

GOVERNANCE AND AUDIT COMMITTEE
28th JUNE 2011

INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2010/11
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).

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's Opinion for 2010/11.**

3. REASONS FOR RECOMMENDATION

- 3.1 To support assurances set out in the Annual Governance Statement and ensure compliance with the CIPFA Code of Practice for Internal Auditors.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Committee could choose not to receive the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit's Opinion but would then not be aware of the relevant assurances from Internal Audit supporting the Annual Governance Statement and would not be complying with the CIPFA Code of Practice for Internal Auditors.

5. SUPPORTING INFORMATION

- 5.1 The Council is required under the Accounts and Audit (England) Regulations 2011 to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
- 5.2 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.
- 5.3 The attached report sets out the Head of Internal Audit's Opinion for 2010/11 summarising the results and conclusions of Internal Audit's work for 2010/11 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.

6. ADVICE FROM STATUTORY OFFICERS

6.1 Borough Treasurer
Nothing to add to the report

6.2 Borough Solicitor
Nothing to add to the report

6.3 Equalities Impact Assessment
Not applicable

6.4 Strategic Risk
The Head of Internal Audit's assurance report provides her opinion on the control environment in place at the Council. 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.

7 CONSULTATION

7.1 Not applicable.

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BRACKNELL FOREST COUNCIL

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

HEAD OF INTERNAL AUDIT OPINION 2010/11

1. BACKGROUND

The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “undertake an adequate and effective internal audit of its accounting records and of its system 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 2010/11

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:

- From the internal audit work carried out during the year which resulted in a significant or satisfactory assurance opinion in 70 out of 74 cases where an opinion was given, the Head of Audit and Risk Management is able to

provide reasonable assurance that for most areas the Authority has sound systems of internal control in place in accordance with proper practices. The details of those areas where significant weaknesses were identified are 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

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 2010/11 was considered and approved by the Governance and Audit Committee on 29th March 2010. The delivery of the individual audits in the Internal Audit Plan for 2010/11 was mainly undertaken by H W Controls and Assurance although 4 audits were delivered in house and 3 audits were undertaken by Reading Internal Audit Services.

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, reports for 65 audits in the 2010/11 Plan had been finalised, 10 were in draft awaiting final agreement and 2 audits were still in progress. In my Annual Report last year I reported that 2 reports were still being drafted in June 2010 and 14 were in draft awaiting finalisation.

4.2 Summary of the Results of 2010/11 Audits

The results of the 75 audits where reports had been issued during the year are set out below. In 1 case during 2010/11 (2009/10:3) the report related to a grant claim requiring certification by Internal Audit in this case no opinion was required.

ASSURANCE	2010/11	2009/10
Significant	9	4
Satisfactory	61	70
Limited	4	7
No Assurance	-	-
No Opinion Given	1	3
Total	75	84

2009/10 AUDIT REPORTS ISSUED DURING 2010/11

No.	Audit	Date Draft Report Issued	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
	Children, Young People and Learning											
1	Risk Management	10/12/10	No			X			-	3	1	Finalised
	Adult Social Care and Health											
2	Direct Payments	5/7/10	No	Yes		X			-	6	6	Finalised

2010/11 AUDIT PLAN

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
	Chief Executive's Office											
1	Risk Management	21/9/10	No	Yes	X				-	-	-	Finalised
2	Data Quality	25/10/10	No – Exit meeting held after report was issued	Yes		X			-	12	3	Finalised
	Corporate Services											
3	Risk Management	20/8/10	No	Yes		X			-	3	-	Finalised
4	Imprests	26/5/10	Yes	Yes		X			-	5	-	Finalised
5	Commercial Properties	8/6/10	Yes	Yes		X			-	2	-	Finalised
6	VAT – (D&T)	22/10/10	Yes	Yes		X			-	2	1	Finalised

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
7	Council Tax Part 1 (Under Pericles)	15/10/10	Yes	Yes		X			-	7	1	Finalised
8	NNDR Part 1(Under Pericles)	25/10/10	Yes	Yes		X			-	6	-	Finalised
9	Design & Surveyors Services	7/9/10	Yes	Yes		X			-	4	-	Finalised
10	Recruitment & Pre-employment Checks (RBC)	22/9/10	N/A – Exit meeting not held	Yes		X			-	4	2	Finalised
11	Pericles Replacement IT Audit Part 1 (limited to the design of controls)	4/10/10	N/A – Exit meeting not held			X			-	1	-	Finalised
12	Adherence to Government Connect (GSI code)	9/3/11	Yes	Yes	X				-	-	-	Finalised
13	Compliance with PCI Data Security Stds	20/10/10	Yes	Yes			X		2	-	1	Finalised
14	Budgeting/Budgetary Control	18/4/11	Yes (exit meeting was delayed by HW)	No	X				-	-	-	Finalised
15	Treasury Management	27/10/10	Yes	Yes	X				-	-	-	Finalised
16	Creditors	6/12/10	No	Yes		X			-	2	1	Finalised
17	Debtors	14/12/10	Yes	Yes		X			-	2	-	Finalised
18	Main Accounting inc. Reconciliations	25/1/11	Yes	Yes		X			-	-	3	Finalised
19	Payroll	6/12/10	Yes	Yes		X			-	1	1	Finalised
20	Cash Management	14/1/11	Yes	Yes		X			-	-	2	Finalised
21	Council Tax Part 2 (Northgate)	21/2/11	Yes	Yes		X			-	8	1	Finalised
22	NNDR Part 2 (Northgate)	1/3/11	Yes	Yes		X			-	4	1	Finalised

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
23	N3 Network Connection (Parts 1 & 2) It audit	26/1/11	Yes	Yes		X			-	2	-	Finalised
24	Smart Office (Replacing Carestore) IT audit	17/3/11	Yes	Yes		X			-	2	4	Finalised
25	Purchasing and Ordering in Corporate Services	26/4/11	Yes	Yes		X			-	2	-	In draft
-	Procurement Cards											Deferred to 2011/12
26	Mobile Devices											WIP
27	Pericles Replacement (Post Implementation IT audit)	11/5/11	Yes			X			-	-	3	In draft
28	ISMS (Info strategy & Implementation of Info. Sec. Man. System) IT audit	22/3/11	Yes	No		X			-	-	4	In draft
	Children, Young People and Learning											
29	School Census	23/11/10	No	Yes		X			-	4	8	Finalised
30	Off Site Activities	27/1/11	No				X		5	11	2	Finalised
31	<i>Sandy Lane Primary (in-house)</i>	4/5/10	Yes	Yes		X			-	7	1	Finalised
32	<i>Wildmoor Heath School (in-house)</i>	30/11/10	Yes	Yes			X		6	13	-	Finalised
33	<i>The Pines Follow Up 09/10 Limited (in-house)</i>	22/3/11	Yes	Yes		X			-	-	7	Finalised
34	Cranbourne Follow Up 09/10 Limited	7/7/10	Yes	Yes		X			-	7	-	Finalised
35	Brakenhale	7/7/10	Yes	Yes		X			-	8	2	Finalised
36	Crowthorne Primary	8/7/10	No	Yes		X			-	12	1	Finalised

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
			<i>not applicable to grant claims</i>									
56	Contracting & Brokerage	7/10/10	Yes	Yes		X			-	5	-	Finalised
-	Out of Hours Social Services Support											Deferred to 2011/12
57	Bridgewell Intermediate Care Unit	10/11/10	Yes	Yes		X			-	2	-	Finalised
58	Integrated Adult System (Protocol) Post Imp. IT Audit	24/11/10	No	Yes		X			-	3	1	Finalised
59	<i>Recruitment & Pre-employment Checks (RBC)</i>	20/1/11	Yes	Yes		X			-	2	6	Finalised
60	Financial Assessments & Benefit Checks	8/4/11	Yes	Yes		X						Finalised
61	Receiverships & Appointees	17/12/10	Yes	Yes	X				-	-	-	Finalised
-	Transforming Adult Social Care											Deferred to 2011/12
-	Long Term Conditions											Removed from Plan as Intended objectives covered within other ASCH audits
62	CONTROCC payments (added to	12/5/11	Yes	Yes		X			-	2	2	Finalised

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
	plan)											
	Environment, Culture and Community											
63	Reconciliations	10/6/10	Yes	Yes		X			-	2	-	Finalised
64	Forestcare	20/8/10	Yes	Yes		X			-	1	1	Finalised
65	Cemetery & Crematorium	3/2/11	No	Yes		X			-	1	6	Finalised
66	Licenses	12/7/10	Yes	Yes		X			-	1	1	Finalised
67	Capital Projects	26/4/11	No		X				-	-	-	Draft issued
-	South Hill Park Garden Project											Deferred to 2011/12
68	Housing & Council Tax Benefits Part 1 (under Pericles)	18/10/10	Yes	Yes		X			-	4	-	Finalised
69	<i>Recruitment & Pre-employment Checks (RBC)</i>	3/10/12	Yes	Yes		X			-	6	4	Finalised
70	Procurement & Ordering											WIP
71	Housing & Council Tax Benefits Part 2 (under Northgate)	21/3/11	Yes				X		3	4		Finalised
72	<i>Car Parks (in-house)</i>	4/5/11	Yes	Yes		X			-	5	1	<i>Draft issued</i>
73	Tree Services	4/3/11	Yes			X			-	3	-	Draft issued
74	Libraries	9/3/11	Yes	Yes		X			-	4	3	Finalised
75	Cash Spot Checks	5/4/11	Yes			X			N/A	N/A	N/A	Finalised
-	Housing Strategy											Deferred to 2011/12
76	New Choice Based Lettings (Northgate) IT audit	19/4/11	Yes	Yes	X				-	-	-	Draft issued

No.	Audit	Draft Report Date	Key Indicator Met	Satisfactory Client Questionnaire	Assurance Level				Recommendations			Status
					Significant	Satisfactory	Limited	None	Priority			
									1	2	3	
77	Upgrade of Lifeline System (Tunstall) IT audit	15/4/11	Yes	Yes		X			-	-	2	Finalised
-	Upgrade of GIS IT audit											Deferred to 2011/12

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.

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 2010/11, 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 Services	<u>Compliance with new PCI Data Security Stds (IT Audit)</u> The overall conclusion for this audit was limited assurance as two Priority 1 recommendations were raised. The first related to issues noted with the physical siting of one of the IT application servers and the need to upgrade the PDQ machines at one Council site. The second recommendation related to storage of details. Internal Audit has been advised that both issues have now been fully resolved.

DIRECTORATE	AUDITS WITH LIMITED ASSURANCE CONCLUSION
<p>Children, Young People and Learning</p>	<p><u>Wildmoor Heath School</u> Limited assurance was concluded overall for this audit due to 6 priority 1 recommendations being raised relating to governance arrangements, training, delays in banking and the need to improve the management and controls over the private fund. The Local Authority continues to support and work with the school in addressing the weaknesses highlighted in the audit report. Progress against the actions is being made by the Governing body and head teacher.</p>
	<p><u>Off Site Activities</u> Five priority 1 recommendations were raised in the audit report leading to a limited assurance conclusion. The priority 1 recommendations raised were that the Off-Site and Hazardous Activities Manual be updated, that requirements for approval of trips be clarified in the Manual, an up to date contract be agreed with the Off-Site Activities consultant, to obtain management information for monitoring purposes and that processes ensure that full approval is obtained prior to trips going ahead. Officers have advised that a review of the service is underway. The Off- Site Activities consultant is giving a presentation at the Bursar's meeting in May. A consultation with establishments on the shape of the new service will run from the summer half term though to the Autumn half term. A flow chart on the approval process for trips has been drafted and will be issued to schools shortly. A project plan is being developed for the re-tendering of the service.</p>
<p>Environment, Culture and Communities</p>	<p><u>Housing & Council Tax Benefits Part 2</u> This audit focussed on benefits following the implementation of the new Northgate system. Three priority one recommendations were raised in this audit report resulting in a limited assurance opinion. The priority one recommendations raised were to ensure that the Northgate system was reconciled to the general ledger , to implement the debtors module of Northgate and to ensure that there was a clear audit trail to demonstrate the transfer of data from the old Pericles system to the new Northgate system. The Chief Officer: Housing has advised that the reconciliation of Northgate to the general ledger has now taken place and the debtor's module went live before the year end and Internal Audit have been provided with further information on the data trail for the transfer of data between the systems.</p>

Directors have responsibility for ensuring that recommendations are actioned. Internal Audit will follow up the recommendations arising from the above audits during quarters 2 and 3 of 2011/12 to ensure that these have been implemented.

In addition, the External Auditors have identified weaknesses in benefits as noted in section 11.4 of this report. The Director of Environment, Culture and Communities and the Chief Officer:Housing attended the Governance and Audit Committee on 22nd March 2011 to explain the actions that were being taken to address the weaknesses found. In parallel with this, the Chief Executive agreed with the Head of Audit and Risk Management that Internal audit would carry out 4 unannounced spot check visits during quarters 1 and 2 of 2011/12.

Internal Audit cannot replicate the audit work carried out by the Audit Commission on the Housing Benefit and Council Tax Subsidy Claim neither would this be appropriate. The spot checks will focus on new claims and changes to circumstances processed in 2011/12 and hence impacting on future Subsidy Claims and are designed to focus on weaknesses in documentary evidence supporting benefit assessments as identified by the External Auditors to test that necessary improvements have been made. Internal Audit is liaising closely with the External Auditors on the design of the tests and these are being refined for each spot check visit in consultation with the External Auditors.

4.4 Feedback from Client Quality Questionnaires

The overall response from client questionnaires for 2010/11 was positive and the results are summarised as follows:

DEPARTMENT	SATISFIED	NOT SATISFIED	TOTAL
Total for 2010/11	60	5	65
Total for 2009/10	56	4	60

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. Details 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
Budgeting and Budgetary Control	<ul style="list-style-type: none"> audit not completed in a timely fashion and auditee not kept informed of progress assumptions made in report without discussion with auditee. 	<ul style="list-style-type: none"> audit delayed due to the auditor leaving and anew auditor taking over incorrect assumption made related to the follow up of a recommendation which arose due to miscommunication
ISMS (Info strategy & Implementation of Info. Sec. Man. System) IT audit	<ul style="list-style-type: none"> one of the auditees had not been asked for feedback on the audit scope one auditee was on leave and felt she did not have sufficient time to comment on the draft 	<ul style="list-style-type: none"> the auditor felt that this auditee's involvement in the audit was relatively small hence she had not been invited to comment on the scope. on her return from leave, the auditee still had 10 days remaining for her to comment
Great Holland's Primary School	<ul style="list-style-type: none"> audit was delayed due to the auditor being ill and hence the audit was spread over several weeks. The initial report was not accurate. 	<ul style="list-style-type: none"> inaccuracies were corrected and the auditee was happy with the revised report.
The Spot Sandhurst - Youth Centre	<ul style="list-style-type: none"> auditee raised concerns around the audit process, in particular discussions with the centre administrator. 	<ul style="list-style-type: none"> a further exit meeting was held to discuss the concerns raised and as a result amendments were made to the report.
Services to Schools	<ul style="list-style-type: none"> auditor failed to attend planned meetings no questions were raised on the information provided for the audit no exit meeting was held as no recommendations were raised the auditee had expected some 	<ul style="list-style-type: none"> the auditor's overall track record with auditees in terms of conduct has historically been good. assurance opinion was challenged as part of the HW review process The review process ensured that the work was completed in accordance to the requisite standard.

	recommendations for improvement.	
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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 2010/11 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 provides a good standard of service and that the Authority complied with all eleven standards of the Code. All recommendations raised for Internal Audit have been addressed. The Head of Audit and Risk Management revisited the Code in May 2011 and confirmed that we continue to comply with the Code. Completed client questionnaires indicate that auditees were satisfied in 92% 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 2010/11 Internal Audit coordinated the submission of the mandatory data. Resulting matches started to be returned in the first few months of 2011 and the return of data matches is still ongoing.

Internal Audit is overseeing the investigation of data matches within service areas. To date, investigations have identified the following.

- Duplicate payments totalling £9,045 which have been recovered/offset against further payments due to the relevant suppliers;
- Overpayments to residential homes totalling £9,959 relating to deceased residents which are now being offset against ongoing payments to the homes for other residents;
- A benefit overpayment of £7,560.

8.2 Fraud and Irregularity

Internal Audit Investigations

In August 2010, the Borough Treasurer was notified by the Department for Works and Pensions (DWP) of a case of a breach of the Memorandum of Understanding with the DWP by one member of staff accessing their own records. The situation was investigated by Internal Audit. The individual concerned resigned during the investigation and before any disciplinary action could be considered. The DWP was

satisfied with the way that the Council dealt with this matter and is taking no further action. However, a number of actions were agreed with the Benefits team to tighten controls.

In March 2011, concerns were raised with Internal Audit about the release of information which could potentially have indicated collusion during a procurement process at one of the Local Authority's schools. This matter was investigated at the school where it was confirmed that whilst information had been inappropriately released, this was due to a lack of understanding of the need to ensure confidentiality of information during any procurement. There was no evidence to suggest that the individual concerned acted in any way to gain personal benefit for herself or anyone else connected to her. In addition, investigation was carried out into the supplier bidding for the works which provided assurance that there were no concerns with the integrity of the competition in this case. Whilst the investigation confirmed that no collusion had taken place, a number of actions were identified to reduce the risk of collusive tendering and raise awareness of the need to act appropriately to ensure fair competition is secured during procurements.

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

DATE	POTENTIAL IRREGULARITY	CONCLUSION
April 2010	Safe broken into and petty cash totalling £193.06 stolen.	Advice on controls offered.
May 2010	Claimant concerned that monies due under her claim had been diverted.	No benefit payments had been made in respect of this claim during the period.
July 2010	Member of the public claimed £30 paid into one of the handi-tills had not been credited against her account.	No evidence of the amount being received. Controls over deposits into handi-till were found to be robust.
November 2010	Excessive dry cleaning claims by one officer.	Advice given to HR for disciplinary investigation that concluded no irregularity had arisen.
November 2010	One-off payment made directly to an individual instead of the charity for which he worked.	Internal Audit provided advice to HR on matters to be considered in investigating this case and ensuring controls were properly complied with for the future.
January 2011	An unauthorised party was held where food and alcohol were provided free of charge for Council staff and building contractors.	Advice given to HR for disciplinary investigation which concluded that the unauthorised party did take place. Disciplinary action was subsequently taken against the manager concerned.
March 2011	Whistle blowing allegation at London borough of potential identity fraud based on the fact that employees at our two councils had the same name and worked in the same field.	Investigations confirmed that these allegations were unfounded.

Benefits Investigation and Compliance Team

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 2010/11, the Team received 713 fraud referrals, undertook 189 full investigations and carried out 80 interviews under caution. Overpayments identified and investigated totalled approximately £190k. During the year, 564 compliance visits were undertaken of which 85 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 59 sanctions applied during 2010/11, were 28 Formal Cautions, 14 Administration Penalties (a 30% penalty on top of overpaid benefit) and 17 successful prosecutions. One further prosecution was successful but was overturned on appeal. The 59 sanctions applied arose from the following sources:

- 21 from proactive visits;
- 24 matches from the housing benefit matching service;
- 9 referrals from the Benefits Team;
- 4 from joint working with Job Centre Plus; and
- 1 from the Council Tax department.

These can be categorised as follows:

- 20 were income related e.g. where the claimant had not disclosed an increase in income;
- 14 arose because the claimant had failed to notify the benefits Department that they had ceased to be entitled to Job Seekers Allowance;
- 11 was unreported working whilst claiming benefit;
- 11 were unreported changes or failure to report awards of tax credits;
- 1 was unreported non dependent income;
- 1 was failure to report a resident partner; and
- 1 was undisclosed capital.

8.3 Other Internal Audit Investigations

In July 2010, the S151 Officer requested that Internal Audit carry out a review to clarify the procedures in place over the payment, recording and recovery of deposits relating to Housing Options and over the collection and recording of rents directly payable to the Council for housing accommodation.

The review established that the service level agreement with Bracknell Forest Homes to maintain records on deposits and rents for the small number of properties maintained by the Council ceased with effect from 1 February 2010. The financial functions of the Council's ABRITAS housing Options IT system were from this point used for recording debts, cash receipts and direct debits relating to these deposits and rents.

Transferring data to the new system was a labour intensive exercise. Whilst details of properties, rents and arrears payable to the Council for temporary accommodation had been fully and accurately put on to ABRITAS, at the time of the initial audit fieldwork in July, only 2 out of the 594 deposit loans had been fully input on ABRITAS. *The Chief Officer: Housing has advised that all data transferred from Bracknell Forest Homes has now been entered on to ABRITAS.*

At the time of the audit, limited action was being taken on debt recovery. One of the key reasons for this appears to be the lack of resource to obtain all the necessary information to enable debts to be chased. *The Chief Officer: Housing has advised that following the Audit, the work on consolidating and validating all information on debts has now been completed. This information is now contained in the one system and places the Council in the strongest position it has ever been to manage current and historical debt. There is dedicated staff resource to chase current rent arrears debts and deposit and rent in advance loan debts. Now that the historical information has been reconciled it is possible to write off old debts. Even so, debts that are written off will still be passed to the debt collection agency as in some cases it has been possible for that agency to recover old debt.*

A list of actions was agreed with the Chief Officer: Housing to address the weaknesses identified. Internal Audit will be undertaking a follow up audit in quarter 2 of 2011/12 to ensure that these actions have been fully implemented.

9. RISK MANAGEMENT

The Strategic Risk Register has been updated quarterly since January 2008. 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 was re-formulated and the format changed to provide greater transparency on actions. The revised Register is based on a new numeric scoring basis for risks. Monitoring of progress on actions to address risks are now summarised in the Corporate Performance Overview Report. The Risk Management Strategy is updated each year and approved by the Governance and Audit Committee. The Risk Management Toolkit which provides guidance for managers was revised in November to reflect the changes made to risk management procedures.

During 2010/11, significant improvements were made to the management of operational risks through the development of directorate risk registers which replaced the risk factors in Service Plan and which provide a more comprehensive breakdown of key risks.

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 2010/11, the Group oversaw

- the drafting of the Annual Governance Statement for 2010/11 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 2010, CIPFA published its statement on the role of the Chief Financial Officer (CFO) in local government which identifies sets out 5 key principles that define the core activities and behaviours for the role of CFO. An assessment of compliance with these principles have been carried out which has confirmed that these 5 key principles have been met.

11. EXTERNAL INSPECTIONS

11.1 Consideration of the Outcome of External Inspections

The Head of Audit and Risk Management considers the outcome of the external auditors' inspections and assessments to inform the development and ongoing review of the Internal Audit Plan for the current and future years and assess if there are any issues relating to the control environment which need to be taken into account in drawing up the annual Head of Internal Audit Opinion. The findings of the various external auditors' inspections and assessments considered when finalising the Head of Internal Audit Opinion for 2010/11 are as follows:

11.2 External Auditors' Annual Audit Letter 2009/10

The Annual Audit Letter 2009/10 was presented to the Governance and Audit Committee by Phil Sharman from the Audit Commission on 25 January 2011.

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 to: -

- continue to address the impact of Government spending reviews in the Council's medium term financial strategy;
- place more emphasis on strategic policy changes and longer-run savings programmes to shift the balance away from an annual round of targets to balance the revenue budget;
- continue to improve procurement practice and address the internal procedural weaknesses identified;
- keep up the momentum on improving data quality;

- maintain the focus on developing the Council's governance framework by assessing how well codes and policies are complied with and understood for business critical areas;
- self-assess the functioning of the Governance and Audit Committee against the CIPFA statement;
- strengthen risk management within departments to cover risks for ongoing business;
- continue to consider the long term implications of the Council's maintenance backlog against other spending priorities;
- align workforce plans with the financial strategy and policy changes spanning a longer term horizon; and
- improve statutory equality plans to make them more SMART so that outcomes can be easily measured.

11.3 External Auditors' Annual Governance Report 2009/10

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 21 September 2010 by Phil Sharman from the Audit Commission.

The Audit Commission's work on the financial statements resulted in them concluding that the statements were free from material error and issuing an unqualified audit opinion for the year ended 31 March 2010. They concluded that there was an adequate internal control environment 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' Certification of Claims and Returns Annual Report 2009/10

This report summarised the findings from the external auditors' certification of 2009/10 grant claims and included the key messages arising from the external auditors' assessment of the Council's arrangements for preparing claims and returns and information on the Housing Benefit and Council Tax Subsidy claim. The external auditors' were able to certify most claims without amendment or qualification but found a significant level of errors on the Housing benefit and Council Tax Subsidy Claim and the claim was subsequently amended and qualified.

An action plan including 9 recommendations for improvement was agreed with officers and this is currently being implemented. Internal Audit will review progress on actions at the end of the first quarter of 2011/12 and will also carrying out unannounced spot checks in the first and second quarters to ensure that necessary improvements have been made to the control environment.

11.5 Benefits Service Inspection

The Audit Commission's inspection report was finalised in September 2010. The overall conclusion was that the Council's benefit service be rated as one star meaning that it is fair with promising prospects for improvement. The Commission concluded that the service responds well to local need, access to the service is fair, that appropriate steps

are taken to ensure that money paid out is based on accurate assessments, that the service is low cost and capacity is good. The Commission found that decisions on new claims or changes take too long and that overpayments were not managed well. The Commission concluded that the prospects for improvement are promising because senior managers manage planning and performance effectively. Three recommendations were raised around providing a better service to customers, improving value for money and continuing with plans for improvements. Progress on actions to address these recommendations will be reviewed by Internal Audit at the end of quarter 1 of 2011/12.