

GOVERNANCE AND AUDIT COMMITTEE
29 JUNE 2010

INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2009/10
Head of Audit and Risk Management

1. PURPOSE OF REPORT

- 1.1 Under the CIPFA Code of Practice for Internal Audit in Local Government, the Head of Audit is required to provide an annual assurance report timed to support the Annual Governance Statement (AGS) which accompanies the Council's annual accounts.

2. RECOMMENDATION

- 2.1 **The Governance and Audit Committee note the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit Opinion for 2009/10.**

3. ADVICE FROM STATUTORY OFFICERS

3.1 Borough Treasurer

Nothing to add to the report

3.2 Borough Solicitor

Nothing to add to the report

Strategic Risk Management Issues

- 3.3 Internal control is based upon an on going 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.

Equalities Impact Assessment

- 3.4 There are no issues to be considered arising from this report.

4. SUPPORTING INFORMATION

- 4.1 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."

- 4.2 The CIPFA Code of Practice for Internal Auditors requires the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement. This report should include an overall opinion on the adequacy of the control environment.
- 4.3 The attached report sets out the Head of Internal Audit's Opinion for 2009/10 summarising the results and conclusions of Internal Audit's work for 2009/10 and taking assurance from other independent sources of assurance such as from the Council's External Auditors and inspections carried out by a number of independent review agencies. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This opinion can, therefore, only provide reasonable and not absolute assurance based on the work undertaken and areas audited.

5 CONSULTATION

- 5.1 Not applicable.

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BRACKNELL FOREST COUNCIL

**ANNUAL REPORT OF THE HEAD OF AUDIT AND RISK
MANAGEMENT:**

HEAD OF INTERNAL AUDIT OPINION 2009/10

1. BACKGROUND

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.”

The CIPFA Code of Practice for Internal Auditors requires the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement.

2. PURPOSE OF THE HEAD OF INTERNAL AUDIT’S ANNUAL REPORT

The Head of Internal Audit’s annual report to the organisation must:

- Include an opinion on the overall adequacy and effectiveness of the organisation’s control environment;
- Disclose any qualifications to that opinion together with the reasons for that qualification;
- Present a summary of the audit work from which the opinion is derived , including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

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. This statement and opinion can, therefore, only provide reasonable and not absolute assurance. 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.

3. OPINION ON THE CONTROL ENVIRONMENT IN PLACE DURING 2008/09

Based on the work of Internal Audit during the year and other sources of assurance outlined, the Head of Audit and Risk Management has given the following opinion:

- there are robust systems of internal control in place in accordance with proper practices except for those reviews where limited assurance was concluded as set out in Section 4.3;

- key systems of control are operating satisfactorily except for the areas referred to above ; and
- there are adequate arrangements in place for risk management and corporate governance.

4. INTERNAL CONTROL

4.1 Internal Audit Performance Services

The resources available for internal audit are finite and not all areas can be covered every year. Therefore internal audit resources are allocated using a risk based approach. The Internal Audit Plan for 2009/10 was considered and approved by the Governance and Audit Committee on 29 April 2009. The delivery of the individual audits in the Internal Audit Plan for 2009/10 was undertaken by H W Controls and Assurance. This was the first year of the contract with H W Controls and Assurance following the re-tendering of the internal audit services during the 2008/09.

Some alterations were made to the original plan during the year in response to information gained during the year combined with known changes in risk. At the time of writing this report, 70 audit reports had been finalised, 14 were in draft awaiting final agreement, 1 is being drafted and 1 audit is still in progress. In my Annual Report last year I reported that no reports were still being drafted in June 2009 and only 5 were in draft awaiting finalisation.

4.2 Summary of the Results of 2009/10 Audits

The results of the 84 reports issued during the year are set out below. In three cases during 2009/10 (2008/09:2) reports were issued around grant claims requiring certification by Internal Audit in these cases no opinion was required.

ASSURANCE	2009/10	2008/09
Significant	4	1
Satisfactory	70	97
Limited	7	9
No Assurance	-	1
No Opinion Given	3	2
Total	84	110

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.

Client Quest. satisfactory	Audit	Assurance Level				Recommendations			Status	PI Met
		Significant	Satisfactory	Limited	None	Priority				
						1	2	3		
-	Corporate Themes									
Yes	Corporate Governance		X				5	1	Final	No
	Corporate Wide Procurement			X		6	7		Issued in draft	Yes
Yes	Hospitality Registers		X				5	3	Issued in draft	No
	Leavers		X				6		Issued in draft	No
-	Chief Executive's Office									
Yes	Print & Design Follow Up 08/09 Ltd.		X					4	Final	Yes
No	Data Quality		X			-	-	-	Final	No
Yes	New Performance Management System – IT Audit		X				1		Final	No
N/A	LPSA 2 Grant Claim	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Certified	Yes
-	Corporate Services									
No	Transport -		X				3	1	Final	Yes

Client Quest. satisfactory	Audit	Assurance Level				Recommendations			Status	PI Met
		Significant	Satisfactory	Limited	None	Priority				
						1	2	3		
	vehicle maintenance, fuel cards & licenses									
	ICT Helpdesk – IT audit		X				4		Final	Yes
	Programme & Project Management – IT audit		X				1	1	Final	Yes
	Computer Data Back-up – IT audit		X					1	Final	Yes
Yes	Staff Benefits		X				5		Final	No
Yes	Physical and Environmental Controls –IT audit		X				2	2	Final	Yes
Yes	Data Protection & Freedom of Information Follow up		X				3	1	Final	Yes
Yes	Budget/Budgetary Control		X				1		Final	No
Yes	Cash Management		X				3	5	Final	No
Yes	Bank & Reconciliations		X						Final	Yes
	Treasury Management		X				1	3	Final	Yes
Yes	Creditors		X				2	5	Final	No
Yes	Debtors		X				4	1	Final	Yes
Yes	Main Accounting		X				3	3	Final	Yes
Yes	Payroll		X				4	1	Final	No
Yes	Council Tax		X				6	1	Final	No
Yes	NNDR		X				5	3	Final	No
Yes	Members Expenses		X				4	1	Issued in Draft	Yes
	Email and Internet Security Follow up		X				4		Final	Yes
Yes	Government Code of Connect			X		1			Final	Yes
	Enterprise System Follow (In house)	X							Final	Yes
	Facilities waste Management Follow Up		X				2		Issued in Draft	Yes
-	Children, Young People and Learning									
Yes	School Census		X				3	4	Final	Yes
Yes	Birch Hill Primary Follow Up 08/09 Ltd.		X				1	1	Final	Yes
Yes	Binfield Primary Follow Up 08/09 Ltd.		X				3	1	Final	No
Yes	Uplands Primary		X				5	8	Final	Yes

Client Quest. satisfactory	Audit	Assurance Level				Recommendations			Status	PI Met
		Significant	Satisfactory	Limited	None	Priority				
						1	2	3		
Yes	St. Margaret Clitherow Primary		X				1	4	Final	Yes
Yes	Holly Spring Infant		X				8	2	Final	Yes
Yes	Cranbourne Primary			X		1	12	6	Final	Yes
Yes	Wildmoor Heath School		X				5	5	Final	Yes
No	Ascot Heath Infant		X				2	6	Final	Yes
Yes	Sandhurst Secondary		X				4	4	Final	Yes
Yes	Ranelagh Secondary		X					3	Final	Yes
	Family Tree Nursery (Early Years) follow up		X				4	3	Final	No
Yes	College Town Infants follow up		X			-	-	-	Final	Yes
Yes	Harmanswater follow up		X				2	3	Issued in Draft	No
Yes	Kennel Lane follow up		X				1	3	Final	Yes
	The Pines (in house)			X		1	14	3	Final	Yes
Yes	LMS	X							Final	Yes
Yes	Foster carers		X				1	3	Final	No
	Garth Hill Project		X				6		Final	Yes
	Open Learning Centre at Brakenhale		X				4		Final	Yes
Yes	Disabled Children Follow Up		X					1	Issued in Draft	Yes
Yes	Education Management System		X				2		Final	Yes
	Risk Management								WIP	
-	Adult Social Care and Health									
Yes	The Look In Follow Up 2008/09 Ltd.		X				4	2	Final	No
N/A	Stroke Claim Certification 0809	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Certified	Yes
Yes	New Adult Social Care System – IT audit	X				-	-	-	Final	No
Yes	Bracknell Day Services Follow Up 2008/09 Ltd.		X				4	2	Final	No
	Direct Payments								Report being drafted	
	Webroster System (careworkers) Follow Up	X							Final	Yes

Client Quest. satisfactory	Audit	Assurance Level				Recommendations			Status	PI Met
		Significant	Satisfactory	Limited	None	1	2	3		
	Risk Management			X	3	2			Issued in Draft	Yes
Yes	Older people and Longer Term Care Follow Up		X				1		Final	Yes
Yes	S31 Aids and Adapatations Follow up		X				3		Final	Yes
Yes	Intermediate Care		X				2	3	Final	Yes
-	Environment, Culture and Community									
Yes	New Choice Based Lettings - IT audit		X				3	1	Final	Yes
N/A	Supporting People Claim	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Certified	Yes
Yes	Dog & Pest Control Follow Up 2008/09 Ltd.		X				2	1	Final	Yes
	Housing and Council Tax Benefits		X				2	3	Final	No
	Outsourced Benefits processing and debt Collection		X				1		Final	No
	Sustainability		X			2	11	3	Draft issued for discussion	No
	Highways			X		2	9	3	Draft issued for discussion	No
Yes	Waste Management (RE3)					5	1		Final	No
Yes	Bracknell Leisure Centres		X			4			Final	Yes
Yes	Sandhurst and Edgebarrow Sports Centres		X			1			Final	No
Yes	South Hill Park Revenue Grant		X				3		Issued in Draft	No
Yes	CONFIRM – IT audit		X				1	4	Final	Yes
Yes	Supporting People		X				4		Final	Yes
Yes	Leisure Management IT System Follow up		X				4		Final	Yes
Yes	LLPG/GIS IT System		X				2	1	Final	Yes
No	Risk Management			X		2	1	1	Issued in Draft	No
Yes	Coral Reef Follow up		X				1	1	Final	Yes
	Downshire Golf		X				1		Issued in	Yes

Client Quest. satisfactory	Audit	Assurance Level				Recommendations			Status	PI Met
		Significant	Satisfactory	Limited	None	1	2	3		
	Follow Up								Draft	
Yes	Landscape Services Follow Up		X				1	2	Issued in Draft	Yes
Yes	Development Control Follow Up		X						Final	Yes
Yes	Easthampstead Park Conference Centre		X				8		Final	Yes
	Leisure Cash Spot Checks		X						Final	No
Yes	Library Stock		X				5	8	Final	No

4.3 Significant Control Weaknesses

In forming its opinion, Internal Audit is required to comment on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During 2009/10, there were no audits where no assurance was given. Audits on the following areas resulted in limited assurance opinions: -

Directorate	Audits with Limited Assurance Conclusion
Corporate Themes	<p><u>Corporate Wide Procurement (in draft)</u> The significant weaknesses identified by previous audits had generally been addressed but a number of different weaknesses were raised by the 2009/10 audit that resulted in priority 1 recommendations. The audit identified that under current Contract Standing Orders contract waivers do not have to be reviewed by Corporate Procurement and are only sent to the Head of Procurement for information. It was found that the Procurement Manual contained no guidance on the procedures for applying spot contracts. Officers were unable to locate the signed contracts for 5 of the sample tested. Following the reorganisation, delegations had not been documented for one directorate which meant that 2 contracts sampled had not been signed by individuals with formal delegated authority.</p>
Corporate Services	<p><u>Government Connect</u> Government Connect is a pan-government programme providing an accredited and secure network between central government and every local authority in England and Wales. Accreditation is based on compliance with a series of controls including 34 areas of 'must' controls. The audit identified that in 10 out of 34 areas there were gaps in control and a priority 1 recommendation was raised to address this. A follow up review was subsequently undertaken by HW at the request of the auditee in March to identify independently the progress made on addressing these gaps and provide a position statement. This identified that actions to address gaps on all 10 were still only partly implemented.</p>

Directorate	Audits with Limited Assurance Conclusion
<p>Environment Culture and Communities</p>	<p><u>Highways (in draft)</u> The audit indicated that there is little formality about sample inspection of services to gain assurance on completion and quality of works for performance monitoring purposes. It also established that some elements of the works were not inspected at all. A priority 1 recommendation was raised to address this.</p> <p><u>Risk Management (in draft)</u> The audit looked at risk management arrangements in the directorate. The key issue arising from the review resulting in limited assurance was that although the Service Plan included risks to the achievement of planned outcomes for developmental targets, the directorate did not have procedures in place to document and monitor significant risks to its ongoing business as usual.</p>
<p>Children's Young People and Learning</p>	<p><u>Cranbourne Primary School</u> Limited assurance was given for this audit due to one Priority 1 recommendation being raised but also because of the high number of recommendations in general. In total, one Priority 1, twelve Priority 2 and six Priority 3 recommendations were raised. The Priority 1 recommendation was to address the fact that contrary to the contractual agreement, electricity had not been re-charged to the pre-school since the contract inception in 2006. Weaknesses resulting in Priority 2 recommendations included the absence of internal financial procedures, the School Development Plan only covering 1 year instead of 3, letting charges not being reviewed since 2005, the last completed audit of the private fund being 2006/07 and two references not being obtained in the case of 1 new starter.</p>
	<p><u>The Pines School</u> This audit was carried out in-house. The audit opinion was limited assurance in this case again due to one Priority 1 recommendation and the high number of recommendations overall – eighteen including fourteen Priority 2 and three Priority 3. The Priority 1 recommendation was in response to CRB and List 99 checks not being completed for 2 supply teachers. Weaknesses resulting in Priority 2 recommendations included applications, references, evidence of CRB checks, etc not being filed on personnel files, the inventory not being updated since early 2007, blank cheques not being crossed through as cancelled, absence of checking of site controller's overtime and compliance with working time directive, cheques received not being banked for several weeks.</p>

Directorate	Audits with Limited Assurance Conclusion
Adult Social Care and Health	<p><u>Risk Management (in draft)</u></p> <p>As with the audit in Environment, Culture and Communities (ECC), the audit looked at risk management arrangements in the directorate. The key issue arising from this review resulting in limited assurance was that, like ECC, although the Service Plan included risks to the achievement of planned outcomes for developmental targets, the directorate did not have procedures in place to document and monitor significant risks to its ongoing business as usual.</p>

Internal Audit will ensure that the recommendations arising from the above audits will be followed up during 2010/11.

4.4 Feedback from Quality Questionnaires

The completion of quality questionnaires is mandatory. The overall response is positive and the results are summarised as follows:

DEPARTMENT	SATISFIED	NOT SATISFIED	TOTAL
Total for 2009/10	56	4	60
Total for 2008/09	82	7	89

All unsatisfactory responses are followed up to identify any lessons to be learned for future reviews and any necessary action required, which can include the relevant fieldwork auditor not being used on any further Bracknell Forest Council audits. Detail of questionnaires where auditees were not satisfied with the audit are set out below together with the response from our audit service provider (H W Controls and Assurance).

Audit title	Reason for unsatisfactory response	Audit's response
Ascot Heath	<p>The auditor was very late arriving on the first day. She was only on site two days and only for a few hours each day.</p> <p>On leaving on the second day, the auditor said she would not hold an exit meeting but would be happy to discuss the report once issued.</p> <p>When the report was received the BFC Contract Manager was contacted about these issues and subsequently HW arranged an exit meeting.</p> <p>Following the exit meeting a further 2 recommendations were added to the report that had not been discussed at the exit meeting.</p>	<p>In future, the HW Contract Manager will ensure that the auditee is fully aware of any changes in arrival time.</p> <p>An exit meeting was held on the 7th July 2009. Following manager review a further 2 recommendations were appropriate which were discussed with the school via telephone (a method which is no longer used - all meetings are now held face to face).</p> <p>The school expressed concern with the time the auditor spent on site. Whilst it is the HW approach to complete all compliance testing on site and then take documents away for review, the general approach to school auditing will be assessed prior to the next raft of school audits. HW will engage in training/discussions with the BFC Contract Manager.</p>
Data Quality	<p>There were clear misunderstandings in the report which undermined the value of the draft report.</p> <p>Testing was omitted during the initial review and was conducted by a more senior auditor at the last minute.</p> <p>The draft report was delivered late and to a low quality standard. The two recommendations raised were of limited practical value. (NB these were later removed).</p>	<p>Misunderstanding and inaccuracies can arise, especially during lengthy, complex audits. The process of moving from a "draft" report to "final" is to, inter alia, iron out such issues. In this instance however, we have used terminology that was cited by the auditee during fieldwork</p> <p>It is for the auditor to decide, during the course of the audit as to what constitutes a major element of the audit. There is an ongoing process of assessing risk (before and during an audit) and the auditor will "flex" the focus of testing if necessary in accordance with this process.</p> <p>A report can always be delivered quicker but the auditee, in this instance, was kept aware of the status of the audit and report. Our meetings with the auditee to discuss status have been minuted and are on the audit file. The audit reported against the agreed audit brief points and no remarks were shared with us at draft stage about the overall quality.</p>
Transport	<p>Whilst the audit was well planned and executed the process fell apart on presentation of the draft report. The first draft was full of spelling mistakes, bad grammar and incorrect information. A meeting took place with the audtee, auditor and manager. At this meeting the auditor paid little attention and made no notes of what the auditee was trying to convey.</p> <p>Subsequently, the auditee received a personal apology from the Partner, the report was re-written and the auditee was happy with the revised version.</p>	<p>The presentation of the poor first draft of the report was due to poor version control and the HW internal protocol for version control has been re-iterated to the auditors.</p> <p>The auditor concerned has been reassigned and all BFC audits have been allocated to other, more experienced auditors.</p> <p>All comments made by the auditee were addressed and included in the amended report which has now been approved by the auditee.</p>

Risk Management Environment Culture and Communities	Insufficient notice of meeting request with the auditee and a long gap (25 days) between the exit meeting and issuing of the audit report. The Chief Officer also said that she was not informed that the conclusion was limited at the exit meeting.	HW were instructed to discuss the audit approach with the Head of Audit and Risk Management (HARM) before contacting the auditee. HW discussed the audit with HARM on 19 March. The auditee was unavailable until 25 March when HW arranged to meet with her on 31 March but the auditee then re-arranged this to 6 April. The direction of the audit recommendations was changed after the exit meeting to form a more integrated approach based on findings of other audits. The first cut of the draft report was available on 10 May (8 days after exit meeting) but after review by the HW Contract Manager and HARM and rewording of one recommendation 1, it was re-issued for review on 19 May and finally (with recommendation 1 reworded again) was issued to auditee on 2 June.
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4.5 H W Controls and Assurance Quarterly Assurance Reports

Each quarter during the year, the internal audit service provider is required by the terms of the contract to produce a quarterly internal audit assurance report, which includes an overall assurance opinion. All quarterly reports for 2009/10 gave a satisfactory assurance opinion over the system of internal controls within the authority.

4.6 Review of the Effectiveness of the System of Internal Audit

During 2009/10 the Audit Commission, undertook a detailed review to assess the Council's internal audit function against the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Audit Commission concluded in May 2010 that Internal Audit at Bracknell Forest provide a good standard of service and that the Authority complied with all eleven standards of the Code. This indicates significant improvement on the Commission's previous review of internal audit in 2007 when the Commission concluded that although a good service was provided, we were fully compliant on only one standard and partially compliant in the remaining ten areas.

The 2009/10 review identified some areas for improvement such as reviewing the appropriateness of performance indicators. Action is being taken to respond to the recommendations raised.

4.7 Performance of the Contractors

The contract for H W Controls and Assurance commenced on 1 April 2009. Performance indicators for the internal audit service were set out in the specification that the contractors committed themselves to in signing the contract with the Council.

The contract specification sets out the indicators for measuring performance. The key indicator for measuring performance for individual audits is issue of a draft report within 15 working days of holding the exit meeting. As detailed in the table in 4.2, out of the 84 audits finalised or issued in draft, 2 were in house audits that had met the performance target. Of the audit that had been delivered by H W Controls and Assurance, 53 out of 82 (65%) had met the target.

A further measure of performance is the outcome of the client questionnaires as set out in 4.4 which indicates that where completed surveys have been returned, auditees were satisfied with the audit in 93% of cases.

8. OTHER INTERNAL AUDIT ACTIVITIES

8.1 National Fraud Initiative (NFI)

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. During the first half of 2008/09 Internal Audit coordinated the submission of the mandatory data. Resulting matches were returned in the first few months of 2009 and results of the investigations are set out below:

Category	Total number of matches	Number of matches recommended for priority investigation.	Outcome of investigation of matches
Housing Benefits	753	32	All priority matches were investigated and all other matches were reviewed. Only one overpayment of approximately £600 has been identified and this was due to an error.
Payroll/employment issues	174	12	Priority matches were investigated in detail and other matches were reviewed. No issues were identified.
Blue Badges issued to deaths	139	All same priority	All matches investigated and any deaths not already notified to the authority by other sources have been recorded on the blue badge system, which means that badges could not be renewed fraudulently.
Concessionary travel cards to deaths	231	All same priority	All matches investigated. The deaths have been recorded on the e+ Smartcard system and the cards electronically cancelled. However, as the bus system in BFC is not electronic it would be possible for somebody to use the Smartcard of a deceased person for travel.
Private Residential Care Homes to deaths	20	All same priority	All matches investigated and checked for any overpayments. No overpayments were identified and most cases were already known and previously recorded.
Insurance	20	8	All matches were investigated and no issues were identified.
Creditors	2829	All same priority	A sample was looked at in detail. Explanations were found for all the sample investigated e.g. regular payments, roundings. Many of the matches refer to possible duplicate payments but the authority's has duplicate payment software which means that the risk of genuine

Category	Total number of matches	Number of matches recommended for priority investigation.	Outcome of investigation of matches
			duplicate payments is already very low and it was concluded that nothing would be gained from carrying out further work in this area.
Council Tax Single Person Discounts	772	All same priority	Discount renewal forms were sent to all council tax payers identified by the matches. As a result of the 2008/09 exercise, the Council has recovered £24,916.

The 2008/09 NFI exercise is now complete and the Audit Commission have issued a national report on the findings which raised eight recommendations for local government nationwide to consider. Review of these recommendations indicates that the Bracknell Forest Council already has measures in place to address them.

The Council was also required to submit a second data batch of the 2009 electoral roll. This was submitted to the Audit Commission. Data matches were received back in March 2010 and are currently being investigated.

8.2 Fraud and Irregularity

In May 2009, Internal Audit was informed of a suspected theft by an employee at the Crematorium. This was subsequently admitted by the employee and Internal Audit assisted with the investigation. This indicated that the theft amounted to several thousand pounds. Following a disciplinary hearing, the employee was dismissed. The case was referred to the Police but no charges were brought.

In addition the following minor irregularities were reported to Internal Audit during the year:

- Following on from previous scam invoices over the last 2 years, in June 2009, Internal Audit were advised of 2 scam invoice for bogus job adverts by the Environment, Culture and Communities' HR team. A Fraud Alert was issued to Bracknell All Users. In addition Trading Standards were informed so that they could notify the local Trading Standards team from where the invoices had originated and add these cases to the national Trading Standards database. Trading Standards also wrote to three organizations in June 2009 advising them that there actions could be considered an offence under the Fraud Act 2006. A warning was received from Trading Standards in February about bogus adverts for schools and a warning was subsequently sent out to schools by the Education section.
- In September 2009, 4 direct debit confirmation forms and payment schedules relating to magazine subscriptions were sent to the Coral Reef who referred these to Internal Audit. Internal Audit confirmed that the accounts and sort codes listed did not relate to any

Council bank accounts and advised Accounts Payable that no payments should be made. It was confirmed that no previous payments had been made to this organization.

- Small amounts of cash (£20 & £10) were found to be missing from Downshire Golf Club in April and November 2009. Internal Audit gave immediate advice for improvement in control.
- Two forged £20 notes were paid into the Bracknell Leisure Centre in May and June 2009. The incident was reported to the police, but no more has been heard as it would be impossible to trace the source or recover the funds.
- In September 2009, Registrars received several requests with cheque payments from the same location for copies of birth certificates of dead children on the point of reaching the age of 18. The cheques were subsequently returned by the bank. Internal Audit provided guidance on improving checks on requests submitted and Registrars reported the cases to the General Register Office.
- A training company which provided courses to schools for forensic science was paid £2,300 in advance in January to run a course in March but failed to turn up to run the course. Internal Audit advised the school to inform the Education section and referred the case to Legal and Trading Standards but the school was unable to recover the monies. It is thought that the company had gone into liquidation. Internal audit also advised the Education section to remind schools that payments should not be made in advance and a reminder was subsequently sent out.

In addition to the work undertaken by Internal Audit on fraud and irregularities, there is a Benefits Investigation and Compliance Team. The Investigation and Compliance Team is located within the Benefits section of Housing in Environment Culture and Communities. It is therefore outside of the management of the Internal Audit Team. The Investigation and Compliance Team consists of a Senior Investigations Officer, one Investigation Officer and a Compliance Officer and is responsible for the investigation of potentially fraudulent claims for benefits. During the investigation of claims, Officers interview witnesses, take statements, carry out surveillance and interview under caution with a view to taking prosecution action. The Compliance Officer undertakes proactive visits to claimants to verify their details and confirm continuing entitlement to benefits.

During 2009/10, excluding cases coming through NFI, the Team received 919 fraud referrals of which 474 arose from data matching. Of the 474:

- 212 were as a result of the person failing to inform the Authority that their Job Seekers Allowance (JSA) or Income Support (IS) had ceased and had continued to receive housing benefit assessed on their entitlement to JSA / IS. In many of these cases the person was entitled to housing benefit based on their new circumstances.
- 84 were as a result of claiming DWP benefit at a different address.
- 20 were as a result of an increase / award of incapacity benefit
- 23 were a result of undeclared working
- 22 were as a result of undeclared tax credits
- 10 were as a result undeclared bereavement benefit

Of the 445 referrals not arising as a result of Data Matching:

- 159 were applicant services checks
- 92 were Housing Benefit assessors referrals
- 67 were anonymous referrals
- 53 were from the Cheatchasers hotline

- 23 were referrals from other Bracknell Forest Council departments
- 23 were from Joint Working with Job Centre Plus
- 8 Royal mail DNR
- 20 were from various sources such as other local authorities, Police, landlords and other agencies.

The 5 main types of referral were as follows:

- 69 living together
- 44 not resident
- 32 working and claiming
- 31 Income
- 16 Tenancy
- Others included lodgers, sub letting, capital, disability, property ownership, inheritance and tax credits.

During the year, 511 compliance visits were undertaken of which 112 resulted in a referral for further investigation for unreported changes in circumstances.

As a result of work undertaken by the Investigation and Compliance Team, the sanctions applied during 2009/10 were 42 Formal Cautions, 10 Administration Penalties (a 30% penalty on top of overpaid benefit) and 12 prosecutions. These cases initially arose as follows:

- 26 from proactive visits from high risk benefit reviews
- 19 matches from the housing benefit matching service
- 8 referrals from the Benefits Team
- 4 from joint working with Job Centre Plus
- 3 from overpayments over £500 flagged by assessors
- 4 from other sources

8.3 Financial Management Standards in Schools (FMiSS)

There was a statutory requirement for all of the Council's 37 schools to work towards meeting a consistent standard for financial management by 31 March 2010. This had to be achieved over a period of four years and the Council produced a strategy to manage this, which has proved to be practical and cost effective, as no external evaluations have been carried out. The strategy has been to phase in (FMSiS) over the four year period starting with secondary schools followed by a tranche of primary schools selected by the local authority each subsequent year.

The position as at 31 March 2010 is that all schools except 1 primary school have met the Standards. The final school is working towards meeting the Standards by 31 March 2011.

9. RISK MANAGEMENT

In April 2009, the updated Risk Management Strategy was approved by the Executive clarifying responsibilities and setting out the priorities for embedding risk management during 2009/10. In addition, guidance for managers was set out in the Risk Management Toolkit and approved by the Corporate Management Team. Directors were then asked to identify their training needs for risk management with their management teams and inform the Head of Audit and Risk Management. Following this, training was provided to senior managers in Environment, Culture and Communities and Adult Social Care and Learning on risk management in general and building surveyors were provided with training on procurement risk.

The Strategic Risk Register has been updated quarterly since January 2008 following review at Strategic Risk Management Group and the Corporate Management Team and actions to address strategic risk are reported in Service Plans and Performance Monitoring Reports. However, a full refresh of the Register had not take place since early 2008 and hence an exercise was undertaken at the Senior Managers Away Day in March 2010 to identify the key risks facing the Council from first principles. The Register has now been re-formulated and the format changed for greater transparency on actions. This is to go to the Corporate Management Team for discussion on 30th June 2010. The revised Register is based on a new numeric scoring basis for risks. Once approved the Head of Audit and Risk Management will assist risk owners to develop their action plans.

Towards the end of 2009/10, internal audit reviews on risk management arrangements were completed in Environment, Culture and Communities and Adult Social Care and Learning. This has identified scope for improvement in documentation and monitoring of significant operational risks which the Head of Audit and Risk Management will seek to address with individual directorates. Further audit reviews are now ongoing during 2010/11 in the remaining directorates.

10. CORPORATE GOVERNANCE

In March 2008, Governance Working Group was established to oversee governance arrangements. The Borough Solicitor chairs the Governance Working Group and membership includes the Borough Treasurer and Head of Audit and Risk Management as well as representatives from the service directorates. During 2009/10, the Group oversaw

- the drafting of the Annual Governance Statement for 2008/09 which was subsequently reviewed by the Corporate Management Team
- the development of action plans to address governance weaknesses identified by the review of effectiveness of governance arrangements; and
- met regularly to monitor progress on the actions plans.

During 2009/10, an internal audit review of working groups was carried out. This identified a number of areas for improvement including Directorate Management Teams having a standard agenda item to raise relevant issues discussed at the Corporate Management Team meetings, ensure that terms of references are enhanced to include reporting arrangements and that there is an annual review of the ongoing need for each working group.

11. EXTERNAL INSPECTIONS

11.1 Consideration of the Outcome of External Inspections

The Head of Internal Audit's Opinion takes into account the findings of the various external inspections reported during 2009/10. These are summarised in the following sections.

11.2 External Auditors' Annual Audit Letter 2008/09

The Annual Audit Letter 2008/09 was presented to the Governance and Audit Committee by Phil Sharman from the Audit Commission on 18 January 2010.

The Letter identified several areas of Value for Money and Use of Resources where there was found to be scope for improvement. These were in brief: -

- developing further the medium term financial planning process;
- improving data quality in the information used for decision making and managing performance;
- tracking progress in developing governance arrangements for partnerships and introducing arrangements for monitoring their financial performance; and
- considering the long term implications of maintenance backlog against other spending priorities.

11.3 External Auditors' Annual Governance Report 2008/09

The Code of Audit Practice requires the Council's External Auditors to report on the work they carried out to discharge their statutory responsibilities to those charged with governance prior to the publication of the financial statements. This report was presented to the Governance and Audit Committee on 29 September 2009 by Phil Sharman from the Audit Commission.

The Audit Commission's work on the financial statements resulted in them issuing an unqualified audit opinion for the year ended 31 March 2009 and that they were satisfied that, in all significant respects, the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. They also concluded that the Annual Governance Statement was not misleading or inconsistent with other information they were aware of from their audit of the financial statements.

11.4 External Auditors' Use of Resources Report 2008/09

A new use of resources assessment framework was implemented for 2009. In scoring the Council 2 out of a maximum of 4, the Commission acknowledged that this was more demanding than the previous assessment framework. The Council's 2009 scores for the elements under Use of Resource together with scores for the previous year under the assessment regime applicable at that time were as follows:

ELEMENT	ASSESSMENT 2009
Managing Finances	2 out of 4
Governing the Business	2 out of 4
Managing Resources	3 out of 4

ELEMENT	ASSESSMENT 2008
Financial Reporting	2 out of 4
Financial Management	3 out of 4
Financial Standing	3 out of 4
Internal financial Control	2 out of 4
Value for Money	3 out of 4
Overall	3 out of 4

11.5 External Auditors' Data Quality Report 2008/09

The Audit Commission presented their Data Quality Report for 2008/09 to the Governance and Audit Committee in February 2010. The Audit Commission concluded that arrangements for achieving data quality remain variable and there was still considerable progress needed in ensuring staff understand and apply the processes necessary to ensure that data used to compile National Indicators is reliable.

11.6 Bracknell Forest Oneplace Organisational Assessment

The overall conclusion was that the Council performs well. As noted above in 11.4, the Council was rated 2 out of 4 (meets only minimum requirements, performs adequately) for Use of Resources. The Council was scored as 3 out of 4 (exceeds minimum requirements, performs well) for Managing Performance as services to the public were concluded to be good with many being among the best in the country and because the Council delivers good outcomes for most of its priority services.

11.7 Bracknell Forest Oneplace Area Assessment

This independent assessment by 6 inspectorates sets out how well local public services are tackling major issues. The assessment concluded that Bracknell Forest continues to be safe place to live although crime increased in 2008/09 in contrast to a national reduction. The area was found to be coping well with the recession although plans to regenerate the town centre will take longer than originally thought because of the effects of the recession. The proportion of

young people gaining qualifications has increased steadily since 2004 although the proportion of young people not in education, employment or training increased in 2008 and is now above the average for similar areas.

Demand for housing has exceeded demand and there is a shortage of affordable homes. Energy efficiency of homes is high in Bracknell due to the 1,00 privately owned mobile homes but carbon emissions are lower than other areas and recycling and composting rates are high and increasing.

The Bracknell Forest Partnership was found to be improving the health of people living and working in the area and residents are healthier than in many other parts of the country.

11.8 2009 Children's Services Annual Rating

OFSTED guidance published in May 2009 explained that the annual rating would derive from a new performance profile of the quality of services an outcome for children and young people in each local area. The annual assessment carried out by OFSTED for 2009 assessed the Council's services as having achieved a rating of 3 meaning that the services are performing well and exceeding minimum requirements. The safeguarding provision, childminding and childcare settings, fostering and private fostering services were all found to be good, the Council's children's home was assessed as outstanding and adoption services and nurseries were concluded to be satisfactory. The special school is outstanding and the large majority of primary schools performance is good or better but whilst none of the secondary schools and sixth forms were inadequate, too many were only satisfactory.

11.9 Audit Commission School Survey 2008

This major national survey is conducted each year during the summer term. The survey investigates schools' perceptions of their local authority and the services provided to schools. 63% of Bracknell Forest schools responded to the annual survey, which is an increase from the 53% response in 2008. Participating schools were asked to rate the effectiveness of the Council for 63 criteria as excellent, good, adequate or poor. The Council scored above the national average for 57 out of the 63 criteria (90%) and was evaluated as good or above for 15 criteria.

The Council was not scored as poor for any criteria and was only scored as adequate for 1 criteria which was the provision of post-16 opportunities for young people with learning difficulties and/or disabilities

11.10 OFSTED School Inspections

Twelve OFSTED inspections were made during 2008/09 - 10 primary/infants and nursery and 2 secondary schools. The inspection assessment process changed during the year and hence inspections were assessed on different bases. However, for all cases the scoring definition is as follows:

- 1 - Outstanding
- 2 - Good
- 3 - Satisfactory
- 4 - Inadequate

The table below summarises the overall conclusions in key areas for the schools inspected earlier in the year: -

School	Leadership & Management	Achievement and Standards	Overall Effectiveness
Ascot Heath Church of England Junior School	2	2	2
Birch Hill Primary School	3	4	4
Crowthorne Church of England Primary	2	2	2
Great Hollands Primary School	3	3	3
Ranelagh Church of England School	1	1	1
Uplands Primary School	1	1	1

The table below summarises the overall conclusions in key areas for the schools inspected latter part of the year: -

School	Outcome for Individuals and Groups of Pupils	Capacity for Sustained Improvement	Overall Effectiveness
Crown Wood Primary School	4	3	4
Garth Hill College	2	2	2
The Pines Primary School	4	4	4
St Michael's Easthampstead Church of England Voluntary Aided Primary School	2	2	2
Wildridings Primary School	3	3	3

School	Outcome for Individuals and Groups of Pupils	Capacity for Sustained Improvement	Overall Effectiveness
Winfield St Mary's Church of England Junior School	1	2	2