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**TO: GOVERNANCE AND AUDIT COMMITTEE  
2 JULY 2013**

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### **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2012/13 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 2012/13.**

#### **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 applicable to local government for 2012/13 required 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 2012/13 summarising the results and conclusions of Internal Audit's work for 2012/13 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 against material misstatement or loss, nor can Internal Audit give that assurance.

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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 2012/13**

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### **1. BACKGROUND**

The Council is required under the Accounts and Audit (Amendment) (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.”

The CIPFA Code of Practice for Internal Auditors applicable to 2012/13 required 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 2012/13**

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 satisfactory assurance opinion in 59 out of 63 cases, a limited assurance opinion in 4 cases and no cases where no assurance was given, the Head of Audit and

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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 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 in Section 4.3; 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 2012/13 was considered and approved by the Governance and Audit Committee on 27th March 2012. The delivery of the individual audits in the Internal Audit Plan for 2012/13 was mainly undertaken by Deloitte & Touche Public Sector Internal Audit Limited including two benefit spot check audits, the employment status review and the review of information security in Children, Young People and Learning. Three audits were delivered in house and 22 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.

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 71 audits had been finalised, 1 was in draft awaiting final agreement and 3 audits were still in progress.

#### 4.2 Summary of the Results of 2012/13 Audits

ASSURANCE	FINAL AND DRAFT 2012/13	FINAL AND DRAFT 2011/12	FINAL AND DRAFT 2010/11
Significant	-	8	9
Satisfactory	59	64	61
Limited	4	4	4
No Assurance	-	-	-
<b>Total for Audits Including an Opinion</b>	<b>63</b>	<b>76</b>	<b>74</b>
Grant Claim Certifications	3	2	1
Memos issued	6	7	-
<b>Total</b>	<b>72</b>	<b>85</b>	<b>75</b>

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### 2011/12 AUDIT REPORTS ISSUED DURING 2012/13

\* 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>ADULT SOCIAL CARE AND HEALTH</b>											
Personal budgets	20/2/12	30/3/12	Y		X				7		Final

### 2012/13 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>Assistant Chief Executive's Office</b>											
Data Quality	25/7/12	5/9/12	Y		X				2	1	Final
Compulsory Purchases											Deferred to 2013/14
<b>Corporate Services</b>											
Bus Service Operators Grant BSOG	23/5/12	13/6/12	Y	N/A – Grant certification							Final
Procurement (Council-wide)	11/2/13	25/4/13	Y		X				8		Final
Transport	21/5/12	26/6/12	Y		X				2	9	Final
Agresso Upgrade (IT audit)	24/4/12	4/7/12	Y		X				3	2	Final
Disaster Recovery (IT audit)	25/6/12	24/9/12	Y			X		2	4	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	
Back Up Procedures (IT audit)	26/3/13										Work in progress
Imprest Accounts	13/8/12	30/8/12	Y		X				2	5	Final
Members Exps, Allowances & Hospitality	4/9/12	12/10/12	Y		X				1		Final
Registration Services	20/8/12	2/10/12	Y		X				6	3	Final
Physical and Environmental Controls (IT audit)	7/8/12	19/9/12	Y		X				5	2	Final
Commensura Agency Contract	4/2/13	25/4/13	N		X				1	1	Final
Mobile Phone Recharges to Staff											Deferred to 2013/14
Compliance with PCI standards	17/4/13										Work in progress
Treasury Management	3/12/12	20/2/13	Y		X				3	1	Final
Creditors	12/10/12	3/12/12	Y		X				4	4	Final
Debtors	15/10/12	5/12/12	Y		X				1	1	Final
Main Accounting	29/10/12	20/12/13	Y		X				1	1	Final
Budgetary Control	19/11/12	22/3/13	Y		X					3	Final
Payroll and Pre-Employment Check	29/10/12	5/12/12	Y		X				4	1	Final
Cash Management	22/10/12	8/1/13	N		X				2	3	Final
Council Tax	7/1/12	1/2/13	N		X				2		Final
NNDR	3/12/12	22/1/13	N		X				3	1	Final
Procurement cards											Deferred to 2013/14
Information Security	17/12/12	26/2/13	N		X				4	3	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	
& Info. Risks- IT audit											
<b>Children, Young People and Learning</b>											
Edgbarrow Secondary	21/5/12	16/7/12	Y		X				2	6	Final
Garth Hill College (plus assets)	21/5/12	10/7/12	N		X				11	7	Final
Sandhurst Secondary	14/5/12	14/6/12	N		X				5	4	Final
Ascot Heath Infant	28/5/12	17/7/12	N			X		1	9	6	Final
Binfield Primary (Limited 2011/12)	1/5/12	8/6/12	N		X				8	2	Final
Cranbourne Primary	9/5/12	14/6/12	N		X				7	4	Final
Holly Spring Infant & Nursery	23/4/12	31/5/12	N		X				7	3	Final
Jennett's Park	28/5/12	16/7/12	N			X		2	6	1	Final
The Pines	11/6/12	21/9/12	N		X				10	5	Final
Uplands Primary	14/5/12	18/7/12	N			X		1	9	4	Final
Kennel Lane Special School	22/10/12	29/1/13	N		X				8	5	Final
St. Margaret Clitherow	26/11/12	5/2/13	N		X				4	5	Final
Brakenhale	14/3/13	12/4/13	N		X				12	2	Draft issued
School Census	18/6/12	23/8/12	N		X				4	4	Final
Education Welfare Services	18/6/12	10/7/12	N		X				3	3	Final
Governor Service	28/5/12	19/6/12	Y		X					2	Final
YPLA /Bursary Scheme (Garth Hill and Edgbarrow)	1/5/12	10/7/12		Not applicable- memo to support grant claim					4	4	Final
School Improvement	19/9/12	9/10/12	Y		X				2	2	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	
Family Centre	18/7/12	23/8/12	N		X				2	4	Final
Children's Residential Care	26/11/12				X				3		Final
Youth Services											Deferred to 2013/14
Fostering	13/5/13										Work in progress
Off Site Activities F/Up Limited 2010/11	20/2/13	19/3/13			X				4	2	Final
Risk Management (WBC)	12/3/13	29/5/13	Y		X				3		Final
<b>Environment,Culture and Communities</b>											
Winter Weather Plan	18/5/12	30/5/12	Y		X					5	Final
Highway Network Management	4/9/12	25/9/12	Y		X				2	3	Final
Street Lighting	4/9/12	25/9/12	Y		X				5	6	Final
Landscape Services	13/9/12	8/10/12	Y		X					1	Final
Easthampstead Park Conference Centre	10/9/12	5/10/12	Y		X				5	1	Final
Carbon Reduction Scheme (RBC)	5/11/12	15/11/12	Y		X				1		Final
Street Cleansing (RBC)	11/10/12	9/11/12	Y		X					4	Final
Coral Reef (WBC)	19/11/12	6/12/12	Y		X				5		Final
The Look Out (WBC)	26/11/12	6/12/12	Y		X				2		Final
Integrated Transport Grant	30/8/12	24/9/12	Y	Not applicable – Grant Declaration							Final
Birch Hill Library	12/3/13	26/4/13	N		X				4	2	Final
Gt Hollands Library	13/3/13	26/4/13	N		X				4	2	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	
Harmanswater Library	14/3/13	26/4/13	N		X				4	2	Final
Acquire Food Agent (Council-wide)											Deferred to 2013/14
Concessionary Fares	1/3/13	11/4/13	Y		X					1	Final
Regulatory Services	12/2/13	6/3/12	Y		X				1	3	Final
Countryside & Parks	11/2/13	22/2/13	Y		X				4	2	Final
Bracknell Leisure Centre -Cash Spot Checks	18/2/13	18/3/13	N	Not Applicable - Memo							Final
The Look Out - Cash Spot Checks	18/2/13	18/3/13	N	Not Applicable - Memo							Final
Easthampstead Park Conference Centre - Cash Spot Checks	19/2/13	18/3/13	N	Not Applicable - Memo							Final
<b>Adult Social Care, Housing and Health</b>											
Controcc- IT audit	19/4/12	14/8/12	N		X				2		Final
Housing Rents and Deposits	12/6/12	19/7/12	Y		X				5		Final
Benefits Spot Testing Visit 1	13/6/12	8/7/12	Y	Not Applicable - Memo							Final
Benefits Spot Testing Visit 2	28/11/12	9/1/13	Y	Not Applicable - Memo							Final
Housing & C Tax Benefits	10/12/12	28/1/13	Y		X					3	Final
Emergency Duty Team - 1 (Ltd. 2011/12)	3/9/12	25/10/12	Y	No opinion given as follow up did not cover all previous recommendations. Those relating to the database will now be followed up after the database upgrade during 2013/14					7	3	Final
Community Response & Reablement	28/9/12	25/9/12	Y		X				4	4	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	
CONTROCC Payments/Receipts	14/1/13	5/3/13	N		X				2	1	Final
Transfer of Public Health											Deferred to 2013/14
Financial Assessm'ts & Benefit Checks	11/2/13	22/2/13	Y		X				7	4	Final
Council Tax Benefits Reforms											Deferred to 2013/14

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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 2012/13, 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>	<u>Ascot Heath Infant School</u> Weaknesses in pre-employment checks resulting in a priority one recommendation plus the high number of priority two recommendations led to an overall limited assurance opinion. Senior officers from the local authority worked with the school to provide support and advice and ensure that action was being taken to implement the agreed recommendations. A further audit is currently in progress.
	<u>Uplands School</u> Weaknesses in pre-employment checks resulting in a priority one recommendation plus the high number of priority two recommendations led to an overall limited assurance opinion. Senior officers from the local authority worked with the school to provide support and advice and ensure that action was being taken to implement the agreed recommendations. A further audit is currently in progress.

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	<p><u>Jennett's Park School</u> Two priority one recommendations were raised at this audit leading to an overall limited assurance opinion. These related to the absence of an inventory for the school's assets and weaknesses in the banking arrangements for the school's private funds. Senior officers from the local authority worked with the school to provide support and advice and ensure that action was being taken to implement the agreed recommendations. A further audit is being undertaken in quarter 3 of 2013/14. This has been deferred from quarters 1 to 3 at the request of the school. In the meantime, the Head Teacher has advised that an inventory is now in place and that a bank account has been opened for the private fund and separate fund set up on the financial accounting system.</p>
<b>CORPORATE SERVICES</b>	<p><u>Disaster Recovery</u> A limited assurance opinion was concluded as two priority one recommendations were raised. These were to address weaknesses in the documentation of disaster recovery plans and in the arrangements for alternative data sites and the contractual arrangements for the provision of core services in the event of a business continuity incident. The Chief Officer has advised that work is now on-going to develop more detailed documentation of ICT disaster recovery plans. The contract for core provision of services is now in place and officers are meeting with the contractor shortly to review options for alternative data sites. A follow up audit is scheduled for quarter 2 of 2013/14.</p>

#### 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. In response to this, specialist auditors were brought in to carry out 2 unannounced spot check visits during 2011/12 to sample test benefit assessments in accordance with the methodology used by the external auditors for checking the Housing Subsidy claim. The Head of Audit and Risk Management again included 2 spot check visits in 2012/13. Specialist auditors undertook these visits in June and November. Whilst a small number of errors and weaknesses were identified and set out in the memos for these 2 spot checks, results from the sample testing indicated that the reduction in the level of errors found in 2011/12 was sustained in 2012/13.

#### 4.5 Feedback from Client Quality Questionnaires

The overall response from client questionnaires for 2012/13 was positive with only 6 responses returned where the auditee did not find the audit satisfactory. This was broadly in line with 2012/13 when 5 unsatisfactory responses were 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. The unsatisfactory

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responses for 2012/13 generally related to delays in the issuing of reports and this has been raised with the contractor.

### **4.6 Deloitte & Touche Public Sector Internal Audit Limited 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 2012/13 gave a satisfactory assurance overall opinion over the system of internal controls within the authority.

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

The Head of Audit and Risk Management revisited the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 in May 2013 and confirmed that we continue to comply with the Code. On 1<sup>st</sup> April 2013, the new Public Sector Internal Audit Standards (PSIAS) came into effect for the whole of the public sector, providing a consistent framework for internal audit services across the UK public sector. CIPFA have issued a Local Government Application Note for the PSIAS including a self assessment checklist to assist local authorities. Moving forward, this will be used to assess the Council's compliance and identify actions for improvement.

As noted above, assurance on the effectiveness of internal audit is also obtained through the use of client satisfaction questionnaires which are sent out to all auditees at the end of each audit. Completed client questionnaires received back during 2012/13 indicated that auditees were satisfied in 87% of cases.

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

### **8.1 Employment Status Review**

In response to high profile cases of inappropriate employment arrangements and tax treatments in central government, the Borough Treasurer requested that Internal Audit utilise tax specialists to undertake a Council-wide review to provide assurance that contractors were being treated appropriately for tax purposes. Tax specialists from Deloitte were brought in to carry out this review under the internal audit contract. Deloitte found that contractors were generally being appropriately treated but highlighted 4 high risk cases where individuals were potentially being treated incorrectly for tax purposes. The Council subsequently made a voluntary disclosure to HMRC in respect of these 4 cases. The Council's maximum liability in respect of this is £37k. Deloitte also identified some areas for improvement, in particular around providing greater guidance to managers for assessing employment status and introduction of a process to ensure treatment of all new contractors is reviewed by a gatekeeper to ensure their employment status is appropriate. The Borough Treasurer is now acting as the gatekeeper and guidance for managers is being developed.

### **8.2 Information Security in Children, Young People and Learning**

In September 2012, Internal Audit was asked to undertake a review of information security arrangements in Children, Young People and Learning. The review was undertaken by Deloitte. The review made proposals for improvement in the department. In addition, a number of Council-wide areas for improvement were highlighted in relation to guidance and training on data protection and information security. In response to the

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review, an action plan was developed and agreed with the Corporate Management Team (CMT) who will be monitoring implementation of the agreed actions.

### 8.3 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 standard consists of 23 questions which schools are required to self-assess themselves against. 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. All maintained schools are required to complete the SFVS once a year from 2012/13. The Department for Education requires 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 confirm that the information will be used to inform audit planning. Audit was provided with the completed SFVS assessments on 22<sup>nd</sup> May 2013 and can confirm that all Bracknell maintained schools completed the SFVS for 2012/13. In all cases these had been completed and signed by the Chair of Governors prior to 31<sup>st</sup> March 2013. These will now be reviewed for audit planning purposes.

### 8.4 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 are provided to Internal Audit to check that access to IOL has been for the purpose of investigating an Experian data-match. Internal Audit completed sample testing on access during 2012/13 and was able to confirm that access had been used solely for the purposes of investigating Experian data matches.

## 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 25<sup>th</sup> September 2012. The priorities identified for risk management identified in the Strategy were:

- **Business Continuity**

It was agreed in the Strategy that the Strategic Risk Management Group would consider the effectiveness of arrangements for promoting effective business continuity arrangements throughout the Council and the ICT solutions in place for responding to business continuity incidents.

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- **Information Assets and Information Risks**  
Ongoing work to identify the Council's "information assets" and their associated risks.
- **Actions to Address Strategic Risks**  
It was agreed that progress on actions to address strategic risks would be monitored on a six monthly basis.
- **Significant Operational, Project and Programme Risks**  
The Strategy set out that arrangements would be reviewed over the forthcoming year to ensure that there are satisfactory procedures in place to identify and mitigate key risks and ensure registers/log are reviewed and updated regularly.

During 2012/13, the Strategic Risk Register was reviewed quarterly by SRMG and twice by the Corporate Management Team (in May and December 2012 ) as agreed in the Risk Management Strategy. Actions to address strategic risks have been monitored during 2012/13 and were last updated in December 2012. Following agreement to the Register at CMT on 2<sup>nd</sup> May 2012, 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 was presented to the Committee on 31<sup>st</sup> July 2012 and points raised at the Committee were reflected at the next update.

Directorate Risk Registers are in place and were generally reviewed and updated quarterly by Departmental Management Teams during 2012/13. These record the significant operational risks for each directorate and inform the update of the Strategic Risk Register. The Bracknell Forest Partnership agreed a new partnership strategic risk register which was reviewed in April, July and November 2012.

The Corporate Business Continuity Plan was revised during 2012/13 and an exercise with senior managers was undertaken in October 2012 to test the robustness of business continuity procedures. A number of actions for improvement were identified which are now being taken forward. In particular, it was agreed that each Directorate should review and prioritise their critical functions and business critical systems for restoration in the event of a major breakdown.

## 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 2012/13, the Group

- oversaw the drafting of the Annual Governance Statement. 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;
- oversaw the development of action plans to address governance weaknesses identified by the review of effectiveness of governance arrangements; and



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- met regularly to monitor progress on the actions plans.

### **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 2012/13 are as follows:

#### **11.2 External Auditors' Annual Governance Report 2011/12**

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 25th September 2012 by the Audit Commission's Audit Manager, Catherine Morganti. Three recommendations were raised to:

- Keep up improvements in valuation of property, plant and equipment by ensuring evidence to support valuations is timely, reviewed and consistent;
- Continue to improve processes for recording related party transactions; and
- Strengthen controls over the authorisation of journals.

#### **11.3 External Auditors' Annual Audit Letter 2011/12**

The Annual Audit Letter 2011/12 was presented to the Governance and Audit Committee by the District Auditor, Helen Thompson on 6 November 2012. 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 2012. They concluded that they were satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### **11.4 External Auditors' Certification of Claims and Returns Annual Report 2011/12**

This report was presented to the Governance and Audit Committee by the District Auditor, Helen Thompson on 29<sup>TH</sup> January 2013. The report summarised the findings from the external auditors' certification of 2011/12 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 3 claims for 2011/12. In two cases the claims were unqualified. Whilst it was noted that there had been continuing improvement in the Council's approach to compiling grant claims, amendments totalling £1,380 were made and qualifications matters were raised on the Housing Benefit and Council Tax Subsidy claim.

## Unrestricted

### 12 FRAUD AND IRREGULARITY

#### 12.1 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 2012/13 Internal Audit coordinated the submission of the mandatory data. Resulting matches started to be returned in the first few months of 2013 and investigation of matches is ongoing.

#### 12.3 Benefits Investigation and Compliance Team

The Benefits Investigation team is located within the Benefits section of Housing and is therefore outside of the management of the Internal Audit Team. The Investigation team consists of a Senior Investigations Officer and one Investigation 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.

During 2012-2013 the team received 1124 main stream referrals. Every referral is checked and where necessary an investigation carried out. A total of 182 full investigations were carried out and closed during 2012-2013 and 86 interviews under caution were undertaken. Overpayments identified and investigated totalled approximately £395k. .

As a result of work undertaken by the Investigation team 81 sanctions (2011/12: 89) were applied during 2012-2013. These comprised 17 Prosecutions (2011/12:31), 44 Formal Cautions (2011/12:51) and 20 Administration Penalties (2011/12:7).

These arose as follows:

- 35 referrals from the benefits team
- 18 previous visiting programme
- 14 Housing Benefit Matching Service
- 7 joint working with Job Centre Plus
- 2 Council Tax department.
- 2 NFI
- 1 Royal Mail do not redirect
- 1 Anonymous
- 1 from Cheatchasers

These can be categorised as set out below:

- 37 were income related e.g. where the claimant had not disclosed an increase in income
- 19 were working and claiming
- 10 changes to or undeclared tax credits
- 8 were Living Together
- 5 not resident

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- 1 was reduction in rent not declared
- 1 was due to undeclared information on a non dependant living with the claimant

### **12.4 Other Irregularities**

During 2012/13, Internal Audit undertook two investigations, one into potential financial irregularities in relation to working whilst sick and the second relating to potential conflicts of interest. The first case related to an ex-employee. The sums involved were de-minimus and no further action was taken other than to continue to pursue recovery of an outstanding car loan. Audit has confirmed that regular payments are still being received to recover the monies outstanding. The second case related to an existing employee and in response to the findings of the disciplinary investigation, a written warning was give. The employee has since resigned.