

**OVERVIEW AND SCRUTINY COMMISSION
7 JUNE 2007**

**INTERNAL AUDIT ANNUAL ASSURANCE REPORT
AND
STATEMENT ON INTERNAL CONTROL 2006/07
(Borough Treasurer)**

1. INTRODUCTION

- 1.1 The Accounts and Audit regulations 2003 require the Council to publish a Statement on Internal Control (SIC) to accompany the annual Statement of Accounts, which is to be approved by the Final Accounts Committee on 26 June 2007. The aim is to provide assurance that the Council's systems of internal control are working effectively and to identify those areas where improvements can be made.
- 1.2 The contents of the SIC are drawn from Internal Audit's Annual Assurance Report 2006/07 (incorporating the Head of Audit's opinion) and issues identified by external audit and other agencies and inspectorates. The SIC must include both of these areas in order to comply with the CIPFA Code of Practice for Internal Audit in Local Government

2. SUGGESTED ACTION

2.1 That the Overview & Scrutiny Commission:

- (a) **Note the Head of Audit's opinion (Section 6),**
- (b) **Consider whether any further action is required, and**
- (c) **Comment on the proposed Statement on Internal Control (Appendix B)**

3. BACKGROUND

- 3.1 Under the Council's Constitution and Scheme of Delegation, the Borough Treasurer is responsible for the administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Professional guidance issued by the Chartered Institute of Public Finance and Accountancy requires the provision of an effective Internal Audit function to partly fulfil the Borough Treasurer's responsibilities under Section 151.
- 3.2 Corporate governance best practice requires the Council to have an Audit Committee or its equivalent, which enables the Borough Treasurer to formally report the activity of Internal Audit to Members. Under the Council's scrutiny arrangements, Internal Audit activity is reported to the Overview & Scrutiny Commission, which acts as the Audit Committee, and provides the mechanism by which significant weaknesses in internal control can be escalated. Internal Audit report on their activities to the Overview & Scrutiny Commission at least twice each year. One of these reports is this annual assurance report (incorporating the opinion of the Head of Audit) which is used to underpin the contents of the SIC.

- 3.3 The publication of a SIC is a statutory requirement. It has to be published alongside the annual Statement of Accounts after being approved by the Final Accounts Committee and signed by the Leader and Chief Executive. Best practice requires this to be reviewed by the Council's Audit Committee, or equivalent, prior to its formal approval and signature. The draft SIC is attached at Appendix B and reflects those issues identified within the remainder of this report. It also includes reference to any issues arising outside of the financial year in order to ensure it is up to date at the time of publication. These include the adoption of twelve corporate themes for 2007/08 in place of the previous medium term objectives and the outcome of the ballot on stock transfer.
- 3.4 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk altogether. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This report, together with the Head of Audit's opinion and the SIC can, therefore, only provide reasonable and not absolute assurance.

4. INTERNAL AUDIT ACTIVITY

Internal Audit Performance

- 4.1 The work of Internal Audit is carried out using a risk based approach and a strategic plan. The work undertaken during 2006/07 comprised the last year of the strategic audit plan ending on 31 March 2007. Following a risking and consultation exercise, a new strategic plan is now in place for audit work commencing on 1 April 2007. The first year of the new plan was presented to the Overview and Scrutiny Commission on 15 March 2007.
- 4.2 The audit plan for 2006/07 will be delivered in full, although a number of audits are still in progress at the time of writing this report due to staffing resource problems experienced by the Council's contractor Deloitte and Touche Public Sector Internal Audit Ltd. (D&T).

Results of 2006/07 Audits

- 4.3 At the time of writing 94 of the 121 audits in the plan for 2006/07 have been completed. A full schedule of the completed audits and their assurance opinions is set out in Appendix A. A summary of assurance levels is given in the table below:

OPINION LEVEL	2006/07	2005/06
Full Assurance	4	2
Satisfactory Assurance	80	106
Limited Assurance	7	10
No Assurance	1	0
No opinion required	2	3
Work in progress	27	0
Total	121	121

Opinion Classifications

- 4.4

OPINION LEVEL	DEFINITION
Full Assurance	There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.
Satisfactory Assurance	There is basically a sound system of internal controls although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk.
Limited Assurance	There are some weaknesses in the adequacy of the internal control system 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.

Double Limited Assurance

- 4.5 IT operating systems received a limited assurance in both 2005/06 and 2006/07. The full implementation of the recommendations is required by 31 May and a follow up audit will be carried out early in 2007/08.

Feedback from Quality Questionnaires

- 4.6 Quality questionnaires are sent to auditees with each draft audit report. 71 have been returned to date. As some reports were still in draft stage at the time of writing, it is expected that the remaining questionnaires will be returned with the response to the draft reports. The overall response is reasonably positive and the results are summarised as follows:

DEPARTMENT	SATISFIED	NOT SATISFIED	TOTAL
Chief Executive	1	0	1
Corporate Services	18	5	23
Education, Children & Libraries	24	2	26
Environment & Leisure	6	2	8
Social Services & Housing	13	0	13
Total for 2006/07	62	9	71
Total for 2005/06	62	11	73

- 4.7 All unsatisfactory responses are followed up and any necessary actions taken, which can include auditors being removed from the contract. The number of unsatisfactory replies is of concern. Common reasons for evaluating the audit as unsatisfactory are poor communication, inadequate exit meetings and the late issue of reports. The responses to quality questionnaires are discussed at every monthly contract monitoring with D&T. The lateness of reporting is the main issue being addressed by D&T at present and the Council has withheld contract payments until performance returns to a satisfactory level.

National Fraud Initiative

- 4.8 As in previous years the Council is participating in the National Fraud Initiative (NFI) 2006, which is a bi-annual data matching exercise co-ordinated by the Audit Commission. In October 2006 the required data was collected and submitted for matching with that of other participating bodies and the results of the matches relating to this authority were received in January 2007.
- 4.9 The results were reviewed and high risk cases identified for further investigation. Investigations are still ongoing, but no cases of fraud have been identified to date. This year the data also covered creditors payments for the first time and results from this exercise give good assurance on the system, as only one duplicate payment of £82.25 was identified over a period of three years and this has now been recovered.

- 4.10 Cases will continue to be investigated during the course of 2007/08 and findings reported to the Audit Commission. Any issues arising from the NFI will be included in future Internal Audit Assurance Reports to the Overview & Scrutiny Commission.

Best Value Performance Indicators (BVPIs)

- 4.11 This year External Audit carried out all of the work relating to the BVPI out-turn figures. In preparation for this work Internal Audit made pre-audit visits to areas, which were considered high risk, to ensure that those officers responsible for calculating BVPIs were adequately prepared should External Audit include them in their testing. This procedure proved valuable and will be repeated in 2007/08.

Fraud and Irregularity

- 4.12 Twelve potential frauds and irregularities were identified and investigated during the year. These can be summarised as follows:
- Four minor cases of missing cash
 - A potentially fraudulent claim for benefits by a member of staff
 - Overcharging by a school contractor
 - Submission of fictitious overtime claims
 - Misuse of Council systems to give preferential treatment for housing repairs, and
 - Four cases relating to the Council's car parks, including a shortfall in income and misuse of visitor passes

Financial Management Standards in Schools (FMiSS)

- 4.13 For the year ending 31 March 2007 the DfES has introduced a requirement for schools to meet clear and consistent standards for financial management, which is known as FMiSS. All secondary schools were required to assess themselves against these standards at 31 March 2007 and primary and special schools will have to do the same over the next three years.
- 4.14 The Section 151 Officer will be required to sign a declaration annually stating how many schools have reached the standard and how many have not. Internal Audit and Education Finance have agreed an approach on how this new requirement would be managed. Reliance will be placed on the schools' self assessments along with a review by Internal Audit and Education Finance. If requested, schools can have an external assessment undertaken, which they must pay for. In exceptional circumstances the Section 151 Officer may require a school to have an external assessment undertaken.
- 4.15 All of the Council's secondary schools completed and submitted their self assessments on time and these are currently being reviewed. This process will be completed in time for the Section 151 Officer to fulfil his obligations under the scheme. At the time of writing this report it cannot be confirmed how many secondary schools met the standard by 31 March 2007, but a verbal update will be given at the meeting and further details will be reported in the next half yearly report to the Overview & Scrutiny Commission.

Significant Control Weaknesses

- 4.16 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 the financial year 2006/07, key weaknesses were identified in the following areas and resulted in limited or no assurance opinions: -

Directorate	Audit
<p>Corporate Services</p>	<p><u>e+ Card (IT Audit)</u> Two priority one recommendations were made; one concerning the number of system functions which are incomplete and/or providing inadequate service and the other to address the risks of implementing new applications into the live environment before full system testing has been carried out.</p> <p><u>AXIS (IT Audit)</u> This audit of the new cashier's system, which included e-payments, contained four priority one recommendations. These covered weaknesses over privileged access rights (e.g. ability to make changes), the secure protection of the password for the built-in supervisor ID, the current undesirable access rights to the system by the application vendor and the system's audit trail.</p> <p><u>Operating Systems (IT Audit) Follow Up</u> In 2005/06 three IT applications were given a limited level of assurance due to significant weaknesses in the operating systems and these were covered in this one follow up review. The original report contained one priority one recommendation, four priority two recommendations and one priority three. It was found that some progress had been made on implementing these recommendations, but none had been fully implemented.</p>
<p>Education, Children's Service & Libraries</p>	<p><u>St. Michael's Easthampstead School</u> This audit was given a limited level of assurance due to the lack of evidence of pre-employment checks being carried out on one member of permanent staff and two supply teachers.</p>
<p>Social Services & Housing</p>	<p><u>Housing Repairs Irregularity</u> This report was produced following an investigation into a complaint that relatives of BFS staff were unfairly having significant improvements to their council homes carried out. The report resulted in no assurance and three priority one recommendations were raised. These covered staff involvement in jobs for close relatives and friends, staff involvement in jobs on their own tenanted properties and</p>

	<p>access controls to the housing repairs system,</p> <p><u>Housing Repairs Additional Audit</u> The audit work involved in carrying out the above review identified additional areas of concern and this audit addressed those and resulted in two priority one recommendations. One related to the stock of materials used in housing repairs; this was implemented and the BFS stores and stock control has now been outsourced to a private company. The second concerned the use of the imprest account.</p> <p><u>Housing Caretakers' Overtime</u> This audit was requested following an irregularity regarding overtime and extra hours paid to a roving housing caretaker. The purpose of this review was to evaluate controls in this area and identify any possible additional staff who might have been receiving excessive payments. Four priority one recommendations were raised relating to, monitoring additional hours, possible disciplinary action against a second employee, assessing the requirements for caretaking and cleaning and the vetting of employees.</p> <p><u>Joint Arrangements with PCT</u> Two priority one recommendations were raised to ensure that a signed agreement is put into place with the East Berkshire PCT and that an annual voucher is produced and authorised each year in line with Section 28A of the National Health Service Act 1977.</p>
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All the above audits resulting in limited or no assurance are subject to follow up and appear in the 2007/08 audit plan.

Review of the Effectiveness of the System of Internal Audit

- 4.17 The Accounts and Audit Regulations require the SIC to be considered by a committee of the Council, or by Full Council. To facilitate this the terms of reference of the Overview & Scrutiny Commission were revised last year to include the responsibilities of an Audit Committee.
- 4.18 Recent amendments to the Accounts and Audit Regulations also require the Council to review the effectiveness of its system of Internal Audit once a year and for these findings also to be considered by a committee of the Council, or by Full Council. As this amendment has only been introduced recently there is only limited guidance on how this should be achieved and so the matter has been discussed with our External Auditors and the following approach adopted for 2006/07.
- 4.19 As audit work is, in the main, carried out by our contractor (D&T) reliance will be placed upon their systems of quality control, ISO 9001:2000 accreditation and professional standards. In addition the Council has stipulated within the contract with D&T a number of standards which are monitored along with regular quality reviews of D&T's work.

- 4.20 During 2006/07 an exercise was undertaken to assess the Council's Internal Audit function against the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This demonstrates that the Council meets these standards with the exception of some minor issues which will be addressed during 2007/08. These include finalising the draft Internal Audit strategy, formalising policies on the retention and access to audit documentation and files.
- 4.21 In conclusion, it is considered that Internal Audit has been effective for the year under review notwithstanding the delay in issuing draft reports identified earlier.

5. WORK OF OTHER AGENCIES AND INSPECTORATES

- 5.1 The work of both Internal and External Audit is key to generating assurance on the internal control environment and the effectiveness of internal audit. This annual report takes assurance from these sources and also from a number of independent review agencies as detailed below.

Annual Audit and Inspection Letter 2005/06

- 5.2 This letter was discussed by the Executive at their meeting on 13 March 2007, when Steven Shuttleworth, Audit Commission Relationship Manager, attended to present the document and respond to Executive member's questions. This item was then included in the Executive's report to Full Council at their meeting on 25 April 2007 and is on the agenda for this meeting of the Overview & Scrutiny Commission for detailed discussion.
- 5.3 The External Auditor gave an unqualified opinion on the Council's accounts for 2005/06, no material adjustments were required and only two best practice recommendations were made concerning the final accounts process. The letter confirmed that the Council maintained good systems of internal financial control and no recommendations were raised further to those already identified. The letter concluded that the Council has maintained standards of control and process to ensure a level '3' rating (out of 4) in the Use of Resources part of the Comprehensive Performance Assessment (CPA). It acknowledged that progress has been made on refining the Council's risk management process, but that further work was still required. The Executive has since approved a Risk Management Strategy and a number of the proposed actions have been implemented.
- 5.4 The Letter identified three areas on which the Council needs to focus improvement efforts, these were in brief: -
- Adults' Social Care – commissioning, purchasing and performance management;
 - Supporting People Care – strengthening the business plan and improving managerial capacity to focusing on identified priorities and
 - Community Safety – improving strategic leadership and performance management.

Detailed improvement plans are in place to address these and other weaknesses.

External Audit's Report to those Charged with Governance

- 5.5 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 Executive on 19 September 2006 and to the Overview & Scrutiny Commission by Greg McIntosh, Director of KPMG LLB (UK) at their meeting on 23 November 2006.

- 5.6 Based on the work undertaken, KPMG issued the authority with an unqualified value for money conclusion and also concluded that there were adequate arrangements in place to secure economy, efficiency and effectiveness in use of resources for the year ended 31 March 2006.
- 5.7 Their work on the Accounts and Statement on Internal Control resulted in them issuing an unqualified audit opinion for the year ended 31 March 2006. The Statement on Internal Control was considered to be in compliance with CIPFA's guidance and was not considered misleading or inconsistent with other information that they were aware of from the audit of the financial statements.

Data Quality Review

- 5.8 The Audit Commission has developed a three stage approach to assessing the quality of data produced by the Council and this largely replaces the former audit of Best Value Performance Indicators. The three stages comprise a review of management arrangements, an analytical review and completeness check and a spot check on a sample of high risk indicators. The Council achieved an overall score of 2 (adequate performance) out of a possible 4. A number of performance improvement observations were made by External Audit including the development of a data quality strategy, introduction of a Council wide training programme and continuing spot checks by Internal Audit of high risk indicators. The latter has been included in the 2007/08 audit plan.

2006 Annual Performance Assessment of Services for Children and Young People

- 5.9 This annual inspection carried out jointly by the Commission for Social Care Inspection (CSCI) and OFSTED judged the Council to be a grade 3, which means that the service consistently delivers above minimum requirements for users. Outcomes in all areas were assessed as good except in the area of "being healthy", where the contribution of the authority was considered excellent. Many key strengths were detailed and the report indicated that the authority has good capacity to improve even further.
- 5.10 Some key areas for improvement were also identified, which included the need to reduce the costs of social care placements and improve the recruitment and retention of social workers. These two areas had already been recognised and work to address them is underway.

2006 Annual Performance Assessment for Adult Services

- 5.11 The annual assessment carried out by CSCI judged the authority as serving some people well and rated the authority as one star, but considered the capacity for improvement promising. There had been improvements in the take up of direct payments, analysing the needs of older people, care management relating to people remaining in hospital, the charging policy and users receiving statements of need.
- 5.12 Areas of improvement were identified and the need for the Council's leaders to accelerate the pace of improvement and modernisation was stated. Significant

changes have taken place in the management of Social Services and Housing and detailed improvement plans are in place.

2006 Inspection of Social Care Services for Older People

- 5.13 This inspection concluded that the authority was serving some people well and there was full commitment to improve overall performance. Thirteen recommendations were made in relation to the six national standards many of which had already been identified and work on improvement started prior to the inspection. A comprehensive action plan has been produced in response to the inspection, which includes timescales. It is anticipated that once all the improvements identified have been achieved the Council will be considered to be serving most older people well.

Benefits Fraud Inspectorate Assessment 2006

- 5.14 In 2006 this assessment concluded that the Council had met 7 of the 12 performance measures giving a score of 3, which is good, but has reduced from the excellent rating given for 2005. There was improvement in claims administration, but a decline on user focus, mainly due to delays in dealing with appeals. The Council's performance on security remained excellent as did resource management. Reference was also made to past problems with IT being resolved meaning that the required data is now submitted to the Department of Works and Pensions at the appropriate time and in the correct format.
- 5.15 Benefits is considered to be a high risk area because of the volume of transactions and the significant income and expenditure involved, together with the risk of fraudulent activity. As a result, Council Tax and Housing Benefit features in the Internal Audit plan every year and is also reviewed independently by External Audit for the purposes of certifying claims for government grant.

Audit Commission School Survey 2006

- 5.16 89% of Bracknell Forest schools responded to this annual survey, which is an increase on the 72% response in 2005. For 56 of the 76 services in the survey, the Council is in the top 10 authorities nationally and overall is ranked as the 13th highest performing out of the 131 participating authorities and 4th of the 41 unitaries who took part.
- 5.17 Two of the areas where the authority was perceived as being below average were the school meals service and home to school transport; both of these key services are subject to new contracts, which were not in operation at the time of the survey. Improvements were perceived in the areas of safeguarding children, child protection training, admission processes, personnel and advice to pupils on their future beyond school.

OFSTED School Inspections

- 5.18 Fourteen OFSTED inspections were made during 2006/07 - thirteen primary schools and one secondary school. The tables below summarise the overall conclusions in key areas:

School	Achievement & Standards	Leadership & Management	Overall Effectiveness
Easthampstead Park Secondary	Satisfactory	Satisfactory	Inadequate
Ascot Heath C of E Junior	Good	Good	Good
Binfield C of E Primary	Good	Good	Good
Birch Hill Primary	Satisfactory	Satisfactory	Satisfactory
Broadmoor Primary	Satisfactory	Satisfactory	Satisfactory
College Town Infant	Good	Good	Good
Crown Wood Primary	Satisfactory	Satisfactory	Satisfactory
Crowthorne C of E Primary	Satisfactory	Satisfactory	Satisfactory
Harmanswater Primary	Good	Good	Good
Holly Spring Junior	Good	Good	Good
The Pines Primary	Satisfactory	Satisfactory	Satisfactory
St. Michael's Easthampstead C of E Primary	Good	Good	Good
Uplands Primary	Good	Outstanding	Outstanding
Winkfield St. Mary's C of E Primary	Good	Good	Good

- 5.19 All the OFSTED reports were positive with the exception of Easthampstead Park School, which was evaluated as inadequate overall. As a secondary school, Easthampstead Park was required to complete a self assessment against the Financial Management Standards in Schools (FMSiS). The draft self assessment concluded that not all the standards were met by 31 March 2007. However, an action plan is in place to address the shortcomings and there will be further audit activity at this school during 2007/08 to ensure that adequate progress is made towards meeting the standards by 31 March 2008.

6 HEAD OF AUDIT'S OPINION 2006/07

- 6.1 From the work undertaken during the year, the Head of audit is of the opinion that key systems are operating soundly and that there is no fundamental breakdown of controls.**
- 6.2 The general system of internal controls in place at Bracknell Forest Borough Council accords with proper practice, except for those specific areas summarised in paragraph 4.16.**

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APPENDIX A

TABLE OF ASSURANCES

April 2006 – March 2007

REPORT	ASSURANCE LEVEL				RECOMMENDATIONS CATEGORY		
	Full	Satisfactory	Limited	None	1	2	3
Chief Executives							
Partnerships & Joint Arrangements		X				1	
BVPI (pre KPMG audit review)		n/a					
Grants to voluntary organ. inc. SHP							
Corporate & Ethical Governance		X				2	1
Corporate Services							
Design & Print Services		X				3	1
Depot Security		X				5	1
Vehicle Workshop & Fuel Cards		X				3	1
E-Mail Security IT		X				1	
Payroll & Personnel IT System		X				7	1
Pericles IT System		X				1	
IT Change Controls		X				2	
Imprest Review		n/a					
Surveying Services		X				1	2
Cashiers		X				5	
Council Tax		X				2	2
NNDR		X				5	2
Bank & Reconciliations		X				1	
Budgetary Control	X						
Capital Accounting & Fixed Assets		X					1
Creditors		X				2	1
Debtors		X					1
Main Accounting	X						
Payroll		X				4	
Treasury Management		X				1	2
AGRESSO F/up and Interfaces IT		X				3	3
E+ Card IT			X		2	4	2
Operating Systems F/up IT			X		1	4	1
Corporate credit/debit cards							
Insurance inc. supply	X						
Pensions							
VAT		X				2	3
Contracting and Procurement							
Training							
Bacstel F/up IT		X				7	1
AXIS IT New Cashier's System			X		4	12	8
Elections & Electoral Registration		X				2	4
Disaster Recovery Arrangements IT		X				5	
Network Review & Security IT F/up		X				4	2
Education, Children & Libraries							

REPORT	ASSURANCE LEVEL				RECOMMENDATIONS CATEGORY		
	Full	Satisfactory	Limited	None	1	2	3
Admission Service & Supply of LMS Formula	X	X					1
Behaviour Support Team							
Home to School Transport							
School Catering							
Sensory Impairment (Follow up)							
Education Centre		X					3
Personnel Services inc. CRB		X					1
PLASC		X				2	
Adastron House		X				1	6
Binfield C E Primary		X				4	3
Birch Hill Primary		X				2	6
Brakenhale (Follow up)		X				5	2
College Hall Pupil Referral Unit		X				4	
College Town Infant							
College Town Junior							
Crownwood Primary plus LAL							
Easthampstead Park School		X				2	5
Edgebarrow		X					3
Garth Hill		X					2
Great Hollands Primary		X				7	6
Holly Spring Infants		X					2
Holly Spring Junior		X				2	4
Meadow Vale Primary (Follow up)							
Owlsmoor							
Pines Primary		X				7	4
Ranelagh		X				2	2
Sandhurst		X				4	10
Sandy Lane Primary		X				2	4
St. Joseph's R C Primary		X				1	8
St. Michael's C E Primary		X				4	3
St. Michael's Easthampstead C E			X		2	4	3
Uplands Primary		X				2	1
Warfield							
Whitegrove Primary		X					4
Wildridings Primary		X				1	4
Woodenhill Primary		X				4	3
Coopers Hill Youth Centre		X					2
NRG Project		X				3	
Sandhurst Youth Centre							
Edgebarrow Youth Centre							
Youth Offending Team							
Ascot Heath Library		X				3	4
Whitegrove Library		X				1	4
Crowthorne Library		X				1	4
HORIZON IT New Library System							
Children & Families Residential		X				2	
Direct Payments – Children		X				7	
Traveller Education Service							

REPORT	ASSURANCE LEVEL				RECOMMENDATIONS CATEGORY		
	Full	Satisfactory	Limited	None	1	2	3
Book Purchasing/Stock Control		X				4	1
Recoupment		X				1	1
Kennel Lane School		X				6	1
Meadowvale School		X				5	4
Brakenhale School		X				4	6
Environment & Leisure							
Bracknell Market		X				2	
Leisure Cash Spot Checks x 2		X					
GIS (Geographical Info System) IT		X				10	1
CONFIRM (Highways System) IT		X				3	
Weighbridge Follow Up Ltd 05/06		X				3	
Emergency Planning & Civil		X					2
Highways Management of		X				1	2
Cemetery & Crematorium		X				4	1
Development Control		X					1
Parking IT New system		X				9	1
Parking – decriminalisation							
Waste Management (new							
Parks and Countryside							
Easthampstead Park							
Downshire Golf Complex							
Social Services & Housing							
Receiverships & Appointeeships		X					1
Section 31 Arrangements &		X				1	
Easthampstead Caravan Park		X				1	
Service Charges – Leasehold Flats		X				1	
Forestcare IT Systems		X				2	1
Housing & Property Repairs		X				5	1
Housing Repairs – contingency			X		2	6	
BFS Irregularity				X	3	6	1
Housing Caretaker Irregularity			X		4	4	8
Direct payments - adults		X				6	1
Glenfield		X				2	4
SWIFT – IT system		X				2	1
Sheltered Housing		X				2	3
Joint Arrangements with PCT's			X		2	4	
Downside Resource Centre		X				3	1
Heathlands Day Centre		X				4	2
Council Tax and Housing Benefits		X				5	1
Housing Rents		X				5	2
Stores Stock Check		X					
Older People - Residential		X				3	
Learning Disability Indep. Living							
Small Land Sales							
Older People/Phy Dis- Homecare		X				4	1
Learning Disability Residential		X				2	
Forestcare		X				3	1

Note

One category 2 recommendation in the Payroll and Personnel IT audit was not agreed by the auditee. Internal Audit considered the explanations received and concluded that failure to implement this would not materially affect the Council's overall internal control environment, as alternative controls are in place.

DRAFT STATEMENT ON INTERNAL CONTROL 2006/07

1. Scope of Responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council has to ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, which includes arrangements for the management of risk. This statement is designed to meet the full Statement on Internal Control requirements of the Accounts and Audit Regulations 2003 and the amendments to these regulations which came into force on 1 April 2006.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify and prioritise the risks to the achievement of Bracknell Forest Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.2 The system of internal control has been in place at Bracknell Forest Borough Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and, except for the details of principal risks identified in paragraphs 3.2 to 3.8 below, accords with proper practice.

3. The Internal Control Environment

Principal Statutory Obligations and Organisational Objectives

- 3.1 The long term vision of the Council is "to make Bracknell Forest a place where all people can thrive: living, learning and working in a clean, safe and healthy environment." Until the end of 2006/07, the Council ensured that there was a sustained focus on what matters in Bracknell Forest by translating the vision into the following fifteen medium term objectives. However, these have been reviewed and for 2007/08 they will be replaced by the 12 Corporate Themes, which are listed after the objectives.

Medium Term Objectives in place during 2006/07

- To lead the regeneration of Bracknell to provide a town fit for the 21st century
- To promote sustainable communities through innovative housing strategies and effective maintenance
- To provide a safe framework for developing the community

- To improve art, culture, sport and recreation provision within the Borough
- To work with partners to improve health provision within the Borough
- To work with the voluntary sector to improve outcomes for vulnerable groups
- To raise achievement in schools
- To review the provision of school places in Bracknell
- To increase participation in adult learning to improve basic skills for employment
- To achieve a better match of Special Education provision to need
- To create and maintain a quality environment
- To develop and implement transport policies that improve movement and maintenance
- To improve outcomes for children
- To improve older people's lives
- To maintain quality and extend access to all services

Corporate Themes to come into effect for 2007/08

1. Promote the Sustainable Development of Bracknell Forest Town Centre
2. Promote Sustainable Communities through innovative housing strategies
3. Help create a safer, stronger community which is socially cohesive
4. Increase participation in and enjoyment of art, culture, sport and recreation
5. Protect and Improve Public Health in the Borough
6. Improve outcomes for children and young people
7. Increase participation in adult learning
8. Improve services for vulnerable adults and older people
9. Create and maintain a quality environment
10. Improve transport and movement in and around the Borough
11. Improve efficiency, effectiveness and access to services
12. Improve Corporate Governance and Partnership Working.

Risk Management – Principal Risks

- 3.2 The Council has a Constitution under which members and officers work to ensure compliance with established policies, procedures, laws and regulations. Risk Management is continuously becoming more embedded in the activities of the Authority and all Service Plans include a risk assessment that identifies risk factors and actions to mitigate those risks, which might affect the achievement of the Council's objectives. In addition audit and inspection reviews have identified the most significant risks and these are set out below together with brief details of the action taken to mitigate these risks.

Performance Data

- 3.3 The reliability of performance data has been a theme in External Audit and Inspection Reports in the past and, although improvements were reported for 2006/07, more progress needs to be made in this area. A corporate lead for data quality needs to be appointed, a data quality strategy must be developed and training in this area needs improvement. Internal Audit will be working in conjunction with External Audit in 2007/08 to provide assurance to the Council and external agencies that its performance data is reliable.

IT Systems Controls

- 3.4 Increasing reliance is placed upon IT systems by the Council to deliver its services and meet its objectives, which means that it is vital to have good assurance on the controls over these systems. Internal audit found significant weaknesses in two IT systems during the year, which included poor access controls, under usage of an audit trail and the inadequate testing of new systems. Previously identified concerns over the Authority's operating systems were found to have been addressed, but review found that there was still one weakness partly outstanding over password controls. Appropriate audit recommendations have been made to address all these issues and these will be followed up in 2007/08 to ensure that they have been implemented. In addition, due to the importance of the security of these systems, ongoing discussions are taking place on the progress towards full implementation of the recommendations before the next formal audit review.

Anti Fraud Culture

- 3.5 The Council needs to continue to promote an anti-fraud culture on a regular basis and to bring to the attention of all staff, members and other interested parties the Council's Fraud and Corruption Policy, Whistle Blowing Policy and procedures for complying with the Money Laundering Regulations. Further training and the circulation of appropriate publicity material is planned during the coming year.

Risk Management Arrangements

- 3.6 The Corporate Risk Register was originally approved by the Executive in 2003 and needs to be updated so that all current significant risks are incorporated in future Service Plans and budgets. In addition, there is a need for risk management awareness training for both members and officers. The intention is for these two key tasks to be addressed during 2007/08.

Organisational Change

- 3.7 There have been no major organisational changes during the year, however there will be significant change over the coming year due to the transfer of the housing stock to a Bracknell Forest based housing association following the tenants' vote in favour of this action. The 2007/08 annual Internal Audit plan identifies this as an area of high risk and includes a review of the stock transfer arrangements.

Resources Available to the Council

- 3.8 Whilst the Council has delivered within budget since 1998 and the 2006/07 Budget was prepared in line with the Medium Term Financial Plan, the Council still faces major challenges in the years ahead if it is to deliver a balanced budget that does not rely on the use of reserves and balances. Whilst the transfer of the housing stock in 2008 will contribute towards the achievement of a sustainable budget further work will be required during 2007/08 to deliver a balanced budget from 2008/09 onwards. In any event, robust budgetary control arrangements will need to be maintained throughout this period to ensure that spending does not exceed the budget and jeopardise the Council's future financial plans. Internal Audit will review budgetary control each year, as this is one of the Council's key financial systems.

Best Value

- 3.9 The report and improvement plan, which resulted from the Best Value Review of the Council's Emergency Response, was finalised during 2006/07. The overall conclusion was that the review uncovered nothing to challenge the Council's ability to

support the immediate response of the Council's services effectively in the event of an emergency and that the emergency response structures currently offer good value for money.

Financial Management

- 3.10 Financial management procedures within the authority are robust and underpinned by the Council's Financial and Contract Regulations. These set out the rules for the control and management of the Council's finances and assets. Budget monitoring procedures are well established and regular reports are produced for the Corporate Management Team. Executive and Scrutiny members also receive regular financial reports each quarter. Financial management is fully integrated into the Council's performance management arrangements. All major risks have been reviewed and appropriate provisions for known liabilities have been made in the Council's balance sheet.

Performance Management

- 3.11 Performance management is the responsibility of individual directors, who report quarterly to Corporate Management Team and their Executive portfolio holder through Quarterly Operations Reports. These reports are available to all members and the public and provide the mechanism through which Executive members are accountable to the Council as a whole and the Overview & Scrutiny Commission in particular. Each quarter the Chief Executive prepares a Corporate Performance Overview Report which highlights key performance issues for both the Executive and the Overview & Scrutiny Commission.

4 Review of Effectiveness of the System of Internal Control and of Internal Audit

- 4.1 Bracknell Forest Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and of Internal Audit. These reviews are informed by the following:
- Internal Audit, who have responsibility for reviewing the effectiveness of the service they provide and for the development and maintenance of the internal control environment,
 - External Audit, who have responsibility for assessing the relevant significant operational and financial risks affecting the Council as summarised in their Report to Those Charged with Governance and their Annual Audit & Inspection Letter,
 - The annual Comprehensive Performance Assessment Use of Resources judgement, and
 - The work of other review agencies and inspectorates including Ofsted, the Benefit Fraud Inspectorate and the Commission for Social Care Inspection.

5. Significant Internal Control Issues

- 5.1 In respect of the principal risks identified in section 3.3 to 3.8 of this statement, we are of the opinion that no significant gaps in assurance exist and that appropriate action is being taken to mitigate the risks identified.

6. Corporate Governance

- 6.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of Bracknell Forest's affairs and stewardship of the resources at its disposal. To this end, Bracknell Forest has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework "Corporate Governance in Local Government: A Keystone for Community Governance."
- 6.2 The Borough Solicitor, in his role as the Council's Monitoring Officer, is essentially responsible for ensuring that the Council acts lawfully, to bring any Ombudsmen reports with findings of maladministration to the attention of the Council and to discharge certain responsibilities under the statutory framework relating to member conduct. All reports presented to any of the Council's Committees or the Executive are required to include comments from both the Borough Solicitor and Borough Treasurer bringing Member attention to any legal or financial implications. The Council has a Members' Code of Conduct and training has been provided to all Members including those on the Standards Committee.
- 6.3 During the year the Council has continued to put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice.
- 6.4 We are satisfied that Bracknell Forest's corporate governance arrangements are adequate and operating effectively.
- 6.5 We have been advised about the implications of the result of the review of the effectiveness of internal control by the Authority. Plans to address identified weaknesses and ensure continuous improvement of the system are in place.

Cllr P. D. Bettison
Leader of the Council
June 2007

T. R. Wheadon
Chief Executive
June 2007