

NOTICE OF MEETING

Governance & Audit Committee

Tuesday 6 November 2012, 7.30 pm

Council Chamber, Fourth Floor, Easthampstead House, Bracknell

To: Governance & Audit Committee

Councillor Ward (Chairman), Councillor Wade (Vice-Chairman), Councillors Allen, Ms Brown, Heydon, McCracken, Thompson and Worrall

Independent Member

Gordon Anderson

cc: Substitute Members of the Committee

Councillors Mrs Ballin, Blatchford, Mrs Hayes, Leake, Mrs McCracken and Mrs Temperton

ALISON SANDERS

Director of Corporate Services

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Published: 29 October 2012



Governance & Audit Committee
Tuesday 6 November 2012, 7.30 pm
Council Chamber, Fourth Floor, Easthampstead House,
Bracknell

AGENDA

Page No

1. **Apologies for Absence**

To receive apologies for absence and to note the attendance of any substitute members.

2. **Declarations of Interest**

Members are requested to declare any Personal Interests. Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.

3. **Urgent Items of Business**

Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.

4. **Minutes of Previous Minutes**

To approve as a correct record the minutes of the meetings of the Committee held on 25 September 2012.

1 - 4

5. **Annual Audit Letter 2011/12**

To receive the Audit Commission's Annual Audit Letter for 2011/12.

5 - 8

6. **Treasury Management Strategy Statement and Annual Investment Strategy - Mid-Year Review Report 2012/13**

One of the primary requirements of the code is for the receipt by Full Council of a Mid-Year Review Report of the Treasury Management activities of the authority and for the review of the treasury management strategy by a delegated body. The Committee is asked to consider and review the Mid-Year Review Report and share the report with members of the Full Council.

9 - 24

7. **The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012**

The purpose of this report is to appraise the Committee of the recently introduced Local Authorities (Executive Arrangements) (Meetings and

25 - 30

Access to Information) (England) Regulations 2012 (“the Regulations”). The report also seeks authority to amend the Council Constitution to reflect the provisions of the new Regulations, subject to one important caveat relating to the recording of officer decisions.

8. **Internal Audit Assurance Report April - September 2012**

This report provides a summary of Internal Audit activity during the period April to September 2012. It covers work carried out by both internal audit contractors and the in-house team. Any significant developments since the time of writing will be reported verbally to the Committee and included in future assurance reports.

31 - 46

9. **Date of Next Meeting**

29 January 2013.

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**GOVERNANCE & AUDIT COMMITTEE
25 SEPTEMBER 2012
7.30 - 8.15 PM**



Bracknell Forest Borough Council:

Councillors Ward (Chairman), Allen, Ms Brown, Heydon, McCracken, Thompson and Worrall

Apologies for absence were received from:

Councillor Wade and Gordon Anderson

In Attendance:

Rachel Cobley, Audit Commission
Sally Hendrick, Head of Audit and Risk Management
Alex Jack, Borough Solicitor
Catherine Morganti, Audit Manager
Arthur Parker, Chief Accountant

13. Declarations of Interest

There were no declarations of interest.

14. Minutes

RESOLVED that the minutes of the meetings held on 31 July 2012 be approved as a correct record and signed by the Chairman.

15. External Audit: Annual Governance Report

The Audit Manager introduced the Annual Governance Report 2011/12 which summarised the work undertaken to discharge the external auditor's statutory audit responsibilities

She reported that she proposed to issue unqualified opinions on financial statements and on value for money. She also requested that her appreciation for the co-operation of Council officers be recorded.

Three uncorrected errors were identified during the audit but these were not material to the financial statements either individually or in aggregate.

A draft letter of management representation was attached as an Appendix to the report and was approved subject to the following amendment:

In the paragraph headed "**Conditional – Comparative financial statements**", delete the second sentence.

RESOLVED that:

- i) the reasons for not amending the errors in the financial statements, as set out in Appendix 2 be agreed;

- ii) the adjustments to the financial statements, as set out in Appendix 3, be noted;
- iii) the letter of representation, as amended, be approved.

16. **Financial Statements 2011/12**

The Chief Accountant presented the Statement of Accounts 2011/12 which had been subjected to audit by the District Auditor. The report summarised the key elements within the accounts, the findings of the audit and highlighted key changes made to the Statement of Accounts. None of the changes made as a result of the external audit had a detrimental impact on the Council's overall financial position.

It was reported that this was the fourteenth consecutive year that the Council had spent within its budget. Taking in to account the underspend the Council returned £0.296m to reserves. The most significant variance was an underspend of £1m on People with Learning Disabilities.

The report detailed the repayment of deposits with Icelandic banks made to date and those expected in 2012/13.

The Committee congratulated the Officers on the work undertaken to comply with the requirement of International Financial Reporting Standards

RESOLVED that:

- i) the Financial Statements 2011/12 (attached) be approved;
- ii) the out-turn expenditure for the year be noted and the provisions (£0.902m per section 5.3) and earmarked reserves (£16.555m per section 5.4) be approved;
- iii) the Chairman of the meeting be authorised to sign and date the Statement of Accounts on behalf of the Committee;
- iv) the Draft Letter of Management Representation set out in Appendix 4 of the District Auditor's Annual Governance Report be approved, subject to the amendment detailed in Minute 15 above.

17. **Risk Management Strategy 2012/13**

The Head of Audit and Risk Management presented the updated Risk Management Strategy for approval.

She reported that, during 2011/12, the following actions were taken to improve risk management:

- A refresh of the format of the Strategic Risk Register to streamline risks and provide a more useful tool for managing key risks to senior management and Members;
- Development of the town centre regeneration project risk register;
- Update of the Directorate Business Continuity Plans which facilitated the review and update of the Council-wide Business Continuity Plan;
- Identification of the IT systems supporting delivery for the critical functions; and
- Strengthening of the membership of the Strategic Risk Management Group by the attendance of the Information Security Officer to raise

awareness of information governance risks and report back to the Group on information breaches.

Priorities for 2012/13 were:

- Business Continuity
- Information Assets and Information Risks
- Actions to Address Strategic Risks
- Significant Operational, Project and Programme Risks

In response to a question about contract risks which had materialised, she reported that the intention was to mitigate identified risks and that this approach had been successful to date. It was noted that the financial collapse of Rok was unforeseen.

RESOLVED that the Risk Management Strategy 2012/13, at Appendix A to the report, be agreed.

18. **Scheme of Delegation to Officers - Temporary Substitutions**

The Borough Solicitor presented a report which sought the approval of the Committee to an amendment to the Council's Constitution to ensure that there was no hiatus in the exercise of delegated powers by officers in the event of there being a vacancy in a post or other absence of a postholder to whom powers were delegated by the Council's Constitution.

RECOMMENDED to Council that Section 6 of Part 2 of the Council's Constitution be amended to provide that in the event of there being a vacancy in a post to which powers are delegated, or in the event of such a postholder being temporarily absent, the Chief Executive (or in his absence the Deputy Chief Executive) be authorised to designate an officer to exercise the relevant delegated powers.

19. **Amendments to the Delegated Powers of the Director of Environment, Culture & Communities**

The Borough Solicitor presented a report which sought authority to make two amendments to the delegated authority of the Director of Environment Culture and Communities set out in Table 1 Part 2 of the Council's Constitution. The first proposed amendment was to clarify that the Director has delegated authority for all Public Health protection functions. The second arose from an amendment to the Licensing Act made by the Police Reform and Social Responsibility Act 2011 which designates the Council as a "Responsible Authority", the consequence of which was that the Council may apply to the Licensing Committee for a review of a Premises Licence.

RECOMMENDED to Council that the Scheme of Delegation to officers set out in Table 1 of Part 2 of the Council's Constitution be amended as set out in Section 5 of the report.

20. **Date of Next Meeting**

6 November 2012.

CHAIRMAN

**TO: GOVERNANCE AND AUDIT COMMITTEE
6 NOVEMBER 2012**

**ANNUAL AUDIT LETTER 2011/12
Borough Treasurer**

1 PURPOSE OF REPORT

- 1.1 To receive the Audit Commission's Annual Audit Letter for 2011/12.

2 RECOMMENDATION

- 2.1 That the Governance and Audit Committee note the Annual Audit Letter 2011/12 at Appendix 1.**

3 REASONS FOR RECOMMENDATION

- 3.1 The Annual Audit Letter must be considered in public by those charged with governance. In Bracknell Forest this is the Governance and Audit Committee.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None

5 SUPPORTING INFORMATION

- 5.1 The Audit Commission is required to provide the Council with an Annual Audit Letter (set out at Appendix 1). The letter summarises the findings from the 2011/12 audit, which comprises two main elements:

- the audit of the financial statements; and
- the District Auditor's assessment of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

- 5.2 The Audit Commission has given an unqualified opinion on the Council's financial statements and also concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

- 5.3 The detailed findings from the audit were set out in the annual governance report presented to the Committee on 25 September. The three recommendations set out in that report will be implemented before the 2012/13 audit i.e.

- Keep up the improvements in valuation of property, plant and equipment by ensuring evidence to support valuations is timely, reviewed and consistent
- Continue to improve processes for recording related party transactions
- Strengthen controls over the authorisation of journals.

- 5.4 In order to comply with statutory requirements the Annual Audit Letter 2011/12 has been circulated to all Members of the Council. The District Auditor, Helen Thompson, will attend the meeting of the Governance and Audit Committee to present the Annual Audit Letter 2011/12.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 There are no specific issues arising directly from this report.

Strategic Risk Management Issues

- 6.4 None

7 CONSULTATION

Not applicable.

Background Papers

None

Contact for further information

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Doc. Ref.

F:\External Audit\Annual Audit Letter 2011-12\Annual Audit Letter 2012.doc

4 October 2012

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Bracknell Forest Council
Easthampstead House
Town Square
Bracknell
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RG12 1AQ

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— Dear Member

Bracknell Forest Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Bracknell Forest Council.

Financial statements and value for money conclusion

On 25 September 2012 my annual governance report was presented to the Governance and Audit Committee outlining the findings of my audit of your 2011/12 financial statements and your arrangements to secure economy, efficiency and effectiveness in the use of resources. I will not replicate those findings in this letter.

Following the Governance and Audit Committee, on 26 September 2012 I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources;
- certified completion of the audit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Borough Treasurer. While this has been another challenging year for the Council I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Governance and Audit Committee for their support and co-operation during the audit.

Yours sincerely

Helen Thompson
District Auditor

TO: GOVERNANCE AND AUDIT COMMITTEE
6 NOVEMBER 2012

**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT
STRATEGY – MID-YEAR REVIEW REPORT 2012/13
Borough Treasurer**

1 PURPOSE OF REPORT

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the longer term cash flow planning needs to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.
- 1.3 As a consequence treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 The Local Government Act 2003 requires a local authority to “have regard to” guidance issued by, or specified by, the Secretary of State. As such, the Council is required to have regard to the Prudential Code and the Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.5 One of the primary requirements of the code is for the receipt by Full Council of a Mid-Year Review Report of the Treasury Management activities of the authority and for the review of the treasury management strategy by a delegated body.

2 RECOMMENDATIONS

- 2.1 **That the Committee consider and review the Mid-Year Review Report and share the report with members of the Full Council.**
- 2.2 **That the Committee comment on the proposed approach to the future selection of investment counterparties.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 A primary requirement of the CIPFA Code of Practice on Treasury Management is to provide Full Council with a Mid-Year Review Report on its Treasury Management activities and for the delegation by the Council to a body for the review of the Treasury Management Strategy. This report, by being reviewed by the Governance and Audit Committee and shared with members of Full Council, fulfils this requirement.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 None.

5 SUPPORTING INFORMATION

5.1 This mid year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2012/13
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure (prudential indicators)
- A review of the Council's investment portfolio for 2012/13;
- A review of compliance with Treasury and Prudential Limits for 2012/13

5.2 There have been no changes to the Council's Treasury Strategies during the year to date.

Economic Update

5.3 After a very uncertain and economically challenging start to the year, there are the initial signs that economic growth may have returned after three quarters of recession. However the normal economic indicators used to evaluate the financial health of the country have been impacted by a range of unique circumstances, including the Queen's Jubilee and associated additional bank holidays followed closely by the London 2012 Olympics, which combined with the climatic challenges faced by the country this summer have clouded many of the economic forecasts.

5.4 However as the third quarter begins, GDP growth looks set to be positive for the first quarter in a year, and both industrial production and the overall trade deficit have posted some encouraging numbers. This return to growth has also been supported by a continuing recovery in the jobs market whilst pay growth has remained modest.

5.5 Banks funding costs continued to ease over the year, reflecting the Bank of England's provision of low cost liquidity to banks and the start of the "Funding for Lending Scheme" initiative. Meanwhile the trend in public borrowing has continued to deteriorate, with forecasts suggesting borrowing of £145bn as a whole in 2012/13 coming in significantly above the Office for Budget Responsibility's forecast of £120bn.

5.6 Inflation has struggled to make further downward progress in the last quarter, and whilst inflation should continue to drop to around 2% in autumn, further falls over the remaining part of the year look unlikely.

5.7 As a result of the above, GDP posted a healthy quarterly rise of 1% in Quarter 3, however this is unlikely to contribute enough to generate positive growth for the year as whole and as such 2012 is likely to be seen as adding to the worst and slowest recovery from recession of any of the five recessions since 1930.

5.8 There remain huge uncertainties in economic forecasts due to the following major difficulties:

- the impact of the Euro-zone crisis on financial markets and the banking sector

Unrestricted

- the impact of the UK Government's austerity plan on confidence and growth
- Monetary policy action failing to stimulate growth in western economies
- the potential for weak growth or recession in the UK's main trading partners – the EU and the US

5.9 The overall balance of risks remains weighted to the downside. Given the weak outlook for economic growth, the prospect for any interest rate changes before mid-2014 are very limited. The latest forecast on the Bank Rate, as provided by the Council's Treasury Management advisers, is shown below

	Now	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14
Bank Rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Treasury Management Strategy Statement Review

5.10 The Treasury Management Strategy Statement (TMSS) for 2012/13 was approved by the Council on 29th February 2012. There are no policy changes to the TMSS, the details in this report update the position in the light of the updated economic position.

Capital Expenditure

5.11 The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The Council is on target to achieve the original forecast Capital Financing Requirement (£37m - reflecting the underlying need to borrow for a capital purpose) and no external borrowing is forecast for the year.

Department	Approved Budget 2012/13 £'000s	Cash Budget 2012/13 £'000s	Estimated Out-turn 2012/13 £'000s	Cash Budget 2013/14 £'000s	(Under) /Over Spend £'000s
Council Wide	9,292	4,383	4,383	4,908	0
Corporate Services	852	845	845	7	0
Children, Young People and Learning	21,672	12,581	12,581	9,090	0
Adult Social Care, Health and Housing	6,130	5,875	5,875	255	0
Environment, Culture & Communities	8,871	8,531	8,472	340	-59
TOTAL CAPITAL PROGRAMME	46,817	32,215	32,156	14,600	- 59

5.12 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out above, it is a very difficult investment market. Yields are very low, in line with the 0.5% Bank Rate, and the continuing Euro-zone sovereign debt crisis prompts a low risk strategy. Within this risk adverse environment investment returns are likely to remain low.

Review of Investment Portfolio 2012/13

- 5.13 The Council held £41.7m of investments as at 30 September 2012 (£35.2m at 31 March 2012) and the investment portfolio yield for the first six months of the year is 1.13% against a benchmark (Local Authority 7-Day Rate) of 0.43%.
- 5.14 The 2012/13 interest budget assumed that an average interest rate of 1.0% would be earned on the Council's investment portfolio. Taken together with the income generated by pre-funding the 2012/13 pension fund contribution the interest budget was estimated to be £469,000. The Bank Rate (set monthly by the Bank of England) has remained at an historical low of 0.5% and, given the current weaknesses in both the UK and the Global economy, is likely to remain at this level for some months to come.
- 5.15 However cash balances remain on the upside, creating additional opportunities to deposit surplus cash at longer fixed term maturities, rather than having to limit investments to overnight low-yielding money market funds. However the Council is limited by the number of counterparties available to it. Furthermore the continued global economic uncertainties pushed up yields on longer-dated maturities as banks faced liquidity challenges in the early part of this financial year. The Council continues to invest in only the most highly rated UK financial institutions, or those part-nationalised UK Banks. Notwithstanding this low-risk approach, given the opportunities presented by these longer-term maturities, the additional yield will contribute to the investment projections for 2012/13 and as such an additional £200,000 of investment income has been projected for the year.

Compliance with Treasury and Prudential Limits for 2012/13

- 5.16 The Borough Treasurer can confirm that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2012/13 and no changes to these limits are proposed in 2012/13.

Investment Counterparties

- 5.17 The authority employs a counterparty selection criteria approved annually by Council that sets out the financial institutions that the organisation can deposit funds with. The key criteria used are the credit ratings supplied by the three main credit rating agencies. The Council maintains a low risk approach to counterparty selection and there is no intention on diverging from this, however over recent years there has been a shift in the reliance placed purely in credit-ratings on counterparty selection. As such it is considered appropriate to review the current methodology with a view to moving to a more sophisticated model of counterparty selection.
- 5.18 The financial crisis following the Lehman's collapse and the recent sovereign credit-worthiness difficulties, almost all financial institutions, and indeed countries, have experienced a substantial cut in their credit-ratings, often to a level that would render most counterparty criteria unsuitable for practical purposes. The Council's current criteria limits investments in only two UK financial institutions willing to deal in the size of transactions available to the Council, namely HSBC and Nationwide. This list was supplemented last year with the inclusion of part-nationalised banks, which whilst not meeting the Council's strict credit-rating criteria are seen to offer low levels of risk given the support they are afforded through the UK Government. Whilst such a criteria mitigates a particular level of risk, it increases the risk associated with lack of diversification, resulting in a much higher weighting in low-yielding AAA rated overnight deposits.

- 5.19 In addition it has been widely acknowledged that credit-ratings on their own are not sufficient in capturing and evaluating the relative levels of risk attached to a counterparty. The CIPFA code recommends that Councils do not place sole reliance on credit-rating scores but use other techniques and financial analysis to evaluate credit-worthiness. There is a wide range of such information, much of which is provided by the Council's Treasury Management advisers.
- 5.20 One such technique is the use of a Credit Default Swap (CDS) which is a marketable instrument or agreement whereby the seller of the CDS will compensate the buyer in the event of a loan default. In simple terms the buyer of the CDS makes a payment to the seller and in exchange receives a payoff if the company defaults. However CDS are tradable and a huge market exists (\$25tn) and they are actively used to monitor how the market views the credit risk of any entity for which a CDS is available. On their own, the risk reflected by the level of a CDS is complex to evaluate however they can be used in tracking their relative movement and more importantly their movement against an index of industry peers.
- 5.21 In light of the changing economic backdrop, the shift in the relative importance of credit-ratings and the sector's requirement for a more sophisticated approach to counterparty selection, the Council's Treasury Management advisers have developed a modelling approach utilising credit ratings from the three main credit rating agencies supplemented with overlays of credit watches and outlooks in a weighted scoring system which is then combined with CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.
- 5.22 Typically the minimum credit rating that the Council will use will be a short term rating of F1 and a long term rating of A-, with Viability ratings of BB+ and a Support rating of 3. The existing criteria differs only in the Support Rating where the current limit is 2 and as such the recommended change in criteria represents a slight increase in risk.
- 5.23 The definition as provided by Fitch for a support level 2 compared to a support level 3 is documented below;
- Support Level 2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question.
 - Support Level 3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so.
- 5.24 The Support Rating is an assessment of a potential supporter's propensity to support a bank and of its ability to support it and as such does not assess the intrinsic credit quality of a bank, but rather communicates the agency's judgement on whether the bank would receive support should this become necessary. Support ratings have been significantly impacted by both the large number of sovereign rating cuts and the acceptance that sovereign nations will be unable to support all banks should the global economic conditions deteriorate substantially.
- 5.25 However this change in support level is offset to a large extent through the additional use of CDS spreads which adds an additional level of risk evaluation not currently used by the Council. All credit ratings will be monitored weekly and the Council will

be alerted to changes in ratings through the use of its adviser's creditworthiness service. Furthermore sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and information on government support for banks and the credit ratings of that government support.

- 5.26 The Council's investment criteria will continue to limit deposits in only UK banks, up to a limit of £7m, and whilst it will continue to limit investments to less than 1Year it will make use of the more sophisticated model provided by its advisers to limit individual institutions by duration.
- 5.27 Annex A contains the Council's existing Counterparty List and Annex B outlines how the list might look under the proposed changes. A number of new institutions have become available for consideration, before extending the CDS overlay. However once this additional rigour has been applied, only Barclays, Bank of New York Mellon (BNYM) and Credit Suisse International are added to the counterparty list. It is worth noting, that traditionally both BNYM and Credit Suisse do not deal with Local Authorities given the relatively small size of deposits involved. As such, in practical terms, the only additional name to the list would be Barclays.
- 5.28 The suggested adoption of this new model has many positive attributes; it broadly maintains the Council's risk exposure and explicitly identifies a clear list of approved counterparties. However a major benefit of this sophisticated model is that it provides a robust and methodical approach to the quantification of risk through both credit-ratings and market-generated risk assessment that can be clearly followed and communicated.
- 5.29 As such officers wish to take this early opportunity to examine such an approach alongside Members before recommending any possible change for 2013/14 in the Council's Treasury Management Strategy Statement which must be agreed in March 2013.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 No further comments

Borough Treasurer

- 6.2 No further comments

Equalities Impact Assessment

- 6.3 None

Strategic Risk Management Issues

- 6.4 The income earned on investments contributes significantly to the Council's overall funding of services. This income will depend on the cash balances held by the Council and the interest rates earned by its deposits, both of which are linked directly to the Council's Treasury Management and Investment Strategy. This report sets out to update Members with the performance in the first half of the year; however the authority closely monitors investment performance on a monthly basis through its rigorous budget monitoring procedures.

Other Officers

6.5 None

7 CONSULTATION

Principal Groups Consulted

7.1 None

Method of Consultation

7.2 None

Representations Received

7.3 None

Background Papers

Contact for further information

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Existing Bracknell Forest Counterparty Investment List

Current Counterparty Report for
Bracknell Forest (LCD) 12-13 (Council 29/02/12)

SECTOR

Report run on: 01/10/2012 05:36:44

List of Approved Counterparties for Lending

	Fitch Ratings		Support	Moody's Ratings		Fin.Stgth	S&P Ratings		Limits
	S. Term Outlook	L. Term		Viab.	S. Term Outlook		L. Term	S. Term Outlook	
UK BANKS	F1+	AAA		Aaa	A-1+	AAA			
United Kingdom	NEG		NEG		STA				
HSBC GROUP	F1+	AA	1	Aa3	A-1+	AA-	364 DAYS	£7	
HSBC Bank plc	NEG	(D)		NEG(m)	NEG	(D)			
LLOYDS BANKING GROUP	F1	A	1	A2	A-1	A	364 DAYS	£7 (M)	
Bank of Scotland Plc	STA	(D)		NEG(m)	STA				
Lloyds TSB Bank	F1	A	1	A2	A-1	A	364 DAYS	£7 (M)	
	STA	(D)		NEG(m)	STA				
ROYAL BANK OF SCOTLAND GROUP	F1	A	1	A3	A-1	A	364 DAYS	£7 (M)	
National Westminster Bank	STA	(D)		NEG(m)	STA				
Royal Bank of Scotland	F1	A	1	A3	A-1	A	364 DAYS	£7 (M)	
	STA	(D)		NEG(m)	STA				
SUMITOMO MITSUI CORPORATION GROUP	F1	A-	1	Aa3	A-1	A+	364 DAYS	£7	
Sumitomo Mitsui Banking Corporation Europe Limited	STA	(D)		STA	NEG	(D)			
MBNA Europe Bank	F1	A	1				364 DAYS	£7	
	STA	(D)							
Schroders Plc	F1	A+			A-1	A	364 DAYS	£7	
	STA				POS	(U)			
Standard Chartered Bank	F1+	AA-	1	A1	A-1+	AA-	364 DAYS	£7	
	NEG	(D)		STA	STA	(U)			

Report run on: 01/10/2012 05:36:44

List of Approved Counterparties for Lending

	Fitch Ratings		Moody's Ratings		S&P Ratings		Limits
	S. Term Outlook	L. Term	S. Term Outlook	L. Term	S. Term Outlook	L. Term	

UK BANKS

United Kingdom

UBS Ltd

F1+ AAA
NEG

NEG

A-1+ AAA
STA

F1 (D) A (D) 1 STA (U) A (D) 364 DAYS £7
STA (U)

UK BUILDING SOCIETIES

United Kingdom

1

Nationwide Building Society

F1+ AAA
NEG

NEG

A-1+ AAA
STA

F1 (D) A+ (D) a+ 1 STA (U) A+ (U) 364 DAYS £7
STA (U)

OTHERS

United Kingdom

DMO

F1+ AAA
NEG

NEG

A-1+ AAA
STA

6 MONTHS Unlimited

Local Authorities

364 DAYS £7

Money Market Funds

£7

Key

Upgraded (U)
Downgraded (D)

Positive Rating Watch (P)
Negative Rating Watch (N)

Upgraded Positive Rating Watch (U.P)
Downgraded Positive Rating Watch (D.P)

Upgraded Negative Rating Watch (U.N)
Downgraded Negative Rating Watch (D.N)

Report run on: 01/10/2012 05:36:44

(M) Manual inclusion.

Lloyds and RBS are manually included. The council will be notified if there is a rating change to these institutions, but this will not automatically alter / delete them from the list. If there is a change in circumstance, these banks need to be manually removed.

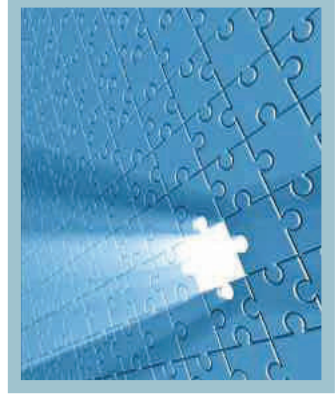
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Proposed Bracknell Forest Counterparty Investment List

SECTOR

Sector - Credit List

Wednesday 24th October 2012



SECTOR

Sector Weekly Credit List: 24/10/2012

Institution Benchmark
 ITraxx Senior Financials Index 171.6563 (170.0352)
 Upper Boundary (SOVX + 50bps) 221.66

Sovereign Benchmark
 ITraxx SOVX Western Europe Index 107.779 (117.2)
 Upper Boundary (SOVX + (Std Dev X Factor)) 123.56

Counterparty	Credit Ratings										Subjective Overlay						Suggested Duration (CDS adjusted with manual override)													
	Fitch Rating					Moody's Ratings					CDS Data																			
	Long Term Status	Long Term	Short Term Status	Short Term	FSR Status	FSR	Long Term Status	Long Term	Short Term Status	Short Term	Support Status	Support	Viability Status	Viability	Long Term Status	Long Term		Short Term Status	Short Term	S&P Ratings	Suggested Duration (Watch/Outlook Adjusted)	23/10/2012	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status			
(I) U.K.	NO	AAA					NO	Aaa													Not Applicable	31.3	-21.9%	-29.7%	-50.7%	-51.8%	In Range	Not Applicable		
13 Bank of New York Mellon (International) Ltd	SB	AA+	FI+			1															Not Applicable									
(I) Barclays Bank plc	SB	A	F1			1	NO	A2	P-1	SB	C	NO	A+	A-1							Not Applicable	154.2	-0.9%	-12.8%	-35.9%	-25.2%	In Range	G - 3 mths		
14 Cater Allen																														
(I) Citibank International Plc	SB	A	F1			1	NO	Baa1	P-2	NO	D+	NO	A	A-1							Not Applicable									
(I)15 Clydesdale Bank	SB	A	F1			1	SB	A2	P-1	SB	C	PO	BBB+	A-2							Not Applicable									
(I) Co-operative Bank Plc	NW	BBB+	F2	NW		3	NO	A3	P-2	NO	C										Not Applicable									
(I)16 Credit Suisse International	SB	A	F1			1	SB	A1	P-1			NO	A+	A-1							Not Applicable									
17 Crown Agents Bank Ltd	SB	BBB+	F2			3															Not Applicable									
(I) HSBC Bank plc	NO	AA	F1+			1	NO	Aa3	P-1	SB	C	NO	AA-	A-1+							Not Applicable	112.8	1.9%	-6.7%	-26.8%	-22.1%	In Range	N/C - 0 mths		
NBBNA Europe Bank	SB	A	F1			1															Not Applicable									
Northern Rock plc	SB	BBB	F3			5															Not Applicable									
(I)19 Santander UK plc	SB	A	F1			1	NO	A2	P-1	NO	C	NW	A	NW							Not Applicable	212.5	-6.4%	-13.7%	-34.0%	-33.7%	Monitoring	N/C - 0 mths		
(I) Standard Chartered Bank	NO	AA-	F1+			1	SB	A1	P-1	SB	B-	SB	AA-	A-1+							Not Applicable	122.3	4.9%	-3.5%	-21.7%	-20.1%	In Range	G - 3 mths		
(I) Sumitomo Mitsui Banking Corporation Europe Ltd ~	SB	A-	F1			1	SB	Aa3	P-1	SB	C	NO	A+	A-1							Not Applicable	104.5	-4.1%	-1.1%	-23.3%	-23.2%	In Range	G - 3 mths		
UBS Ltd	SB	A	F1			1	SB	A2	P-1			SB	A	A-1							Not Applicable									
UK BUILDING SOCIETIES																														
(I) Nationwide BS	NO	A+	F1			1	SB	A2	P-1	SB	C	SB	A+	A-1							Not Applicable	174.2	-0.7%	-5.9%	-16.1%	-10.8%	Monitoring	G - 3 mths		
NATIONALISED AND PART NATIONALISED BANKS																														
(I) Lloyds Banking Group plc	SB	A	F1			1	NO	A3				SB	A-	A-2							Not Applicable									
(I) Bank of Scotland Plc	SB	A	F1			1	NO	A2	P-1	SB	D+	SB	A	A-1							Not Applicable									
(I) Lloyds TSB Bank Plc	SB	A	F1			1	NO	A2	P-1	SB	C	SB	A	A-1							Not Applicable	177.8	7.2%	-8.9%	-40.3%	-44.5%	Not Applicable	Not Applicable		
(I) Royal Bank of Scotland Group plc	SB	A	F1			1	NO	Baa1	P-2			SB	A-	A-2							Not Applicable									
(I) National Westminster Bank Plc	SB	A	F1			1	NO	A3	P-2	SB	D+	SB	A	A-1							Not Applicable									
(I) The Royal Bank of Scotland Plc	SB	A	F1			1	NO	A3	P-2	SB	D+	SB	A	A-1							Not Applicable	188.3	3.7%	-9.2%	-39.5%	-40.7%	Not Applicable	Not Applicable		
(I) Ulster Bank Ltd	SB	A-	F1			1	NO	Baa2	P-2	NO	D-	NO	BBB+	A-2							Not Applicable									

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TO: GOVERNANCE AND AUDIT COMMITTEE
6 NOVEMBER 2012

THE LOCAL AUTHORITIES (EXECUTIVE ARRANGEMENTS) (MEETINGS AND ACCESS TO INFORMATION) (ENGLAND) REGULATIONS 2012
Director of Corporate Services (Legal)

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to appraise the Committee of the recently introduced Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (“the Regulations”). The report also seeks authority to amend the Council Constitution to reflect the provisions of the new Regulations, subject to one important caveat relating to the recording of officer decisions.

2 RECOMMENDATION

- 2.1 **That Council be recommended that the Borough Solicitor be authorised to amend the Council’s Constitution to reflect the Regulations save that provisions relating to the recording of decisions taken by officers shall be subject to consultation with Corporate Management Team and the Chairman of the Committee.**

3 REASONS FOR RECOMMENDATION

- 3.1 The Council is required by law to observe the provisions of the Regulations. However, a literal interpretation to that part of the Regulations which relate to the recording of decisions by officers in discharging Executive functions would be impractical to implement.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council could seek to implement the Regulations giving a literal interpretation to that part which relates to the recording of officer decisions. However, to do so would impose a large bureaucratic burden to no great effect.

5 SUPPORTING INFORMATION

Introduction

- 5.1 Public access to Council and committee meetings, agenda, reports and background papers is provided for by the Local Government Act 1972 (as amended in 1984). When Executive Arrangements were required to be implemented under the Local Government Act 2000 similar provision was made by Regulations for Executive meetings and decisions. Those Regulations also introduced the concepts of Forward Plans and Key Decisions. The Council’s Constitution reflects the requirements of those Regulations.
- 5.2 To the surprise of many, a new set of Regulations were issued in September. The Regulations were not the subject of any consultation with local authorities. Instead,

the Department of Communities and Local Government conducted what it has described as a “short, focused informal soundings exercise with partners”. One such “partner” was the Local Government Association, which responded that changes proposed by the Regulations were unnecessary.

- 5.3 The key differences between the Regulations and their predecessor are described below.
- 5.4 It is important to bear in mind that the Regulations relate only to Executive functions. Other functions (relating to Planning, Employment, Licensing and decisions taken by Council) are unaffected.

Key Decisions

- 5.5 The previous Regulations stipulated that Key Decisions (defined in this Council as a decision involving expenditure/savings of more than £400,000 or a decision affecting two or more wards could only be taken after notice of it was included in a published Forward Plan at least 14 days in advance of the decision being taken. The requirement was subject to urgency and special urgency exceptions.
- 5.6 The obligation to produce and publish a Forward Plan has been abolished. Instead, save in cases of urgency or special urgency a Key Decision (whether made by Members or an officer) cannot be taken until at least 28 days clear notice has expired from publication at the Council’s offices and on the Council’s web-site of a document which states (inter alia):-
- the subject matter of the decision
 - the name(s) of the decision maker(s)
 - the date of the decision
 - a list of the documents submitted to the decision maker(s) for consideration in relation to the matter

Notice of Meetings to be held in private

- 5.7 The previous Regulations allowed the public to be excluded when “confidential” or “exempt” (e.g. commercially sensitive) information is likely to be disclosed. That capacity is retained but the Regulations prescribe additional requirements to be fulfilled before a meeting can move into confidential session. Those requirements are:-
- at least 28 clear days before the meeting a notice must be published at the Council’s offices and on the Council’s web-site giving notice of the intention to hold the meeting (or part) in private
 - at least 5 clear days before the meeting the Council must publish another similar notice but on this occasion including a statement of the reasons for the meeting to be held in private, details of any representations received as to why the meeting should be held in public and the Council’s response to such representations

There is an urgency exception

Recording of Decisions by Officers

- 5.8 The previous Regulations contained provisions which required individual Members, when making any decision and officers when making Key Decisions to make a record of the decision. However, when the Regulations were issued it was observed, to the astonishment of many, that they sought to extend the requirement to make a record to all "Executive Decisions" made by officers. The term "Executive Decision" is defined such that it encompasses all decisions made by officers other than those relating to non-Executive functions such as Planning, Licensing and Employment. It includes all decisions taken by officers in, for example, the areas of Adult Social Care, Children's Social Care, Education and Leisure.
- 5.9 Under the Regulations whenever an officer takes any "Executive Decision" he/she must produce a written statement including:-
- a record of the decision and the date it was made
 - the reasons for the decision
 - details of any alternative options considered and rejected
 - a record of any conflict of interest declared by any Executive Member consulted
 - in respect of any declared conflict of interest, a note of dispensation granted by the Head of Paid Service

A record of the decision must be published on the Council's web-site.

- 5.10 The requirements alluded to above have caused some consternation throughout local government. In response to concerns expressed, the Department of Communities and Local Government has indicated that it considers that the relevant Regulation does not apply to "operational" decisions taken by officers. That view is not shared by the Monitoring Officer nor is it supported in any of the many commentaries which have been issued on the Regulations. Counsel instructed by the Association of Council Secretaries and Solicitors has advised that the term "Executive Decision" does cover operational decisions, although thankfully it is unlikely to be interpreted to apply to purely administrative tasks (for example, ordering paper clips).
- 5.11 Whilst the DCLG appear to be in a state of denial about the consequences of the Regulations which they promulgated, it is unsafe to rely upon their interpretation that operational decisions do not fall within the scope of the new requirements. However, to require all officers to make records of all their operational decisions and to publish those decisions on the Council's web-site would be enormously inefficient and unproductive. It is likely that if the Council had to publish a record of all "operational decisions" for Executive functions that would entail publishing particulars in relation to many hundreds of routine decisions per month. For example, it would include deciding to purchase an inexpensive item of equipment for a care home or cancelling a leisure class because of adverse weather conditions. Instead, it is proposed that a middle path be steered and that Corporate Management Team formulate for approval by the Chairman of the Committee criteria as to when officer non-Key Decisions should be recorded and published.

Member Right to Access to Documents

- 5.12 At common law Members have a right of access to Council documents reasonably required for the exercise of their functions but that does not allow a “fishing expedition”. The previous Regulations extended the common law right. The Regulations re-cast those extensions. The right to access documents containing material to be transacted at a public meeting applies now from 5 clear days before the meeting. There is also a general right of access to any document which “contains material relating to any business to be transacted at a private meeting” or to decisions made by individuals (Members or officers) under Executive Arrangements; the documents are required to be available within 24 hours of the meeting or the decision being taken.

Reporting Meetings

- 5.12 The previous Regulations stipulated that “reasonable facilities for journalists” were required to be provided. The Regulations now provide that “any person attending the meeting for the purpose of reporting the proceedings is, so far as practicable, to be afforded reasonable facilities for taking their report”. This amendment has given rise to some press comments about opening up Council meetings to bloggers and such like. However, as one commentator has observed, the new duty probably does not extend to any more than affording access to a desk on which a laptop can be placed. The Regulations do not require Councils to permit recordings to be either recorded or broadcast, though they can choose to do so if they wish.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Borough Solicitor is the author of this report.

Borough Treasurer

- 6.2 There are no financial implications directly arising.

Equalities Impact Assessment

- 6.3 Not required.

Strategic Risk Management Issues

- 6.4 Failure to record and publish decisions in accordance with the Regulations could provide scope for challenge by way of Judicial Review. Accordingly, the criteria for publication of decisions should take into account the degree of risk of challenge.

Other Officers

- 6.5 None.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None.

Method of Consultation

7.2 Not applicable

Representations Received

7.3 None.

Background Papers

Advice from Counsel to ACSeS.

Weightmans "Tilting at windmills for transparency"

ACSeS guidance – note on the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Contact for further information

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Alex.jack@bracknell-forest.gov.uk

Doc Ref:

Aj/f/reports/Governance and Audit – 6 November 2012 – Executive Arrangements.

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**GOVERNANCE AND AUDIT COMMITTEE
6 NOVEMBER 2012**

**INTERNAL AUDIT ASSURANCE REPORT
April –September 2012
(Head of Audit and Risk Management)**

1 INTRODUCTION

- 1.1 This report provides a summary of Internal Audit activity during the period April to September 2012. It covers work carried out by both internal audit contractors and the in-house team. Any significant developments since the time of writing will be reported verbally to the Committee and included in future assurance reports.

2 RECOMMENDATION

- 2.1 The Governance and Audit Committee are asked to note the attached report.**

3 REASONS FOR RECOMMENDATION

- 3.1 To ensure that the Governance and Audit Committee are aware of the internal audit work performed and conclusions reached.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 No alternative options available.

5 SUPPORTING INFORMATION

Background

- 5.1 Under the Council's Constitution and Scheme of Delegation the Borough Treasurer is responsible for the administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the provision of an effective Internal Audit function to partly fulfil his responsibilities under Section 151.
- 5.2 The provision of Internal Audit services is largely outsourced to Deloitte Public Sector Internal Audit under a contract which commenced on 1 April 2012. Deloitte are responsible for delivering approximately two thirds of the audits set out in the Annual Internal Audit Plan approved by the Governance and Audit Committee in March 2012. In addition, 10 audits were by other providers as set out in Section 3.1 of my report. The attached report summarises delivery to date on the audits approved under the Plan and other activities carried out in-house.

6. ADVICE FROM STATUTORY OFFICERS

6.1 Borough Treasurer
Nothing to add.

6.2 Borough Solicitor
Nothing to add.

6.3 Strategic Risk
Internal Audit provides assurance on the Council's control environment based on the work undertaken and areas audited. Internal control is based upon an ongoing process designed to identify and prioritise risks and to evaluate the likelihood of those risks being realised and the impact should they arise. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure altogether. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

6.4 Equalities Impact Assessment
Not applicable

7 CONSULTATION

7.1 Not applicable.

Background Papers

Internal Audit Reports
Annual Internal Plan 2012/13
Contract Monitoring Records
Quality Questionnaires
NFI submissions
CIPFA Code of Practice for Internal Audit
Strategic Risk Register

Contact for further information

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Sally Hendrick – 01344 352092
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HEAD OF AUDIT AND RISK MANAGEMENT REPORT

APRIL – SEPTEMBER 2012

1. BACKGROUND

- 1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period April to September 2012 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

- 2.1 The basic approach adopted by Internal Audit falls broadly into three types of audit:
- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council’s interests.
 - Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor’s audit of the annual accounts.
 - Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities.
- 2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council’s operations. The different categories of recommendation and assurance opinion are set out in the following tables.

Recommendation Classifications

PRIORITY	DESCRIPTION
1	Essential – addresses a fundamental control weakness and must be brought to the specific attention of senior management and resolved.
2	Important – addresses a control weakness and should be resolved by management in their area(s) of responsibility.
3	Best practice – addresses a potential improvement or amendment issue.

Assurance Opinion Classifications

ASSURANCE LEVEL	DEFINITION
Significant	There is a sound system of internal controls to meet the system objectives and testing performed indicates that controls are being consistently applied
Satisfactory	There is basically a sound system of internal controls although there are some minor weaknesses in controls and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk.
Limited	There are some weaknesses in the adequacy of the internal control system which put the systems objectives at risk and/or the level of compliance or non-compliance puts some of the systems objectives at risk.
No Assurance	Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

- 2.3 Internal Audit provides the Borough Treasurer with details of all audits which have generated Priority 1 recommendations and, therefore, a limited (or no) assurance opinion, as soon as the draft report is issued. This ensures that the Section 151 Officer is informed at the earliest opportunity of any potential weaknesses or problem areas. Directors are also notified of every final audit report issued within their Directorate and the resulting assurance level. This is at the final report stage for audits other than those with a limited or no assurance opinion, when Directors receive a copy of the draft report.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2012/13 was considered and approved by the Governance and Audit Committee on 27th March 2012. The delivery of the individual audits is largely undertaken by our contractors Deloitte and Touche Public Sector Internal Audit. Deloitte are responsible for delivering approximately two thirds of the audits set out in the Annual Internal Audit Plan approved by the Governance and Audit Committee in March 2012. In addition, to date 10 audits were undertaken under the S113 arrangement with Reading and Wokingham Borough Councils' Internal Audit Teams and audit specialism on housing benefits was brought in for one audit.
- 3.2 During the period April to September 2012, 8 full reports with an opinion were finalised, 15 had been issued in draft awaiting management responses and in 10 cases audit work was in progress. In addition, 2 grant claims have been certified/declarations made, 1 memo had been finalised on benefit spot checks (see below) and 1 memo in support of the YPLA/bursary schemes grant was awaiting finalisation. In these cases memos were produced in place of reports as the reviews were targeted work rather than full systems reviews. A summary of assurance levels is given below for the finalised and draft reports issued.

ASSURANCE	APRIL- SEPTEMBER 2012/13	2011/12
Significant	-	8
Satisfactory	19	64
Limited	4	4
No Assurance	-	-
Total for Audits Including an Opinion	23	76
Grant Claim Certifications/Declarations	2	2
Memos issued	2	7
Total	27	85

- 3.3 In response to the weaknesses identified by the External Auditors on the 2009/10 Housing Benefit and Council Tax Subsidy grant claim, the Chief Executive agreed with the Head of Audit and Risk Management that Internal Audit would carry out unannounced spot check visits during 2011/12. Whilst a number of errors and weaknesses were identified and set out in the memos for 2 spot checks, results overall were positive and indicated a reduction in the level of errors. It has been agreed that 2 further spot checks will be undertaken in 2012/13. The first spot check has been completed. Whilst one incorrect assessment arising from human error was found in the sample testing performed, the results of the spot check continue to indicate that the level of errors has reduced. Given results to date, the second spot check will not be unannounced.
- 3.4 The table below provides details by directorate on audits finalised, at draft stage and in progress setting out their status as at 30th September 2012.

2011/12 AUDITS

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Adult Social Care, Housing and Health											
Personal Budgets											Work in progress

2012/13 AUDITS

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Assistant Chief Executive's Office											
Data Quality											Work in progress
Compulsory Purchases											Not due as QTR 4 audit
Corporate Services											
Bus Service Operators Grant BSOG	23/5/12	13/6/12	Y	N/A – Grant certification							Final
Employment Status (Council-wide)											Work in progress
Procurement (Council-wide)											Not due as QTR 4 audit
Transport	21/5/12	26/6/12	Y		X				2	9	Final
Agresso Upgrade (IT audit)	24/4/12	4/7/12	Y		X				3	2	Draft issued
Disaster Recovery (IT audit)	25/6/12	24/9/12	Y			X		2	4	1	Draft issued
Back Up Procedures (IT)											Deferred to QTR 4

Unrestricted

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
audit)											
Imprest Accounts	13/8/12	30/8/12	Y		X				2	5	Final
Members Exps, Allowances & Hospitality											Work in progress
Registration Services											Work in progress
Facilities Management											Audit brief in draft
Physical and Environmental Controls (IT audit)	7/8/12	19/9/12	Y		X				5	2	Draft issued
Commensura Agency Contract											Not due as QTR 3 audit
Mobile Phone Recharges to Staff											Not due as QTR 4 audit
Compliance with PCI standards											Not due
Treasury Management											Not due as QTR 3 audit
Creditors											Not due as QTR 3 audit
Debtors											Not due as QTR 3 audit
Main Accounting											Not due as QTR 3 audit
Budgetary Control											Not due as QTR 3 audit
Payroll and Pre-Employment Check											Not due as QTR 3 audit
Cash Management											Not due as QTR 3 audit
Council Tax											Not due as

Unrestricted

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status	
				Significant	Satisfactory	Limited	None	Priority				
								1	2	3		
											QTR 3 audit	
NNDR												Not due as QTR 3 audit
Procurement cards												Not due as QTR 4 audit
Information Security & Info. Risks- IT audit												Not due as QTR 4 audit
Adherence to Government Connect- IT audit												Not due as QTR 4 audit
Children, Young People and Learning												
Edgbarrow Secondary	21/5/12	16/7/12	Y		X				2	6		Final
Garth Hill College (plus assets)	21/5/12	10/7/12	N		X				11	7		Draft issued
Sandhurst Secondary	14/5/12	14/6/12	N		X				5	4		Draft issued
Ascot Heath Infant	28/5/12	17/7/12	N			X		1	9	6		Draft issued
Binfield Primary (Limited 2011/12)	1/5/12	8/6/12	N		X				8	2		Final
Cranbourne Primary	9/5/12	14/6/12	N		X				7	4		Draft issued
Holly Spring Infant & Nursery	23/4/12	31/5/12	N		X				7	3		Draft issued
Jennett's Park	28/5/12	16/7/12	N			X		2	6	1		Draft issued
The Pines	11/6/12	21/9/12	N		X				10	5		Draft issued
Uplands Primary	14/5/12	18/7/12	N			X		1	9	4		Draft issued
Kennel Lane Special School												Not due as QTR 3 audit
St. Margaret Clitherow												Not due as QTR 3 audit
School Census	18/6/12	23/8/12	N		X				4	4		Draft issued

Unrestricted

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	1	2	3	
Education Welfare Services	18/6/12	10/7/12	N		X				3	3	Final
Governor Service	28/5/12	19/6/12	Y		X					2	Final
YPLA /Bursary Scheme (Garth Hill and Edgbarrow)	1/5/12	10/7/12		Not applicable- memo to support grant claim					4	4	Draft issued
School Improvement											Work in progress
Family Centre	18/7/12	23/8/12	N		X				2	4	Draft issued
Children's Residential Care											Not due as QTR 3 audit
Youth Services											Not due as QTR 4 audit
Fostering											Not due as QTR 4 audit
Off Site Activities F/Up Limited 2010/11											Not due as QTR 4 audit
Environment,Culture and Communities											
Winter Weather Plan	18/5/12	30/5/12	Y		X					5	Final
Highway Network Management	4/9/12	25/9/12	Y		X				2	3	Draft issued
Street Lighting											Work in progress
Landscape Services											Work in progress
Easthampstead Park Conference Centre											Work in progress
Carbon Reduction Scheme (RBC)											Not due as QTR 3 audit
Street Cleansing											Not due as

Unrestricted

Audit	Start Date	Date Draft Report Issued	Key Indicator Met	Assurance Level				Recommendations			Status	
				Significant	Satisfactory	Limited	None	Priority				
								1	2	3		
Benefits											QTR 3 audit	
Emergency Duty Team - 1 (Ltd. 2011/12)												Work in progress
Emergency Duty Team - 2 (Ltd. 2011/12)												Not due as QTR 4 audit
Community Response & Reablement	28/9/12	25/9/12	Y		X				4	4		Draft issued
Mental Health												Deferred to QTR 4
CONTROCC Payments/Receipts												Not due as QTR 3 audit
Transfer of Public Health												Not due as QTR 4 audit
Older People												Not due as QTR 4 audit
Financial Assessm'ts & Benefit Checks												Not due as QTR 4 audit
Council Tax Benefits Reforms												Not due as QTR 4 audit
Older People												Not due as QTR 4 audit

- 3.4 To date, limited assurance opinions have been given for 4 audits. All audits, which have generated a limited assurance opinion, will be revisited in 2012/13, to ensure successful implementation of agreed recommendations. The key weaknesses identified during the four audits with a limited assurance opinion are as follows:

DIRECTORATE	AUDITS WITH LIMITED ASSURANCE CONCLUSION
<p>CHILDREN YOUNG PEOPLE AND LEARNING</p>	<p><u>Ascot Heath Infant School (in draft)</u> Weaknesses in pre-employment checks resulting in a priority one recommendation plus the high number of priority two recommendations led to an overall limited assurance opinion. Senior officers from the local authority are working with the school to provide support and advice and ensure that action is being taken to implement the agreed recommendations.</p>
	<p><u>Uplands School (in draft)</u> Weaknesses in pre-employment checks resulting in a priority one recommendation plus the high number of priority two recommendations led to an overall limited assurance opinion. Senior officers from the local authority are working with the school to provide support and advice and ensure that action is being taken to implement the agreed recommendations.</p>
	<p><u>Jennet's Park School (in draft)</u> Two priority one recommendations were raised at this audit leading to an overall limited assurance opinion. These related to the absence of an inventory for the school's assets and weaknesses in the banking arrangements for the school' private funds. Senior officers from the local authority are working with the school to provide support and advice and ensure that action is being taken to implement the agreed recommendations.</p>
<p>CORPORATE SERVICES</p>	<p><u>Disaster Recovery (in draft)</u> A limited assurance opinion was concluded as two priority one recommendations were raised. These were to address weaknesses in the documentation of disaster recovery plans and in the arrangements for alternative data sites and the contractual arrangements for the provision of core services in the event of a business continuity incident. The Chief Officer has advised that work is now on-going to develop more detailed documentation of ICT disaster recovery plans. The contract for core provision of services is now in place and officers are meeting with the contractor shortly to review options for alternative data sites.</p>

- 3.5 At the time of writing 12 completed questionnaires had been received since April 2012 for 2012/13 audits. All unsatisfactory evaluations are followed up. All outstanding questionnaires will be chased up once final reports have been issued. The results are summarised as follows:

SATISFIED	NOT SATISFIED	TOTAL
10	2	12

- 3.6 The unsatisfactory questionnaires all related to schools which raised concerns around the delays in the issue of draft reports. This has been followed up with the contractor.

4. RISK MANAGEMENT

- 4.1 During the first half of 2012/13 the Risk Management Strategy was updated and reviewed at both the Strategic Risk Management Group (SRMG) and the Corporate Management Team (CMT) before being considered and approved by the Governance and Audit Committee on 25th September 2012.

- 4.2 The Strategy identifies the key risk management priorities for the next 12 months which will be monitored by SRMG. These priorities are :

- to monitor implementation of any actions identified from the business continuity testing exercise scheduled for October 2012 and consider the effectiveness of arrangements for promoting effective business continuity arrangements throughout the Council and the ICT solutions in place for responding to business continuity incidents
- on-going work to identify the Council's "information assets" and their associated risks.
- six monthly monitoring of progress on actions to address strategic risks
- review of arrangements in place to maintain and monitor Directorate Risk Registers and risk logs should be in place for all major projects and programmes

- 4.3 The Strategic Risk Register has been reviewed quarterly by the SRMG to date during 2012/13 and is now reviewed every 6 months by CMT. CMT last reviewed the Register on 2nd May 2012. Directorates have now all established their risk registers and are generally updating these quarterly and providing these to the Head of Audit and Risk Management to inform the Strategic Risk Register.

5. OTHER INTERNAL AUDIT ACTIVITIES

National Fraud Initiative (NFI)

- 5.1 The NFI is a biennial data matching exercise first introduced in 1996 and conducted by the Audit Commission to assist in the prevention and detection of fraud and error in public bodies. Bracknell Forest Council is obliged to participate in this. Data is now due to be submitted for the 2012 exercise. Matches will be received back in stages in early 2013 for investigation within the relevant departments.

Fraud and Irregularity

- 5.5 During the period Internal Audit investigated an allegation of an ex employee working at another organisation whilst technically still in the employment of and being paid by the Council. The loss to the Council was insignificant although a car loan remains outstanding. Regular repayments are currently being made.
- 5.6 A number of other minor irregularities were reported to Internal Audit during the period.
- 5.7 In addition to the work undertaken by Internal Audit on fraud and irregularities, there is a Benefits Investigation Team. The Investigation Team is located within the Benefits section of Housing in Adult Social Care, Housing and Health. It is therefore outside of the management of the Internal Audit Team. The Team consists of a Senior Investigations Officer and one Investigation Officer. During the investigation of claims, Officers interview witnesses, take statements, carry out surveillance and interview under caution with a view to taking prosecution action. All cases are investigated, however many can be unfounded, some may create an overpayment as a result of an error and are recovered through normal recovery procedures.
- 5.8 As a result of work undertaken by the Investigation and Compliance Team, the sanctions applied during this period were 35 Formal Cautions, 17 Administration Penalties (a 30% penalty on top of overpaid benefit) and 8 successful prosecutions.
- 5.9 The sanctions which resulted were from investigations initiated as follows:
- 2 from NFI data matching;
 - 7 from other data matching;
 - 18 referrals from the Compliance Officer;
 - 25 from Housing Benefit Assessors;
 - 1 from Council Tax;
 - 1 from the Cheatchasers line;
 - 5 from joint working with jobcentreplus; and
 - 1 was highlighted by return of mail
- 5.10 The main reasons for referrals during the period were as follows:
- 7 living together undeclared;
 - 30 were income related;
 - 10 were working and claiming;
 - 7 undeclared tax credits;
 - 4 were not resident;

- 1 undeclared rent reduction; and
- 1 had an undeclared non-dependent