

REPORT TO AUDIT AND PERFORMANCE REVIEW PANEL

Title: **AUDIT AND REVIEW UNIT: 2008/09 INTERNAL AUDIT INTERIM PROGRESS REPORT (APRIL – OCTOBER 2008)**

Date: 8 December 2008

Member Reporting: **Councillor D McBride**

Contact Officer(s): **Catherine Hickman, Head of Audit and Review
tel: 01628 796233**

Wards Affected: **All Wards**

1. SUMMARY

This purpose of this report is to inform the Council's Audit and Performance Review Panel of progress made in delivering the 2008/09 Internal Audit Plan as at 31 October 2008. It summarises the key areas of activity, items considered to be of specific interest to Members and the implications for the Council. The information contained in this progress report will feed into and inform our overall opinion in our 2008/09 Internal Audit Annual Report, which will be issued in June 2009. This report also updates Members with progress on in implementing the priority actions identified in the 2007/08 Annual Governance Statement.

2. RECOMMENDATION

- 2.1 That the progress against the 2008/09 Internal Audit Plan as at 31 October 2008, the matters identified during the various audit reviews and the action taken by management to implement the recommendations be noted.

What will be different for residents as a result of this decision?
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Residents will have an independent and objective opinion on the Council's control environment (comprising risk management, control and governance) and an evaluation of the Council's effectiveness in achieving its objectives and as a contribution to the proper economic, efficient and effective use of resources.

3. SUPPORTING INFORMATION

BACKGROUND

- 3.1 In order to fulfil its statutory requirements under S151 Local Government Finance Act 1972 and the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, the Council is required to make adequate provision for Internal Audit. In order to discharge this duty, the Audit and Review Unit prepares annually, Audit Plans comprising of an Operational Plan, setting out the Unit's work for the ensuing year and a four year Strategic Plan. In determining these plans, the whole of the Council's services are subject to a risk assessment. The risk assessment takes account of various factors that affect risk,

such as the levels of expenditure and income, the number, complexity and robustness of systems, the response to previous audit reviews and change factors.

- 3.2 The Audit and Performance Review Panel endorsed the Council's 2008/09 Internal Audit Plan and Strategy at its meeting on 14 April 2008.
- 3.3 In addition to the legislative requirement to provide an adequate internal audit service, the Council is required under the Accounts and Audit (Amendment) (England) Regulations 2006, to publish an Annual Governance Statement with the Council's financial statements. This is a mandatory requirement and is required to be signed off by the Leader of the Council and the Chief Executive. The content of the Statement is informed partly by the work of Internal Audit on the adequacy of the Council's governance and internal control systems, as summarised in this report and the 2008/09 Internal Audit Annual Report.
- 3.4 It should be noted that the assurance given by Internal Audit could never be absolute and it should be supported by the findings of External Audit, Inspectorate reviews, internal reviews, as well as management assurances. It is managements' responsibility to develop and maintain the internal control framework and to ensure that the Council's resources are properly applied in the manner and on the activities intended.
- 3.5 Audit work is carried out in accordance with the Internal Auditor Protocol and Charter (both of which were endorsed by the Audit and Performance Review Panel on 26 September 2007).
- 3.6 The detailed report at Appendix A is an account of the work of the Internal Audit Service during the first seven months of 2008/09 to 31 October 2008.

4. OPTIONS AVAILABLE AND RISK ASSESSMENT

4.1 Options

	Option	Comments	Financial Implications
1.	To accept this report and note the progress made by Internal Audit in delivering the 2008/09 Internal Audit Plan in the first seven months of the financial year, the issues arising from the audits note the progress made in implementing the priority actions arising from the 2007/08 Annual Statement on Governance. This will ensure that the Council meets its requirements	The implementation of Option 1 will ensure that the Council meets its statutory requirements. Failure to do so may result in a qualification in the External Auditors' Annual Management Letter. Acceptance of the recommendation will also enable an Internal Audit assurance to be given to the Chief Executive and Leader of the Council in support of the Council's 2008/09 Annual	Revenue Officer time in dealing with provision of the Internal Audit Service. Capital None

	Option	Comments	Financial Implications
	under S151 of the local Government Finance Act 1972 and the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. This report will contribute towards the content of the Authority's 2008/09 Annual Governance Statement.	Governance Statement.	
2.	To accept this report with amendments.	Members may wish to request that this report amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.	Revenue Officer time in dealing with provision of the Internal Audit Service. Capital None
3.	Not approve this report.	This may expose the Authority to unnecessary risks by not having an adequate internal control framework leading to poor performance, poor outcomes for service users/citizens and a specific attributable negative impact on the Council's Comprehensive Area Assessment.	Revenue Officer time in dealing with provision of the Internal Audit Service. Capital None

4.2 Risk Assessment

Risk	Uncontrolled Risk	Controls	Controlled Risk
1. Failure of the Internal Audit Service to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / fraud.	HIGH	Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report of the work of internal audit to those charged with governance for endorsement.	LOW
2. Failure to provide assurance that the work of the Internal Audit Service properly supports the RBWM governance framework and the content of the Annual Governance Statement leading to impact on the CAA governance score and a requirement for additional External Audit work at an enhanced cost to the Council.	HIGH	Internal audit coverage included as part of the governance assurance framework and informing the Annual Governance Statement.	LOW

5. CONSULTATIONS CARRIED OUT

- 5.1 Consultations on service priorities and risk management with the Section 151 Officer, the reporting Member, all Directorate Management Teams and the Audit Commission took place in preparing the 2008/09 Internal Audit Plan.
- 5.2 Management and staff have been consulted prior to and during the course of the audit reviews and at the conclusion of audits, to ensure that audits have been timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the recommendations made.

6. IMPLICATIONS

The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
N/A	Y ¹	N/A	N/A	N/A	N/A

1. Statutory basis for Internal Audit stems from the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which require every local authority to maintain an adequate and effective internal audit of their financial affairs. In addition, under S151 Local Government Finance Act 1972, the Head of Finance is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Background Papers:

2008/09 Internal Audit Annual Plan

Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006).

S151 Local Government Finance Act 1972

CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code)

**TITLE: AUDIT AND REVIEW UNIT: 2008/09 INTERNAL AUDIT INTERIM
PROGRESS REPORT (APRIL - OCTOBER 2008)**

SUMMARY

This report summarises the work of the Internal Audit Service within the Audit and Review Unit for the period 1 April 2008 to 31 October 2008, identifying the main themes arising from the audit reviews and the implications for the Council. In addition, this report updates Members on the progress made to date in implementing the priority actions identified in the 2007/08 Annual Governance Statement.

INTRODUCTION

1. The purpose of this report is to inform the Council's Audit and Review Panel of the progress made against the delivery of the 2008/09 Internal Audit Plan and the progress made in implementing the priority actions identified in the 2007/08 Annual Governance Statement. The information contained in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report and the 2008/09 Annual Governance Statement, which will be presented for the year end in June 2009.

**SUMMARY OF INTERNAL AUDIT WORK COMPLETED FOR THE SEVEN
MONTHS TO 31 OCTOBER 2008**

2. The original 2008/09 Internal Audit Plan provided for 1,352 audit days (full year). Against this Plan, 812 days have been provided for the 7-month period to 31 October 2008, covering the planned audit areas and responses to requests by management for contingencies and project work. However, work on Schools audits, Financial Management in Schools, irregularities and a number of other audits, where additional work has been necessary, has taken longer than planned. The Audit Plan is based on a full establishment of experienced staff, which includes some agency cover for the shortfall in full time equivalent hours. The effective and efficient delivery of the remainder of Audit Plan relies on this core of experienced staff being maintained until the end of the financial year and this has been reported to Cabinet. In addition, a Business Case is currently being prepared for additional Benefit Fraud resource due to the number of investigation referrals increasing generally and also in the light of initiatives such as the Voice Recognition Analysis pilot commencing in December and data matches from the National Fraud Initiative being due in 2009/10, which may further identify the potential for further fraud.
3. Appendix A (i) shows progress against the Audit Plan for 2008/09 as at 31 October 2008. Audits described as being completed are those where a final report has been issued and a management response to the recommendations has been received. During the period, a total of 29 audit reviews have been completed, with a further 6 at draft report stage, covering a range of areas within each directorate.

4. When issuing reports, management are informed of areas where, in the opinion of Internal Audit, action is required, together with an opinion on the overall control environment framework from one of the following four categories:
- Strong Controls in Place
 - Controls are in Place but Improvements would be Beneficial
 - Improvements in Application of Controls are Required
 - Urgent System Revision is Required
5. Appendix A(i) also shows the opinion given for those audits completed. The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. The overall opinion is a statement of the audit view of whether the objective is being met; it is not a statement of fact. The categories of opinion, which are based on terminology recommended by the Institute of Internal Auditors' for classifying Audit reports, are detailed at Appendix B.
6. Table 1 summarises for the 29 completed reviews, the overall opinions given and the audits to which they relate are listed at Appendix A(i).

Table 1: Summary of Overall Audit Opinions

Overall Audit Opinion	Number of Reviews
Strong Controls in Place	1
Controls are in Place but Improvements would be Beneficial	17
Improvements in Application of Controls are Required	7
Urgent System Revision is Required	1
Overall Opinion Not Applicable	3
Total Completed Reviews	29

7. Appendix A(i) also details, for the audits completed, the number of recommendations made for each audit review undertaken and the number agreed for implementation by management. A total of 389 recommendations were made for the 29 reviews completed (55 high risk and 334 medium risk). Of the 389 recommendations, management did not accept 6 high risk and 33 medium risk recommendations. For 23 of those recommendations disagreed (5 high risk and 18 medium risk) all related to one school. At the time of preparing this report, the Bursar Support Team has been making arrangements to work with the school to ensure that efficiency and effectiveness in financial management are supported and achieved. Audit is also working with management in the other audit areas where recommendations were disagreed to determine whether other compensatory controls could be implemented. Any audits requiring urgent system revision or improvements in the application of controls are brought to the attention of the relevant director to give them opportunity to ensure appropriate action is taken to ensure that the service under review is not open to any undue risk. Low risk recommendations are no longer reported but are advised to the auditee separately as potential operational improvements.

8. Where high-risk recommendations are made, systems are in place for audit to undertake follow up work once timescales for their implementation have been achieved, to ensure that they have been applied as prescribed.

MAIN THEMES

9. The following paragraphs summarise the main areas of Internal Audit work undertaken during the first seven months of 2008/09 and the key issues arising. It is not an exhaustive list of all audits undertaken. Key issues arising are being reviewed on a regular basis at Finance Management Team meetings, attended by Councillor Hilton and are also discussed on a regular basis with the Chair of the Audit and Performance Review Panel.

2008 Comprehensive Performance Assessment (CPA) Use of Resources

10. Internal Audit completed the coordination of all the evidence to be presented for the 2008 Use of Resources assessment ready for review by External Audit and we acted as the liaison point for them in clarifying the evidence put forward and guiding them where further evidence was requested.
11. A number of areas for improvement were identified, the majority of which were for Level 4 requirements and these will inform the tougher Comprehensive Area Assessment (CAA), which replaces the Comprehensive Performance Assessment from April 2009. Internal Audit is also represented on the newly formed Corporate CAA Project Group.

Corporate Governance and Annual Governance Statement

12. The Panel will be aware that under the Accounts and Audit Regulations 2006, local authorities are required with effect from the 2007/08 financial year, to produce an Annual Governance Statement. The 2007/08 Annual Governance Statement was presented to the meeting of the Panel on 10 June 2008, along with an Action Plan to address areas identified for improvement. During the first 7 months of 2008/09, Internal Audit have coordinated the finalising of the Corporate Governance Action Plans and supporting Directorate Assurance Statements. The progress of the Significant Issues (Priority 1) Action Plan, which accompanied the Annual Governance Statement, has been monitored and is attached as Appendix C. The next phase will be to continue to review the Priority 1 actions and implement the Priority 2 actions. Responsible officers and target dates for those actions are in the process of being allocated.
13. Separately, to feed into the Corporate Balanced Scorecard process, Internal Audit prepared a self-assessment questionnaire on RBWM's Governance and Internal Control Framework, on behalf of the Chief Executive, together with an accompanying explanatory note for managers. The completion of this each month will contribute to the content of the 2008/09 Annual Governance Statement.

Managed Audit

14. During the initial months of 2008/09, we completed the 2007/08 testing of the high level controls for a number of key financial systems to meet KPMG requirements. Systems reviewed included Payroll, Housing and Council Tax Benefits, Council Tax and National Non Domestic Rates, with a special

exercise requested by the Head of Finance review progress on the use of Purchase Orders throughout the Council. Key financial systems for 2008/09 will be reviewed between October and March and will be reported in our 2008/09 Annual Internal Audit report as part of our Managed Audit work. This enables External Audit to place maximum reliance on our work and thereby ensure that there is no duplication of work or extra cost to the Authority. In addition to the systems mentioned above, the systems to be covered during the remainder of the financial year will include General Ledger, Creditors, Debtors, Cash Flow and Investments, Pensions, Cash and Bank Reconciliation Arrangements, Asset Management and Treasury Management, as well as some of the more substantial service area audits.

SERVICE REVIEWS

15. The following paragraphs give an overview to Members of the main themes arising from audits undertaken within specific services for the period to the end October 2008.

Berkshire Pension Fund Governance Arrangements

16. As the Administering Authority for the Royal County of Berkshire, the Council is required to ensure that its governance arrangements for the Pension Fund are robust, meet best practice requirements, thereby demonstrating transparency and accountability. In addition, the other five Unitary Authorities of Berkshire will seek assurances from RBWM that the Pension Fund is being managed effectively for the benefit of all stakeholders, hence the need for a detailed audit review of governance arrangements.
17. The audit revealed that the documents required by the Statutory Regulations are in place but recommendations have been made for them to be reviewed and updated to include more detail. In addition, the RBWM Constitution needs to be updated to include the Pensions Administration functions and there were instances where supporting documentation for the functions of the Pension Fund, such as the External Fund Managers' Agreements were not held within RBWM. The Pensions Fund Manager has taken a positive attitude to addressing the outcomes of the audit so that routine processes and procedures demonstrate the various activities of the Pension Fund.

Berkshire Pension Fund Investments

18. The day-to-day administration of the Funds, including benefits payable, is covered by the LGPS Regulations 2007 and investments by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.
19. The Fund's assets are managed, partly in-house by the Berkshire Pension Fund Team, and partly by external managers. Since the last audit, there has been a restructuring of roles and responsibilities within the Berkshire Pension Investment area (including the accountancy function), and working practices adopted since the Shareholder system was removed from the Section. Reconciliation processes have undergone a review and there are regular checks undertaken in respect of financial/investment/property transactions. Recommendations were made regarding the formal signing off of all decisions relating to the sale and agreement of prices relating to individual properties after

examining the supporting documentation and for this documentation to be retained on the appropriate property file, with copies of the minutes of Pension Fund Panel approvals, where required.

Berkshire Pension Fund Administration and Payroll

20. The Berkshire Pension Fund and operates in accordance with the Statement of Investment Principles and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. There is an established team, with senior members providing guidance and support to less experienced staff. Advice and assistance given to members/admitted bodies, in a professional manner. Improvement opportunities were identified in respect of strengthening IT controls, reconciliation processes and Disaster Recovery. In respect of the controls surrounding the administration of the Pensions i.e. benefit calculations and reconciliations, the issues arising highlight the need to evidence a clear audit trail i.e. paper trail, independent reviews and the need to establish a contract that details the responsibility of the supplier in providing the IT service in respect of the Pensions Payroll System.

Business Continuity

21. The first steps in preparation of a Business Continuity Plan (BCP) for RBWM are complete and Cabinet approved an interim version in 2006. Since approval of this Plan, there has been ongoing risk assessment work, facilitated by the Insurance & Risk Manager, to help identify the key services which would need to be maintained in the event of a critical event. The audit identified a need for strategic direction and overview of the development of the Business Continuity Plan and for meetings of the Business Continuity Team to be reinstated. The audit also identified that operational responsibility and clarification of roles in all identified critical service areas need to be clearly defined and aspects of the Critical Service Area Risk Assessments need to be completed. Individual Service Continuity Plans need to be prepared and arrangements for scenario testing and activation of the BCP need to be put in place. Since the audit was completed, the first meeting of a newly established Business Continuity Group has been held with representatives from the appropriate directorates that will take each of these actions forward.

Purchase Orders

22. Previous audit reviews of the purchase order / creditors' system have identified that limited use is made of purchase orders when ordering goods and services. This has led to control weaknesses in the ordering and authorisation process and the segregation of duties. The Head of Finance in 2007/08 identified areas where exemptions could be made and via Directors' Group requested that purchase orders be raised in respect of all areas of expenditure that had not been exempted. At the request of the Head of Finance, audit undertook a short review to determine whether officers are now making improved use of these. The review still identified the need for purchases for goods/services not falling within the approved exceptions within Finance Rules to be made on official approved written orders. Officers should again be reminded of the need and importance to comply with Finance Rules, and there should be a regular exercise undertaken to identify compliance with Finance Rules regarding their usage. In addition, the Head of Finance is working with the Head of Audit and Review to prepare a good practice note for managers.

Community Safety

23. Processes and controls are in place to ensure that areas of community safety concern are identified and appropriate arrangements made to address them. There is an adequate system for the prioritisation and allocation of resources to these areas within the service's action plan. Recommendations were made in respect of strengthening the coordination of actions in the plan to relevant officers. The results of action to achieve target outcomes are reported in the Community Safety Outcome Improvement Plan although, prior to the 2008-11 OIP, some targets were not sufficiently specific for progress to have been clearly reported. In general, however, arrangements for the collation and reporting of performance data are operating well

Deputies and Appointeeships

24. The Deputy function is the management of all of a client's financial affairs. The power to act as Deputy and to manage the financial affairs of the client is given by the Court of Protection under the Mental Health Act 1983. The Deputy for RBWM is the Head of Adult Services. Appointeeship is granted by the Department of Works and Pensions/Jobcentre Plus and is the management of the receipt and distribution of state benefits for clients who have no other significant income or assets and cannot manage their own financial affairs. The audit identified that the discharge of the Deputies and Appointeeship functions is being carried out in accordance with Statutory requirements and review of documentation and testing confirmed that clients' funds are adequately maintained and supporting documentation is retained. Recommendations were made to further strengthen the cash handling processes.

Meals on Wheels

25. Meals and Wheels are provided as part of the care options available to vulnerable people within RBWM. The audit revealed that satisfactory budgetary control procedures are in place and the budget is effectively monitored. Satisfactory procedure notes are in place within the Care Brokerage Team and Directors' Group has authorised the negotiation of a new contract with the Womens' Royal Voluntary Service (WRVS) in accordance with Contract Rules. At the time of the audit, negotiations were still taking place and the process of assessing and reviewing entitlement to the Service was found to be being carried out effectively. Recommendations were made in respect of the need for a formal written contract between the WRVS and RBWM for the provision of the service, the requirement for the coordination of the overall management of the contract by one officer and improvements were identified for the maintenance and checking of documentation and for monitoring customer feedback.

Computer Audits

Data Security

26. Data security is the means of ensuring that data is kept safe from corruption and that access to it is suitably controlled as well as helping to ensure privacy. The Council has formulated an Information Security Policy which is monitored by the Business Improvement Unit (BIU). This policy along with Data Management Policy set the direction of data security management within the

Council. The audit review focussed on systems that process sensitive data as well as following up on any outstanding recommendations from recent IT related reviews relating to data security. The review also covered the removal of data from systems that process personal data, the use of laptops, storage of data and access controls around systems that have not been previously reviewed.

27. Recommendations were made to improve the design of the system of control to ensure that it is sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system. In particular, recommendations were made in each of the following: -
- Requirement to ensure the prompt disabling of access to the portal, systems and the swipe card system for staff leaving the Council,
 - Need to ensure that documents used within the Council reflect data classification standards as defined within the Information Security Policy.
 - Need to ensure that documents are marked according to their relevant classifications as outlined in the Information Security Policy,
 - Management should ensure that an exercise for identifying all data and systems that process data is maintained up to date.
 - Need to strengthen access controls around the Advantage card system and review data held on that system.
 - Need to consider disabling USB ports and CD writers on desktops and increase awareness amongst staff of the risks associated with using these devices to copy/store sensitive data.
28. Since the audit, an Information Security Working Group has been established, with representation from Internal Audit, and part of the Group's remit will be to track progress in addressing the issues identified during this audit.

Paris

29. The Paris system is used by the Care Management Department, which covers children and adult social services. There are approximately 400 live Paris users across the Council. The objective of the audit was to evaluate whether reasonable assurance could be given as to the adequacy of the design of the internal control system and its application in practice. The audit concluded that the design of the system of control, if complied with, is sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system. Improvement opportunities were identified in respect of ensuring that confidential and sensitive data is disposed of securely and to ensure that data is transferred in a secure manner.

Financial Management Standard in Schools (FMSiS) and Schools Audits

30. Work commenced during the first seven months of the year on the external accreditation of 20 primary schools to assess whether they meet the Financial

Management in Schools Standard (FMSiS), introduced by the DfES in 2006/07. The Standard itself is a statement of what a school that is financially well managed, would look like. It provides a clear and consistent benchmark that schools can use to encourage self-improvement and is intended to cover standards and processes that should already be in place in schools, rather than to introduce a new, higher standard.

31. The Standard is intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. Effective financial management in schools is essential so that they can make the most of their resources, demonstrating value for money, exercise proper controls over the significant amounts of public money delegated to them and allocate resources effectively to meet school priorities for development and improvement.
32. The external assessment is provided by the Internal Audit Team, at the request of the Council's Section 151 Officer.
33. During the first 7 months of the year, we have completed the external accreditation for 5 Primary Schools from the 2007/08 round of accreditations, with 2 schools from that round yet to achieve the standard. From the 2008/09 round of accreditations, 14 First and Primary Schools have been reviewed and Action Plans have been prepared for 4 of these so far.
34. Due to the work we are undertaking on the Financial Management Standard in Schools, we have reviewed our Audit Programme of visits to schools and we undertake the audit work alongside the FMSiS review. This has enabled us to avoid duplicating work and to ensure that schools are only subject to one review.

Proactive Anti Fraud and Corruption Work

35. During 2007/08 Internal Audit undertook an Anti Fraud and Corruption Survey of Members and Officers. In addition, we coordinated and published the results of an exercise across the Home Counties Head of Internal Audit Group to identify good anti-fraud practices in various local authorities in order that we can improve our proactive anti fraud work. Although the instances of fraud within RBWM are low, we want to ensure that this remains so but also to ensure that officers are aware of the procedures to report a fraud and to feel uninhibited in doing so. A number of actions were identified and these were incorporated into the 2008/09 Internal Audit Service Plan.
36. Benefit Fraud Awareness training has taken place with Benefits Service officers and Registered Social Landlords and Private Landlords. Sessions have been programmed for Customer Service Centre, Council Tax and any new Benefits Officers over the remaining part of this financial year. There has been publication of the Benefit Fraud successes in local newspapers and a Benefit Fraud Newsletter issued to all staff to further raise fraud awareness.

Additional Work Requested by Management

37. In addition to the planned work, management made specific requests to Internal Audit to undertake work in respect of Corporate Complaints and Churchmead School, the findings of which are yet to be reported.

OTHER ITEMS OF SPECIFIC INTEREST

Irregularities

38. Finance Rules require that all matters that might involve financial irregularity are reported to the Head of Finance and the Head of Audit and Review and that Internal Audit shall undertake an appropriate investigation.
39. During the first seven months of 2008/09, there have been no instances of fraud or irregularity reported to Internal Audit. The Team is currently formally investigating 1 case of Internet misuse, the outcome of which will be reported in the 2008/09 Internal Audit Annual Report.

National Fraud Initiative (NFI)

40. The Authority takes part in the Audit Commission's National Fraud Initiative (NFI) Data Matching exercise. Data has been sent to the Audit Commission and the first match is due to be received in Spring 2008. From 2008/09, the type of data matched has been extended and alongside the usual matches relating to payroll, pensions, housing benefit claimants, student loans and creditors, Care Home residents, Transport passes and permits, Insurance claimants, licences (taxi and alcohol) data sets will also be matched.

Housing and Council Tax Benefit Fraud Investigations

41. Tables 2 to 4 summarise the results of the Benefit Fraud Team investigations in the first 7 months of the financial year. Progress in investigating benefit frauds has been good to date and the Team is on track to achieve its 2008/09 targets.

Table 2: Results of Benefit Fraud Team to 31 October 2008

Referrals Received by the Benefit Fraud Team	192
Investigations Completed	155

	2008/09 Target (Full Year)	2008/09 Actual (to 31/10/08)
Benefit Fraudulent Overpayments Identified	£400,000	187,835
Administrative Penalty Income (30% fine)	N/a	9,264
Total Fraudulent Overpayments and Administrative Penalty Income Identified (all recoverable)	N/a	197,099

Table 3: Summary of Sanctions Accepted as at 31 October 2008

Sanctions Given	2008/09 Target (Full Year)	2008/09 Actual (to 31 October 2008)
Cautions)	2
Administrative Penalties) 50 (total)	18
Prosecutions)	14
Total Sanctions Target and Accepted to 30/10/08	50	34

Table 4: Summary of Sanctions in Progress (to be Accepted as at 31 October 2008)

Sanctions in Progress (to be Accepted)	Number
Cautions	0
Administrative Penalties	2
Prosecutions	12
Total Sanctions Waiting to be Accepted as at 30/10/08	14

Support to Working Groups and Projects

42. Internal Audit has been represented at several of the Council's Corporate working groups in order to proactively enable audit advice to be built into the development of systems and procedures. In particular, Internal Audit has been represented at the group implementing the new Trent Payroll System, Fleet Management, and Information Security Working Groups. In addition, attendance at these groups assists in informing the audit work in terms of keeping the Audit Team up to date with current developments.

RECOMMENDATION

43. Members are asked to note the progress against the 2008/09 Internal Audit Plan as at 31 October 2008, to consider the matters identified during the various audit reviews and note the action being taken by management to implement the recommendations.

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**SUMMARY OF INTERNAL AUDIT WORK IN 2008/09
as at 31st October 2008**

Year	AUDIT TITLE	RECOMMENDATIONS			TOTAL RECS	AUDIT OPINION
		HIGH	MEDIUM	LOW **		
COMPLETED AUDITS:						
<i>Cross Cutting</i>						
2007/08	Business Continuity	3	10		13	IR
	Local Public Sector Agreements incl. Pump Priming Grants					N/A
<i>Core Financial</i>						
2007/08	Payroll					SC
2007/08	Housing & Council Tax Benefits	1	7		8	IB
2007/08	Council Tax	5	13		18	IB
2007/08	NNDR	4	6		10	IB
2007/08	Imprest Accounts and Petty Cash	1	6		7	IB
2007/09	Pensions Investments		6		6	IR
2007/09	Pensions Payroll/Administration	8	30		38	IR
	Creditors - Purchase Orders	1	2		3	N/A
<i>Corporate Services</i>						
2007/08	Cash Flow, Investments & Loans	1	8		9	IB
2007/09	Pensions Governance	7	27		34	IR
	Members Allowances, Civic & Mayoral Expenses		4		4	IB
	Mayor's Stocktake					N/A
<i>Community Services</i>						
2007/08	S106 Arrangements		19		19	IB
	Windsor Leisure Centre	2	15		17	IB
	Community Safety		6		6	IB
<i>Learning & Care</i>						
2007/08	Receiverships & Appointeeships	1	4		5	IB
2007/08	Meals on Wheels	4	3		7	URR
2007/08	Maidenhead Nursery School		5		5	IB
2007/08	Oakfield Primary	1	15		16	IB
	Newlands Girls School		20		20	IB
	Churchmead School	6	41		47	IR
	Furze Platt Senior School		19		19	IB
	Windsor Boys' School		21		21	IB
	Charters School	2	12		14	IB
	Desborough School	8	28		36	IR
<i>Computer Audits</i>						
	Data Security		5		5	IR
	Paris		2		2	IB
		55	334		389	

AUDITS AT DRAFT STAGE AS AT 31 October 2008

Housing & Council Tax Benefits - Fraud Prevention & Detection
St Peter's Middle School
St Michael's Primary School
Parking - Residents Parking
Car Parks - Bentley Jennison
Confirm - Bentley Jennison

SC - Strong controls in place
IB - Controls in place but improvements would be beneficial
IR - Improvements in application of controls are required
URR - Urgent system revision is required

** With effect from September 2008, low risk recommendations are no longer reported but are advised to the auditee separately as potential operational improvements

Audit Opinion

The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view of whether the objective is being met; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture.

AUDIT OPINION DEFINITIONS

Strong controls are in place

- ♦ Key/compensating controls exist and are applied consistently and effectively.
- ♦ Objectives are being achieved efficiently, effectively and economically.
- ♦ Risks are managed.
- ♦ Procedures, laws and regulations are complied with.
- ♦ Assets are safeguarded.
- ♦ Information reliable
- ♦ Small number of relatively minor recommendations to address.

(Minimal risk of serious loss or error)

Controls are in place, but improvements would be beneficial:

- ♦ Key controls exist but there may be some inconsistency in application.
- ♦ Compensating controls are operating effectively and generally procedures are adequate.
- ♦ Objectives generally achieved except for some identified weaknesses.
- ♦ Some procedures, laws and regulations may not be properly complied with.
- ♦ Some assets may not be safeguarded.
- ♦ Some information may be unreliable.
- ♦ Minor shortfalls in risk management.

(Some risk of loss, fraud, impropriety, or damage to reputation)

Improvements in application of controls are required:

- ♦ Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively.
- ♦ Procedures exist but are inadequate and/or ineffective. Modification required.
- ♦ Objectives are not being met, or are being met without achieving efficiency and effectiveness.
- ♦ Some assets may be at risk.
- ♦ Major shortfalls may exist in risk management.
- ♦ Information inaccuracies may occur.

(Increased risk of loss, fraud, impropriety, or damage to reputation)

Urgent system revision is required:

- ♦ Key controls do not exist.
- ♦ Lack of procedures, or procedures not being followed.
- ♦ Council rules and regulations and/or statutory requirements are not complied with.
- ♦ Objectives are not being met.
- ♦ Information is unreliable.
- ♦ Assets are vulnerable.
- ♦ Risks are not being effectively identified and managed.

(High risk of loss, fraud, impropriety, or damage to reputation)

RBWM - CORPORATE GOVERNANCE SIGNIFICANT GOVERNANCE ISSUES 2007/08 - OUTCOME IMPROVEMENT PLAN

TABLE 1

Aim: To ensure that good governance is embedded across the authority.

Project Manager: Corporate Governance and Use of Resources Working Group

Reporting Arrangements: Directors' Group

Date last updated: 22/10/08

REF	OUTCOME	ACTION REQUIRED	Priority (Phase 1, 2 and 3)	UPDATED TARGET DATE	RESPONSIBILITY ASSIGNED TO:	PROGRESS TO DATE
1	To help provide a clearer definition of RBWM's vision and purpose	The Borough Strategic Plan should incorporate explicit links with the Financial Strategy, performance management and other key RBWM strategies.	1	Q3 / Q4 2008/09	Chief Executive / Leader	The development of the Council's Strategic Plan will be completed Q3/Q4 2008/09 and will incorporate explicit links with the financial strategy, the Balanced Score Card (performance management and other key RBWM strategies).
2	To ensure that all parties are aware of the quality of service expected and how performance will be measured.	The Borough Strategic Plan should be revised to: - include performance information / service standards for each Directorate - identify measures for addressing underperformance - define Value for Money for RBWM - identify the standards for measuring and reporting VFM.	1	Completed	Chief Executive / Directors' Group	A Council wide system of performance management via a Balanced Scorecard has been implemented. This addresses all of the required actions previously identified.
3	To help ensure that the RBWM's vision for the local area is up to date and effectively communicated.	The RBWM Vision Statement needs to be reviewed and revised to provide a clearer vision, purpose and direction.	1	Q3 / Q4 2008/09	Chief Executive / Leader	As with the Council's strategic plan the Vision Statement is being reviewed and will be completed Q3/Q4 2008/09.
4	To ensure that governance arrangements within RBWM directly reflect and are guided and influenced by the vision for the local area.	Once the RBWM Vision Statement is reviewed and revised to provide a clearer vision, purpose and direction, governance arrangements must be assessed against this.	1	Q3 / Q4 2008/09	Chief Executive / Directors' Group	Tying in with 3. Above this will be completed Q3/Q4.
5	To provide effective guidance for officers in the establishing of and management of partnerships.	A Partnership Protocol needs to be established.	1	31st December 2008	Head of Democratic Services	Discussions have taken place with Internal Audit to establish a Corporate Partnership Protocol. Internal Audit will conduct a review of current partnership governance arrangements.

REF	OUTCOME	ACTION REQUIRED	Priority (Phase 1, 2 and 3)	UPDATED TARGET DATE	RESPONSIBILITY ASSIGNED TO:	PROGRESS TO DATE
6	To help ensure that the establishment and management of all partnerships are consistent and to the expected standards.	A Partnership Manager needs to be appointed.	1	Completed	Head of Democratic Services	Community Partnerships Manager commenced in early April 2008.
7	The progress to date should be maintained in order that all relevant parties are aware of the shared values of RBWM, including leadership values, so that they promote effective governance and can be applied: - in decision making - to develop positive and trusting relationships within RBWM.	Structured processes need to be further progressed and guidance developed, setting out RBWM's shared values, for use by members, officers, partners, the community and other relevant parties.	1	Q3 / Q4 2008/09	Directors' Group	A statement of the Council's shared values for use by members, officers, partners, the community and other relevant parties is being developed and will be available Q3/Q4 in 2008/09.
8	A standard set of values is needed for partnerships to judge decision making and actions.	To include in the Partnership Protocol, the set of values which will guide the establishing of RBWM partnerships and against which decision making and actions can be judged / measured.	1	31st December 2008	Head of Democratic Services	Discussions have taken place with Internal Audit to establish terms of reference for a review of current partnership governance arrangements (starting 08/09) leading to a recommendations summary and action plan to develop partnership standards.
9	To ensure that services are delivered effectively.	The resources and role for Legal services should be reviewed to ensure that: > they are involved to provide legal support for all decision making. > they review any amendments to reports before final submission to Cabinet. > there is effective support for the role of Monitoring Officer.	1	Completed	Directors' Group / Head of Legal Services	Discussions have taken place and processes put in place to enable this to happen.
10	The public and service users are not currently aware of which types of issues they will be consulted on.	A clear policy is needed to identify which issues the public and service users will be consulted on and engaged with.	1	Q3 / Q4 2008/09	Chief Executive / Directors' Group	There is an on-going exercise to identify the external consultations that RBWM are currently involved in. A policy for RBWM led consultations will be initiated with the Lead Member for Community Partnerships and Consultation.

REF	OUTCOME	ACTION REQUIRED	Priority (Phase 1, 2 and 3)	UPDATED TARGET DATE	RESPONSIBILITY ASSIGNED TO:	PROGRESS TO DATE
11	The Risk Management framework and Corporate Risk Register (CRR) are not fully embedded as part of the day to day management of RBWM.	<p>a. Review the quality and appropriateness of the content of the Corporate Risk Register</p> <p>b. Improve Risk Owners' knowledge of how to use the Corporate Risk Register to inform their day to day management so that it becomes part of 'business as usual', e.g. process / procedure reviews, team meetings.</p> <p>c. Complete the final stages of the project to provide access to the Corporate Risk Register for all Risk Owners and Champions.</p> <p>d. Include a standard Risk Assessment, including Control Measures, in all Cabinet and Directors' Group Reports.</p>	1	31st March 2009	Directors' Group	<p>a. All risks are reviewed annually as a minimum. Content of Corporate Risk Register (CRR) to be reviewed post-restructure (pending) with a view to ensure that all Service Areas are populated, at a minimum, with 10 pre-determined frequently consistent risk types.</p> <p>b. and c. Access and training provided to various tiers of officer (Risk Champions, Heads of Service, Risk Owners) to the Web-enabled Risk Register. As a result, 112 officers can now access the CRR. Directors Group and the Audit & Performance Review Panel are advised of the Key Corporate Strategic and Operational Risks on a quarterly basis and this information is derived from the CRR and is subsequently checked with Heads of Service for good order.</p> <p>d. Draft version approved by Risk Champions. Now awaiting comments from Directors' Group and Chair of Audit and Performance Review Panel before implementation.</p>

KEY - Priority Phase:**1 - To be implemented within 6 months****2 - To be implemented 6 - 9 months****3 - To be implemented within 12 months**

Note: Progress on the implementation of each action will be reviewed on a quarterly basis by Directors Group and the Corporate Governance and Use of Resources Working Group.