



HEAD OF AUDIT AND RISK MANAGEMENT REPORT

APRIL – SEPTEMBER 2018

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 2018 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 four 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
 - Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.
- 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.
- 2.3 We categorise our audit opinion as set out below according to our assessment of the controls in place and the level of compliance with these controls:



Significant Assurance

There is a sound system of internal controls to meet the system objectives and manage risks and testing performed indicates that controls tested are consistently complied with.



Satisfactory Assurance

There is basically a sound system of internal controls to manage risk 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 Assurance

There are some weaknesses in the adequacy of the internal control system and management of risks 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 and management of risks is inadequate leaving the system open to significant error or abuse and/or there is

significant non-compliance with basic controls.

2.4 We categorise our **recommendations** according to their level of priority.



Priority 1

Fundamental weakness in the design of controls or consistent non-compliance with controls that puts the achievement of systems objectives at risk.



Priority 2

Weakness in the design of controls or inconsistency in compliance with controls puts the achievement of systems objectives at risk.



Priority 3

Recommended best practice to improve overall control.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

3.1 The Annual Internal Audit Plan for 2018/19 was considered and approved by the Governance and Audit Committee on 28th March 2018. The delivery of the individual audits is largely undertaken by our contractors Mazars Public Sector Internal Audit. In addition, IT audit is undertaken by TIAA Ltd and 9 reviews will be carried out under the Section 113 arrangement with Wokingham Borough Council's Internal Audit Team. In addition five reviews and all grants are scheduled to be audited in house.

3.2 During the period April to September 2018, 3 grants were certified, 4 memos and reports without an opinion were finalised, 9 reports were finalised, 4 reports had been issued in draft awaiting management responses, 5 reports were received for client side review and in 9 cases audit work was in progress. A summary of performance to date is set out below. Details on the status and outcome of all audits are attached at Appendix A.

ASSURANCE	FINAL AND DRAFT APRIL- SEPTEMBER 2018	FINAL AND DRAFT 2017/18
Significant	0	1
Satisfactory	11	31
Limited	3	13
Total for Audits Including an Opinion	14	45
Grant Claim Certifications	3	6
Reports/Memos with Priority 1 Recommendation and no Opinion	4	3
Other Memos/Reports with no Opinion	0	28
Total	21	82

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
April to September 2018	5	100%	72%
2017/18	34	100%	76%

3.3 As noted above and at Appendix A, delivery against the planned programme is on track with the quarter 1 and 2 audits finalised, issued in draft, or in progress. The majority of assurance opinions given were satisfactory.

Major Control Issues

3.4 Audits which have identified major weaknesses will generally be revisited in 2019/20, to ensure successful implementation of agreed recommendations. The key weaknesses identified during audits with a limited assurance opinion and/or priority 1 recommendations are as follows:

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED
COUNCIL WIDE AUDITS	<p><u>OFFICERS EXPENSES IT SYSTEM (ALSO LIMITED IN 2016/17 and 2017/18)</u> Two priority 1 recommendations were raised due to IT system weaknesses in both the audit trail for authorisation and the treatment of VAT for expense claims. Audit has been advised that the audit trail issue has been highlighted as a key priority to be extensively tested as part of the system upgrade this year. Functionality to address the VAT issue will be included in the upgrade and the systems team is currently reviewing whether these changes for VAT could also be made to the existing system.</p>
PEOPLE	<p><u>SEN RESOURCE PROVISIONS (FOLLOW UP MEMO. ALSO LIMITED IN 2017/18)</u> Three priority 1 recommendations were re-raised on the absence of formal agreements, lack of targets and outcomes and ambiguity in the calculation of funding. Audit has been advised that the recommendations are being addressed as a priority in partnership with the commissioning team across the newly formed People Directorate. An initial scoping exercise is currently being completed to determine the most effective form of contract management and performance review arrangements needed, through an external review. This is expected to be completed by December 2018 with priorities to be addressed and implemented by March 2019.</p>
	<p><u>PERSONAL EDUCATION PLANS (FOLLOW UP MEMO. ALSO LIMITED IN 2017/18)</u> Two priority 1 recommendations were raised. The first is a re-raised recommendation on the absence of manager quality review checks which were still to be introduced at the time of the audit and the second is a new priority 1 recommendation to address weaknesses in policy and guidance documents. Audit has been informed that the Virtual School has now</p>

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED
	launched a new ePEP system (Electronic online system) from September 2018 which incorporates the audit recommendations around quality review.
	<p><u>FORESTCARE (FOLLOW UP MEMO. ALSO LIMITED IN 2017/18)</u> Two new priority 1 recommendations were raised on outstanding contract terminations and rising debt and weaknesses in debt collection. Audit has been informed that the Forestcare Finance Officer and the Corporate Finance team will be working together on outstanding billing issues and debt management.</p>
	<p><u>ADULT SOCIAL CARE PATHWAY (QTR 4 2017/18 AUDIT)</u> One priority 1 recommendation was raised on the number of overdue reviews and weaknesses in management information on the number of overdue reviews. Audit has been informed that each area of Adults Services has been addressing annual reviews to strengthen performance through measures such as allocating additional resources where required, prioritising and re-scheduling reviews to avoid pressure points such as summer holidays. Improvements are being made to improve tracking and accuracy of management information on status of reviews.</p>
	<p><u>HOUSING RENTS AND DEPOSITS</u> Six priority 1 recommendations were raised to address weaknesses in authorisation of rent advance loans, lack of clarity in determining repayment terms, absence of checks on continuing residency, weaknesses in debt collection for both current and former tenants and poor reconciliation processes. Officers are developing more comprehensive guidance for staff and enhanced checklists to improve controls and approval processes. This will be introduced following training sessions to be held for teams in quarter 3. Audit has been advised that action will now be taken to review the reconciliation process.</p>
DELIVERY	<p><u>HOME TO SCHOOL TRANSPORT (FOLLOW UP MEMO ISSUED. ALSO LIMITED IN 2016/17)</u> A priority 1 recommendation was raised again due to weaknesses in DBS checks for drivers. Unlike DBS for escorts, these checks are administered outside of the Home to School Team and hence the team has limited control over this. Audit has advised the Team how this risk can be mitigated and action is being taken to implement this.</p>

Council Wide Financial Control

3.5 There has been some weakening in financial control during 2017/18 and into 2018/19 as illustrated by the audits where major weaknesses were found as set out above for example around debt management around the Council. In response to this and concerns raised by the Director of Finance, a Council wide debt management is now being undertaken. The control environment is also being strengthened to support the move to self service following transformation.

Update of 2017/18 Audits with Limited Assurance Opinions and/or Priority 1 Recommendations

3.6 An update on the limited assurance opinions given in 2017/18 is shown at Appendix B. This shows that as at September 2018, follow up audits had

been finalised in 5 cases and in all cases, priority 1 recommendations were raised again.as detailed in section 3.4.

Follow Up of Recommendations

- 3.7 Follow up of recommendations on audits where a satisfactory opinion is given is undertaken twice a year and was last reported to the Governance and Audit Committee in June 2018. A further update will provided at the next interim Internal audit report to the Governance and Audit Committee.

Quality Assurance and Improvement Programme

- 3.8 As shown above in section 3.2, 100% of the client questionnaires indicated the auditees were satisfied with the service. In 74% of cases internal audit providers delivered the first draft report within 15 days of the exit meeting.

4. RISK MANAGEMENT

- 4.1 Between April and September 2018, the Strategic Risk Register was reviewed twice by the Strategic Risk Management Group (SRMG) and once by the Corporate Management Team and Governance and Audit Committee in June 2018. Directorate risk registers continue to be monitored regularly at Departmental Management Teams. Action will now be taken to align the risk registers with the revised corporate structure and ensure these are all in the standard template used for risk management.

5. COUNTER FRAUD 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. The core mandatory data for submission in the autumn of 2018 is:
- payroll
 - pensions
 - trade creditors
 - housing waiting lists
 - housing benefits (provided by the DWP)
 - council tax reduction scheme
 - council tax (required annually)
 - electoral register (required annually)
 - private supported care home residents
 - transport passes and permits (including residents' parking, blue badges and concessionary travel)
 - licences – market trader/operator, taxi driver and personal licences to supply alcohol
 - personal budget (direct payments)
- 5.2 Matches for investigation will start to come through in early 2018.

Benefits Investigations

- 5.4 The Council's Welfare Service passes cases of overpayments in excess of £3k and cases where fraud is suspected to the Department for Works and Pension's (DWP) Single Fraud Investigation Service (SFIS) for investigation. Members of the public are directed to contact the DWP directly where fraud is suspected and so SFIS receives further fraud information requests where fraud has been reported from another source.
- 5.5 If a claimant is notified that they have been overpaid Housing Benefit by £250 or more, which must have occurred wholly after 1st October 2012, Bracknell Forest Borough Council is able to impose a set Civil Penalty of £50. The £50 Civil Penalty applies if benefit is overpaid because the claimant negligently gave incorrect information and didn't take reasonable steps to correct their mistake or failed to tell the Council about a change or failed to give them information without a reasonable excuse. The Council also applies similar penalties of £70 in respect of Council Tax Reduction where claimants fail to advise the Council that discount should have ended or that there has been a change in circumstances impacting on discount entitlement or makes a false application.
- 5.6 Statistics on the benefit fraud cases are reported to the Governance and Audit Committee twice a year with the last update included in the Head of Audit and Risk Management's Annual Report in June 2018.

Single Person Discount

- 5.7 In order to identify potential mis-claiming of Council Tax Single Person Discount (SPD), the Revenues team procured external consultants to carry out a data matching exercise in 2014 and 2016 and have again arranged for consultants to undertake this. The data matching exercise will commence in October 2018.

Counter Fraud Training

- 5.8 The Internal Audit Plan includes some days for fraud awareness training targeted to teams in areas of higher fraud risk and discussions are ongoing with our providers to undertake this in the last two quarters of 2018/19.

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
										Audit
Delegations										Quarter 4 Audit
Cleaning Contract	25/6/18	17/8/18	✓		✓			6		Final
Council Wide Debt Management										Work in progress. New Quarter 3 Audit to replace the Debtors audit originally in the Plan.
Gifts and Hospitality										Quarter 3 Audit
Counter Fraud Training										To be determined
Proactive fraud work										To be determined
COUNCIL WIDE IT AUDIT Social Media	26/6/18	21/8/18	✓							Draft received for review
GRANTS Troubled Families June 2018	26/6/18	30/6/18	N/A	N/A – Grant certification						Certified
Troubled Families September 2018	17/9/18	18/9/18	N/A	N/A – Grant certification						Certified

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
purchasing systems										
<u>PLACE, PLANNING AND REGENERATION</u> Concessionary Fares	30/7/18	26/9/18	X							Draft received for review
CIL/S106	18/9/18									Work in Progress
Highways Capital Spend	14/5/18	18/6/18	✓		✓			2		Final
Highways Adoptions										Qtr 4 Audit
Development Controls										Qtr 4 Audit
Land charges										Qtr 3 Audit
<u>PEOPLE</u> Residential Care contracts										Draft received for review
Direct payments										Qtr 3 Audit
Financial Assessments	17/9/18	8/10/18	✓							Draft received for review
Forestcare Follow Up (Ltd 2017/18)	17/7/18	27/7/18	✓	No opinion as memo issued but 2 priority 1 recommendations raised			2	4	1	Final
Housing Benefit and Council Tax Reduction										Qtr 3 Audit
Housing Rents and	25/6/18	27/7/18	✓			✓	6	12		Draft issued

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
Deposits including Downshire Homes										
Public Health	3/9/18									Work in Progress
Adoption Services (shared services to be audited by Oxfordshire County Council Internal Auditors)										Qtr 4 Audit
Allowances for Fostering, Adoption and Special Guardianships										Qtr 3 Audit
Residential placements (Children's)										Qtr 3 Audit
Supervision including under the Family Safeguarding Model										Qtr 3 Audit
Margaret Wells-Furby House (Child Development Centre)	14/6/18	21/6/18	✓		✓			3		Final
SEN Resource Provision Follow up (Ltd 2017/18)	20/6/18	16/7/18	✓	No opinion as memo issued but 3 priority 1 recommendations raised			3	3		Final

APPENDIX B

FOLLOW UP OF AREAS PREVIOUSLY AUDITED WITH MAJOR CONTROL ISSUES

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED	
COUNCIL WIDE AUDITS	<u>COUNCIL WIDE OFFICERS EXPENSES (ALSO LIMITED IN 2016/17)</u>	Re-audited in quarter 1 and a limited assurance opinion has been given again. See section 3.4.
CHILDREN, YOUNG PEOPLE AND LEARNING	<u>SEN RESOURCE PROVISIONS</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised. See section 3.4.
	<u>PERSONAL EDUCATION PLANS</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised. See section 3.4.
CORPORATE SERVICES	<u>HOME TO SCHOOL TRANSPORT (FOLLOW UP MEMO ISSUED. ALSO LIMITED IN 2016/17)</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised. See section 3.4.
	<u>DISASTER RECOVERY (FOLLOW UP MEMO ISSUED. ALSO LIMITED IN 2016/17)</u>	Currently being re-audited.
	<u>CYBER SECURITY GAP ANALYSIS INCLUDING VOIP</u>	Currently being re-audited
	<u>BUSINESS RATES</u>	Audited annually as a key financial system and next audit due in Quarter 3.
	<u>COUNCIL TAX</u>	Audited annually as a key financial system and next audit due in Quarter 3.
	<u>CREDITORS</u>	Audited annually as a key financial system and next audit due in Quarter 4.
	<u>ITRENT APPRAISAL MODULE</u>	No follow up planned.

ADULT SOCIAL CARE , HEALTH AND HOUSING	<u>FORESTCARE</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised. See section 3.4.
ENVIRONMENT,CULTURE AND COMMUNITIES	<u>CAR PARKS</u>	To be re-audited in quarter 4
SCHOOLS	<u>PRIMARY SCHOOL 1</u>	To be re-audited in quarter 3.
	<u>PRIMARY SCHOOL 2</u> <u>(Limited assurance in 14/15, 15/16 and 16/17. Follow up in 17/18 deferred due to staff sickness in the School)</u>	This School has now merged with the Infant's School and discussions will be held with the new head teacher for the joint schools to determine how this should be followed up. be re-audited in quarter 4.
	<u>PRIMARY SCHOOL 3</u>	To be re-audited in quarter 4
	<u>PRIMARY SCHOOL 4</u>	To be re-audited in quarter 4