 May 2017	Vijay McGuire – arvato contract lead
3	<p>The Council will investigate and resolve the 'Amendment Logging' issue on Agresso. Changes in supplier details will then be able to be monitored and reviewed.</p>	Medium	30 June 2017	Barry Stratfull – Head of Financial Reporting
4	<p>The workflow on the Agresso system will be changed for amendments to supplier details. A comprehensive segregation of duties to approve and verify amendments of supplier details will be implemented between arvato P2P and Council Procurement.</p>	Medium	31 July 2017	Fred Narmh – Head of Procurement
5	<p>The Council will reconcile the creditor's ledger to the general ledger and will continue to do so on a monthly basis. Reconciliations will be checked and signed off by an additional member of staff within Finance, with any discrepancies investigated and resolved.</p>	Medium	31 May 2018	Barry Stratfull – Head of Financial Reporting

### Fixed Penalty Enforcement (9.16/17) – NO ASSURANCE



3 - Low  
5- Medium  
4- High

We have identified a number of weaknesses and issues which have resulted in **four high** and **five medium priority** management actions:

- Through interviews with all Neighbourhood Managers, we confirmed that no formal processes are in place to systematically track income due through to the collection, receipting and banking. No formal payment monitoring / reconciliation process increases the risk of income being unaccounted. . This has resulted in a **High** priority action for management.



- DEFRA, the Government body, responsible for 'sustaining the natural environment' issued guidance based on a number of pieces of legislation in relation to how Councils should issue Fixed Penalty Notices. The guidance states that income received from FPNs have to be reinvested in this service area, however we could not clearly identify how the income received from this function has been spent, risking reputational damage for the Council as a result of not complying with national guidance. This has resulted in a **High** priority action.
- A formal agreement was not in place between the Council and the external contractor, Kingdom Security Ltd. By not maintaining a formal contract between the Council and the contractor; with performance metrics in place to monitor activity, there are financial risks which could arise as a result of payment disputes and wider legal risks if the Council have not agreed standards and performance levels with a contractor. This has resulted in a **High** priority action for management.
- Testing identified that the Council does not receive formal reports from the external contractor (Kingdom) of all notices issued within the respective month or copies of notices issued to ensure that the appropriate information has been recorded. This has resulted in a **High** priority action for management as a lack of management information hinders the capability of the Council to effectively govern the enforcement process and reconcile notices issued to those paid to ensure that it is receiving all income due for enforcement notices issued. There is a risk therefore that the Council is not receiving all income due and has no current control mechanism in place to be sighted on this or monitor income collection.
- We identified that while the Council does have an overarching Enforcement Policy, it does not have an Enforcement Strategy that is available for the public which clearly documents the following in relation to Fixed Penalty Notices (in line with government guidance):
  - offences included in the fixed penalty notice scheme;
  - fines for each offence; details of any early payment discounts;
  - how notices are issued;
  - how juvenile offenders are dealt with;
  - what will happen with offenders that don't pay;
  - how to appeal (if option is offered);
  - how money will be spent; and
  - records that will be kept from notices served.
- The council does have an Enforcement Policy; however this information is not included. This has resulted in a **Medium** priority action for management as the Council may not be complying with government guidance and are not providing sufficient guidance for the public to be aware of what is covered under the Policy.
- We were informed by staff within the FPN area and we confirmed through sample testing that due to the disproportionate costs associated with court proceedings compared to fines imposed; no court proceedings would be exercised for notices issued by the external contractor Kingdom Security Ltd. Evidence of the decision made by the Neighbourhoods and Community Services Scrutiny Panel was requested. However, we could not evidence any decision made by the panel. This has resulted in a **Medium** priority action for management; as the Council may therefore be limiting the recovery of notice fees where they have a 'no recovery' process in place with alleged offenders.
- We also identified that limited information is provided to the Neighbourhoods and Community Services Scrutiny Panel on the collection of income from FPN's issued. In addition there was limited information of the numbers and types of offences. Without sufficient information the Panel cannot scrutinise the work of the function. This has resulted in a '**Medium**' priority action.
- We identified that the Council does not maintain a record of appeals. While we accept that there is no obligation to offer an appeals process there is a risk to the reputation of the Council if they cannot demonstrate how many appeals they have received and how they have responded to these. This has resulted in a **Medium** priority management action.



- We confirmed through review with staff at the time of audit that the Council is not aware of whether Kingdom Security sends payment reminders to alleged offenders. A failure to either not issue payment reminders or have specific timeframes for the issuing of payment reminders may hinder the capability of the Council to obtain fixed penalty notice income in a timely manner. A **Medium priority** action has been agreed in relation to this issue.

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	A supplier agreement / contract will be implemented to govern the arrangements in place between the contractor and the Council for the provision of the enforcement scheme.  This should incorporate performance metrics to allow the Council to monitor the performance of the contractor on a periodic basis.	High	31 May 2017	John Griffiths
2	The council will develop a formal process to systematically track income due through to collection, receipting and banking.  This will include guidance for undertaking regular, formal reconciliations between income received and records maintained.	High	31 May 2017	Baljinder Sangha
3	The Council will develop more detailed performance metrics which are reported to the Neighbourhoods and Community Services Scrutiny Panel which provides data on: <ul style="list-style-type: none"> <li>• Number of fixed penalty notices issued (and a breakdown by offence); and</li> <li>• The success of the Council in collecting income due from offenders.</li> </ul> This will be reported through the scrutiny panel on at least a quarterly basis.	High	30 July 2017	Kevin Smith
4	A clear control framework will be put in place to ensure that, in line with government guidance, income received from the serving of fixed penalty notices is spent on related functions.	High	31 May 2017	Baljinder Sangha
5	We will review the existing Enforcement Policy and amend it to ensure that it includes all areas outline within the 2015 DEFRA guidance on Fixed Penalty Notices.  As part of this, the policy will be subject to annual review.	Medium	31 July 2017	John Griffiths
6	The Council will liaise with the external contractor Kingdom Security Ltd to determine whether: <ul style="list-style-type: none"> <li>• Reports can be produced on a monthly basis which document all fixed penalty notices issued; and</li> <li>• Copies of notices issued can be provided.</li> </ul>	Medium	31 <sup>st</sup> May 2017	John Griffiths

7	The Council will identify whether payment reminders are sent to alleged offenders for notices issued by the external contractor Kingdom Security Ltd.  If these are not issued, the Council will provide guidance on the timeframes under which these should be issued and require the contractor to report on this through a key performance indicator.	Medium	31 <sup>st</sup> May 2017	John Griffiths
8	Explicit clarification will be sought from the members of the Neighbourhood and Community Services Scrutiny Panel to determine whether a council decision has been made for no recovery action to be taken against alleged offenders who have been served fixed penalty notices by Kingdom Security Ltd.	Medium	31 <sup>st</sup> May 2017	John Griffiths
9	The Neighbourhood Manager (Resilience and Enforcement) will maintain a central record of: <ul style="list-style-type: none"> <li>• Appeals received; and</li> <li>• Responses given.</li> </ul>	Medium	31 <sup>st</sup> July 2017	Ian Blake

Health and Safety (9.16/17) – PARTIAL ASSURANCE



4 - Low  
6- Medium  
1- High

The key findings from this review are as follows:

**Policies and Procedures**

We selected a sample of three relevant Health and Safety codes of practice (procedures) and whilst we confirmed that they contained adequate detail regarding processes, we found that the Risk Assessment Procedure had not been updated since May 2011. From a review of several other procedures on the Council’s intranet, we found that some had not been updated since 2008. If procedures are not kept up to date regularly, there is a risk that any changes to legislation and/or best practice may not be included and therefore not followed by staff. Due to this we have agreed a **medium** priority management action.

**Training**

We found that mandatory health and safety training for all staff was being reported on; however our review also demonstrated low levels of compliance with training across the directorates, with only the CEO’s directorate having more than 90% compliance with mandatory Health and Safety Training at the end of August 2016 (reported in January 2017). All other directorates had between 40-60% compliance. If mandatory health and safety training compliance is not robustly challenged, there is a risk of Health and Safety failings as a result of staff not being trained. We have agreed a **medium** priority action in this area.

**Risk Assessments, Self-Audits, Action Plans and Incident Reporting**

From review of the four directorates we found the following:

- We could not evidence adequate discussion or monitoring of the risk assessment action plans or incident reporting for RHR and CE. If action plans are not regularly reviewed at Directorate level, there is an increased chance of risks being realised as a result of a lack of review. Due to this, we have agreed a **medium** priority management action.
- Target dates had not been identified for all actions raised within risk assessments or the action plans. When target dates had been set, we found that no explanations were given for incomplete actions which had passed the due date and revised target dates had not been set. If timescales are not set and monitored, there is a risk that issues highlighted on the assessments/action plans may not be addressed, leading to the risk being realised. On this basis, we have agreed a **medium** priority management action.
- We were unable to obtain the risk assessments or self-audit for Chief Executive's Directorate as well as the action plan for Adult Social Care. This does not comply with the Health and Safety Policy which states: 'The Level 3 manager is responsible for ensuring that there are suitable and sufficient records. Records may be kept on computer or in hard copy, but must be readily available and secure.' If records are not maintained or kept accordingly, this could increase the likelihood of risks being realised. The Council may also not be able to produce the required evidence should these be required by either the insurers or the Health and Safety executive. Consequently, we have agreed a **medium** priority management action.

## Governance

From review of meeting minutes from each Directorate Health and Safety Committee, we found that high priority risks were not being escalated up from the service lines. We also found this to be the case between the Directorate Health and Safety Committees and the Corporate Health and Safety Committee as it was not clear how high risks are being reported to these committees. If high priority risks are not escalated up through the governance structure, there is a risk that mitigating actions may not be implemented in a timely manner causing the risks identified to remain and potentially lead to the Council being liable for incidents which could occur as a result of the risk not being mitigated. Due to this we have agreed a **high** priority management action.

Additionally we found that within the RHR and CE Health and Safety Committee, there was minimal discussion around health and safety risk assessments and a directorate Health and Safety action plan. This raises the risk of issues not being discussed or rectified, leading to potential hazard causing injury or harm to employees. As a result, we have agreed a **medium** priority management action.

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Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	High risks identified in Health and Safety Risk Assessments will be reported up from service lines to their respective Directorate Health and Safety meeting for monitoring.  Higher level risks will also be reported up from the Directorate Health and Safety meeting to the Corporate Health and Safety Committee for regular review	High	31 March 2017	Roger Parkin – Interim Chief Executive
2	An exercise will be undertaken to update all procedural documents (Codes of Practice) regarding Health and Safety to ensure that they include areas of best practice.  Once updated, procedures will be approved by the Corporate Health and Safety Committee.	Medium	30 June 2017	Robin Pringle – Health and Safety Manager

3	<p>An exercise will be carried out to identify all staff eligible for the mandatory and optional training courses regarding health and safety along with staff that have already completed this training.</p> <p>Following this, a Health and Safety Compliance Report will be presented and challenged at the Corporate Management Team and the Senior Management Team.</p> <p>This report will include the compliance rates of health and safety training for all levels of staff across all directorates.</p>	Medium	30 June 2017	Roger Parkin – Interim Chief Executive
4	<p>A Health and Safety Report will be produced to replace the action plan. This will include:</p> <ul style="list-style-type: none"> <li>• Compliance of risk assessments and self-audits completed. completed</li> <li>• Risks and respective actions raised from risk assessments</li> <li>• Risks and respective actions raised from self-audits</li> <li>• Accident and incident statistics along with detailed of cases and action taken.</li> </ul> <p>This report will be completed and updated for each directorate and reviewed at each directorate Health and Safety meeting. This will ensure actions are being monitored and therefore completed in a timely manner</p>	Medium	30 June 2017	Roger Parkin – Interim Chief Executive
5	<p>As per the H&amp;S Policy, H&amp;S leads will ensure that risk assessments and self-audits are readily available and stored securely.</p>	Medium	31 April 2017	Roger Parkin – Interim Chief Executive
6	<p>The following will be included as standing agenda items for each Directorate Health and Safety Committee to ensure that relevant matters are regularly discussed and monitored:</p> <ul style="list-style-type: none"> <li>• Update from Service Lines;</li> <li>• Review of high level risks and actions arisen from risk assessments and self-audits;</li> <li>• Compliance of risk assessments and self-audits;</li> <li>• Accident and Incident Reports/Statistics; and</li> <li>• Training compliance.</li> </ul>	Medium	30 April 2017	Roger Parkin – Interim Chief Executive
7	<p>Target dates will be set for all actions identified as a result of self-audits. These will also be added to the Directorate Health and Safety Action Plan.</p> <p>Where the target date has passed for a particular action, explanations will be provided and revised targets dates will be set.</p>	Medium	30 April 2017	Roger Parkin – Interim Chief Executive

**Governance – Transparency Code Compliance (9.16/17) – PARTIAL ASSURANCE**



**18 - Low**  
**9- Medium**  
**0- High**

The key findings from this review resulted in nine **Medium** priority actions being agreed and these are as follows:

**Responsibility for compliance with the Transparency Code 2015**

From the list of staff responsible to update various information categories, we confirmed that a number of staff were no longer in post which has affected the regular publication of such information. This was evident from the results of our compliance testing where information published against 9 of the 15 categories was out of date. Due to responsibility not being assigned to maintain and update the information published under the Code there is a risk of non-compliance which may lead to reputational damage. We have agreed that staff will be allocated to all 15 information categories of the Code to ensure timely updates to information published on the Council Website. **Medium**

**Information which must be published**

We reviewed information available on the Council website for compliance with the ‘must be published’ information and confirmed that:

- Information was published against 11/15 categories, whereas 4 categories were not published. The unpublished 4 categories were:
  - Government Procurement Card transactions;
  - Grants to voluntary, community and social enterprise organisations;
  - Parking account; and
  - Parking spaces.
- Of the 11 published categories, the required frequency of publication was not met for 9 categories; and
- 7 of the 11 published categories did not meet all the specific requirements of the code.


Due to gaps in ‘must be published’ information and this being out of date there is a risk of non-compliance, reputational damage and a potential increase in FOI requests for information which should have been published under the Code. This has resulted in a total of eight **Medium** category priority actions being agreed.

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Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	Staff will be allocated to all 15 information categories of the Transparency Code to ensure timely updates to information are published on the Council Website	Medium	31 March 2017	Tracy Luck – Assistant Director, Strategy and Engagement
2	The transactions list for expenditure exceeding £500 will be updated and the latest version will be uploaded and maintained on a quarterly basis	Medium	31 March 2017	Claire Portsmouth – Procurement Specialist
3	Details of every transaction on a Government Procurement Card will be published. If such cards are not used, this should be clearly stated on the Council website.	Medium	30 April 2017	Claire Portsmouth – Procurement Specialist

4	<p>The Council will ensure that the contract register format and information published against each contract will be updated to comply with the requirements stated within Annex A of the Local Government Transparency Code 2015, and include:</p> <ul style="list-style-type: none"> <li>• Reference number</li> <li>• Title of agreement</li> <li>• Local authority department responsible</li> <li>• Description of the goods and/or services being provided</li> <li>• Supplier name and details</li> <li>• Sum to be paid over the length of the contract or the estimated annual spending or budget for the contract</li> <li>• Value Added Tax that cannot be recovered</li> <li>• Start, end and review dates</li> <li>• Whether or not the contract was the result of an invitation to quote or a published invitation to tender</li> <li>• Whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number.</li> </ul>	Medium	30 April 2017	Frederick Narmh – Head of Procurement
5	<p>The Council will meet the requirement to publish details of all grants to voluntary, community and social enterprise organisations on an annual basis.</p> <p>For each identified grant, the following information will be published as a minimum:</p> <ul style="list-style-type: none"> <li>• Date the grant was awarded</li> <li>• Time period for which the grant has been given</li> <li>• Local authority department which awarded the grant</li> <li>• Beneficiary</li> <li>• Beneficiary's registration number</li> <li>• Summary of the purpose of the grant amount</li> </ul>	Medium	30 April 2017	Craig Brewin – Head of Service: Commissioning
6	<p>The Council will publish parking account information to comply with the Local Government Transparency Code. The information will include:</p> <ul style="list-style-type: none"> <li>• A breakdown of income and expenditure on the authority's parking account. The breakdown of income must include details of revenue collected from on-street parking, off-street parking and Penalty Charge Notices</li> <li>• A breakdown of how the authority has spent a surplus on its parking account.</li> </ul>	Medium	30 April 2017	Kam Hothi - Team Leader Parking
7	<p>The published Senior Salaries over £50k document will be updated.</p>	Medium	30 April 2017	Surjit Nagra, OD/HR Business Partner

8	The Fraud information published on the Council Website will be updated	Medium	30 April 2017	Lyn Davies – Corporate Fraud Manager
9	The Council will publish parking spaces information to comply with the Local Government Transparency Code. The information will include:  The number of marked out controlled on and off-street parking spaces within their area, or an estimate of the number of spaces where controlled parking space is not marked out in individual parking bays or spaces.	Medium	30 April 2017	Kam Hothi, Team Leader Parking

<b>Adult Safeguarding (28.16/17) – PARTIAL ASSURANCE</b>		<b>8 - Low</b> <b>8- Medium</b> <b>1- High</b>
<p>In total we have raised one high, eight medium and eight low priority actions relating to the design and application of and compliance with the control framework. The high and medium priority actions are summarised below:</p>		
<ul style="list-style-type: none"> <li>For staff training we tested a sample of 10 Adult Social Care staff and found three staff (employment start dates 12 December 2016, 9 January and 16 January 2017) who were required to be trained to Level 2 but had only received training up to Level 1. We confirmed that the Council training calendar for the year had now ended and new dates were yet to be planned for Level 2 training. There is a risk that safeguarding cases are not appropriately handled which may lead to reputational damage to the Council. <b>(Medium)</b></li> <li>No multi agency audits have taken place during the year and from the meeting minutes of the SAB Performance Sub Group; it is not clear whether any lessons from the previous year's audit have been addressed. Further, meeting minutes of the SAB Performance Sub Group indicated that the group had not been attended in full consistently. There is a risk that the sub group loses focus and is not effective to highlight learning from audits undertaken. The audit plan and key themes for audit should be identified and timelines agreed in conjunction with objectives identified in the SAB Strategic Business Plan. <b>(Medium)</b></li> <li>Our walkthrough of the case management process confirmed that the triage on referral was being undertaken by a Social Worker and two other Designated Safeguarding Managers (DSMs). As per Council staff guidance on the use of IAS, only a DSM is required to review all referrals when received. Therefore this is not in compliance with the Council's staff guidance. Secondly, there is a risk of making an incorrect triage which may lead to harm to the user and reputational damage for the Council. The Council should ensure all triages for referrals received are undertaken by a DSM. <b>(Medium)</b></li> <li>Our walkthrough of the case management process also confirmed that there is no designated case manager for open cases who is accountable for managing the case from referral to closure. There is a risk that key decisions are not taken in a timely manner due to inconsistency in safeguarding staff involved on a case with no overall responsibility. <b>(Medium)</b></li> <li>For our deep dive we noted that in 3/10 cases, the first date of contact was not within the required one working day from the date of the concern received. In addition, from our sample, 6 cases progressed to the strategy meeting stage, of which for 5 cases, the strategy meeting did not take place within the indicative timeframe of 5 working days. There is a risk of inconsistent practice and understanding of timescales required to meet, which may lead to safeguarding concerns raised not managed in a timely manner. <b>(High)</b></li> <li>For our deep dive we identified 2 cases which based on the case notes and discussion with the relevant practice lead, should have been closed however both cases were showing as open and no closure forms were completed or signed off. There is a risk of inconsistent practice and understanding of</li> </ul>		



timescales required to meet, which may lead to safeguarding concerns raised not managed in a timely manner. **(Medium)**

- As part of our deep dive of 10 cases, we matched key case dates between IAS and the safeguarding spreadsheet and noted a number of dates which did not match (4/10 referral dates and 8/10 dates pertaining to first contact made did not match) and other exceptions where the spreadsheet was not updated. This was due to input errors on the spreadsheet or delays in updating it. Due to the above, we do not consider the maintained spreadsheet whose main function is reporting and preparing the monthly performance report, to be a true and accurate reflection of case progress made on the primary system, IAS. The current process of updating the spreadsheet does not appear to be reliable and there is an increased risk of incorrect case progress being reported internally and externally which may lead to reputational damage. **(Medium)**
- Based on our tests where we matched the key case dates between IAS and the safeguarding spreadsheet, the current process of updating the spreadsheet does not appear to be reliable and there is an increased risk of incorrect case progress being reported. We confirmed that the Council was looking into options to enhance functionality of IAS to enable reporting from IAS itself. We consider this to be the preferable option to ensure accuracy of reported information and reduced time spent by staff on duplication. **(Medium)**
- In relation to action reference 1.4 from our previous year's report, we confirmed that the Quality Management Framework and Terms of Reference for the Care Governance Board will be revised once the Adult Social Care reorganisation is complete in April 2017. The revision will reflect the new structure and connection with the new East Berkshire Care Home Quality Group. The sign off process will be to Care Governance Board and then to Adult Social Care DMT, which is a new management body created following the restructuring of the top tier within the Council. We have therefore reiterated our action from last year's report. Without ensuring the Framework is reflective of current reporting and governance structures, including frequency of meetings and reporting to the various groups, there is a risk that the groups that form the Framework do not adequately discharge their duties and Adult Social Care is not managed within a sufficiently robust performance reporting framework. **(Medium)**

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Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	Staff will be reminded to adhere to expected timescales for all stages of the case management process	High	31 April 2017	Dianne Martin, Interim Safeguarding Team Manager
2	The Council will ascertain all Level 2 staff that have not received training and ensure their training is expedited.  As an interim measure, the Council will ascertain their current role and responsibility and ensure it matches their current level of skill.	Medium	30 June 2017	Simon Broad – Head of Adult Social Care
3	The Council will agree the work plan, terms of reference and membership of the SAB Performance Sub Group.	Medium	30 June 2017	Simon Broad – Head of Adult Social Care
4	The Council will ensure that all triages for referrals received are undertaken by a DSM.	Medium	30 April 2017	Simon Broad – Head of Adult Social Care



5	The Council, as part of the new pathway for case management will ensure a designated case manager is accountable to all cases which progress to an initial enquiry stage.	Medium	30 April 2017	Dianne Martin, Interim Safeguarding Team Manager
6	The Council will ensure DSMs are reminded to complete and sign off the case closure forms on IAS.	Medium	30 April 2017	Dianne Martin, Interim Safeguarding Team Manager
7	The Council will enhance IAS to ensure its reporting functionally is fit for purpose.	Medium	30 March 2018	Alex Cowen, Transformation Manager
8	The Council will agree the timing to phase out the use of the safeguarding spreadsheet once the IAS reporting function goes live.	Medium	30 March 2018	Alex Cowen, Transformation Manager
9	<p>The Council will ensure that the Quality Management Framework is updated to ensure that it is reflective of the governance and reporting structures within Adult Social Care, including frequency of reporting.</p> <p>In addition, the Terms of Reference for the Care Governance Board will be updated to correctly reflect the remit of Board and its responsibility to the Slough Safeguarding Adults Partnership Board and the Adult Social Care DMT.</p> <p>The Framework will be subject to approval by the Adult Social Care DMT, detail a next review date and be subject to regular review thereafter. Once approved, the Framework will be circulated to all relevant staff and made accessible via the intranet.</p>	Medium	30 September 2017	Craig Brewin – Head of Commissioning

### Voluntary Sector Commissioning – Delivery Of Outcomes (7.16/17) – PARTIAL ASSURANCE



1 - Low  
4- Medium  
1- High

The key findings from this review are as follows:

We confirmed that Slough Council for Voluntary Services (Slough CVS) had been commissioned as the lead contractor, with the SPACE consortium consisting of Slough CVS and the following three organisations:

- Royal Voluntary Service (RVS);
- Slough Community Transport and Shop Mobility (SCT); and
- Slough Crossroads Caring for Carers.

Whilst a contract was in place for the partnership covering key terms including the service specifications, outcomes required, the length of the contract and parties

involved, we noted that it was only signed by both parties and sealed on 4 October 2016, nine months following the commencement of the partnership. We identified through discussion with the Commissioning Project Manager that the delay in finalising and agreeing the contract had been as a result of performance measures not being finalised prior to the commencement of the partnership.

However, where a signed agreement is not in place prior to commencement of a contractual relationship, the Council may be exposed to legal risks in the event of a dispute, as it may be unable to hold providers/partners to account should they default on any of the terms and conditions of the contract. A **(Medium) priority** management action has been agreed in respect of ensuring the timely agreement of future commissioning contracts.

We noted that SPACE had individual Service Level Agreements (SLAs) with a wide range of voluntary organisations to deliver the services to meet the agreed outcomes as per the partnership contract and review of a sample of these confirmed that these had been signed by both parties and were aligned to the service specification within the partnership contract.

Through review and discussion with the Commissioning Project Manager, we identified that performance measures and targets for monitoring the delivery of the partnership outcomes had yet to be finalised at the time of the audit. There has therefore been a lack of outcomes-focused monitoring to date. There was also a lack of a defined governance structure for monitoring performance of the SPACE contract within Council and for upward reporting of performance to senior management and Members, and a dedicated forum had not been established within the Council for this purpose. There have therefore not been any reports presented to these forums to date.

We also noted that there was an absence of a defined and documented Terms of Reference for the contract monitoring meetings held with SPACE to set out the purpose and format of the meetings and the required representatives of both parties.

Without finalising and agreeing performance monitoring arrangements, and ensuring suitable performance measures and targets are in place for monitoring delivery against the partnership outcomes, there is a risk that a lack of adequate monitoring may result in desired outcomes not being delivered in line with the Voluntary Sector Partnership Strategy 2015-20. We have agreed one **(High)** and three **(Medium priority)** management actions in respect of these issues.

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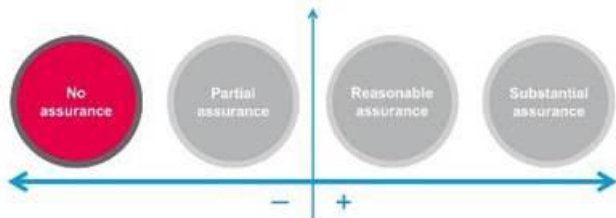
Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	<p>The Council will finalise and agree the outcomes framework and performance monitoring arrangements for the SPACE contract.</p> <p>As part of this, the Council will;</p> <ul style="list-style-type: none"> <li>• Review the targets for the outcome measures to ensure these are appropriate based on collated data;</li> <li>• Finalise and agree the outcome sub-measures and suitable targets for these;</li> </ul> <p>Develop and agree the method for collating the necessary data to report against the measures, i.e. through the use of a questionnaire/survey or other methods;</p>	High	Immediate	<p>Ian McIlwain – Commissioning Project Manager</p> <p>Suzanne Binns – Supply Chain Relationship Manager</p>

2	<p>Terms of Reference will be developed and agreed for the SPACE contract monitoring meetings to set out;</p> <ul style="list-style-type: none"> <li>• Remit/purpose of the meetings;</li> <li>• Responsibilities;</li> <li>• Membership and required attendees;</li> <li>• Meeting frequency; Required reports; and</li> <li>• Accountability</li> </ul>	Medium	29 September 2017	<p>Craig Brewin – Head of Commissioning</p> <p>Suzanne Binns – Supply Chain Relationship Manager</p>
3	<p>An action log will be maintained for the SPACE contract monitoring meetings to record details of assigned actions, deadlines and owners, and the completion of these</p>	Medium	29 September 2017	<p>Craig Brewin – Head of Commissioning</p>
4	<p>The operational monitoring and reporting arrangements for the SPACE contract will be reviewed to ensure that;</p> <ul style="list-style-type: none"> <li>• A dedicated forum is established to oversee the monitoring of contractual performance and delivery of agreed outcomes; and</li> <li>• Arrangements are in place for upward reporting of performance to senior management and Members.</li> </ul>	Medium	Immediate	<p>Craig Brewin – Head of Commissioning</p> <p>Suzanne Binns – Supply Chain Relationship Manager</p>
5	<p>The Commissioning Service will ensure that all appropriate governance arrangements are agreed and signed by relevant parties prior to commencement of the agreement.</p> <p>Timescales will be set that enable all actions required for achievement of this to be completed.</p>	Medium	Immediate	<p>Craig Brewin – Head of Commissioning</p>

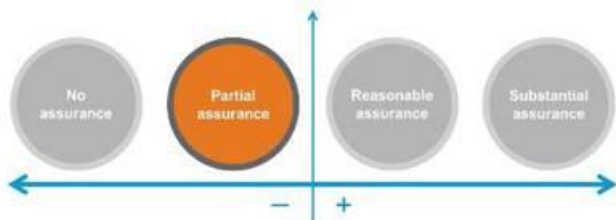
## 2016/17 AND 2017/18 ASSURANCE OPINIONS

For 2016/17, we are constantly developing and evolving the methods used to provide assurance to our clients. As part of this, we have refreshed our opinion levels in line with the graphics below.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



Taking account of the issues identified, the Board **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Board can take **partial assurance** that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Board can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

## FOR FURTHER INFORMATION CONTACT

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**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Corporate Governance Committee

**DATE:** 26<sup>th</sup> July 2017

**CONTACT OFFICER:** Neil Wilcox Section 151 Officer, Assistant Director Finance & Audit  
(For all Enquiries) (01753) 875358

**WARD(S):** ALL

**PART I**  
**FOR COMMENT & CONSIDERATION**

**ANNUAL INTERNAL AUDIT REPORT 2016-2017**1. **Purpose of Report**

The purpose of this report is to present to Members the Annual Internal Audit report.

2. **Recommendation(s)/Proposed Action**

That the Committee comment and note the Annual Internal Audit Report as detailed in Appendix .1

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

The [Slough Joint Wellbeing Strategy](#) (SJWS) is the document that details the priorities agreed for Slough with partner organisations. The SJWS has been developed using a comprehensive evidence base that includes the Joint Strategic Needs Assessment (JSNA). Both are clearly linked and must be used in conjunction when preparing your report. They have been combined in the Slough Wellbeing Board report template to enable you to provide supporting information highlighting the link between the SJWS and JSNA priorities.

3a. **Slough Joint Wellbeing Strategy Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes.

The maintenance of excellent governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

The report helps achieve the corporate objectives by detailing how the Council is delivering the Council's budget in line with the approved budget.

#### 4. **Other Implications**

##### (a) Financial

There are no direct financial implications of this report

##### (b) Risk Management

This report is concerned with the risk management and other governance arrangements of the Council

##### (c) Human Rights Act and Other Legal Implications

There are no human rights issues arising from this report

##### (d) Equalities Impact Assessment

There are no equality issues arising from this report

#### 5. **Supporting Information**

5.1 The Head of Internal Audit is required to give an annual opinion on the overall adequacy and effectiveness of the organisations risk management, control and governance processes.

5.2 The opinion given by the Head of Internal Audit for Slough Borough for 2016/17 is as follows:

*“There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.”*

5.3 The full report is at Appendix 1.

#### 6 **Comments of Other Committees**

None.

#### 7 **Conclusion**

That Members consider details of the Annual Internal Audit Report 2016/17.

#### 8 **Appendices Attached**

Appendix 1 – Head of Internal Audit Opinion

#### 9 **Background Papers**

None.





# SLOUGH BOROUGH COUNCIL

## Annual internal audit report 2016/2017

For the meeting of the Audit and Corporate  
Governance Committee Meeting on 26<sup>th</sup> July  
2017

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no  
responsibility or liability in respect of this report to any other party.





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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is solely for the use of the persons to whom it is addressed and for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

## 1.1 The opinion

For the 12 months ended 31 March 2017, the head of internal audit opinion for Slough Borough Council is as follows:

### Head of internal audit opinion 2016/2017

**There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.**

---

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

## 1.2 Scope of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Corporate Governance committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. It should be noted, that due to the absence of a comprehensive risk management process, we were only able to provide a partial assurance opinion over the effectiveness of the Council's risk management arrangements. As such, reliance could not be placed on the content of the risk registers and specifically that these provide a comprehensive assessment of the actual risks faced by the Council during the year.

Since the publication of our report on this area, the Council has commenced a review of its existing risk management arrangements, and is considering a number of options regarding how these can be improved and provided more effectively in the future. We understand this includes risk management training and new risk management software.

## 1.3 Factors and findings which have informed our opinion

We have issued 34 internal audit reports in 2016/17. Of these, 28 were issued with assurance opinions, 2 were follow ups of progress made to implement previously agreed management actions and the remaining 4 were advisory reviews. We issued positive assurance opinions for 15 of the 28 assurance reviews.

The following reports have been issued to the Council where we have provided a **no assurance (red)** opinion. For these areas, we have concluded that the Council cannot take assurance over the effectiveness of controls in place and urgent action needs to be taken to address the areas of weakness identified;

**Business Continuity:** Our audit highlighted a lack of a robust framework for business continuity management within the Council. These weaknesses were principally due to a lack of dedicated resource in this area over the last two years which had resulted in a lack of attention being given to this important area. Furthermore, there were no arrangements for delivering business continuity management training to staff, or to ensure that there was effective monitoring and oversight of business continuity arrangements. **Information Governance:** Our audit identified a lack of robust policies and procedures in place to support a robust information governance framework within the Council, and as a consequence of this a number of key information governance requirements, such as data flow mapping were not being undertaken effectively across the Council.

**Voids Management:** Our audit highlighted a lack of policies and procedures in place to manage the voids process together with ineffective processes to ensure they are being complied with. **Fixed Penalty Notice Enforcement:** This audit identified weaknesses over the effectiveness of controls in place as it was not possible to demonstrate that the Council were managing our contracts effectively and that all income due is being collected.

The following audits resulted in a **partial (amber red)** assurance opinion. For these areas, the Council can only take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risks.

It should be noted that for our work on both risk management and governance that we were only able to provide partial assurance opinions and this has had a direct impact on the overall opinion that we have provided to the Council.

**Risk Management:** Our audit of risk management provided a partial assurance opinion due to the lack of oversight of risks at a directorate level due to the absence of an effective risk management system together with the lack of scrutiny of the corporate risk register at Cabinet level during 2016. In addition to this the audit identified that there was no joined up process between the Corporate Risk Register and Project level risks or training provided to staff on the use of the new risk management system and as consequence we could not provide assurance that risk management was operating effectively throughout the organisation.

**Governance – Compliance with the Local Government Transparency Code:** Our audit identified that in a number of areas information which must be published by the Council had not been published and in some instances the information that was published was out of date.

**Adult Safeguarding:** Our audit provided only partial assurance due to weaknesses in the management of adult safeguarding cases together with non-compliance with safeguarding training targets and a lack of multi-agency review audits to ensure that learning can be gained from previous safeguarding cases. As such, assurance could not be provided that cases are being processed in a timely and effective manner.

**Budgetary Control and Financial Reporting:** our audit provided only partial assurance due in particular to a lack of scrutiny and reporting on savings plans during the 1<sup>st</sup> half of the year to senior management and therefore there was no effective oversight as to whether savings plans had been delivered. In addition there was a lack of evidence of discussion of financial reports within directorate meetings and only limited numbers of staff had completed budget holder training.

**Health and Safety:** Our audit identified weaknesses in the reporting of health and safety risks across the Council, together with issues around the compliance with mandatory training not being identified.

**Voluntary Sector Commissioning:** our audit noted that whilst progress had been made in finalising and agreeing an outcomes framework for monitoring delivery of the partnership outcomes for voluntary sector commissioning, this had yet to be finalised at the time of the review. There was therefore a lack of outcomes-focused monitoring to ensure that the objectives of the partnership were being delivered.

**General Ledger:** Our audit identified weaknesses in the design of controls relating to the maintenance of the General Ledger. These related to month end procedures including reconciliations, user access to Agresso and the creation of new account codes.

**Transfer of Balances – Agresso:** Our audit identified that whilst that overall balances transferred to Agresso corresponded to Oracle; we identified issues with the mapping of the chart of accounts (CoA) and exceptions with regards to the transfer of individual account balances. As a result of these issues there is a risk that individual balances may not have transferred appropriately to the correct account.

**Creditors:** Our audit identified an absence of robust controls around amendments to supplier data together with a continued failure to meet the 95% 30 day payment targets, both of which were issues that were raised as part of our 2015/16 audit. In addition testing identified weakness in relation to a lack of Agresso training, a lack of procedural notes and brought forward unreconciled ledger balances.

**Follow Up of Financial Control Audits (draft):** A follow up of the actions identified as part of our 2015/16 financial system audits, where a number of partial assurance opinions were provided identified that the Council had made poor progress in addressing these actions. Of particular concern, it was noted that two high priority actions, in relation to findings from our creditors and debtors audits had not been implemented by the Council, although we noted that the action in relation to debtors had been subsequently been implemented.

**Follow Up (draft):** a follow up of finalised 2016/17 reports concluded that the Council had made poor progress in addressing management actions. Of particular concern were nine high priority management actions which had either been not addressed or only partially addressed by the Council.

For all of the above reports we have agreed management actions within our audit reports to address the areas of weakness identified. In addition, we have also agreed with the Section 151 Officer and Interim Chief Executive that as part of our 2017/18 Internal Audit Plan, we will provide some advisory support to the Council in the areas of Business Continuity, Information Governance and Risk Management to assist the organisation in developing more robust control frameworks to ensure the weaknesses identified are addressed.

In addition to the above reports, we have also undertaken a number of advisory reviews, or both the contract management change process and procurement where, whilst no formal opinion was provided, a number of areas of weakness were identified.

It should also be noted that there were a number of audits where we were provided either a substantial or reasonable assurance opinion. These areas are listed in full within appendix B of this report and include;

- Homelessness
- Asset Register
- Budget Setting
- Delivery of Five Year Plan Outcomes
- Council tax
- Treasury Management
- Rent Accounts
- Payroll
- Debtors

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

## **1.4 Topics judged relevant for consideration as part of the annual governance statement**

As the overall Head of Internal Audit Opinion for the Council is a qualified one, due to the weaknesses identified in the effectiveness of systems for risk management, governance and internal control highlighted above, the Council needs to ensure that this qualification is reflected within the Annual Governance Statement.

The statement should also highlight those specific areas of weakness in the following audits which have resulted in either no or partial assurance opinions being provided, together with the actions that have been taken by the Council since the publication of these audit reports to address the areas of weakness identified or any future action planned. We have highlighted to the Council as part of our work to support the preparation of the AGS those areas which require inclusion within this document. These audits are;

- Business Continuity:
- Information Governance
- Voids
- Fixed Penalty Notice Enforcement
- Risk Management
- Governance – compliance with the Local Government Transparency Code
- Health and Safety
- Adult Safeguarding
- Voluntary Sector Commissioning

In addition to the above, we would expect the AGS to highlight the weaknesses identified as part of our reviews of the Council's systems of key financial controls, including budgetary control in particular, as for a number of these audits we were only able to provide a partial assurance opinion (please refer to Appendix B for the further details).

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2016/17 for those report which have been finalised. At the time of the drafting this report, four reports were in draft and had not been finalised, although we have been provided with assurances as part of the debrief process that the management actions set out within these reports have been accepted.

### 2.2 Implementation of internal audit management actions

Our follow up of the actions agreed made as part of the 2015/16 financial system audits together with a sample of 2016/17 finalised reports (including Information Governance, Voids and Business Continuity where no assurance opinions had been provided and Budgetary Control and Financial Reporting and Business Continuity and IT Disaster Recovery where partial assurance opinions had been provided) concluded that the Council had made **poor** progress in implementing the agreed actions. A summary of the implementation status of the actions reviewed is detailed below;

Implementation status by management action priority	Number of actions agreed	Status of management actions				
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Completed or no longer necessary (1)+(4)
High	13	2	6	5	0	2
Medium	28	6	4	18	0	6
Low	14	6	1	6	1	7
<b>Totals</b>	<b>55</b>	<b>14</b>	<b>11</b>	<b>29</b>	<b>1</b>	<b>15</b>

Of the 55 actions reviewed, we found that while 14 (25%) had been implemented, a further 29 actions (53%) were not implemented. Of this, five high priority actions had not been implemented.

These related to;

- the operation of the supplier amendment process as part of the 2015/16 Creditors review;
- the follow up of discrepancies identified for parking income between the amounts collected and the amounts banked, identified in the Income and Debtors audit (2015/16), although we noted that following the issue of this follow up, we were provided with evidence to demonstrate that the Council had addressed this issue;
- the establishment of a group to oversee the Council's Business Continuity agenda (Business Continuity 2016/17)
- the development of a formal process to review technical specifications prior to works being carried out, as part of our Voids 2016/17 audit.
- The re-introduction of the Savings RAG report within the Financial and Performance Reports to ensure there is regular oversight and monitoring of performance against savings plans, (Budgetary Control and Financial Reporting 2016/17audit).

## **2.3 Working with other assurance providers**

In forming our opinion we have not placed any direct reliance on other assurance providers.



## 3 OUR PERFORMANCE

### 3.1 Conflicts of interest

We have undertaken work in the 2016/17 financial year covering the following areas:

Whistleblowing – at the request of the Assistant Director, Finance and Audit, our Counter Fraud team have assisted the Council in a whistleblowing investigation.

Contract Management - Our contract management team have undertaken an open book review into a contract and provided some contract management workshops.

All of this work was undertaken under separate letters of engagements, led by independent engagement partners and delivered by specialist staff separate from the core Internal Audit Team.

### 3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

## APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

### Annual opinions

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

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

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**There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.**

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The organisation does not have an adequate framework of risk management, governance or internal control.

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## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Information Governance 3.16.17	Strategic Director, Customer and Community Services	No assurance	2	12	4
Voids 6.16.17	Assistant Director, Housing and Environment	No assurance	3	3	3
Fixed Penalty Notice Enforcement 9.16.17	Interim Strategic Director, RHR	No assurance	4	5	3
Business Continuity 1.16.17	Assistant Director, Housing and Environment	No assurance	5	2	0
Governance 15.16.17	Interim Chief Executive Tracy Luck, Assistant Director - Strategy and Engagement	Partial	0	9	18
Risk Management 17.16.17	Assistant Director, Finance and Performance	Partial	1	13	3
Transfer of Balances - Agresso 2.16.17	Assistant Director, Finance and Audit	Partial	1	2	0
Creditors 26.16.17	Assistant Director, Finance and Audit	Partial	1	5	2
Budgetary Control and Financial Reporting 10.16.17	Assistant Director, Finance and Audit	Partial	1	4	2
Adult Safeguarding 28.16.17	Director of Adult Social Care	Partial	1	8	8
General Ledger 20.16.17	Assistant Director, Finance and Audit	Partial	1	3	6
Health and Safety 21.16.17	Interim Chief Executive	Partial	1	6	4
Voluntary Sector Commissioning - Delivery of Outcomes 7.16.17	Interim Director, Adult Social Care	Partial	1	4	1
Debtors 34.16.17 (DRAFT)	Assistant Director, Finance and Audit	Reasonable	0	5	1
Asset Register 31.16.17	Assistant Director, Finance and Audit	Reasonable	0	5	1
Budget Setting 4.16.17	Assistant Director, Finance and Audit	Reasonable	0	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Capital Expenditure 12.16.17	Assistant Director, Finance & Audit	Reasonable	0	2	5
Cash Handling 24.16.17	Assistant Director Finance and Audit	Reasonable	0	2	2
Five Year Plan Outcomes 25.16.17	Assistant Director Finance and Audit	Reasonable	0	4	1
Rent Accounts 13.16.17	Assistant Director, Finance and Audit	Reasonable	0	3	3
Homelessness 30.16.17	Strategic Director, RHR	Reasonable	0	3	1
Payroll 27.16.17 (DRAFT)	Assistant Director, Finance and Audit	Reasonable	0	5	5
Treasury Management 19.16.17	Assistant Director, Finance and Audit	Reasonable	0	3	1
Allocations 31.16.17	Strategic Director, RHR	Reasonable	0	3	3
Business Rates 14.16.17	Assistant Director, Finance and Audit	Substantial	0	1	0
Housing Benefits 16.16.17	Assistant Director, Finance and Audit	Substantial	0	1	1
Council Tax 11.16.17	Assistant Director, Finance and Audit	Substantial	0	1	0
Schools Audit - Cippenham Nursery School 8.16.17	Interim Director, Children's Services Headteacher	Substantial	0	1	1
Procurement 32.16.17	Assistant Director, Finance and Audit	Advisory	0	9	3
Schools Financial Value Standard 5.16.17	Assistant Director, Finance and Audit	Advisory	0	5	4
Tax - Temporary staff arrangements, in-house VAT return 23.16.17	Assistant Director: Finance & Audit	Advisory	0	8	4
SBC Contract Management Change	NA	Advisory	12 Key Actions		
Follow Up (DRAFT)	Assistant Director, Finance and Audit	Poor Progress	6	11	0
Follow Up of Financial Controls Audits 22.16.17 (DRAFT)	Assistant Director, Finance and Audit	Poor progress	2	10	7



# APPENDIX C: OUR 2016/17 AND 2017/18 OPINIONS

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

	<p>Taking account of the issues identified, the Council cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the Council can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
	<p>Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

## FOR FURTHER INFORMATION CONTACT

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# SLOUGH BOROUGH COUNCIL

Page 95 **AUDIT PLAN TO THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE**  
**Audit for the year ended 31 March 2017**

Date of issue: 18 April 2017



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# INTRODUCTION

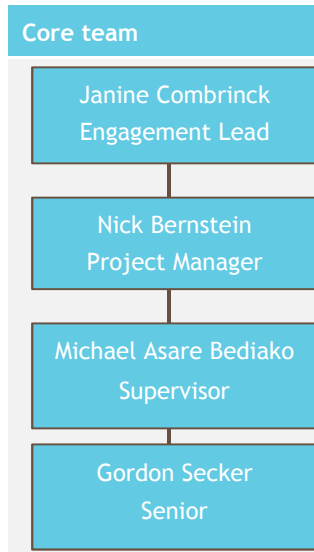
## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Council for the year ended 31 March 2017. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Corporate Governance Committee.

In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come. If others choose to rely on the contents of this report, they do so entirely at their own risk.

# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Janine Combrinck</b> Engagement Lead	Tel: 020 7893 2631 Janine.Combrinck@bdo.co.uk	Oversee the audit and sign the audit report
<b>Nick Bernstein</b> Project Manager	Tel: 020 7486 5888 Nick.Bernstein@bdo.co.uk	Management of the audit
<b>Michael Asare Bediako</b> Supervisor	Tel: 020 7893 3643 Michael.Asarebediako@bdo.co.uk	Day to day management and supervision of the audit
<b>Gordon Secker</b> Senior	Tel: 01603 756910 Gordon.Secker@bdo.co.uk	Day to day lead of the on-site audit team

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Janine is the Engagement Lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Janine is also responsible for the overall quality of the engagement.

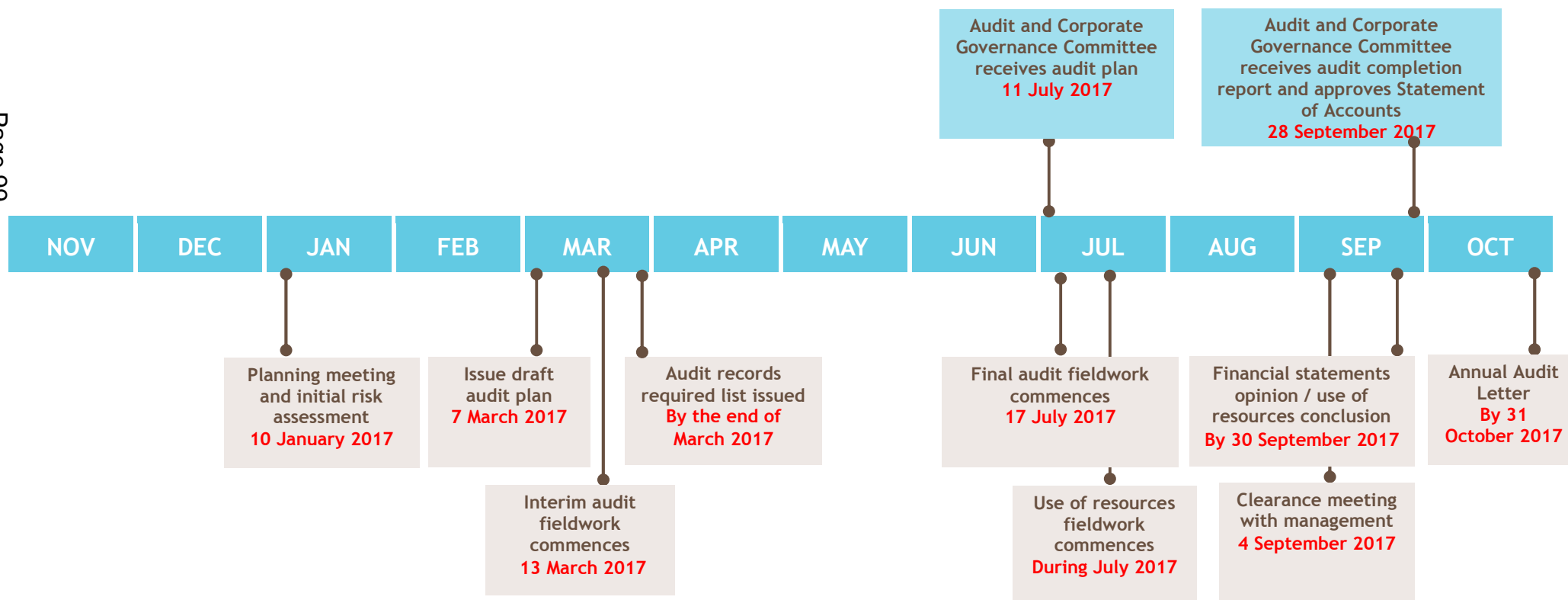
# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.

← CONTINUOUS COMMUNICATIONS →

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# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office’s (NAO) Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p><b>1</b> The financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question.</p>	<p><b>2</b> The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p><b>3</b> Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p><b>4</b> The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.</p>	<p><b>5</b> The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

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## ADDITIONAL POWERS AND DUTIES

**6** To consider the issue of a report in the public interest.  
To consider making a written recommendation to the Council.

**7** To allow electors to raise questions about the accounts and consider objections.  
To apply to the court for a declaration that an item of account is contrary to law, where necessary.  
To consider whether to issue an advisory notice or to make an application for judicial review.

# MATERIALITY

## COUNCIL MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Slough Borough Council	£7,800,000	£156,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 2% of the prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## **We will perform a risk based audit on the Council's financial statements and use of resources**

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning visit in order to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to assess their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and Council level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

## **Risks and planned audit responses**

For the financial statements audit, under International Standard on Auditing (ISA) 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty

- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the Council in forming our risk assessment and audit strategy.

## **Internal audit**

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

## **Fraud and error**

We are required to discuss with you the possibility of material misstatement, due to fraud or error, and to reassess this throughout the audit. We are informed by management that there have not been any cases of material fraud or error, to their knowledge. We will continue to consider this throughout the audit process and discuss with management.



# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other Issue

## AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud</li> <li>• Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual.</li> </ul>	Not applicable.
Revenue recognition	<p>Under auditing standards there is a presumption that income recognition presents a fraud risk.</p> <p>We consider there to be a significant risk in relation to the existence and cut-off of revenue grants included as income in Net Cost of Services within the Comprehensive Income and Expenditure Statement, when conditions attached to such grants have not been met.</p>	<p>We will test a sample of revenue grants recorded as income in the net cost of services to documentation from grant paying bodies and check whether revenue recognition criteria have been met.</p>	Not applicable.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Financial statements preparation	<p>Our audits in the last few years have identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements were identified, including material misstatements in the following areas:</p> <ul style="list-style-type: none"> <li>• Disclosures in the dedicated schools grant note</li> <li>• Financial instrument notes</li> <li>• Senior officer remuneration and exit packages note</li> <li>• Note on amounts reported for resource allocation decisions</li> <li>• Pooled budgets note</li> <li>• Detailed analysis of the cash and cash equivalents balance and supporting bank reconciliations</li> <li>• Debtors and creditors mapping.</li> </ul>	<p>We will assess progress towards improving production of the 2016/17 financial statements and supporting working papers. This will include:</p> <ul style="list-style-type: none"> <li>• Carrying out an early review of the draft financial statements against the requirements of the Code of practice for Local Authority Accounting 2016/17</li> <li>• Briefing finance staff on our expectation for good quality working papers</li> <li>• Reviewing the consistency of the financial statements with underlying working papers before the start of the onsite audit visit</li> <li>• Obtaining assurance that management has carried out a critical review of the financial statements before they are submitted for audit; this could be evidenced by comprehensive explanations for all significant variances from the prior year</li> <li>• Early testing of the areas where material misstatements were identified in the prior year.</li> </ul>	Not applicable.
Schools transactions and reconciliations	<p>In prior years we have reported that the Council's arrangements for consolidating schools' income, expenditure, working capital balances and reserves require significant improvement.</p> <p>There is a risk of material misstatement in the 2016/17 financial statements if the weaknesses in working papers and journals prepared to support the consolidation of schools transactions are not addressed.</p>	<p>We will review reconciliations between the general ledger and returns submitted by schools to support their income, expenditure, working capital balances and reserves. In addressing this risk, the Council will need to utilise the information provided by schools more effectively.</p>	Schools returns authorised by the Treasurer or Head teacher of each school.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Changes in the presentation of the financial statements</p>	<p>The Code of Practice on Local Authority Accounting requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> <li>• Change to the format of the Comprehensive Income and Expenditure Statement based on the Council’s directorate structure and reporting to members</li> <li>• Change to the format of the Movement in Reserves Statement</li> <li>• New Expenditure and Funding Analysis note</li> <li>• Change to the Segmental Reporting note</li> <li>• New Expenditure and Income analysis note.</li> </ul> <p>These changes will require a restatement of comparative figures.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We will review the draft financial statements and check these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p>	<p>Not applicable.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Group accounts preparation	<p>The Council is one of two members of a limited liability partnership (LLP), trading as Slough Urban Renewal Partnership LLP (SUR LLP). It has a 50% interest in the LLP, the remaining interest being held by the other member, a private sector construction services business.</p> <p>The arrangement comprises a joint venture as defined by IFRS 11 “Accounting for joint arrangements.” In prior years the Council has accounted for its interest in the joint venture on a cost basis and has not prepared Group Accounts, as its share of transactions in the joint venture has not been material.</p> <p>There has been an increase in activity in the joint venture in the current year and therefore it is likely that the Council will now need to account for its interest in the joint venture using the equity method of accounting and prepare Group Accounts.</p> <p>There is a risk that the Council’s interest in the joint venture may not be correctly accounted for in the single entity accounts and that Group Accounts may not be appropriately prepared.</p>	<p>We will review the financial statements and management accounts of SUR LLP to check whether or not the Council’s share of transactions in the joint venture is material.</p> <p>If material, we will check that:</p> <ul style="list-style-type: none"> <li>• The Council’s investment in SUR LLP is correctly accounted for an equity basis in the Council’s single entity accounts</li> <li>• Assets, liabilities, income and expenditure in the joint venture are appropriately consolidated in Group Accounts, including conversion from FRS102 to IFRS based accounts under CIPFA’s Code of Practice on Local Authority Accounting</li> <li>• The disclosure requirements of IFRS 12 “Disclosure of Interests in Other entities” and the Code of Practice on Local Authority Accounting have been complied with in preparing Group Accounts.</li> </ul> <p>We will also liaise with the auditor of SUR LLP, review its most recent ISA 260 completion report and consider the impact of any significant findings on our audit.</p>	Not applicable.
Change in payroll system	<p>During the year the Council changed its payroll system from Chris21 to Agresso. There is a risk that data has not been accurately and completely transferred from the old system to the new system.</p>	<p>We will review work carried out by Internal Audit on the Council’s reconciliations over the data migration and substantively test a sample of data transferred from the old system to the new system.</p>	Not applicable.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Valuation of non-current assets	<p>Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.</p> <p>The Council appointed an external valuer to carry out revaluations on a sample of assets as at 1 January 2017, and a further market movement review will be performed on these assets as at 31 March 2017.</p> <p>Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert</li> <li>Check whether the basis of valuation for assets valued in year is appropriate; in particular, we will check whether an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost and that investment properties and surplus assets have been valued at 'highest and best use'</li> <li>Review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices, or any assets which have not been revalued at the year-end which may have had material movements since the last formal valuation.</li> </ul>	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Page 108</p> <p>Existence, accuracy and presentation of non-current assets</p>	<p>Our prior year's audit identified weaknesses in the Council's arrangements for ensuring that non-current assets included in the fixed asset register (FAR) exist, are accurately stated and correctly classified. A number of misstatements were identified, including:</p> <ul style="list-style-type: none"> <li>• Incorrect inclusion of assets previously disposed of or demolished</li> <li>• Incorrect inclusion of an asset where the Council had surrendered the lease back to the leaseholder</li> <li>• No de-recognition of replaced components</li> <li>• Misclassification of investment properties as property, plant and equipment</li> <li>• Misclassification of property, plant and equipment as investment properties</li> <li>• Misclassifications between operational assets and surplus assets within property, plant and equipment</li> <li>• Incorrect input of a number of valuations, resulting in differences between the FAR and the valuer's certificate.</li> </ul> <p>There is a risk of continuing errors in non-current assets as a result of weaknesses in processes for updating the FAR.</p>	<p>We will test a sample of non-current assets to check whether:</p> <ul style="list-style-type: none"> <li>• Assets exist and are owned by the Council</li> <li>• Components have been correctly de-recognised on replacement</li> <li>• Assets are correctly classified</li> <li>• Valuations agree to the valuer's certificate.</li> </ul> <p>We will also review the reconciliation between valuation totals in the fixed asset register for each asset category to totals per the valuer's certificate.</p>	<p>Not applicable</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the Royal County of Berkshire Pension Fund for Slough Borough Council and the previous Berkshire County Council, and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Agree the disclosures to the information provided by the pension fund actuary</li> <li>• Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data</li> <li>• Obtain assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary</li> <li>• Check whether any significant changes in membership data have been communicated to the actuary.</li> </ul>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>
Related party disclosures	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p> <p>The 2016/17 Code includes an addition to the definition of a related party for an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity, and new disclosures are required for these services provided by separate management entities.</p> <p>There is a risk that related party disclosures are not complete and in accordance with the Code requirements.</p>	<p>We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions.</p> <p>We will discuss with management and review councillors' and senior managers' declarations to ensure there are no potential related party transactions which have not been disclosed.</p> <p>We will also discuss with management and review minutes of meetings for key management personnel services received from other entities, and check that all required disclosures have been made.</p>	<p>Companies House searches for undisclosed interests.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - WHOLE OF GOVERNMENT ACCOUNTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Accuracy and completeness of the data collection tool</p>	<p>We are required to perform tests with regard to the WGA Data Collection Tool (DCT) prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>In prior years we identified a significant number of errors within the return, with the result that the Government's deadline for completion of the audit of the DCT was not met in the last four years. There is a risk that these issues will recur in 2016/17.</p> <p>The achievement of the deadline going forward will depend on the quality of the return, its timely receipt and the quality of the supporting working papers.</p>	<p>We will check the consistency of the WGA return with the audited financial statements and supporting working papers, and review the completeness and accuracy of CPID data.</p>	<p>Not applicable.</p>



# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - USE OF RESOURCES: SUSTAINABLE DEPLOYMENT OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
MTFS	<p>The update to the Medium Term Financial Strategy (MTFS) to 2020/21 has forecast further reductions in Government core grant funding and annual inflationary and pay award pressures.</p> <p>Significant levels of savings are required to balance the budget in each of the five years from 2016/17. As at February 2017 the savings requirement amounts to £10.125 million in 2016/17, £12.411 million in 2017/18, £5.103 million in 2018/19, £4.618 million in 2019/20 and £1.678 million in 2020/21.</p> <p>The Council has a number of Invest to Save capital projects in progress to generate additional income going forward. These include:</p> <ul style="list-style-type: none"> <li>• A new leisure centre development and improvements to existing leisure centres</li> <li>• Development of two hotels in the centre of town</li> <li>• Development at the Thames Valley University site</li> <li>• Expansion to schools.</li> </ul> <p>There is a risk that the MTFS does not adequately take account of the investment costs associated with major development projects and savings schemes and that there are insufficient underlying risk management and monitoring arrangements in place to ensure successful delivery of these projects.</p>	<p>We will review the reasonableness of the MTFS assumptions, including investment costs associated with Invest to Save initiatives and major savings schemes.</p> <p>We will also review the adequacy of risk management and monitoring arrangements underpinning major development projects.</p>	Not applicable.
Interim staff	<p>There have been a number of changes in senior managers during the year and a number of key posts have been covered by costly interims.</p> <p>There is a risk that the Council may not be planning, organising and developing its workforce effectively, and that it may not be securing value for money from the use of interims.</p>	We will review the Council's use of contractors and agency staff and its arrangements to substantively fill vacant posts.	Not applicable.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - USE OF RESOURCES: INFORMED DECISION MAKING

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>System of internal control and governance arrangements</p>	<p>We are aware that there are a number of areas of weakness in the Council’s system of internal control and governance arrangements, as evidenced by Internal Audit issuing a number of negative assurance opinions in 2016/17. These include reviews in budgetary control, information governance, business continuity and commissioning.</p> <p>There are also a significant number of outstanding recommendations from previous years, which resulted in Internal Audit concluding that only ‘Little’ progress had been made in implementing previous recommendations in their Follow up review.</p> <p>In addition, we are aware that a project is in place to update the Council’s Constitution and a number of Human Resources policies that have not been reviewed and updated for a number of years.</p> <p>There is a risk that the Council may not be acting in the public interest through demonstrating and applying the principles and values of sound governance that are required to support informed decision making.</p>	<p>We will consider the potential impact on our audit of weaknesses in the system of internal control identified by Internal Audit and other governance issues of which we are aware of.</p> <p>We will review the Council’s processes to address these issues during 2016/17.</p>	<p>Not applicable.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - USE OF RESOURCES: PARTNERSHIP WORKING

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Children's social care services</p>	<p>Our 2015/16 use of resources conclusion was qualified because of significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, and insufficient monitoring of contractual performance of the service after it transferred to Slough Children's Services Trust on 1 October 2016.</p> <p>There is a risk that the Council may not be able to demonstrate value for money from its arrangements for improving services and outcomes in Children's Social Care Services during 2016/17, in managing the contract with the Trust. In the absence of sufficient evidence of improvement we may need to qualify our use of resources conclusion again.</p>	<p>We will gain an understanding of action taken by the Council and Slough Children's Services Trust during 2016/17 to address Ofsted's recommendations and seek evidence of improved processes.</p>	<p>Not applicable.</p>

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Standards Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ending 31 March 2017.

We have not identified any potential threats to our independence as auditors.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include director and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2017 are:

	2016/17 £	2015/16 £
Audit fee - scale fee	127,523	127,523
Audit fee - additional fee for financial statements audit	-	25,235*
Certification fee - Housing benefits subsidy claim	20,625	20,000**
<b>Total PSAA regime fees</b>	<b>148,148</b>	<b>172,758</b>
Fees for audit related services:		
- Pooled capital receipts return	1,800	1,800
- Teachers' pensions return	3,535	3,535
Fees for other non-audit services		
- - None	-	-
<b>TOTAL FEES</b>	<b>153,483</b>	<b>178,093</b>

\*\* Our 2015/16 audit fee includes additional fees of £25,235 for cost overruns incurred on the financial statements audit. This fee has been agreed with management and PSAA.

\*\* Our fee for certification of the 2015/16 Housing benefits subsidy claim increased from £9,950 to £20,000 as a result of a number of issues identified in the audit. The additional fee was agreed with management but is still subject to approval by PSAA.

Audit fee invoices will be raised in quarterly instalments of £31,880.75 during 2016/17.

Fee invoices for other audit related services will be raised as the work is completed.

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY

## Continued

### REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### UNADJUSTED ERRORS

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- In accordance with auditing standards, we will communicate to the Audit and Standards Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
  - Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
  - We will obtain written representations from the Audit and Standards Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
  - There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
    - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
    - Other misstatements that we believe are material or clearly wrong.
-

## APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Janine Combrinck - Engagement lead	2 years as engagement lead and 3 years as project manager	31 March 2021*
Nick Bernstein - Project manager	1	31 March 2027

\*An additional period of up to two years may be agreed with PSAA and those charged with governance in certain circumstances.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# SLOUGH BOROUGH COUNCIL

## GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



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# INTRODUCTION

## Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

### Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

### Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the pooling of housing capital receipts return and the teachers' pensions return for the year ended 31 March 2016.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

## Fees

We reported our original fee proposals in our planning report.

We incurred significant overruns against our budgeted costs in relation to the audit the housing benefit subsidy claim due to a number of issues and delays encountered in the audit. We have agreed with management an additional fee of £10,050 for this audit, which is subject to approval by PSAA.

Our final fees in respect of the pooling of housing capital receipts return and teachers' pensions return remain the same as those reported in our planning report.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
<b>PSAA regime</b>		
Housing benefits subsidy claim	9,950	20,000
<b>Total PSAA regime fees</b>	<b>9,950</b>	<b>20,000</b>

<b>Other certification work</b>		
Pooling of housing capital receipts return	1,800	1,800
Teachers' pensions return	3,535	3,535

<b>Total certification fees</b>	<b>15,285</b>	<b>25,335</b>
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## KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£75,491,382	YES	YES	Subsidy reduction of £5,328
Pooling of housing capital receipts	£6,712,929	NO	YES	No impact on total housing capital receipts subject to pooling
Teachers' pensions	£5,540,524	YES	NO	N/A

### HOUSING BENEFIT SUBSIDY

### FINDINGS AND IMPACT ON RETURN

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £75,496,710. The final submission was reduced by £5,328 to £75,491,382.

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 40+ testing if initial testing identifies errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.

The results of additional testing, amendments to the claim and issues reported in the qualification letter are noted in the detailed findings section of this report.

PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council (or a benefits specialist that this work may be outsourced to) to ensure conclusions have been satisfactorily recorded. We identified issues in some of the testing which meant that we had to carry out extended testing. This led to delays in us certifying the claim and additional audit fees.

Our work was completed and the claim was certified on 21 March 2017. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations where 40+ testing was carried out or actual errors based on 100% testing of the population) in a letter to DWP. The Council received a response from DWP in March 2017 and £3,715 has been recovered from the Council as a result of the qualification letter.

## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p><b>Misclassification of Non-HRA Rent Rebate expenditure</b></p> <p>Initial testing identified a case where an overpayment amounting to £1,636 was deducted from expenditure relating to short term leased or self-contained licenced accommodation above the Local Housing Allowance (LHA) rate when it should have been deducted from expenditure relating to board and lodgings or non self-contained licenced accommodation above the LHA rate.</p>	<p>The claim form was amended however there was no impact on subsidy claimed as both types of expenditure do not attract subsidy. No further testing was carried out because the nature of the error means there would never be an impact on subsidy.</p>
Non-HRA Rent Rebates	<p><b>Misclassification of Non-HRA Rent Rebate expenditure</b></p> <p>Initial testing identified a case where a duplicate payment amounting to £4,771 was classified as expenditure relating to short term leased or self-contained licenced accommodation above the LHA rate when it should have been classified as board and lodgings or non self-contained licenced accommodation above the LHA rate.</p>	<p>The claim form was amended however there was no impact on subsidy claimed as both types of expenditure do not attract subsidy . No further testing was carried out because the nature of the error means there would never be an impact on subsidy.</p>
Non-HRA Rent Rebates	<p><b>Misclassification of Non-HRA Rent Rebate expenditure</b></p> <p>Initial testing identified a case where expenditure amounting to £819 had been classified as board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) when it should have been classified as expenditure above the LHA rate (which does not attract any subsidy).</p> <p>Testing of the remaining population of expenditure relating to board and lodgings or non self-contained licenced accommodation below the LHA rate (41 cases) found a further seven cases, amounting to £5,495, which had been classified as expenditure below the LHA rate when they should have been classified as expenditure above the LHA rate.</p>	<p>The claim form was amended by reducing board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) by £6,314 and increasing board and lodgings or non self-contained licenced accommodation above the LHA rate (which does not attract any subsidy) by the same amount.</p>

## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p><b>Misclassification of Non-HRA Rent Rebate expenditure</b></p> <p>Testing of the initial sample identified a case where an amount of £120 had been classified as expenditure relating to short term leased or self-contained licenced accommodation below the LHA rate when it should have been classified as expenditure above the LHA rate.</p> <p>Given the nature of the population and the errors found, an additional random sample of 40 cases were tested and a further two misclassifications amounting to £1,880 were identified.</p> <p>As a result of the errors identified, we extrapolated the error over the remaining population and reported that expenditure relating to short term leased or self-contained licenced accommodation below the LHA rate (which attracts full subsidy) was overstated by £4,154, and expenditure above the LHA rate (which does not attract any subsidy) was understated by the same amount.</p>	<p>The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p>
Non-HRA Rent Rebates	<p><b>Misclassification of Non-HRA Rent Rebate expenditure</b></p> <p>Initial testing identified a case where the weekly entitlement was apportioned between up to and above the LHA rate for part of a week. As part week payments should not be split above and below the LHA rate if the total amount for the part week is below the limit, this error meant that board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) was understated by £10 and expenditure above the LHA rate (which does not attract any subsidy) was overstated by the same amount.</p>	<p>The claim form was amended by increasing board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) by £10 and reducing board and lodgings or non self-contained licenced accommodation above the LHA rate (which does not attract any subsidy) by the same amount.</p> <p>No further testing was carried out because the nature of the error means there would always be an under claim of subsidy.</p>



## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p><b>Non-HRA Rent Rebate overpayments</b></p> <p>Testing of the initial sample identified a case where an amount of £421 had been paid twice when the claimant moved address as well as the system not identifying an overpayment for the same amount. Testing also identified a case where an amount of £235 had not been identified as an overpayment when the claimant moved address.</p> <p>Given the nature of the population and the errors found, additional targeted testing was carried out. The Council liaised with Capita who produced an SQL report of all possible cases where claimants had moved address and duplicate payments could have been made as well as overpayments not being created. The Council tested all 12 cases identified by the SQL report and a further six errors were identified where overpayments had not been created.</p>	<p>The total effect of these errors resulted in:</p> <ul style="list-style-type: none"> <li>• Short term leased or self-contained licenced accommodation below the LHA rate overstated by £625 (attracts full subsidy) and above the LHA rate overstated by £31 (attracts no subsidy)</li> <li>• Non-HRA rent rebate eligible overpayments understated by £656 (attracts 40% subsidy)</li> <li>• HRA rent rebate expenditure attracting full subsidy overstated by £3,135</li> <li>• HRA rent rebate LA error and administrative delay overpayment understated by £3,135 (attracts no subsidy)</li> <li>• Rent allowance expenditure under rent officer arrangements (cases not requiring rent officer referral) overstated by £164 (attracts full subsidy)</li> <li>• Rent allowance LHA expenditure overstated by £87 (attracts full subsidy)</li> <li>• Rent allowance eligible overpayments understated by £251 (attracts 40% subsidy)</li> </ul> <p>The Council did not correct these errors in the 2015/16 claim form but intends to correct the benefits system in 2016/17, as amending the claim form in 2015/16 would have resulted in subsidy being affected in both years.</p>

## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
HRA Rent Rebates	<p><b>HRA rent rebate expenditure attracting full subsidy</b></p> <p>In the prior year's subsidy claim, we qualified the claim as testing of the initial and additional HRA rent rebate samples identified two errors in relation to cases with negative values in respect of HRA rent rebate expenditure attracting full subsidy. Given the nature of the errors in the prior year, all cases with negative values in respect of this type of expenditure in the 2015/16 subsidy claim were tested by the Council in the current year.</p> <p>Testing of all eight cases identified four errors, with two impacting on subsidy as follows:</p> <ul style="list-style-type: none"> <li>• One case where two homes awards were entered into the system as a modified scheme. This resulted in HRA expenditure attracting full subsidy being understated by £202, modified scheme expenditure being overstated by £71 and HRA rent rebate prior year eligible overpayments being understated by £108. This resulted in an under claim of subsidy amounting to £175.</li> <li>• One case where duplicate subsidy transactions were created when manually trying to correct overpayments. This resulted in HRA rent rebate expenditure attracting full subsidy being understated by £140, HRA rent rebate technical overpayments overstated by £140 and HRA rent rebate prior year eligible overpayments understated by £140. This resulted in an under claim of subsidy amounting to £208.</li> </ul>	<p>The Council has not corrected for these errors in the claim form. However, the Council intends to correct the benefits system for these cases in 2016/17, as amending the claim form in 2015/16 would have resulted in subsidy being affected in both years.</p>

## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
HRA Rent Rebates	<p><b>HRA rent rebate expenditure attracting full subsidy</b></p> <p>Testing of the initial sample identified two cases where incorrect earnings figures had been used in the entitlement calculation. The effect of these errors was that HRA rent rebate expenditure attracting full subsidy was overstated by £67 and LA and administrative delay overpayments (which attracts no subsidy) was understated by the same amount.</p> <p>Given the nature of the population and the errors found, an additional random sample of earnings cases was selected for testing. This additional testing identified a further three cases where incorrect earnings figures had been used in the entitlement calculation:</p> <ul style="list-style-type: none"> <li>• Two cases where benefit had been underpaid by £55. As there is no eligibility to subsidy for benefit which has not been paid, these underpayments do not affect subsidy and were not, therefore, classified as errors for subsidy purposes.</li> <li>• One case where benefit amounting to £148 had been overpaid resulting in HRA rent rebate expenditure attracting full subsidy being overstated by £148 and LA and administrative delay overpayments (which attracts no subsidy) being understated by the same amount.</li> </ul> <p>As a result of the errors relating to overpayments, we extrapolated the errors over the remaining population and reported that HRA rent rebate expenditure attracting full subsidy was overstated by £5,625 and LA and administrative delay overpayments (which attracts no subsidy) was understated by the same amount.</p>	<p>The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p>

# DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Rent Allowances	<p><b>Rent allowances expenditure - payment of rent free weeks</b></p> <p>Testing of the initial sample identified a case where benefit amounting to £133 in relation to rent free weeks had been paid to the landlord in error and an overpayment had not been created on the system. The effect of this error was that expenditure relating to rent officer arrangements (cases excluded from requirement to refer to rent officer) was overstated by £133 and LA error and administrative delay overpayments understated by the same amount. This appeared to be a system issue as an LA error and administrative delay overpayment amounting to £408 was subsequently created which should have been classified as normal expenditure.</p> <p>The Council liaised with Capita who provided a listing of potential cases where rent free weeks could have been paid and an overpayment not created. The Council reviewed all cases (44 cases), and did not identify any more instances where rent free weeks had been paid in errors and no overpayment created. However, testing of the 44 cases identified five instances where overpayments had been misclassified. The effect of these errors was that LA error and administrative delay overpayment was understated by £1,081 and eligible overpayments overstated by the same amount. Also, prior year LA error and administrative delay overpayments were understated by £545 and prior year eligible overpayments were overstated by £545.</p>	<p>The claim form was amended as follows:</p> <ul style="list-style-type: none"> <li>• Expenditure relating to rent officer arrangements where cases are excluded from referral to rent officer (attracts full subsidy) increased by £275</li> <li>• Current year LA error and administrative delay overpayments (attracts no subsidy) increased by £806</li> <li>• Current year eligible overpayment reduced by £1081 (attracts 40% subsidy)</li> <li>• Prior year LA error and administrative delay overpayments (attracts no subsidy) increased by £545</li> <li>• Prior year eligible overpayment reduced by £545 (attracts 40% subsidy).</li> </ul>

## DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Rent allowances	<p><b>Underpaid benefit - child benefit disregard</b></p> <p>Testing of the initial sample identified a case where benefit had been underpaid by £1,205 because child benefit had not been fully disregarded in the entitlement calculation.</p> <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy, therefore, this was not classified as an error for subsidy purposes. As this error will always result in an underpayment of benefit, additional testing was not undertaken.</p>	No adjustment to the claim form was required because the benefit payment will be paid in 2016/17 and therefore the expenditure will be included in the 2016/17 claim form. This was reported in our qualification letter to DWP.
Modified schemes	<p><b>Underpaid benefit - war widows pension</b></p> <p>All modified schemes cases were tested as a high number of errors were identified in the prior year. Testing identified one case where benefit amounting to £33 was underpaid due to an input error in respect of the War Pension amount.</p>	No adjustment to the claim form was required because benefit will be paid in 2016/17 and therefore the expenditure will be included in the 2016/17 claim form. This was reported in our qualification letter to DWP.

# DETAILED FINDINGS

## POOLING OF HOUSING CAPITAL RECEIPTS

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded total housing capital receipts subject to pooling of £6,712,929 to the Department for Communities and Local Government (DCLG).

DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.

## FINDINGS AND IMPACT ON RETURN

Our review of the draft return found that buyback allowances (relevant interest) figures for quarters one, two and four had not been inadvertently omitted from the return. The final return was amended to included amounts of £154,968, £789 and £299,716 for quarters one, two and four respectively. The amendment had no impact on the total housing capital receipts subject to pooling.

## DETAILED FINDINGS

### TEACHERS' PENSIONS

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate term of engagement for this work and provided a limited assurance report.

### FINDINGS AND IMPACT ON RETURN

Our analytical review identified an incorrect pensionable pay had been input into the system for one employee (£227.58 as opposed to £2,227.58), which meant that the pensionable pay, employers' and employees' contribution figures, for this employee, were included within tier 1 of the analysis of contributions table within the return (employees' contributions payable at 7.4%) when they should have been in tier 2 (employees' contributions payable at 8.6%). The actual contributions made were calculated based on the correct salary and at the correct rates, therefore this was a presentational issue within the return rather than an under-payment of contributions to the Teachers' Pensions Scheme. We reported this issue in our limited assurance report to the Teachers' Pensions office.

# APPENDICES



## APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<p><b>Housing benefit claim</b></p> <p>Our audit found a number of misclassification errors in non-HRA rent rebates, in particular:</p> <ul style="list-style-type: none"> <li>• Expenditure classified as non-HRA when it should have been rent allowances or HRA rent rebates</li> <li>• Misclassification between board and lodging or non self-contained licensed accommodation and short term leased or self-contained licensed accommodation</li> <li>• Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap.</li> </ul> <p>The Council and its transactional services provider should undertake a review of the issues raised in our qualification letter, in particular in respect of misclassifications of non-HRA rent rebates expenditure, and ensure the necessary action is taken to ensure these do not recur.</p>	High	SBC transactional services supplier	April 2016	The Council carried out a number of checks in relation the classification of non-HRA rent rebate expenditure and LHA rates during 2015/16.	The 2015/16 audit identified similar errors to those reported in 2014/15. See Appendix II for recommendations.

# APPENDIX II: 2015/16 ACTION PLAN

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CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p><b>Housing benefit claim</b></p> <p>Our audit found a number of errors in respect of Non-HRA rent rebate expenditure, in particular:</p> <ul style="list-style-type: none"> <li>Misclassification between board and lodging or non self-contained licensed accommodation and short term leased or self-contained licensed accommodation</li> <li>Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap</li> <li>Apportionment of part week payments</li> <li>Overpayments not being created when a claimant is paid twice.</li> </ul>	<p>We recommend that the Council and its transactional services supplier carries out significantly increased reviews of non-HRA rent rebate cases throughout the year to address issues reported, in particular classification issues that have been reported for the past two years.</p> <p>The Council will be required to ensure that a clear audit trail is retained of these checks so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed - additional checks have been carried out to date and further checks will be carried out before the claim is Audited.	Vijay McGuire Contract Manager	June 2017
<p><b>Housing benefit claim</b></p> <p>A number of errors were identified in respect of negative amounts included within HRA rent rebate expenditure attracting full subsidy.</p>	<p>We recommend that the Council reviews all cases that net to a negative value in respect of HRA rent rebate expenditure attracting full subsidy before the 2016/17 claim form is finalised and amends all errors.</p> <p>The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Completed for 2016-17 claim	Vijay McGuire Contract Manager	June 2017

## APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p><b>Housing benefit claim</b></p> <p>Errors were identified in respect of rent allowance expenditure where rent free weeks had been paid to the landlord and no overpayment had been raised and where an overpayment had been raised this had been incorrectly classified.</p>	<p>We recommend that the Council reviews all rent allowance cases where rent free weeks have been paid throughout the year and ensures that overpayments have been raised and that they have been classified correctly within the claim form.</p> <p>We recommend the Council completes this before the 2016/17 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed	Vijay McGuire Contract Manager	June 2017
<p><b>Housing benefit claim</b></p> <p>An error was identified in respect of incorrect war pension amount being input in relation to modified schemes testing.</p>	<p>We recommend that the Council reviews all modified schemes cases to ensure they have been calculated correctly (in respect of all aspects of the case as there tends to be different types of errors identified each year).</p> <p>We recommend the Council completes this before the 2016/17 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed	Vijay McGuire Contract Manager	June 2017

## APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p><b>Pooling of housing capital receipts</b></p> <p>Our audit testing identified that buyback allowance (relevant interest) figures for quarters 1, 2 and 4 had not been input into the return.</p>	<p>We recommend that the Council carries out a sense check of the return and a year-on-year comparison of amounts to identify and follow-up amounts that may have been input incorrectly.</p>	<p>High</p>	<p>Agreed.</p>	<p>Barry Stratfull Head of Financial Reporting (Deputy Section 151 Officer)</p>	<p>August 2017</p>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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# SLOUGH BOROUGH COUNCIL

PLANNING LETTER 2017/18

18 April 2017



# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2017/18 financial year.

## Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office (NAO) and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2016. The consultation closed in January 2017 and no changes have been made to the overall work programme or scale fees for 2017/18 compared to 2016/17. PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

## Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available.

## Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor. These are covered by separate engagement letters with the Council.

## Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

## Fees

AUDIT AREA	PROPOSED 2017/18 (£)	SCALE 2017/18 (£)	PROPOSED 2016/17 (£)
Code audit fee	127,523	127,523	127,523
Housing benefits subsidy claim*	20,625	TBC	20,000
<b>Total PSAA regime fees</b>	<b>148,148</b>		<b>147,523</b>
<b>Audit related services</b>			
Pooling of housing capital receipts return	1,800	N/A	1,800
Teachers' pensions return	3,535	N/A	3,535
<b>Other non-audit services</b>			
None	-	N/A	-
<b>Total fees</b>	<b>153,483</b>		<b>152,858</b>

\*We previously proposed a fee of £9,950 for our certification of the housing benefits subsidy claim for the year ended 31 March 2016, on the basis that the detailed testing would be carried out by a benefits specialist commissioned by the Council. Due to issues identified in the audit, additional fees of £10,050 were agreed with management. This additional fee is subject to approval by PSAA.

\*\*Following discussions with management we understand that we will be carrying out the detailed testing for the certification of the housing benefits subsidy claim for the year ended 31 March 2017. We have therefore increased the proposed fee to £20,625.



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# PROPOSED FEES

## Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Assistant Director of Finance and Audit. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Corporate Governance Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

## Billing arrangements

We will raise invoices for the Code audit fee on a quarterly basis, at £31,880.75 per quarter, from June 2017. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services will be raised as the work is completed.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2017/18 audit:

REPORT	DATE
Audit plan	January 2018
Report on any significant deficiencies in internal controls	March 2018
Audit completion report	July 2018
Independent auditor's report including: <ul style="list-style-type: none"> <li>Opinion on the financial statements</li> <li>Use of resources conclusion</li> <li>Certificate of audit closure</li> </ul>	July 2018
Whole of Government Accounts assurance statement and report to the NAO	August 2018
Annual audit letter	September 2018
Grant claims and returns certification report	January 2019

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Janine in the first instance. Alternatively, you may wish to contact our Managing Partner, Paul Eagland. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW"). In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psa.co.uk/about-us/contact-us/complaints/>.

## Audit team

The key members of the audit team will be:

### Engagement Lead - Janine Combrinck

Email: [janine.combrinck@bdo.co.uk](mailto:janine.combrinck@bdo.co.uk)

Tel: 020 7893 2631

Janine will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

### Project Manager - Nick Bernstein

Email: [nick.bernstein@bdo.co.uk](mailto:nick.bernstein@bdo.co.uk)

Tel: 0207 486 5888

Nick will manage and co-ordinate each aspect of the audit.

### Supervisor - Michael Asare Bediako

Email: [michael.asarebediako@bdo.co.uk](mailto:michael.asarebediako@bdo.co.uk)

020 7893 3643

Michael will lead the delivery of the financial statements audit and be the key contact with the finance team.

## Audit appointments for 2018/19 and beyond

Our current contract negotiated by the Audit Commission in April 2014 will end after the 2017/18 audit.

PSAA has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For external audits from 2018/19, PSAA will appoint an auditor to relevant principal local government authorities that have opted into its national scheme.

Those authorities that have not opted into this national scheme are required to make local appointments for external audit services for 2018/19 and beyond, in accordance with the Local Audit and Accountability Act 2014.

Audit appointments for 2018/19 must be made by 31 December 2017.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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