



HEAD OF AUDIT AND RISK MANAGEMENT REPORT

APRIL – DECEMBER 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 December 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 December 2018, 4 grants were certified, 4 memos and reports without an opinion were finalised, 25 reports were finalised, 6 reports had been issued in draft awaiting management responses, 6 reports were received for client side review and in 2 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- DECEMBER 2018	FINAL AND DRAFT 2017/18
Significant	0	1
Satisfactory	19	31
Limited	12	13
Total for Audits Including an Opinion	31	45
Grant Claim Certifications	4	6
Reports/Memos with Priority 1 Recommendation and no Opinion	4	3
Other Memos/Reports with no Opinion	0	28
Total	39	82

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
April to December 2018	9	100%	83%
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. In the last interim Internal Audit Report to the Governance and Audit Committee on 31st October 2018, details were provided on seven audits with major issues. The key weaknesses identified on audits finalised since the previous report are as follows:

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED
COUNCIL WIDE	<u>Debt Management</u> Two priority 1 recommendations were raised in respect of service areas not actively pursuing debt for their customers, a responsibility that sits outside the central Debtors function. Audit has been advised that in response to this, the current arrangements for debt management will be reviewed to identify the most effective credit control model for the Council.
	<u>Social Media</u> Four priority 1 recommendations were raised. These related to the Social Media Protocol and Acceptable Use of the Internet Policy being out of date, personal devices being used for corporate social media purposes and the absence of a Bring Your Own Device Policy. Audit has been advised that an updated Protocol and Internet Policy are in draft awaiting review and approval and these will address the use of personal devices.
DELIVERY	<u>Cyber Security (Also Limited Assurance in 2017/18)</u> Two priority 1 recommendations were raised in 2017/18. One of these has been implemented but the recommendation on the Acceptable Use Policy was outstanding and hence has been re-raised and two of the priority 2 recommendations that have not been implemented have been escalated to priority 1. These relate to patching and monitoring policies. Audit has been advised that a third party has been contracted to provide support in writing/revising policies and a workshop was held to help facilitate this process.

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED
	<p><u>IT Asset Management (Also Limited Assurance in 2015/16)</u> Four priority 1 recommendations were raised in relation to access records for the store room, the need for regular stock takes, updating of the Configuration Management Database and the need to maintain adequate records of IT kit awaiting disposal. Audit has been advised that action will be taken to address these areas.</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. 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 December 2018, follow up audits had been completed in 8 cases and in 7 cases, priority 1 recommendations were raised again.as detailed in section 3.4 or previously reported where finalised.

Follow Up of Recommendations

- 3.7 A further follow up exercise has been completed on audits where a satisfactory opinion was given to identify progress on implementation of agreed recommendations. This was based on management being asked to provide feedback on the status of recommendations and the outcome is set out in Appendix C. This identified that out of 106 priority 2 recommendations, 58 were implemented and 39 were in progress and 25 out of 30 priority 3 recommendations were either implemented or in progress.

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 During 2018/19, the Strategic Risk Register has been reviewed three times by the Strategic Risk Management Group (SRMG), twice by the Corporate Management Team and once by the Governance and Audit Committee in June 2018. Directorate risk registers are already in place for the Delivery and Central Directorates and being reviewed quarterly and the People risk register is under development.

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 2019.

Benefits Investigations

5.3 On 1st December 2014, the Council's Benefit Fraud Investigation Officers transferred to the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP) as part of the national government programme of centralising the investigation of welfare benefit fraud. The Welfare Service passes cases of overpayments in excess of £3k and cases where fraud is suspected to 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. During the period April 2018 to 20 December 2018 there were 36 referrals to SFIS. We have so far been notified of 1 administrative penalty relating to these cases. During the financial year 2017/18, 95 cases were referred and the Welfare Service have been notified of 11 administrative penalties and 1 prosecution by SFIS.

5.4 From 1st April 2014, 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 has been 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. Between April 2018 and 20 December 2018 the service applied 99 Civil Penalties. From April 2016 Bracknell Forest Council has applied apply

penalties of £70 in respect of Council Tax. Between April 2018 and 18 December 2018 the service applied 5 Council Tax Penalties.

- 5.5 Since January 2018 the DWP no longer issue mandatory referrals for Real Time Information (RTI) system for Housing Benefit to detect undeclared income. This has been replaced by the Verify Earnings and Pensions (VEP) Alerts service which provides local authorities with the capability to prevent fraud and error arising through real time identification of changes in income. The service provides Alerts to users to prompt them to access the service when there is a change in the claimants or partner's employment or pension. The DWP commenced the roll out to Local Authorities from May 2018 with Bracknell Forest Council using the service from October 2018. Since October 2018 to 10 December 2018, 111 changes of circumstances to Housing Benefit were recorded as actioned due to VEP of which approximately 70.3% resulted in a decrease to Housing Benefit, and approximately 18% resulted in an increase to Housing Benefit.

Single Person Discount

- 5.6 During Quarter 3, the Revenues Team engaged external consultants to carry out a data matching exercise to identify potential mis-claiming of Council Tax Single Person Discount (SPD). To date, this exercise has already confirmed 111 cases of mis-claiming of SPD increasing collectable income for 2018/19 by £44k and also increasing the amount of Council Tax to be billed and collected in 2019/20 by £44k. The Revenues Team are still awaiting responses from a further 270 individuals where data matching information is currently indicating SPD is being mis-claimed and these 270 cases will also potentially lose the discount.

Counter Fraud Training

- 5.7 The Internal Audit Plan includes some days for fraud awareness training targeted to teams in areas of higher fraud risk. The first session of this took place for the People directorate in January 2019.

APPENDIX A

2017/18 AUDITS

* Draft report produced within 15 working days of exit meeting to discuss audit findings

Audit	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
Payroll and Pre-Employment Checks	14/2/18	18/6/18	x		✓			7	2	Final
New Commercial Properties	13/3/18	27/6/18	✓		✓			11	3	Final
Social Care Pathway	22/1/18	22/6/18	x			✓	1	5		Final

2018/19 AUDITS

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
COUNCIL WIDE Officers Expenses	30/4/18	27/7/18	x			✓				Final
Apprenticeships Levy	28/8/18	25/9/18	✓		✓			1	1	Final
Absence Management	17/9/18	8/11/18	✓			✓	1	10		Draft issued
Bracknell Forest Lottery										To be determined

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
Capital Budgeting										Quarter 4 Audit
Delegations										Quarter 4 Audit which will now encompass wider governance under the new structure
Cleaning Contract	25/6/18	17/8/18	✓		✓			6		Final
Council Wide Debt Management	11/10/18	10/12/18	✓			✓	2	5	2	Final
COUNCIL WIDE IT AUDIT Social Media	26/6/18	21/11/18	✓			✓	4	4	5	Final
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
Troubled Families December 2018	5/12/18	19/12/18	N/A	N/A – Grant certification						Certified
Bus Operator's Grant	17/9/18	20/9/18	N/A	N/A – Grant certification						Certified
FINANCE Creditors including										Quarter 4 Audit

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
Controcc transactions										
Debtors including Controcc transactions										Audit cancelled and replaced by Council wide debt management audit.
Main Accounting including Reconciliations	25/10/18	20/12/18	✓		✓			3	1	Draft issued
Payroll including Pre-employment Checks	29/11/18		✓							Received for client side review
FINANCE IT AUDIT Agresso										Qtr 4 Audit
DELIVERY Cash Management	18/10/18	3/12/18	✓		✓			1	1	Final
Council Tax	12/11/18									Received for client side review
Business Rates	12/11/18									Received for client side review
Mayor's Fund										Qtr 4 Audit
Registrars										Deferred to 2019/20

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
use of volunteers										
<u>DELIVERY COUNTER FRAUD</u> Cash Spot Checks										Qtr 4 Audit
<u>DELIVERY IT AUDIT</u> Disaster Recovery Follow Up (P1 recommendation 2017/18)	3/10/18	5/11/18	✓		✓			1		Final
Cyber security/VOIP Follow Up (Ltd 2017/18)	1/10/18	20/11/18	✓			✓	3	7	1	Final
Enterprise Agreement programme management	11/9/18		✓			✓	1	1		Draft issued
IT Asset Management	12/9/18	7/12/18	✓			✓	4	4	2	Final
IT Helpdesk										Qtr 4 Audit
Library self service and stock purchasing systems										Qtr 4 Audit
<u>PLACE, PLANNING AND REGENERATION</u> Concessionary Fares	30/7/18	26/9/18	X		✓			7	2	Final

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
CIL/S106	18/9/18									Report received for client side review
Highways Capital Spend	14/5/18	18/6/18	✓		✓			2		Final
Highways Adoptions										Qtr 4 Audit
Development Controls										Qtr 4 Audit
Land charges	12/11/18									Report received for client side review
PEOPLE Residential Care contracts	12/9/18	5/11/18	✓			✓	3	7		Draft issued
Direct payments	20/11/18									Report received for client side review
Financial Assessments	17/9/18	8/10/18	✓		✓			8	2	Final
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 4 Audit
Housing Rents and	25/6/18	27/7/18	✓			✓	6	12		Final

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	4/12/18	X			✓	1	2		Draft issued
Adoption Services (shared services to be audited by Oxfordshire County Council Internal Auditors)										
Allowances for Fostering, Adoption and Special Guardianships										Qtr 4 Audit
Residential placements (Children's)										Qtr 4 Audit
Supervision including under the Family Safeguarding Model										Qtr 4 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
The Rise	18/5/18	12/7/18	✓		✓			4		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 as reported to the Committee in October 2018.
CHILDREN, YOUNG PEOPLE AND LEARNING	<u>SEN RESOURCE PROVISIONS</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised as reported to the Committee in October 2018.
	<u>PERSONAL EDUCATION PLANS</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised as reported to the Committee in October 2018.
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 as reported to the Committee in October 2018.
	<u>DISASTER RECOVERY (FOLLOW UP MEMO ISSUED. ALSO LIMITED IN 2016/17)</u>	Re-audited in quarter 3 and the significant issues have been addressed subject to ICT seeking review and approval of DR procedures.
	<u>CYBER SECURITY GAP ANALYSIS INCLUDING VOIP</u>	Re-audited in quarter 1 and further priority 1 recommendations were raised as set out in Section 3.4.
	<u>BUSINESS RATES</u>	Audit currently in progress.
	<u>COUNCIL TAX</u>	Audit currently in progress.
<u>CREDITORS</u>	Audited annually as a key financial system and next audit due in Quarter 4.	

DIRECTORATE	AUDITS WITH MAJOR ISSUES IDENTIFIED	
	<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 as reported to the Committee in October 2018.
	<u>SOCIAL CARE PATHWAY</u>	To be revisited in 2019/20
ENVIRONMENT,CULTURE AND COMMUNITIES	<u>CAR PARKS</u>	To be re-audited in quarter 4
SCHOOLS	<u>PRIMARY SCHOOL 1</u>	Re-audited in quarter 3 and currently out in draft with a limited assurance opinion.
	<u>PRIMARY SCHOOL 2 (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

FOLLOW UP OF RECOMMENDATIONS

2017/18

AUDIT	Recommendations			Outcome
	1	2	3	
COUNCIL WIDE				
Mileage	0	7	1	In progress
Grants and payments to the voluntary sector	0	3	0	One implemented and 2 in progress as part of a transformation project
Data Quality	0	3	5	One priority 3 rec is no longer applicable three priority 3 recs are in progress as new software coming in, one priority three and three priority 2 recs are implemented
New Commercial Properties	0	11	3	All recommendations are still in progress.
Town Centre Maintenance planning	0	8	2	All completed or ongoing.
Tree Services	0	13	0	Seven implemented and six still in progress
Building Control	0	9	2	Six priority two recommendations implemented Three priority two and two priority three recommendations are in progress
ADULT SOCIAL CARE, HEALTH AND HOUSING Emergency Duty Service	0	5	2	Implemented
IT Audits Controcc	0	2	2	One priority 2 and one priority 3 rec implemented. One priority three ongoing and no response provided on one priority 2 recommendation.
LAS	0	4	0	All completed
CHILDREN, YOUNG PEOPLE	0	4	0	Three implemented and one in progress

AUDIT	Recommendations			Outcome
	1	2	3	
AND LEARNING Family Centre				
Education Centre	0	3	3	All implemented except for one priority 2 recommendation which is deferred until relocation
Open learning Centre	0	5	7	Five priority 2 and four priority three recs are implemented. One priority three rec is postponed pending relocations. Two priority three recs in progress.
Pupil referral services exc PRU	0	1	1	The priority 3 rec has been implemented. Information not provided on the other recommendation.
Themed school audit- Pupil Premium	0	6	1	All implemented
Garth Hill	0	8	0	Overall seven are completed and one is still in progress around bursaries
TOTAL	0	92	29	

2018/19

AUDIT	Recommendations Priority			Outcome
	1	2	3	
Cleaning Contract	0	6	0	Implemented through issuing news letter
Reactive highways maintenance	0	1	0	Implemented
Continental-contract landscape and street cleansing	0	2	1	Implemented
Highways Capital Spend	0	2	0	Implemented
Margaret Wells-Furby House (Child Development Centre)	0	3	0	Implemented
TOTAL	0	14	1	