

<b>Title of Report:</b>	<b>Partnership Risk</b>	<b>Item 4</b>
<b>Report to be considered by:</b>	Governance and Audit Committee	
<b>Date of Meeting:</b>	20 January 2009	

**Purpose of Report:** To update the Committee on progress with implementing effective risk management with regard to Partnerships.

**Recommended Action:** Note the report.

**Reason for decision to be taken:**

**Key background documentation:**

The proposals contained in this report will help to achieve the above Council Plan Themes and Outcomes by:  
improving the governance arrangements of the Council's partnerships

Portfolio Member Details	
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<b>E-mail Address:</b>	astansfeld@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	

Contact Officer Details	
<b>Name:</b>	Ian Priestley
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### Implications

**Policy:** none  
**Financial:** none  
**Personnel:** none  
**Legal:** none  
**Property:** none  
**Risk Management:** none  
**Equalities Impact Assessment:** none

## **Executive Summary**

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### **1. Introduction**

- 1.1 This report is produced at the request of the Committee to provide an update on progress since the last report on this subject in September 2008.

## Executive Report

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### 1. Introduction

- 1.1 At the meeting on the 29<sup>th</sup> September the Committee asked for a further in relation to Partnership Risk Management. This brief report is intended to bring the Committee up to date.
- 1.2 The key officers involved with this work are the Partnerships Manager in Policy and Communication and the Risk and Insurance Manager in Finance. The Partnerships Manager has overall responsibility for overseeing Partnership working sits. The Risk and Insurance Manager provides the advice on risk. Consequently the Partnerships Manager will be working closely with the Risk and Insurance Manager to support the risk management agenda.

### 2. Use of Resources

- 2.1 The report to the 29<sup>th</sup> September meeting of this Committee explained the background to the drivers behind the need to address Partnership Risk Management. One of these was the Use of Resources which set out in a number of Key Lines of Enquiry (KloEs) the steps the Council needed to take. The Use of Resources has now been updated, in October 2008 for the Financial year 2008-09! The update has impacted on Partnership Risk Management in a number of ways, but particularly in emphasising the importance of Partnerships and Partnership working to Local Authorities and therefore the importance of ensuring that there is sound risk management around partnerships.
- 2.2 The revised KloEs, as they relate to Partnership Risk, are set out below.

#### Level 2 criteria

- Risk management considers risks relating to significant partnerships and requires officers to obtain assurances about the management of those risks.
- The council mainstreams partnership risk into organisational risk management reviews and reports on this regularly.
- There may be organisational risks regarding partnership activities as well as risks in the partnership itself - the council understands and manages both types of risk.

#### Level 3 criteria

- The council can demonstrate its partnerships have put in place risk management arrangements as part of setting priorities, policy making, financial planning and performance management. Arrangements may include routinely reviewing and updating a joint risk register.
- The council can demonstrate a positive risk culture and improved outcomes through effective partnership risk management.

- The council has effective liaison and operational working arrangements and the sharing of intelligence with relevant partnership organisations.

### **3. Partnership Register**

- 3.1 The Partnership Register is now being maintained by the Partnership Manager. This lists the key partnerships in which the Council plays a role. It also summarises the main governance and financial management arrangements for each. A copy of the updated register is attached as appendix A.
- 3.2 The register has been shared with the officers and Members highlighted within the register as being responsible for individual partnerships. The register has also been shared with the Chairs of the individual partnerships to ensure a common understanding.

### **4. Partnership Risk Management**

- 4.1 The Partnership Manager with the Risk and Insurance Manager are starting to work on a programme of reviewing the risks for each of the partnerships noted on the register. The way this will be approached is as set out in the guide attached at appendix B.
- 4.2 The intention is to work with the leads for each Partnership and to provide support and training so that each Partnership is able to manage its own risks, rather than for the Council to take ownership of the process. The intention is that the risk registers for each partnership will be maintained on the Council's performance management portal, which Partners already have access to.
- 4.3 This process is likely to take some time and an incremental approach will be used, working through the register.
- 4.4 The Council's Strategic Risk Register is being completely revised at present and one of the outcomes of this process will be a sharper focus on the risks to the Council that are posed by Partnerships. This work should be completed by March 2009

### **5. Conclusions**

- 5.1 The Audit Commission assessment of the council's financial management practices under the use of Resources process will continue to focus on the management and governance of our partnerships with third parties. The new KLoE put additional emphasis on Partnership in a number of ways and specifically in relation to Risk.
- 5.2 The Risk Manager and Insurance Manager will continue work with the Partnership Manager and Partnerships to use the information contained in the Partnership register to target his advice and support to the more significant partnerships that the Council depends on.
- 5.3 The Council's Strategic Risk Register will continue to be used to identify and manage the risks to the Council arising from partnerships.

## **6. Recommendations**

- 6.1 The Committee receive a presentation by the Risk and Insurance Manager on the revised Strategic Risk Register in March. This will allow the Committee to see the way the new register works and allow the Committee to review the risks relating to Partnerships.
- 6.2 The Committee receives and further update report in September on progress with developing risk management within partnerships.

## **Appendices**

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Appendix A - Partnership Register.

Appendix B – Outline approach to Risk Management of Partnerships.

## **Consultees**

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**Local Stakeholders:** n/a

**Officers Consulted:** Governance Group

**Trade Union:** n/a

**Register of West Berkshire Partnership arrangements**

LSP Sub Group	Service Area	Partnership Name	Lead officer/ Member	Scope of Partnership Working	Governance Arrangements	Financial input by WBC ? (Y/N)	Explain Financial Input	Legal role for WBC ? (Y/N)	Explain Legal Role	Comments
	CX	<b>West Berkshire Partnership</b>	Emma Lamb/Cllr Graham Pask	Local Strategic Partnerships were introduced as part of the Local Government Act 2000. Their main aim is to improve the quality of life locally and this is done via producing and delivering a Sustainable Community Strategy and also the Local Area Agreement which incorporates targets based on objectives outlined in the Sustainable Community Strategy.	The Governance Framework for the WBP has just been rewritten to incorporate changes to the membership, terms of reference etc which were made as a result of a recent review carried out to ensure the partnership was fit for purpose. This is due to be agreed and signed by the Board on 2 <sup>nd</sup> October 2008, therefore attached is the draft version.	Y	The Council has a dedicated number of staff within Policy who work on the WBP. In addition the Council has agreed to allocate LAA reward funding for the LSP to distribute and is currently considering LABGI funding.	N		
1	CYP	<b>Children and Young People's Trust Board</b>								
1	CYP	<b>Local Safeguarding Children's Board</b>	Karen Reeve/ Cllr Barbara Alexander	Statutory partnership board of child care agencies tasked with co-ordinating and monitoring the effectiveness of safeguarding in the District	It is a legal constituted body in its own right and sits alongside the Children's Trust arrangements	Y	WBC has input £97k in 08/09 Financial Year. Plus officer time approx £67k.	Y ?	The Board is a legal entity created under the Childrens Act 2004	
1 (& 3 ?)	CYP	<b>Youth Offending Team</b>	Davy Pearson/ Cllr Barbara Alexander	Statutory multi-agency team made up of Police, probation, Local Authority and Health services	It is a legally constituted joint service which is required to be hosted by local authority and report to the CEO of the Council	Y	WBC has input £601k in 08/09 Financial Year inc. Officer time approx	Y ?	The responsibility for ensuring the YOT is staffed and resourced to fulfill it's statutory duties is the responsibility of the CEO	
1	CYP	<b>West Berkshire Adult and Family Learning Partnership</b>	Sara Hanson/Cllr Barbara Alexander	To Co ordinate and promote the provision of adult learning for personal fulfillment, civic participation and community development	Steering group manages decision process. Reports into the Learning and Skills council (LSC)	N		N		
1	CYP	<b>Extended Services/ Children's joint Steering group</b>	Angela Turton/Cllr Barbara Alexander	Created to ensure good management of funding, a strategy and action plan for developing extended services and children's centres. Also involved in monitoring progress against targets	Steering group manages decision process. Reports to the Children and Young Peoples Trust, Commissioning and Development Group	Y	All funded via external grant – DCSF, Sure Start and ABG. Staff time committed to develop strategy and to review budgets and action plan	N		

2	CS	<b>Health And Wellbeing Partnership</b>	Bev Searle/ Cllr Joe Mooney	Provide a leadership role in taking forward the health and wellbeing agenda through policy and strategy development, working collaboratively with other multi-agency LSP sub-groups.Reduce Health inequalities Establish health & wellbeing outcome indicators and local targets that the Health and Well-being group will address, monitor and report back on to the LSP – includes targets within LAA. Support a consultation network for statutory, voluntary, community and private sector organisations	Terms of Reference for Executive Board Terms of Reference for Implementation group Group reports back to LSP	N	Only input is WBC Staff time	N		
2	CS	<b>Safeguarding Adults Partnership Board</b>	Jacqueline Bennett/ Cllr Joe Mooney	Partnership Board established with the following aims: Ensure that whenever abuse or neglect is suspected or reported, there is an effective, consistent, and coordinated response across Berkshire- Ensure partner agencies have preventative measures in place to lessen the likelihood of abuse - Increase the awareness of safeguarding issues amongst the general public, carers, service users, voluntary and paid workers- Provide a framework for the further inter agency development of safeguarding policy including learning lessons from practice	SAPB report to Berkshire West Partnership Board	N	Only input is WBC Staff time	N		

2	CS	<b>Community Team for People with Learning Disabilities</b>	Alison Love / Cllr Joe Mooney	CTPLD Service Plan sets out key objectives of the service. Service has a shared senior management posts with PCT Locality Manager joint post Development Coordinator joint post Staff team joint with Health, posts either WBC funded or Health funded	CTPLD Management Team SLA agreements for Continuing Care and well established arrangements for S28a funding) SLA's for joint funded posts with NHS Berkshire West	N		N		Ref – LD Commissioning Strategy 2007-11
2	CS	<b>Learning Disabilities Partnership Board</b>	Alison Love / Cllr Joe Mooney	To proactively involve people with a learning disability and family carers. Promote partnership working between agencies. Promote the key principles of 'Valuing People' across all agencies, authorities and services. Develop and implement specific initiatives to improve the lives of people with a learning disability	Tof R for LDPB being developed	N	Grant funding through Learning Disabilities Development Fund	N		
2	CS	<b>Community Mental Health Team</b>	Lynn Stephens/ Cllr Joe Mooney	CMHT Service Plan sets out key objectives of the service. Service has a shared senior management posts with PCT Locality Manager joint post Development Coordinator joint post Staff team joint with Health, posts either WBC funded or Health funded	CMHT Management Team SLA's for joint funded posts with NHS Berkshire West	N	Internal Staff Resources Only			Ref – MH Commissioning Strategy 2007-11
2	CS	<b>Mental Health Focus Group</b>	Lynn Stephens/ Cllr Joe Mooney	Links with West of Berkshire Local Implementation Team (LIT) to help ensure National Service framework (NSF) targets continue to be met and ensure the views of local service users and carers heard. Group influences the strategic development, modernisation and improvement of services within agreed priorities.	Tof Ref for Mental Health Focus Group Group chaired by Locality Manager and reports back to West of Berkshire LIT as appropriate.	N	Internal Staff Resources Only	N		
2	CS	<b>Intermediate Care Services</b>	Andrew Lane / Cllr Joe Mooney	Shared senior management posts with PCT Pooled Budgets – agreements in place.	ICS Senior management team vis budget management meetings and Joint Commissioning Board	Y	Pooled Budget with Berks West PCT	Y	Pooled budget agreement between the parties	



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2	CS	<b>Community Equipment Scheme</b>	Patrick Leavey/Cllr Joe Mooney	To ensure efficient access to complex equipment supply service for residents of West Berkshire	Pooled Budgets – agreement in place with 6 unitaries across Berkshire and 2 PCTs	Y	Pooled Budget with Berks Authorities and 2 PCT's	Y	Pooled budget agreement between the parties	
2	CS	<b>Local Implementation Networks (LINKs)</b>	Jan Evans/Cllr Joe Mooney	To ensure engagement of West Berkshire residents on issues relating to Health & Social Care	Written agreement	Y	WBC Grant fund £90k. Performance Framework in place and provider performance manages against indicators.	N		
3	CS	<b>Pathways to Employment - P2E</b>	Jayne Mills /Cllr Joe Mooney	Partnership project in which employers and voluntary organisations work together to make sure disadvantaged and vulnerable people have access to work through a range of information, advice, training, and supported employment opportunities.	Partner agreement. SLA's with Supporting People Team Steering group, Partners meeting quarterly. Annual report & business plan. Accountable to LSP.	Y	£50k p.a from Supporting People fund (2008 -11) £25k from Learning Skills Council £5.5k from Greenham Common Trust £2.5k Englefield Trust	N		
7	CS	<b>Housing sub Partnership</b>	June Graves/Cllr Alan Law	Supported housing scheme jointly funded by Housing Corporation, Social Services and Supporting People. Purpose is to promote the housing agenda across West Berkshire to bring positive outcomes in terms of increased provision and safe, high quality housing in the district	Refer to Terms of reference Group reports back to LSP	N		N		Links to LAA Targets
2	CS	<b>Supporting People Core Group</b>	Tandra Forster /Cllr Alan Law	Supporting People Partnership established to effectively administer SP grant to deliver supported living to vulnerable people	Ref. Terms of Reference Core group and then Exec, also report to DCLG who oversee funding		Grant Funding through Supporting People Grant			
7	CS	<b>Joint Commissioning Partnership (JCP)</b>	Mel Brain /Cllr Alan Law	Council and RSL partners and is to enable delivery of affordable housing in West Berkshire. No specific resources, although we prioritise their bids etc, and we have a legal agreement governing the partnership	Quarterly meetings of JCP, monitored by housing strategy and fed into council plan & LAA		Partnership has no financial resource commitments from WBC other than staff time			

7	CS	<b>Berkshire Strategic Housing Group</b>	Mel Brain /Cllr Alan Law	A sub-regional housing partnership, comprising the 6 unitaries, RSL partners, GOSE and the Housing Corporation. Seeks to identify and deliver sub-regional opportunities and projects	Refer to ToF R – Bi monthly meetings	Y	Initial £2k provided by all unitaries to develop strategy. Projects funded on a case by case basis	N		
7	CS	<b>Rural Housing Enabler Steering Group</b>	Mel Brain /Cllr Alan Law	A sub-regional partnership to deliver a Rural Housing Enabler for the unitaries of West Berks, Wokingham and RBWM. All the authorities are involved, along with RSL partners and CCB. The partnership sets targets/work programmes for the posts and funds it.	Steering group monitor work plan	Y	All unitaries contribute £5k p.a and RSL's £3k p.a to appoint a rural housing enabler Work progress monitored by steering group	N		
7	CS	<b>Flexible Homes Loans Consortium</b>	Mel Brain /Cllr Alan Law	Consortium of 17 local authorities who have successfully bid for £16M of Regional Housing Board money to develop and run a Flexible Home Loan scheme for home improvements. A company is being set up to administer the mortgages, but the consortium will monitor progress.	Under development (papers with Legal services) AGM	N		N		
3	CX	<b>Safer Communities Partnership</b>	?	Budgets and HR for the Police and private sectors aligned to objectives in community strategy Joint Community Safety team encompassing Police, Council and Sovereign Housing	??	Y	LAA budgets Grants to voluntary organisations			

LSP Sub Groups -

- 1 = Children and Young Peoples Trust
- 2 = Health and Well being Partnership
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3	CX	<b>Safer Communities Partnership</b>	?	Budgets and HR for the Police and private sectors aligned to objectives in community strategy Joint Community Safety team encompassing Police, Council and Sovereign Housing	??	Y	LAA budgets Grants to voluntary organisations			

LSP Sub Groups -

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- 6 = Skills and Enterprise Partnership
- 7 = Housing Partnership

## Appendix B – Approach to partnership risk management

- 1 A joint approach to the management of risks that affect the achievement of a partnership's objectives can bring a number of rewards:
  - A common understanding by all partners of the risks and opportunities, and how they will be managed;
  - Creates an environment that allows the partnership to anticipate and respond to change;
  - Encourages forward thinking, thus minimising unwelcome surprises and increases accountability;
  - Enhances communication which, in turn, improves the basis for strategy setting, decision making and performance management; and
  - Adds realism – so gives a better basis for allocation of resources and enables the delivery of better services.
  
- 2 Major partnerships should agree a joint risk management strategy and methodology. If the principal organisation has a tried and tested strategy and has a methodology which has worked well within the organisation, consideration might be given to applying this to the partnership's risk management work.
  
- 3 Consideration will also need to be given to matters such as:
  - Reporting on shared key risks to management; and
  - Defining arrangements for joint risk registers (Appendix 6).
  
- 4 Common pitfalls
  - Obvious risks around financing and partnership failure may have been identified but there is a wider spectrum of risks that need to be considered;
  - A risk assessment may have been carried out at the start of the partnership but has not been updated in line with the developing relationship.
  - Organisations have no agreed way to identify, prioritise, manage and report the partnership's risks;
  - There is a lack of communication and understanding on risk between partners.



## Appendix B – Approach to partnership risk management

### 5 Risk identification in a partnership setting

#### 5.1 The usual basic risk management questions apply:

- What are our objectives?
- Can we identify the things that would stop us achieving these?
- Can we find ways of mitigating them?

#### 5.2 When identifying partnership risks, the process of risk identification should, almost always, include a joint exercise with the partner(s) or perspective partner(s). There are two main ways to look at partnership risk:

#### 5.3 Route 1 Outside looking in (From the perspective of the Council)

5.3.1 This approach considers the risks that the Council as an organisation face in being involved in the partnership. This is addressed in Section 2 of the Partnership Approval Checklist (Appendix 1). A number of risk areas need to be considered e.g. Financial, Reputation, Legal, Physical, Technological, and Operational.

#### 5.4 Route 2 On the inside (From the perspective of the partnership)

5.4.1 The partner or prospective partner organisation(s) participate in the risk identification process as it is necessary to consider the risks faced by the partnership. Examples could include: lack of 'buy in' from all partners; confused governance arrangements e.g. financial control, reporting etc; unable to blend organisational cultures; and the partnership is seen as Council led.

6 At stake for all partners are: service delivery; reputation; organisational objectives; and investments in time, money, resources & expertise.

### 7 What are the risks involved?

7.1 To give a comprehensive list of the risks involved in partnership working would be difficult, if not impossible. However, some of the risks which might be encountered include: partnership standards are not met; partnership chases reward rather than local priorities; service failures lead to excess costs; and no ownership by local delivery agents.



<b>Title of Report:</b>	<b>Internal Audit - Quarter 2 report</b>	<b>Item 5</b>
<b>Report to be considered by:</b>	Governance and Audit Committee	
<b>Date of Meeting:</b>	20 January 2009	

**Purpose of Report:** To update the Committee on the outcomes of internal audit work over the second quarter.

**Recommended Action:** Review the outcomes of individual audits to ensure that the Committee is satisfied with the progress made in implementing agreed recommendations and seeks explanations from the relevant Head of Service where progress is unsatisfactory.

**Reason for decision to be taken:**

**Key background documentation:** Internal Audit Reports

Portfolio Member Details	
<b>Name &amp; Telephone No.:</b>	Councillor Laszlo Zverko - Tel 0771 2858197
<b>E-mail Address:</b>	lzverko@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	

Contact Officer Details	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Assurance Manager
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

### **Implications**

**Policy:** None

**Financial:** None

**Personnel:** None

**Legal:** None

**Property:** None

**Risk Management:** None

**Equalities Impact Assessment:** None

## **Executive Summary**

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### **1. Introduction**

- 1.1 The report outlines the results of the work of Internal Audit over the second quarter of 2008-09.

### **2. Proposals**

- 2.1 Consider results of audits where the opinion is weak or very weak, and note the comments / update provided by the relevant Head of Service
- 2.2 Consider results of follow up audits where progress is felt to be unsatisfactory, and note the comments / update provided by the relevant Head of Service

### **3. Conclusion**

- 3.1 No fundamental weaknesses were identified.

## Executive Report

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### 1. Introduction

1.1 The purpose of this report is to outline the key issues arising from the work of Internal Audit over the second quarter of 2008-09.

1.2 The report highlights the following:

- any reports finalised in the last quarter where the overall opinion was weak or very weak.
- any follow up work with an unsatisfactory opinion.
- any wider audit issues that may affect Internal Audit or the Council
- the current position re resourcing of internal audit and the implications for completion of the annual audit plan.

1.3 A number of appendices are attached and provide more detail. These are

- A listing of audit work that is presently underway (Appendix A)
- A listing of audits completed in the last quarter (i.e. Final report issued). The overall opinion is given with the number and severity of weaknesses identified. (Appendix B)
- A listing of follow up work that is in progress (Appendix C)
- A listing of follow up work completed in the last quarter, together with an opinion and a note of the number of recommendations that remain outstanding. (Appendix D)
- Where we feel that unsatisfactory progress has been made with implementation of recommendations a copy of the memo to the Head of Service expressing our concerns and the action plan is attached for your information. (Appendix E).

**2. Reports where the overall opinion was weak/very weak (completed audits/those where there are problems agreeing the findings)**

2.1 No audits were rated weak or very weak.

**3. Follow up work given an unsatisfactory opinion (copies attached)**

3.1 Two audits had unsatisfactory opinions in this quarter. These were:

- Priory Imprest Account – Children’s Services
- Riverside Youth & Community Centre – Children’s Services

3.2 Details are set out below

	<p><b>Priory Imprest Account – Follow-up Review</b></p> <p><b>Internal Audit opinion – 22/08/2008</b></p>
	<p>From the total of 9 agreed recommendations, 7 had been implemented, the remaining 2 were outstanding.</p> <p>Whilst we acknowledged that work has been undertaken to notify Senior Managers of the majority of the points raised during our review, we considered that the two outstanding points were the key areas of control that needed to be put in place, i.e. setting up records to monitor client allowances and the need to issue more detailed guidance specifying what types of expenditure are acceptable.</p> <p>Also, there is a need to document those points of practice that managers have already been informed of as this would provide a point of reference for existing as well as new members of staff.</p>
	<p><b>Head of Service update / comments</b></p>
	<p>It is agreed that these actions will need to be undertaken; however they are reliant on other factors beyond my control but will be actively pursued.</p>

	<p><b>Riverside Youth &amp; Community Centre – Follow-up Review</b></p> <p><b>Internal Audit opinion – 12.09.08</b></p>
	<p>From the total of 17 agreed recommendations, we found that ten have not been implemented, five have only been partially implemented and just two recommendations implemented. However, even where recommendations have been partially implemented or implemented this has only been the case since March 2008.</p> <p>Our original review upon which this follow up is based was completed in January 2007. Many of the recommendations made in this report had also been raised in our previous review in May 2004. It is therefore of concern that the required level of control is still not in operation within the centre.</p> <p>It is evident from this comparatively brief follow up that many other controls</p>

	<p>that had previously been operating have also lapsed. For example, between 24/4/2007 and 21/3/2008 claims to reimburse the Imprest were not submitted. This resulted in the Imprest bank account becoming up to £1800 overdrawn on a £1500 advance and being overdrawn by varying amounts for the majority of 2007/08.</p> <p>It is also evident that budget monitoring has not been effective during 2007/08 as there was limited (if any) evidence of Agresso reports being monitored.</p> <p>Whilst we acknowledge that the Support Services Worker (SSW) has been extended leave, it would appear that in the absence of the SSW, contingency arrangements have been completely inadequate.</p>
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	<p><b>Head of Service update / comments</b></p> <p><b>Karen Reeve Head of Children's Services 07.11.08</b></p> <p>Despite several changes of staff at the Youth centre there should have been effective arrangements in place to address the prior audit recommendations. Having been made aware of the issues I immediately instructed my senior managers for this service to take urgent action to address the issue with the Youth Centre. Actions have been implemented and all requirements are now in place. However this will be carefully monitored to ensure no lapses take place</p>
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#### 4. Current issues affecting Internal Audit

##### 4.1 Schools – Financial Management Standard for Schools update

4.1.1 Work is continuing in reviewing Primary Schools. The process was revised with effect from April 2008. Now an audit is carried out to identify any weaknesses and gaps in procedures at each school. Then assistance from Accountancy (via a former Secondary Bursar) is provided to implement any required actions. The FMSiS follows once the school and Accountancy are happy that the required actions have been implemented. This process seems to be having a positive impact on schools; although until the assessments are completed we will be unclear as to whether this is in fact the case.

4.1.2 In the case of Secondary Schools, these will be assessed again in the next year and a briefing has been given to the Secondary Heads and a follow up briefing will be held in January for Secondary Bursars.

##### 4.2 Surprise Cash Audits.

4.2.1 Members of the Executive have requested that surprise cash audits be carried out at all Council establishments that hold or collect cash, including schools. Until recently these establishments were subject to cash audits, but these audits were planned and announced in the same way all routine audits are. Surprise cash audits are now being carried out, for example of Licensing Income at Faraday Rd and at

Libraries. The number of such audits will increase and coverage will extend to all establishments. No major issues have been identified as yet, although improvements in the administrative arrangements have been requested.

4.2.2 The Audit Protocol has been revised to reflect these changes and will be reissued to Heads of Service. A separate protocol for schools exists and will be amended and put out to consultation via EMAB.

4.3 Circulation of Internal Audit reports

4.3.1 Executive Members have also asked that copies of all audit reports where recommendations are made are copied to the Finance Portfolio Holder and the relevant Service Portfolio Holder. This requirement includes school audit reports.

## 5. Staffing issues

5.1 Internal Audit has one vacancy, a Senior Auditor. Permission to recruit to this post has been refused by the Recruitment Panel. This will impact on the ability of the team to deliver the approved work programme.

## Appendices

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Appendix A – Current Audits

Appendix B – Completed Audits

Appendix C – Current follow ups

Appendix D – Completed follow ups

Appendix E – Details of unsatisfactory follow up

Appendix F – Internal Audit Protocol

## Consultees

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**Local Stakeholders:** n/a

**Officers Consulted:** n/a

**Trade Union:** n/a



**List of work commenced – 2nd Quarter 2008/9**

**Appendix A**

Directorate/Service	Audit Title	Current Position of Work	Audit Plan/Year
<b>Chief Executive</b>			
Finance	Contract letting	Draft report issued	2007/8
Finance	General ledger	Draft report issued	2007/8
Finance	Budgetary Control	Draft report issued	2007/8
I.C.T	I.T. Strategy	Report being drafted	2007/8
Finance	Webrisk	Draft report issued	2008/9
Finance	Fixed Asset Register	Testing	2008/9
Human Resources	Absence Management	Put on hold (new processes being established – to be picked up again in Feb.)	2008/9
Human Resources	Recruitment	Report being drafted	2008/9
Benefits and Exchequer	Accounts Payable	Report being drafted	2008/9
Benefits and Exchequer	Accounts Receivable	TOR issued	2008/9
Benefits and Exchequer	Payroll/Travel expenses	TOR issued	2008/9
Finance	Treasury Management	Testing	2008/9
Finance	Central review of Imprest Administration	Draft report issued	2008/9
Legal Services	Land Charges	Draft report issued	2007/8
I.C.T	I.T. Security	Testing	2008/9
Corporate	National Fraud Initiative	Data extraction stage carried out – investigation of data matches will commence in January	2008/9
Benefits and Exchequer	Accounts Receivable	Draft report issued	2007/8
Benefits and Exchequer	Payroll	Drafting report	2007/8
Property Services	Building Maintenance	Testing	2008/9
Property Services	Commercial Rents	Planning	2008/9

**List of work commenced – 2nd Quarter 2008/9****Appendix A****Children & Young People**

Education	Facilities Grant	Draft report issued	2008/9
Education	Home to School Transport	Drafting report	2008/9
Education	School Meals Contract	Planning	2008/9
Education	Extended Schools	Planning	2008/9
Children's Services	Child Protection	Drafting report	2008/9
Children's Services	Purchasing Care Residential	Drafting report	2008/9
Children's Services	Agency Staff	Planning	2008/9
Children's Services	Youth Services	Draft report issued	2008/9
Children's Services	Adventure Dolphin	Drafting report	2008/9

**Community Services**

Older People's Services	Self Assessment	TOR issued	2008/9
Cultural Services	Libraries Purchasing	Testing	2008/9
Cultural Services	Shaw House	Background research	2008/9

**Environment**

Countryside and Environment	Taxi Licensing	Draft report issued	2008/9
Planning and Transport	Transport Strategy	Postpone until 2009/10 – changes in staff	2008/9
Highways	Transport Services	Planning	2008/9
Highways	Car Parks	Drafting Report	2007/8

**List of work commenced – 2nd Quarter 2008/9**

**Appendix A**

**Advisory Reviews/Other Work**

**Advisory Review/Other Work in progress**

Directorate/Service	Audit Title	Current position of work
Cultural Services	Archive Service (Critical Friend' to service's own review)	Draft report issued

**Internal audit quarterly report - List of completed audits**

**Appendix B**

(Second Quarter)

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Date finalised</u>	<u>Overall Opinion</u>	<u>Agreed Recommendations (no.s per category of weakness and total)</u>				
				Total	Fundamental	Significant	Moderate	Minor
<b>Chief Executive</b>								
Benefits and Exchequer	Council Tax	09/09/2008	Satisfactory	18			4	14
<b>Children and Young People</b>								
<b>Community Services</b>								
<b>Environment</b>								

\* Advisory review

**NOTE**

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

Internal Audit Quarterly Report – List of Follow up work commenced  
(Second Quarter)

Appendix C

Directorate/Service	Audit title
<b>Chief Executive</b>	
Finance	General Ledger
Finance	Treasury Management
Finance	Accounts Payable
Finance	Fixed Asset Register
Benefits and Exchequer	Cash Office
I.C.T.	I.T. Asset Register
Finance	MTFS
<b>Children and Young People</b>	
<b>Community Services</b>	
Housing and Performance	Four Corners Gypsy Site
<b>Environment</b>	
Planning and Trading Standards	Planning Obligations



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# MEMORANDUM

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**To:** Karen Reeve – Head of Children & Young People      **Contact:** Moira Thomas - Auditor

**Cc:** Andy Walker – Head of Finance

Roz Haines – Group Accountant – Children & Young People Team

Caroline Simmonds – Locality Manager West/Central

Sue Adamantos – Locality Manager East.

Councillor Jo Mooney –Portfolio Member – Community Care

Councillor Laszlo Zverko – Portfolio Member – Finance

Councillor Barbara Alexander – Portfolio Member – Children & Young People

**From:** Julie Gillhespey      **Extn:**

**Extn:** 2455      **Date:** 22nd August 2008

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**Re: Imprest Account Administration – The Priory – Follow up Audit**

We recently completed a follow up of our audit review of Imprest Account Administration at the Priory, the report for which was finalised in July 2007. The overall audit opinion for the report was weak.

We were informed that since the audit, the team at the Priory was disbanded, and restructured into two teams, the East Locality and the West/Central Locality. This restructure has resulted in another imprest account being set up. The East Locality advance remains at £3,000, the new advance is £2,000.

From the total of 9 agreed recommendations, we found that 7 had been implemented, the remaining 2 are still outstanding.

Whilst we acknowledge that work has been undertaken to notify Senior Managers of the majority of the points raised during our review, we consider that the two outstanding points

are the key areas of control that need to be put in place, ie setting up records to monitor client allowances and the need to specify what types of expenditure are acceptable. Also, there is a need to document those points of practice that managers have already been informed of as this would provide a point of reference for existing and well as new members of staff.

We therefore conclude that **unsatisfactory** progress has been made, and the service needs to address the outstanding points to provide assurance that there is an effective control framework in place for administration of imprest accounts.

As the above two points are still outstanding, we agreed with the Head of Service that it would not be worthwhile carrying out any sample checks as part of the follow-up, as this would identify the same weaknesses. We will plan to include the two imprest advances in future years plans for imprest spot checks.

We are required to report on progress made in implementing agreed recommendations in our reports to **Corporate Board and Members**.

For your information we have attached a copy of the action plan, with progress to date highlighted in bold.

If you require any further information regarding the content of this memo please let me know.

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Julie Gillhespey  
**Group Auditor**



**Internal Audit**

**Imprest Account Administration –The Priory Follow up Audit**

**Action Plan**

**Recommendations discussed with Karen Reeve – Head of Children Services – July/August 2008.**

**Action to Date is highlighted in bold**

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments/ Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
1. We recommend that consideration is given to removing the drawer key from the premises overnight.	Minor / Necessary	Agreed	<p><b>The Head of Service advised us that instructions have been issued to all Service Managers covering the security of petty cash.</b></p> <p><b>These instructions specified that where it is not practicable to take the cash box keys off the premises at night, only the administration staff / Senior Managers should made aware of its location. Also where the office has a safe the cash box must be kept in the safe. ??</b></p> <p><b>Implemented</b></p>	
2. We recommend that the next imprest claim should be reduced by £0.97 in order to bring the float into balance. A note should be made on the claim, which says that the entry is to bring the balance, as per advice given from Internal Audit.	Minor / Necessary	Agreed	<p><b>This was actioned after the audit report was finalised.</b></p> <p><b>Implemented</b></p>	
3. We recommend that cheques older than six months should be written off/cleared from the account.	Minor / Necessary	Agreed	<p><b>The Head of Service informed us that Managers were instructed to write off unrepresented cheques that were older than six months at supervision sessions and during Senior Managers Team Meetings.</b></p> <p><b>Implemented</b></p>	

**Internal Audit**

**Imprest Account Administration –The Priory Follow up Audit**

**Action Plan**

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments/ Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
<p>4. We recommend that Care Managers should authorise all payments, and client signatures should be obtained for receipt of cash/ goods on all occasions. Where it has not been possible to obtain the client’s signature, the reason for this should be recorded, and one of the Care Managers should sign the entry as evidence that the reasoning is appropriate.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p><b>We were advised that a record of client payments has not been set up. The Head of Service advised us that this was due to a delay in setting up the new finance module on Raise. We were also advised that the revised timeframe for implementation is in place for mid September.</b></p> <p><b>Not implemented</b></p>	
<p>5. We recommend that Care Managers should authorise all payments, and client signatures should be obtained for receipt of cash/ goods on all occasions. Where it has not been possible to obtain the client’s signature, the reason for this should be recorded, and one of the Care Managers should sign the entry as evidence that the reasoning is appropriate.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p><b>The Head of Service informed us that Managers were instructed (during SMT) that they should authorise all payments made from the imprest accounts in future together with the requirement for obtaining the client’s signature for each transaction. In exceptional circumstances the Team /Assistant Team Manager may sign on behalf of a client.</b></p> <p><b>Implemented</b></p>	
<p>6. We recommend that receipts should be obtained for all transactions incurred from the imprest.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p><b>Senior Managers have been advised during SMT meetings that payments will not be made without a valid receipt. Where there is a valid reason for there being no receipt, the transaction must be authorised by a Service Manager. The Team Managers were tasked with passing this information on to relevant members of staff.</b></p> <p><b>Implemented</b></p>	

**Internal Audit**

**Imprest Account Administration –The Priory Follow up Audit**

**Action Plan**

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments/ Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
<p>7. We recommend that VAT should be accounted for where applicable. Advice on where VAT is applicable can be obtained from the Council’s Head of Benefits and Exchequer.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p><b>Senior Managers were informed of the importance of accurately accounting for vat during SMT meetings and an e-mail was issued by the Head of Service covering this (copy provided during the follow-up).</b></p> <p><b>Implemented</b></p>	
<p>8. We recommend that petty cash payments should not exceed £50, and that all subsistence claims should be processed through payroll, as per instructions from Accountancy</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p><b>We established that an e-mail was issued to Senior Managers in August 2007 which specified the level of petty cash payments and the correct process to follow for subsistence claims. We note that a Service Manager’s agreement is required in advance where the purchases exceed the £50 limit. We were provided with a copy as verification.</b></p> <p><b>Implemented</b></p>	
<p>9. We recommend that the Service should provide staff with detailed guidance on the administration of imprest accounts. This guidance should specify what types of expenditure are suitable together with identifying maximum values for each type of expenditure. Accountancy should be consulted on the guidance prior to its implementation. The guidance should then be distributed and implemented throughout the service.</p>	<p>Significant / Necessary</p>	<p>Agreed</p>	<p><b>The Head of Service advised us that discussions were held with Accountancy to agree the setting up of standard guidance for petty cash/imprest account administration. However, following a change in staffing within Accountancy, the current Group Accountant was not made aware of this requirement. The Group Auditor provided the Head of Service a list of advisory points covering the general administration of petty cash/imprest accounts, this information was then forwarded to Team Managers. However, these are high level control elements and do not meet the requirements of this recommendation, which needs more specific details. ( the written guidance should also amalgamate all other guidance issued in relation to the audit recommendations (ie recommendation 1, 3, 5, 6, 7, 8 &amp; 9).</b></p>	

**Internal Audit**

**Imprest Account Administration –The Priory Follow up Audit**

**Action Plan**

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments/ Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
			<p><b>The Head of Service forwarded us a copy of the Council’s policy/guidance covering ‘children &amp; young people – leaving care’ which includes a small number of examples of what has been deemed appropriate discretionary payments.</b></p> <p><b>However, we consider that the level of information is not sufficient to cover all of the points raised during our review.</b></p> <p><b>Not implemented</b></p>	

<b>Category of weakness</b>		<b>Significance</b>	
Fundamental	May result in a complete breakdown of the service and or fraud or other irregularity	Mandatory	For statutory, council regulations or service instructions fundamental control weaknesses
Significant	May result in a breakdown in the service and or fraud or other irregularity	Necessary	For Significant or moderate control weaknesses
Moderate	May result in some impact on the service	Advisory	For minor control weaknesses or efficiency improvements
Minor	Limited impact on the service		

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# MEMORANDUM

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**To:** Maureen Phillips – Area Youth Worker Manager      **Contact:** Shannon Coleman-Slaughter - Group Auditor

**Cc:** Mark Vernon – Youth Service Development Manager

Karen Reeve - Head of Children Services

Margaret Goldie – Corporate Director for Children & Young People

Barbara Alexander – Portfolio Member for Children & Young People

Ian Priestley – Assurance Manager

Andy Walker - Head of Finance

Laszlo Zverko – Portfolio Member for Finance

**From:** Shannon Coleman-Slaughter      **Extn:**

**Extn:** 2303      **Date:** 12th September 2008

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**Re: Riverside Youth and Community Centre Follow up Audit**

We recently completed a follow up of our audit review of the Riverside Youth and Community Centre which was finalised in April 2007. The overall audit opinion for the report was weak.

*For your information, where an audit report identifies a weakness we are required to provide a copy of the report/follow-up review to the Portfolio Member for Finance and the Portfolio Member for the relevant service area.*

From the total of 17 agreed recommendations, we found that ten have not been implemented, five have only been partially implemented and just two recommendations implemented. However, even where recommendations have been partially implemented or implemented this has only been the case since March 2008. Due to the significance of the recommendations that are outstanding/work in progress, we therefore conclude that **unsatisfactory** progress has been made.

Our original review upon which this follow up is based was completed in January 2007. Many of the recommendations made in this report had also been raised in our previous review in May 2004. It is therefore of concern that the required level of control is still not in operation within the centre.

In addition, it is evident from this comparatively brief follow up that many other controls that had previously been operating have also lapsed. For example, between 24/4/2007 and 21/3/2008 claims to reimburse the imprest were not submitted. This resulted in the imprest bank account becoming up to £1800 overdrawn on a £1500 advance and being overdrawn by varying amounts for the majority of 2007/08. This co-incides with the Support Services Worker (SSW) being on extended leave.

It is also evident that budget monitoring has not been effective during 2007/08 as there was limited (if any) evidence of Agresso reports being monitored.

It would appear that in the absence of the SSW, contingency arrangements have been completely inadequate.

We are required to report on progress made in implementing agreed recommendations in our half-yearly reports to **Corporate Board and Members**.

For your information we have attached a copy of the action plan, with progress to date highlighted in bold.

If you require any further information regarding the content of this memo please let me know.

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Shannon Coleman - Slaughter  
**Group Auditor**

## Riverside Youth & Community Centre Follow Up

### 1 Action Plan

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>	<u>Current Status</u>
1. We recommend that Agresso reports are reviewed in detail on a monthly basis. All discrepancies/queries should be reported to Accountancy where appropriate and documentary evidence should be retained for each review.	Significant/ Necessary	Agreed	Agresso reports are reviewed regularly, the change we have made is that we tick off income/expenditure variances when agreed and also sign and date the sheets when checked	Centre Manager -	<b>Not Implemented.</b>
2. We recommend that expenditure/ income is coded to the correct budget code where a provision has been made for it and any variances are thoroughly analysed. We also recommend that realistic budgets are set for income and expenditure.	Significant / Mandatory	Agreed	This is being done as far as possible, however much of the budget allocation is outside my control. Any discrepancies are brought up at finance meetings with my line manager and the youth service accountant	Centre Manager -	<b>Not Implemented.</b>
3. We recommend that purchase orders are raised for all expenditure with the exception of utilities and periodic payments PRIOR to the expenditure being incurred. All purchase order should be raised in Agresso.	Significant / Necessary	Agreed	We are endeavouring to do this wherever possible, when an emergency arrives we cannot always raise a purchase order prior to the repair being done	Finance Support Service Worker -	<b>Not implemented.</b>
4. We recommend that the current authorisation limits are reviewed in light of the majority of expenditure being	Significant/ Mandatory	Agreed	Authorisations are being reviewed in light of the service restructure and will be in place by the end of April 07	Head of Culture and youth	<b>Not implemented.</b>

<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>	<u>Current Status</u>
of less than £250 resulting in the Finance Support Services Worker being responsible for both raising and authorising purchase orders.					
5. We recommend that an independent check of the petty cash is regularly undertaken by an individual not responsible for the administration of the petty cash.	Moderate / Necessary	Agreed	All of this recommendations is now being implemented. the petty cash is checked monthly by the centre manager	Centre Manager/ Finance Support Service Worker -	<b>Not Implemented.</b>
6. We recommend that the individual responsible for the administration of the petty cash should not reimburse or advance cash to themselves. Where the individual has made purchases which require reimbursement, this should be undertaken by an independent officer.	Significant / Necessary	Agreed	No member of staff advances cash to themselves. At present this is done by the area officer and the part time support services worker and all petty cash vouchers have to be signed by an independent person (normally either the support services worker or the area officer (or another responsible person).	Centre Manager/ Finance Support Service Worker -	<b>Implemented</b>
7. We also recommend that cash is not advanced prior to purchases being made. Reimbursements should not be processed unless valid receipts (VAT where applicable) are provided to support the claim and the claim voucher has been authorised by the Centre Manager.	Moderate / Necessary	Agreed	Wherever possible we do not advance cash, and try to pay by cheque if advance monies are required. If a cash advance is unavoidable, we now get the person concerned to sign that they have received the money and when the purchase has been done, we check the receipt and the change and get the person to sign a petty cash slip and attach that to the receipt. Appropriate wording	Centre Manager/ Finance Support Service Worker -	<b>Partially Implemented</b>



<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>	<u>Current Status</u>
			on the petty cash slip confirms the action.		
8. We recommend that the petty cash book is updated on receipt of vouchers for reimbursement and regularly reviewed/reconciled back to the petty cash float held.	Minor / Necessary	Agreed	This is implemented	Finance Support Service Worker -	<b>Partially Implemented</b>
9. We recommend that all banking summary sheets are independently verified and marked to evidence that they have been verified.	Minor / Necessary	Agreed	This is now done either by the support services worker or the centre manager and verified by a second member of staff	Centre Manager -	<b>Implemented</b>
10. We recommend that Agresso is utilised for raising invoices and they are raised at the point the bookings are made.	Moderate / Necessary	Agreed	This is now in place, wherever possible. Further training is currently being sought to bring both centre manager and second support person up to scratch on what can and cannot be done.	Finance Support Service Worker -	<b>Not Implemented.</b>
11. We recommend that all outstanding balances are monitored and monies chased in accordance with the principles set out in the Council's Financial Rules of Procedure.	Significant / Necessary	Agreed	This will be implemented at the earliest opportunity	Centre Manager/ Finance Support Service Worker -	<b>Partially Implemented</b>
12. We recommend that a process of regularly producing and the Centre Manager/Budget Holder independently reviewing an	Significant / Necessary	Agreed	A new inventory is currently being done and will be in place by 1st June	Centre Manager/ Finance Support Service worker	<b>Not Implemented</b>

<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>	<u>Current Status</u>
inventory is put in place. The inventory should be produced in accordance with guidance included within the official West Berkshire inventory books.					
13. We further recommend that the inventory is regularly maintained and up dated so all disposals and asset additions are included.	Significant / Necessary	Agreed	Once the inventory is up to date, it will be monitored twice a year with additions subtractions done as appropriate	Finance Support Service Worker -	<b>Not Implemented</b>
14. We recommend that stock records are maintained for the coffee shop. The stock records should detail an opening stock figure, details of stock sold and a holding figure. These records should be completed for each occasion the coffee shop is open and be regularly checked by an independent member of staff. Independent checks should be documented.	Significant / Advisory	Agreed	This will be implemented from 1st April 2007	Centre Manager/ Finance Support Service Worker / Support Service Worker	<b>Partially Implemented</b>
15. We recommend that all Imprest claims are authorised by the budget holder.	Moderate / Necessary	Agreed	This is now being done	Centre Manager/ Finance Support Service Worker -	<b>Partially Implemented</b>
16. We recommend that the Centre's scale of charges for letting is adhered to. This will become increasingly important as the centre begins to broaden its potential letting income once it has become established.	Significant/ Advisory	Not Agreed	The lettings charges will be introduced, but the budget holder reserves the right to have discretion on a case by case basis in order to support the community. The discretionary allowance will however be transparent and consistent.	Centre Manager -	<b>Not Implemented</b>

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>	<u>Current Status</u>
17. We recommend that a deposit is taken in advance at the time of the booking and that the outstanding balance is obtained for lettings before usage to ensure payment is received.	Moderate/ Necessary	Agreed	This will be implemented from 1st April	Finance Support Service Worker -	<b>Not Implemented</b>

## INTERNAL AUDIT REPORTING PROTOCOL

### 1 Purpose and Scope

- 1.1 This document outlines the way internal audit will initiate, and report on work for the Council. This protocol relates only to Council Services, a separate protocol exists for Schools.
- 1.2 In terms of this protocol there are three types of audit work that will involve different approaches to reporting. These are:
  - Routine planned audits to provide assurance
  - Advisory work carried out at the request of the client
  - Unannounced audits – to check cash accounting on site.
- 1.3 A set of tables are attached at appendix A which summarise the key elements of this protocol for each of the above.

### 2 Initiating work

- 2.1 The following highlights the key stages for commencing Internal Audits
- 2.2 Terms of reference will be issued for all audits, apart from establishments and unannounced audits that will set out the scope of the work to be carried out and confirm the reporting arrangements.
- 2.3 In the case of Establishments a formal memo will be issued to outline the key areas that will be covered by the work.
- 2.4 In the case of unannounced audits the Head of Service will be informed that the audit has been carried out immediately after the conclusion of the visit. (These audits are expected to take no more than half a day.)

### 3 Reporting the results of Internal Audit work

- 3.1 The reporting process planned work has three key stages:-  
  
Rough Draft Report (Memo in the case of unannounced cash audits);  
Draft Report / Memo;  
Final Report / Memo.
- 3.2 The rough draft will be issued to the Service Manager to check the factual accuracy, and to obtain their initial observations.
- 3.3 The formal draft will be issued once the Service Manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.
- 3.4 We request comments/observations from all recipients, however, we treat the relevant Head of Service/Unit Manager as the main client, and as such we require the Head of Service to agree to the details, and comment on the

## INTERNAL AUDIT REPORTING PROTOCOL

recommendations, of the report before it is finalised. Where a recommendation is not agreed, we require the Client's reasoning for this, and this detail is included in the action plan (attached to the report) for future reference.

- 3.5 Where, during an audit, a serious problem is discovered which requires immediate attention; it may be necessary to issue an interim report. The relevant Group Auditor will contact the Head of Service to discuss any such issues prior to an interim report being issued.
- 3.6 Internal Audit reports will normally be issued within 3 weeks of the completion of the work. The Terms of Reference for the audit should give an indication of the timescales for reporting.

### 3 Follow Up of Audit Recommendations

- 3.1 A follow up process is required in order to be able to give management/members assurance that the agreed action plans have been implemented. A follow will normally be carried out for all audits where recommendations have been made
- 3.2 A follow-up review is carried out roughly six months after the audit report was finalised. The exception to this is where an annual review is required to be undertaken in accordance with KPMG's requirements (usually the key financial systems in Benefits and Exchequer and Finance). The follow-up then forms part of the following year's review.

### 4 Timescales for receipt of Client Responses to Audit Requests for information/Responses to Audit Reports

- 4.1 This protocol sets out the timeframes by which we require a response from the Client, together with the processes to be followed where these timeframes are not met.

#### Suggestion of Timeframe protocol:-

	<b>Timeframe For Receipt of Response</b>	<b>Action where no response is received</b>
<b>Rough Draft Report</b>	Within 3 weeks of receipt (or notification of when a response will be received)	<b>Stage 1</b> - Reminder issued to the Line Manager (Head of Service copied in) specifying a response is required within two weeks otherwise the Corporate Director is to be informed.
	Within two weeks of stage 1	<b>Stage 2</b> - Corporate Director informed of lack of a response (Copied to the Line Manager and Head of Service) specifying a response is required

**INTERNAL AUDIT REPORTING PROTOCOL**

		within two weeks otherwise this will be reported to the Corporate Board
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	<b>Timeframe For Receipt of Response</b>	<b>Action where no response is received</b>
<b>Draft Report</b>	Within 3 weeks of receipt (or notification of when a response will be received)	Stage two of the Rough draft will apply

- 4.2 These timeframes, together with action to be taken where no response is received will be incorporated into the standard letters/memos we issue with each report.
- 4.3 The relevant Group Auditor will use his/her judgement on each case to take into account any extenuating circumstances, and will notify the Head of Finance where there are issues with non-compliance that needs to be reported to Corporate Board. The Head of Finance will raise the matter with the relevant Director.

**5 Reporting to the Governance and Audit Committee**

The Assurance Manager will provide the Committee, on a quarterly basis with the following:-

- 5.1 A schedule listing each finalised audit, highlighting the overall opinion. A summary of the key issues will be produced for all **weak or very weak** opinions. Written comment from Internal Audit will be provided to the Committee and a written response / comment / update will be sought from the Head of Service.
- 5.2 A schedule listing each follow-up that has been carried out, highlighting opinion on progress made:-

**Fully implemented** - no further action required;

**Satisfactory progress** - key weaknesses addressed, only minor issues outstanding (standard letter/memo will request confirmation when the issues have been addressed);

**Unsatisfactory progress** – Where deadlines in the action plan have not been met and key weaknesses remain outstanding then details of the follow up will be provided to the Governance and Audit Committee and the Head of Service will be expected to attend the Committee. A written comment will be

## INTERNAL AUDIT REPORTING PROTOCOL

provided by Internal Audit to the Committee and written comments will also be sought from the Head of Service.

**Circulation of Audit Documents to Clients**

**Appendix A**

**1 Audit Reviews to provide Assurance**

<b>Client</b>	<b>Terms of reference</b>	<b>Rough Draft Report</b>	<b>Formal Draft Report</b>	<b>Final Report</b>	<b>Follow-up details</b>
S151 Officer (Head of Finance)	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Head of Service	All cases	Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases	All cases	All cases
Corporate Director	All cases		Where there are fundamental weaknesses in the service	All cases (except for schools)	All cases
Chief Executive			Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written.	Any report with fundamental weaknesses	Any report with fundamental weaknesses



**Circulation of Audit Documents to Clients**

**Appendix A**

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
			<p><b>The Assurance Manager will decide on the necessity to issue a report at this level.</b></p>		
<p>Relevant Portfolio Member and the Portfolio Member for Finance (in all cases)</p>				<p>Any report that has an overall opinion of weak / very weak and / or there are any weaknesses. (including schools)</p>	<p>All Cases</p>
<p>Assurance Manager</p>	<p>All cases</p>		<p>Relevant Group Auditor will decide on the necessity to issue a report at this level where there are serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written.</p>	<p>All cases</p>	<p>All Cases</p>

**Circulation of Audit Documents to Clients**

**Appendix A**

**2 Advisory/VFM Reviews**

(The approach will be agreed with the Client prior to commencing a review, and to be noted in the terms of reference to provide clarity of how the findings are to be reported). Advisory reviews may arise from the need for advice on key controls in systems where the Service concerned is already aware that improvement is needed or where the systems are being changed by the service area, (eg a new ICT system is being implemented).

<b>Client</b>	<b>Terms of Reference</b>	<b>Rough Draft Report</b>	<b>Formal Draft Report</b>	<b>Final Report</b>
Line Manager	All cases	All cases	All cases	All cases
Head of Service	All cases		All cases	All cases
Corporate Director	All cases			All cases
Assurance Manager	All cases		Relevant Group Auditor will decide on the necessity to issue a report at this level where there are serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written.	All cases

Further escalation of the advisory / VFM reviews reporting to the Chief Executive and the relevant portfolio Member will depend upon the significance of issues / number of weaknesses identified and will be determined by the relevant Group Auditor. Due to the nature of the work an overall opinion will not be given for an advisory/VFM review. However, these reviews will follow the standard follow process for follow-ups (progress categorisation/circulation of findings).

## Circulation of Audit Documents to Clients

## Appendix A

## 3 Unannounced Audits

<u>Client</u>	<u>Terms of Reference</u>	<u>Rough Draft Memo</u>	<u>Formal Draft Memo</u>	<u>Final Memo</u>
Line Manager / Headteacher	None issued	All cases	All cases	All cases
Head of Service	None issued		All cases	All cases
Corporate Director	None issued			All cases
Relevant Portfolio Holder and Finance Portfolio Holder	None issues			All cases
Assurance Manager	None issued		All Cases	All cases