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**TO: GOVERNANCE AND AUDIT COMMITTEE**  
**DATE: 31 JULY 2012**

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### **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2011/12**

#### **(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 2011/12.**

#### **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 2011/12 summarising the results and conclusions of Internal Audit's work for 2011/12 and taking assurance from other independent sources of assurance such as from the Council's External Auditors. No system of control can provide absolute assurance

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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 Management Issues

The Head of Internal Audit's Annual 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.

Contact for further information

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# **BRACKNELL FOREST COUNCIL**

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

**HEAD OF INTERNAL AUDIT OPINION 2011/12**

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### **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 2011/12**

Based on the work of Internal Audit during the year, 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 72 out of 76 cases, a limited assurance opinion in only 4 cases and no cases where no assurance was given,

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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 with only 4 areas found to have significant weaknesses 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

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 2011/12 was considered and approved by the Governance and Audit Committee on 22nd March 2011. The delivery of the individual audits in the Internal Audit Plan for 2011/12 was mainly undertaken by H W Controls and Assurance although 4 audits were delivered in house and 19 audits were undertaken by Reading or Wokingham Borough Councils Internal Audit teams under an agreement under S113 of the Local Government Act 1972 which permits local authorities to provide staffing resources to other authorities. In addition specialist auditors were brought in to undertake 2 spot visits for housing benefits.

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, memos, grant certifications or reports for 84 audits had been finalised, 1 was in draft awaiting final agreement and 1 audit was still in progress. In my Annual Report last year I reported that 2 audits were still in progress in June 2011 and 10 were in draft awaiting finalisation.

#### 4.2 Summary of the Results of 2011/12 Audits

ASSURANCE	2011/12	2010/11
Significant	8	9
Satisfactory	64	61
Limited	4	4
No Assurance	-	-
<b>Total for Audits Including an Opinion</b>	<b>76</b>	<b>74</b>
Grant Claim Certifications	2	1
Memos issued	7	-
<b>Total</b>	<b>85</b>	<b>75</b>

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**2010/11 AUDIT REPORTS ISSUED DURING 2011/12**

\* Draft report issued within 15 working days of the exit meeting to discuss audit findings and recommendations

Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
<b>CORPORATE SERVICES</b>											
Mobile devices	28/3/11	24/6/11	Y		X				1		Final
<b>ENVIRONMENT CULTURE AND COMMUNITIES</b>											
Purchasing and ordering	15/12/10	1/7/10	Y		X				1		Final
<b>ADULT SOCIAL CARE AND HEALTH</b>											
Emergency Duty Team	26/4/11	23/8/11	Y			X		5	8	5	Final

**2011/12 AUDIT PLAN**

Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status	
				Significant	Satisfactory	Limited	None	Priority				
								1	2	3		
<b>CHIEF EXECUTIVE'S OFFICE</b>												
Officer delegations	30/8/11	27/03/12	Y		X				1		Final	
Officer expenses	1/8/11	17/10/11	Y		X					4	Final	
Data Quality	13/7/11	12/9/11	Y	X				-	-	-	Final	
<b>CORPORATE SERVICES</b>												
Bus Service Operators Grant BSOG	23/5/11	9/6/11	Y	N/A – Grant certification								Final

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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Change Management --IT audit	22/6/11	27/6/11	Y		X					1	Final
Officer Delegations	27/7/11	16/03/12	Y	X				-	-	-	Final
Officer Expenses	1/8/11	17/10/11	Y		X				1	3	Final
IP Telephony (IPT) Platform –IT audit	1/11/11	20/12/12	Y	X				-	-	-	Final
Follow up of compliance with PCI standards	15/12/11	24/01/12	Y	X				-	-	-	Final
Treasury Management	21/11/11	19/12/11	Y		X					1	Final
Creditors	9/01/12	7/03/12	Y		X				3	3	Final
Debtors	24/01/12	12/03/12	Y	X				-	-	-	Final
<b>Main Accounting inc. Reconciliations</b>	3/10/11	08/05/12	N	X				-	-	-	Final
Payroll	3/10/11	22/11/12	Y		X				1		Final
Cash Management	17/10/11	22/11/11	Y		X				2		Final
Council Tax	31/10/11	12/03/12	N		X					2	Final
NNDR	24/10/11	12/04/12	N		X				1		Final
Procurement Cards (Pilot at Edgbarrow School)	7/02/12	21/02/12	Y		X				2		Final
Council Wide Procurement	20/02/12	05/04/12	Y		X				10	2	In draft awaiting management response
Purchasing & Ordering											Replaced by a Council Wide Procurement Audit
Agresso Upgrade – IT audit											Scheduled for Qtr 4 but deferred to

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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
											2012/13 plan to enable new audit contractors to complete this audit
Desktop Virtualisation Thin Client Project –IT audit											Removed from Plan due re-assessment of audit resources
<b>CHILDREN, YOUNG PEOPLE AND LEARNING</b>											
Ascot Heath Junior	16/5/11	1/6/11	Y		X				8	5	Final
College Town Infant & Nursery	13/6/11	14/7/11	N		X				6	2	Final
College Town Junior	8/6/11	22/6/11	Y		X				8	3	Final
Fox Hill Primary	12/9/11	16/9/11	Y		X				5	4	Final
Holly Spring Junior	9/5/11	10/6/11	N		X				4		Final
New Scotland Hill Primary	15/6/11	22/6/11	Y		X				3	3	Final
Owlsmoor Primary	14/9/11	26/1/11	Y		X				10	3	Final
St. Joseph's Catholic	25/5/11	24/6/11	N		X				11		Final
St. Michael's CE - Sandhurst	8/6/11	12/7/11	N		X				10	4	Final
Warfield Primary	19/9/11	13/10/11	N		X				6	7	Final
Binfield C E	18/5/11	6/7/11	N			X		1	16	9	Final
Harmanswater Primary	23/5/11	6/6/11	Y		X				7	3	Final
Crown Wood Primary School (in house)	28/6/11	19/7/11	Y		X				8	5	Final
Wildmoor Heath	18/10/11	21/11/11	Y		X				7		Final



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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
School Follow up (in house)											
Education Library Service	20/6/11	18/8/11	N		X				1	2	Final
Larchwood	28/6/11	9/9/11	N		X				4	1	Final
Officer Expenses	1/6/11	28/6/11	Y		X					1	Final
Youth Offending Service	12/9/11	14/10/11	Y		X				2	1	Final
Sandhurst Youth Centre Follow Up (in house)	20/9/11	4/10/11	Y		X				6	2	Final
Youth Centre 1The Zone @ Great Hollands	22/9/11	11/11/11	Y			X		1	4	4	Final
Youth Centre 2 - Cooper's Hill	1/8/11	8/12/11	Y		X				3	2	Final
Planned Maintenance & Capital Project	8/8/11	14/9/11	Y		X				3	5	Final
Playbuilder Grant (in house)	15/8/11	15/8/11	Y	N/A – Grant certification							Final
Purchasing & Ordering	8/8/11	14/12/11	Y		X				5		Final
Officer Delegations	9/8/11	03/04/12	Y	X				-	-	-	Final
Easthampstead Park School	12/12/11	9/1/12	Y		X				4	8	Final
St. Michael's School Easthampstead	9/1/12	19/1/12	Y		X				7	2	Final
Capita ONE (EMS)	14/12/11	20/12/11	Y		X				1		Final

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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Changes _IT audit											
Free School Meals New Central System	21/2/12	28/3/12	Y		X					5	Final
Off Site Activities F/Up Limited 2010/11											Audit deferred to 2012/13 so that this can take place after new contract and new IT system has bedded in
Birch Hill Primary	5/3/12	27/3/12	Y		X				2	2	Final
CYP&L Capital	20/2/12	12/4/12	Y		X				4	4	Final
Jennet's Park											Audit deferred to 2012/13 so that this can take place after new bursar was in post
<b>ENVIRONMENT, CULTURE AND COMMUNITIES</b>											
Benefits Spot Testing Visit 1	5/5/11	1/6/11	Y	Not Applicable – Memo							Final
Benefits Spot Testing Visit 2	14/6/11	24/6/11	Y	Not Applicable – Memo							Final
Benefits Parameters Testing Memo	20/6/11	7/7/11	Y	Not Applicable – Memo							Final
F/up Benefits Grant Claim Report + CIS Action Plan + f/up previous recs	18/7/11	21/9/11	Y	Not Applicable – Memo							Final

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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Benefits Results memo - reconciliations f/up - see above	18/7/11	2/8/11	Y	Not Applicable – Memo							Final
Housing Applications etc. RBC	6/6/11	8/8/11	Y		X				1	3	Final
Building Control & Land Charges	1/6/11	24/6/11	Y		X				4		Final
Development Management - Planning	4/7/11	16/8/11	Y		X					3	Final
Easthampstead Park Centre	9/5/11	10/6/11	Y		X				8	5	Final
Officer Expenses	31/5/11	24/11/11	Y		X					1	Final
Housing Incentives	7/9/11	11/10/11	Y		X				2	4	Final
South Hill Park - Grounds Scheme	21/11/11	24/11/12	Y		X				1		Final
Downshire Golf	25/8/11	17/10/11	Y		X				4	2	Final
S106 Agreements (Corporate Wide)	3/11/11	10/2/12	Y		X				3	2	Final
Officer Delegations	5/9/11	16/3/12	Y	X				-	-	-	Final
Benefits Testing – Spot visit 3	15/8/11	14/9/11	Y	Not Applicable - Memo							Final
Benefits Testing – Spot visit 4	16/1/12	14/2/12	Y	Not Applicable - Memo							Final
Bracknell Sports & Leisure Centre	21/11/11	20/12/11	Y		X				3	4	Final
<b>Bracknell Central Library - Probity</b>	24/10/11	30/1/12	Y		X				1	3	Final
BACAS Application	21/11/11	20/12/11	Y		X				5		Final

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Audit	Start Date	Date Draft Report Issued	Key Indicator Met*	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
(Cem & Crem)											
Housing & C Tax Benefits	28/11/11		Y		X				1	10	Final
Waste Collection	20/2/12	16/3/12	Y		X					4	Final
Cash Spot Checks	8/3/12	13/3/12	Y		X			-	-	-	Final
Purchasing & ordering											Replaced by a Council Wide Procurement Audit
<b>Adult Social Care and Health</b>											
Officer Delegations	22/6/11	21/10/11	Y		X				1	2	Final
Heathlands residential + day centre	25/5/11	24/6/11	Y		X				4	10	Final
Ladybank & Bridgewell	18/5/11	24/6/11	Y		X				5	4	Final
LD Waymead & Eastern Road	6/6/11	22/7/11	Y		X				3	2	Final
LD Headspace	16/6/11	28/7/11	Y			X		5	2		Final
LD Breakthrough RBC	16/6/11	28/7/11	Y		X				3		Final
Drug & Alcohol Team	5/9/11	24/10/11	Y		X				3	1	Final
Officer Expenses	16/8/11	17/10/11	Y		X					3	Final
Shared Budgets	28/11/11	19/12/11	Y		X				3	4	Final
Personal Budgets	20/2/12										WIP
Controccc- IT audit											Scheduled for Qtr 4 but deferred to 2012/13 plan to enable new audit contractors to complete this audit

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### 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 2011/12, 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
<b>Children, Young People and Learning</b>	<p><b><u>Binfield CE Primary School</u></b>                      Limited assurance was concluded overall for this audit due to one priority 1 recommendation being raised to address concerns that there were limited documented financial procedures in place and also because of the high number of recommendations (26) including 16 priority 2 recommendations. Following the 2011/12 audit, senior officers from the local authority undertook a series of visits to the school to provide support and advice and ensure that action was being taken to implement the agreed recommendations. The school was re-audited in May 2012 and the final report has now been issued with a satisfactory assurance opinion.</p>
	<p><b><u>The Zone at Great Hollands Youth Centre</u></b>                      The conclusion on this audit was limited assurance due to one priority 1 recommendation being raised. Youth services are currently being restructured and new financial processes, procedures and controls are being putting in place. The restructured service is scheduled for audit during quarter 2.</p>

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DIRECTORATE	AUDITS WITH LIMITED ASSURANCE CONCLUSION
<b>Adult Social Care, Housing and Health</b>	<p><b><u>Headspace</u></b>  Headspace is a studio facility organised in conjunction with a number of organisations to provide local artists, with or without a disability to display their work. Expenditure for 2010/11 amounted to approximately £57k. The audit of Headspace resulted in a limited assurance conclusion as 5 priority 1 recommendations were raised. The Development Manager has advised Internal Audit that agreed actions to address these issues have been implemented. Given that it is proposed that the Council seeks expressions of interest from suitably experienced organisations to take responsibility for management of the Headspace Community Arts Project, no further audit work is scheduled at this stage although there is provision for a follow up audit in the Internal Audit Plan should this transfer not take place.</p>
	<p><b><u>Emergency Duty Team</u></b>  The 5 priority 1 recommendations raised in this audit resulted in an overall conclusion of limited assurance. A detailed follow up audit is scheduled for Quarter 2 of 2012/13.</p>

Directors have responsibility for ensuring that recommendations are actioned. Internal Audit have already followed up the audit of Binfield school, as set out above and the Emergency Duty Team and Youth Services will be audited in quarter 2. The position on Headspace will be monitored to assess if a follow up audit should take place.

#### **4.4 Internal Audit Work on Housing and Council Tax Benefits**

The External Auditors identified significant level of weaknesses in the 2009/10 Housing Benefit and Council Tax Subsidy and an action plan including 9 recommendations for improvement was agreed with officers. During 2011/12, the Chief Officer: Housing provided updates on progress against the action plan to the Governance and Audit Committee. In response to the weaknesses identified by the External Auditors, the Chief Executive agreed with the Head of Audit and Risk Management that Internal Audit would carry out 4 unannounced spot check visits during 2011/12. In addition to the spot visits and the main audit of the control environment carried out every year, further audit reviews were included in the 2011/12 Internal Audit Plan. These were to follow up the recommendations raised by the External Auditors and the priority 1 recommendations raised by the previous year's internal audit report, substantively check the input of parameters to the Northgate system and check compliance with the Department of Works and Pensions requirements for Benefits officers' access to the CIS system.

The first two spot checks were limited in scope and focussed only on reviewing documentary evidence supporting benefit assessments. Only minor errors were noted in the memos issued. Specialist auditors were brought in to carry out the remaining 2 spot checks in August 2011 and January 2012 and perform sample testing on benefit assessment in accordance with the methodology used for checking the Housing Subsidy claim. Whilst a number of errors and weaknesses were identified and set out in the

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memos for these 2 spot checks, results overall were positive and indicated a reduction in the level of errors.

The overall conclusion on the main Housing and Council Tax Benefit audit was satisfactory assurance. The findings set out in the memos issued on the follow up of the External Auditors recommendations, implementation of priority 1 recommendations, input of parameters and access to CIS were also favourable with no significant issues noted.

### **4.5 Feedback from Client Quality Questionnaires**

The overall response from client questionnaires for 2011/12 was positive with only 5 responses returned where the auditee did not find the audit satisfactory. This was consistent with 2010/11 when 5 unsatisfactory responses were also received. 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.

### **4.6 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 2011/12 gave a satisfactory assurance opinion over the system of internal controls within the authority.

### **4.7 Review of the Effectiveness of the System of Internal Audit**

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 of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Head of Audit and Risk Management revisited the Code in July 2012 and confirmed that we continue to comply with the Code. Completed client questionnaires indicate that auditees were satisfied in 93% of cases.

## **8. OTHER INTERNAL AUDIT ACTIVITIES**

### **8.1 Re-tendering of Internal Audit Services**

The contract with the main provider for internal audit services, HW Controls and Assurance was for an initial three year period ending on 31st March 2012 with an option to extend for 1 further year. It was decided that the option to extend for 1 further year should not be exercised. Given the value of the contract, a full tendering exercise had to be completed in accordance with EU Procurement Regulations and the services were re-tendered using a one-stage "Open Procedure". The new contract was awarded to Deloitte and Touche Public Sector Internal Audit limited commencing on 1<sup>st</sup> April 2012.

It is anticipated that approximately two thirds of the planned audit days for 2012/13 will be delivered by the new contractor. A small number of planned audits will be completed in-house and the remainder will be delivered by the Reading and Wokingham Borough Council's internal audit teams through a formal agreement between our three Councils under S113 of the Local Government Act 1972. This allows Reading and Wokingham

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Borough Council's to place their internal audit staff, with their consent, at the disposal of Bracknell Forest Council to undertake internal audit reviews.

### **8.2 Schools Financial Value Standard**

The Financial Value Standard in Schools (FMSiS) was withdrawn in November 2010 and has been replaced by the Schools Financial Value Standard (SFVS) which will "provide a clear and consistent standard for financial management which schools are required to complete, providing a meaningful benchmark to encourage self-improvement. It ensures that money is spent wisely and properly allowing schools to optimise their resources to provide high quality teaching and learning and so raise standards and attainment for pupils".

The new standard consists of 23 questions which schools will be required to self-assess themselves against and hence is considerably less resource intense than FMSiS which was over 100 questions. Unlike FMSiS, SFVS is not a pass/fail standard that schools are required to meet and are assessed against but will instead be used to inform local authorities programme of audit. The governing body may delegate the consideration of the questions to a finance or other relevant committee but a detailed report should be provided to the full governing body and the chair of governors must sign the completed form.

Maintained schools will be required to complete the SFVS once a year from 2012/13 but those schools that never attained FMSiS were expected to complete the SFVS to their local authority by 31<sup>st</sup> March 2012. The Department for Education will expect local authorities to confirm each year how many schools have completed the SFVS self-assessment before the 31<sup>st</sup> March deadline and to give assurance that the contents are being taken into account in planning the future audit programme.

For 2011/12 only, local authorities are expected to make a supplementary statement about SFVS returns on those schools that never attained FMSiS to confirm if they have completed their SFVS standard. In Bracknell one primary school, Wildmoor Heath had not attained FMSiS. The school returned their completed SFVS for 2011/12 by the due date as required by the new standard. This included an action plan to address areas for improvement. Prior to completion of the SFVS the school was subject to an internal audit follow up in November 2011. The completed standard has been reviewed and it is not intended at this stage that any further audit will be completed during 2012/13.

### **8.3 Experian Data Matching**

During 2011/12, the Department for Works and Pensions rolled out a new Credit Reference Agency data-matching initiative. This provides benefit fraud investigators with access to Experian's data-matching facility "Investigator on Line " (IOL) to gather intelligence and investigate referrals highlighted by Experian as high risk data matches based on credit reference information indicating that people claiming to be single are living with a partner.

Given the sensitivity of this data, Internal Audit is required to independently check that the benefit fraud investigators' traces and searches on IOL are appropriate. To achieve this, reports on benefit fraud investigators' access to IOL will be provided to Internal Audit who will test check that access to IOL has been for the purpose of investigating an Experian data-match. The first access report was received in quarter 4. Internal Audit



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completed sample testing on access in March 2012 and confirmed that access had been used solely for the purposes of investigating Experian data matches. Two comments were noted which were to retain documentation on searches made even where no evidence of fraud was found until after the next audit had been completed and to follow up the updating of notices on sharing information to reflect the introduction of the involvement of the Credit Reference Agencies.

### **8.4 Other Internal Audit Investigations**

#### ***Housing Rents and Deposits***

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.

At the time of the initial audit fieldwork in July 2010, only 2 out of the 594 deposit loans had been fully input on ABRITAS and limited action was being taken on debt recovery. A follow up audit was completed in September 2011. This established progress had been made on most areas of weakness identified by the original review. Further action was still needed to write off irrecoverable debts and refer debts where appropriate to the debt collecting agency and to ensure that full details are obtained from landlords for new deposits provided. Suggested actions for consideration were raised with the Chief Officer:Housing. These are being followed up as part of the 2012/13 audit of homeless housing rents and deposits which is currently ongoing.

#### ***Procurement Cards in Schools***

During 2010/11 and 2011/12 the use of procurement cards had been piloted at one of Authority's secondary schools. The Borough Treasurer asked that internal audit review the effectiveness of the controls and procedures in place over the piloted use of procurement cards at the school with a view to extending this facility to other Bracknell schools.

The review was carried out in February and the findings were reported back to the Borough Treasurer in March 2012. The results of the review at the pilot site were positive. Some points were raised to take on board before considering roll out. These included the need to ensure procedures and controls are reflected in school's written procedures and to revise the existing Corporate Finance documents and guidance notes to take account of procurement cards. It was also suggested that consideration might be given to limit the scheme to schools' bank accounts being charged directly rather than giving the option of the bill being paid by Corporate Finance. It was also felt that consideration needed to be given to what was the acceptable minimal level of governor involvement on key aspects of the issue of cards, their limits and use.

## **9. RISK MANAGEMENT**

The Risk Management Strategy was updated by the Head of Audit and Risk Management and approved by the Governance and Audit Committee on 29<sup>th</sup> September 2011. The priorities identified for risk management identified in the Strategy were

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- to maintain quarterly review of the Strategic Risk Register by SRMG and implement twice yearly review of the Register by CMT;
- for the Strategic Risk Management Group (SRMG) to review the arrangements for business continuity;
- to consult DMTs on their risk management training requirements and review Members risk management training needs; and
- attendance of the Information Security Officer at SRMG to raise awareness of information governance risks.

During 2011/12, the Strategic Risk Register was reviewed quarterly by SRMG and twice by the Corporate Management Team as agreed in the Strategy. Actions to address strategic risks have been monitored throughout 2011/12 and were last updated in March 2012. The format of the Register was refreshed by the Head of Audit and Risk Management during the last quarter to reduce the level of detail in the Register to produce a more meaningful strategic document for managing risks. Following agreement to the Register at CMT on 2<sup>nd</sup> May, the Executive reviewed and approved the Register on 22<sup>nd</sup> May but requested that the Register be presented to the Governance and Audit Committee. The Register will be presented to the Committee on 31<sup>st</sup> July 2012.

Directorate Risk Registers are in place and were generally reviewed and updated quarterly by Departmental Management Teams during 2011/12. These record the significant operational risks for each directorate and inform the update of the Strategic Risk Register. In addition, risk registers are maintained for all major projects. In particular, during 2011/12, risk registers were developed for the town centre regeneration project and for the Times Square Works. In June 2011 the Bracknell Forest Partnership agreed a new partnership strategic risk register. This has been reviewed quarterly during 2011/12 with the last review taking place in January 2012.

Directorates reviewed and updated their Business Continuity Plans during 2011/12 and following this the Council-wide Business Continuity Plan was updated and reviewed at CMT. As part of this process, ICT identified the critical IT systems for the organisation. A testing exercise for the Council-wide Plan has been scheduled with senior management for October 2012. No further training needs have been identified for risk management.

As set out in the Strategy, the Information Security officer now attends all SRMG meetings and provides an update on significant information security breaches which informs the Group's assessment of information risks.

## 10. CORPORATE GOVERNANCE

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 2011/12, the Group

- oversaw the drafting of the Annual Governance Statement for 2011/12. The meeting to discuss the draft Statement was attended by a Member who sits on the Governance and Audit Committee to ensure there was Member representation during the drafting process. The draft Statement was subsequently reviewed by the Corporate Management Team;

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- oversaw the development of action plans to address governance weaknesses identified by the review of effectiveness of governance arrangements;
- met regularly to monitor progress on the actions plans; and
- reviewed the updated Anti-Fraud and Corruption Policy before it was presented to the Governance and Audit Committee for approval.

### **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' assessments considered when finalising the Head of Internal Audit Opinion for 2011/12 are as follows:

#### **11.2 External Auditors' Annual Audit Letter 2010/11**

The Annual Audit Letter 2010/11 was presented to the Governance and Audit Committee by the District Auditor, Phil Sharman on 8 November 2011.

The Letter identified few weaknesses. The following recommendations were raised to: -

- monitor implementation of recommendations made on procedures for accounting for fixed assets and processing of journals;
- maintain an emphasis on identifying policy options and planning and delivering savings programmes which achieve long run financial stability for the Council; and
- in the context of broader changes to the Local Government financial regime, demonstrate the Council's continuing financial resilience by updating the Medium term Financial strategy to reflect the impact of strategic policy changes and longer-run savings programmes.

#### **11.3 External Auditors' Annual Governance Report 2010/11**

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 2011 by the District Auditor, Phil Sharman.

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 2011. They concluded that there was an adequate internal control environment and that they were satisfied that the Council had put in place 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

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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 2010/11**

This report was presented to the Governance and Audit Committee by the new District Auditor, Helen Thompson on 27<sup>th</sup> March 2012. The report summarised the findings from the external auditors' certification of 2010/11 grant claims and included the key messages arising from the external auditors' assessment of the Council's arrangements for preparing claims and returns. The Commission certified 5 claims for 2010/11. In three cases the claims were unqualified. Amendments were made to the claims and qualification letters issued for the Housing Benefit and Council Tax Subsidy and the Sure Start, Early Years and Childcare and Aiming High for Disabled Children Grant. No recommendations were raised for Sure Start as 2010/11 was the last year of the claim.

Whilst a number of recommendations were raised to address the weaknesses found in the 2010/11 Housing Benefit and Council Tax Subsidy claim, it was noted that improvements had been made in the preparation of the claim and testing had identified fewer errors than in 2009/10.

## **12 FRAUD AND IRREGULARITY**

### **12.1 Anti-Fraud and Corruption Policy**

The Anti-Fraud and Corruption Policy was updated by the Head of Audit and Risk Management during the autumn of 2011. This was subsequently reviewed by the Governance Working Group before being approved by the Governance and Audit Committee on 24<sup>th</sup> January 2012. Following this, staff were made aware of the updated Policy and also reminded about the Whistle Blowing Policy and Anti-Money Laundering Policy through notices in Corporate Messages sent out to staff by email and via staff news on the Council's intranet.

### **12.2 National Fraud Initiative (NFI)**

The NFI is a biennial data matching exercise to assist in the prevention and detection of fraud and error in public bodies. Bracknell Forest Council is obliged to participate in this exercise. During 2010/11 Internal Audit coordinated submission of the mandatory data and the resulting matches were returned during 2011. The majority of the work for the 2010/11 exercise has now been completed. The results were as follows:

- 3 cases of undeclared pay resulted in £56,544 overpayment of housing and council tax benefits; one person received a formal caution and the other two were passed to the legal section for prosecution;
- 2 cases of overpayments to residential homes relating to deceased residents resulting in recovery of £19,685 and
- Duplicate payments to suppliers totalling £9,045 were recovered.

In addition the exercise identified several instances where the National Insurance numbers provided and recorded in the payroll and benefits systems appeared to be incorrect and these have been checked and corrected.

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One employee was identified who had been awarded a substantial pension from another authority on the grounds of ill health but had failed to declare this condition to Bracknell Forest Council and had not informed the pension paying authority that she was now fit for work. The person in question was using two different names and has since resigned. There was no financial loss to the Council from this incident.

The only outstanding part of the 2010/11 exercise is the follow up of matches for single person discount on Council Tax. These matches are based on the December 2011 electoral roll hence the matches to be followed up were not received until February 2012 and work is still in progress.

The 2012/13 exercise will commence in October 2012 with the collection and submission of data to be matched the following year.

### 12.3 Benefits Investigation and Compliance Team

The Benefits Investigation and Compliance Team is located within the Benefits section of Housing and 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 2011/12 the Team received 1,090 main stream referrals. The Team also received 862 referrals for applications to the housing register and these were checked for potential housing benefit fraud. A total of 202 full investigations were carried out and 120 interviews under caution were undertaken. Overpayments identified and investigated totalled approximately £414k. During the year 620 compliance visits were undertaken of which 152 resulted in a referral for further investigation for unreported changes in circumstances.

As a result of work undertaken by the Investigation and Compliance Team 89 sanctions were applied during 2011/12 (2010/11: 59). These comprised 31 Prosecutions (2010/11 : 17), 51 Formal Cautions (2010/12 : 28) and 7 Ad-Pens (2010/11: 14), (a 30% penalty on top of overpaid benefit). These arose as follows:

- 29 from proactive visits;
- 22 matches from the housing benefit matching service;
- 20 referrals from the Benefits Team;
- 14 from joint working with Job Centre Plus; and
- 1 from the Council Tax department.
- 1 NFI
- 1 Royal Mail do not redirect
- 1 Anon

These can be categorised as set out below:

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

### **12.4 Other Irregularities**

During 2011/12, there were two cases where investigations undertaken within Departments into financial irregularities concluded that officers had committed gross misconduct and the officers concerned were dismissed.