

Central Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ



please ask for Martha Clampitt
direct line 0300 300 4032
date 19 January 2010

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Wednesday, 27 January 2010 10.00 a.m.

Venue at

Room 15, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Cllrs D J Lawrence (Chairman), R A Baker (Vice-Chairman), Mrs A Barker,
T Green, A Shadbolt, P Snelling and B J Spurr

[Named Substitutes:

Cllrs: L Birt, P A Blaine and Mrs C Turner]

All other Members of the Council - on request

***MEMBERS OF THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THIS
MEETING***

AGENDA

1. **APOLOGIES FOR ABSENCE**

Apologies for absence and notification of substitute members

2. **CHAIRMAN'S ANNOUNCEMENTS**

If any

3. **MINUTES**

To approve as a correct record the Minutes of the special meeting of the Audit Committee held on 30 October 2009.

4. **MEMBERS' INTERESTS**

To receive from Members declarations and the **nature** thereof in relation to:-

- (a) Personal Interests in any Agenda item
- (b) Personal and Prejudicial Interests in any Agenda item

5. **PETITIONS**

To receive petitions in accordance with the scheme of public participation set out in Annex 2 in Part 4 of the Constitution.

6. **PUBLIC PARTICIPATION**

To deal with general questions and statements from members of the public in accordance with the scheme of public participation set out in Appendix A referred to in the Public Participation Scheme.

7. **DISCLOSURE OF EXEMPT INFORMATION**

To consider proposals, if any, to deal with any item likely to involve disclosure of exempt information as defined in the relevant paragraph(s) of Part I of Schedule 12A of the Local Government Act 1972 prior to the exclusion of the press and public.

REPORTS

Item	Subject	Page Nos.
8	Central Bedfordshire Annual Audit Letter To receive the Audit Commission's Annual Audit Letter for Central Bedfordshire Council.	* 11 - 30
9	Progress Report from the Audit Commission To receive the Audit Commission's Progress Report for Central Bedfordshire Council.	* 31 - 34
10	Progress on the Strategic and Directorate Risk Registers This report provides an update on the progress made to produce the strategic, directorate and service risk registers.	* 35 - 40
11	Internal Audit and Risk Management Progress Report This report provides a progress update on the status of internal audit and risk management work for 2009/10.	* 41 - 66
12	Third Quarter Close 2009/10 and Progress on IFRS Implementation The report provides information on proposals to carry out a third quarter close (to 31 December 2009) and update on progress made in meeting IFRS reporting requirements.	* 67 - 72
13	Work Programme To note items to be considered at future meetings.	* 73 - 74

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Friday, 30 October 2009

PRESENT

Cllr D J Lawrence (Chairman)
Cllr R A Baker (Vice-Chairman)

Cllrs Mrs A Barker
A Shadbolt

Cllrs P Snelling
B J Spurr

Apology for Absence: Cllr T Green

Officers in Attendance: Mr J Atkinson Head of Legal Services
Mrs M Clampitt Democratic Services Officer
Mr C Heaphy Director of Corporate Resources
Mr A King Chief Accountant
Mr N Murley Assistant Director Audit & Risk

Others In Attendance: Ms D Hanson Audit Commission
Mrs C O'Carroll Audit Commission
Ms H Rothwell-Trickett Audit Commission
Ms K Storey Audit Commission

A/09/43 Chairman's Announcements

The Committee expressed their disappointment at the lateness of some reports and the subsequent lack of time available for review.

The Chairman also thanked Officers for all of their hard work on a brilliant job to date.

A/09/44 Members' Interests

(a) Personal Interests:-

None.

(b) Personal and Prejudicial Interests:-

None.

A/09/45 **Public Participation**

No applications had been received under Procedure Rule No. CM9 to speak during the fifteen minute question and statement period at the beginning of the meeting. Furthermore there had been no applications to speak under the Public Participation Scheme on any items included on the Agenda for this meeting.

A/09/46 **Petitions**

The Chairman announced that no petitions had been referred to this meeting.

A/09/47 **Disclosure of Exempt Information**

There were no disclosures of exempt information.

A/09/48 **Annual Governance Reports from the Audit Commission**

The Committee received the report of the Audit Commission which presented the Audit Commission's Annual Governance Report to the Audit Committee in respect of South Bedfordshire District Council and Bedfordshire County Council following their validation of the Statement of Accounts 2008/09.

Bedfordshire County Council

The Audit Commission informed the Committee that they would be issuing an unqualified opinion. It was noted that some errors in the financial statements had been identified and that the Use of Resources had found some areas of weakness but nothing which would require a qualified opinion.

It was noted that the external quality control review had determined that the Accounts had been at a high risk due to the Local Government Reorganisation (LGR). Confirmation of the land ownership deeds had required a high level of testing and delays had been experienced due to some deeds being filed with the Land Registry.

The Value for Money conclusion had confirmed the same information as at the last meeting. In addition, it was noted that the land deeds work resulted in an additional fee being charged.

Officers confirmed that they were liaising with the Audit Commission to simplify, where possible, the audit process. It was noted that the HRA and Capital Accounting, whilst the most complicated, could prove to be quite time consuming during the audit process. Officers would be liaising with the Audit Commission to ensure that our procedures are as accurate as possible.

The Audit Commission highlighted the following changes between the last meeting and the final review of the Accounts:

- Area based grant had been recorded twice
- Public Works Loan Board (PWLB) had cashflow errors
- Appendix 2 of the Statement stated the agreed changes
- Appendix 3 of the Statement stated the changes which the Council had not agreed to make.
- Material difference between schools land: 50% Mouchel and 32% Audit Commission (see paragraph 21)
- Payroll weaknesses
- Paragraph 25 stated 'no financial guarantees' however positive assurance had been received
- £119k redundancy cost – transitional cost? – not material but above trifling
- Redundancy payments not recorded in transitional costs. Not an impact to be recorded.
- IT hardware error £43k wrongly listed

It was noted that the letter of Representation for the Pension Fund was to be signed by Bedford Borough Council and then passed to the Director of Corporate Resources for signature. The Director of Corporate Resources was now happy with the revised wording.

Officers would liaise with the Chairman outside of the meeting to arrange SAP training for the Audit Committee Members.

It was noted that risks had been identified in the data quality. Page 16 confirmed that the Audit Commission had been unable to check the source back to calculations. There had been a decline in performance for 2008/09. An update would be brought to the next Committee.

South Bedfordshire District Council

The Audit Commission informed the Committee that they would be issuing an unqualified opinion. It was noted that the accounts were not free from errors but the Value for Money Statement would also be unqualified.

It was noted that South Bedfordshire District Council was the only Council which had a housing stock which had resulted in more complex capital accounting arrangements which in turn led to additional work.

The Audit Commission highlighted the following comments/amendments from the final review of the Accounts:

- The Accounts did not reflect difference of £12m due to a revaluation of the Housing stock at the beginning of the financial year
- Depreciation had been deducted twice from the 31 March 2009 valuation and as a result under the value of the assets on the balance sheet
- Page 9 the word 'not' was missing from the following sentence: 'Internal Audit coverage did not provide us with sufficient assurance in a number of areas and we were therefore required to undertake additional work'.

- Confirmation was required in the Letter of Representation that no additional land 'ransom strips' existed
- Wording around employees earning over £50k was amended to reflect that the note to the accounts only captured employees who had left by 31 March 2009. CBC accounts would need to disclose those employees who had left after the 31 March 2009.
- A note had been added to clarify that an error had occurred in the 2007/08 cash flow statement which stated £500k instead of £5m.
- As a result of the findings of the BCC Pension fund audit, SBDC had understated the value of pension assets/liabilities by £135k – not material so no amendment required
- National Non Domestic Rates grant return (NNDR3) – changes made in 09/10 referencing 08/09 year relating to errors in transitional relief - Payment to Central Government understated by £51k – not material so no amendment required.
- Appendix 2 of the Statement showed the agreed changes
- Appendix 3 of the Statement stated the changes which the Council had not agreed to make.

It was agreed that agreed that the combined Action Plan and Balance Sheet Disaggregation Progress Report would be presented to the January meeting.

RESOLVED

that the Audit Commission's Annual Governance Report in respect of Bedfordshire County Council and South Bedfordshire District Council for 2008/09 be approved.

A/09/49

Bedfordshire County Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which presented the Audit Commission's Annual Governance Report to the Audit Committee in respect of Bedfordshire County Council, following their validation of the Statement of Accounts 2008/09.

The Chairman was content with the work which had been done. There had been concerns re the valuation of assets and the £ value. No disposal of assets due to current market value. The Chairman congratulated Officers on a job well done.

Officers presented the Committee with a copy of the Letter of Representation and asked for their comments. Officers agreed that the suggested changes be made and then be circulated for formal approval by the Committee. Once this had been received, a hard copy would be provided for signature.

It was agreed that approval of the final post-audit Bedfordshire County Council Statement of Accounts 2008/09 be delegated to the Chairman in consultation with the Director of Corporate Resources.

RESOLVED

- 1. that the Audit Commission's Annual Governance Report in respect of Bedfordshire County Council for 2008/09 be approved.**
- 2. that agreement of the final Statement of Accounts in respect of Bedfordshire County Council be delegated to the Chairman of the Audit Committee and Director of Corporate Resources.**

A/09/50

South Bedfordshire District Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which presented the revised South Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee following external audit validation.

The Committee approved the revised Statement of Accounts for South Bedfordshire District Council following the external audit validation and agreed their publication on the Council's website.

Officers presented the Committee with a copy of the Letter of Representation and asked for their comments. Officers agreed that the suggested changes be made and then be circulated for formal approval by the Committee. Once this had been received, a hard copy would be provided for signature.

It was agreed that approval of the final post-audit South Bedfordshire District Council Statement of Accounts for 2008/09 be delegated to the Chairman in consultation with the Director of Corporate Resources.

RESOLVED

- 1. that the revised South Bedfordshire District Council Statement of Accounts 2008/09 be approved**
- 2. that the final post-audit South Bedfordshire District Council Statement of Accounts 2008/09 for publication be delegated to the Chairman of the Audit Committee and the Director of Corporate Resources, be approved.**

A/09/51

Mid Bedfordshire District Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which which presented the revised Mid Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee for approval following external audit validation.

The Committee noted that the Accounts had been finalised following the meeting held in September 2009. The Committee was asked to approve the publication of the revised accounts to the website.

It was noted that a repayment of £60,000 was to be made to the DWP. This item would be added to the Action Plan due to the processing time for the DWP queries.

RESOLVED

that the revised Mid Bedfordshire District Council Statement of Accounts 2008/09 be approved for publication.

A/09/52

Introduction of International Financial Reporting Standards (IFRS)

The Committee considered the report of the Director of Corporate Resources which outlined the likely changes arising from the introduction of International Financial Reporting Standards (IFRS) and set out the Council's approach to planning for these changes. The changes come into full effect from 2010 – 11 and, in some areas, will have an impact on the Council's systems and management processes.

It was noted that the 2010/11 Statement of Accounts would be affected by the changes. In addition the closing balances for 2009/10 would be restated however there could still be differences in the opening balances.

A Task Group had been established across the organisation to understand the impact of the changes. The Interim Lead on the project has experience from the NHS Service, which had already converted to the IFRS process. It was agreed that written updates outlining the progress made would be provided to the Audit Committee on a quarterly basis. It was noted that Briefing Notes will be issued to all Members of the Council and training would be provided for the Audit Committee Members.

Officers had been meeting with the Audit Commission to ensure that the changes are implemented in an acceptable process. Appendices A and B detailed the Action Plan and Work Plan for ensuring all changes would be completed.

RESOLVED

- 1. that the principal changes arising from the introduction of IFRS as detailed in the report of the Director of Corporate Resources, be noted.***
- 2. that the progress reports on the implementation of IFRS and its implications for the Council as detailed in the report of the Director of Corporate Resources, be received.***

(Note: The meeting commenced at 9.30 a.m. and concluded at 12.10 p.m.)

Annual Audit Letter

Central Bedfordshire Council

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

This report summarises the findings from our 2008/09 audits of Bedfordshire County Council, Mid Bedfordshire Council and South Bedfordshire District Councils. It includes messages arising from the audit the accounts of the demised authorities and the results of the work I have undertaken to assess the way in which the demised authorities used their resources. In addition I have included the key messages from our recent assessment of the way the new Central Bedfordshire Council manages its performance.

Accounts

- 1 Central Bedfordshire Council was required to prepare and approve the accounts for Bedfordshire County Council (BCC), Bedfordshire Pension Fund, Mid Bedfordshire and South Bedfordshire District Councils by 31 July 2009. The Council met that deadline with the four sets of accounts approved at the Central Bedfordshire Audit Committee of 27 July 2009.
- 2 Our audit found some errors in all four sets of the approved accounts. The Council agreed to correct a number of these, but officers chose not to amend for a number of others. These errors were not so significant as to distort the overall financial position of the Councils. However, I reported the errors I identified to Central Bedfordshire Council's Audit Committee (as those charged with the governance of the Council), who concurred with officers decision not to amend the accounts for those errors. The Audit Committee formally provided me with their rationale for not adjusting the accounts for these errors.
- 3 As a result of my work, I concluded that the accounts for all three demised authorities and the Pension Fund 'presented fairly' the financial position at the 31 March (an unqualified audit opinion) and the income and expenditure for that financial year.
- 4 Our work on Local Government Reorganisation (LGR), which was carried out in 2008, although focused on identifying potential gaps and areas where additional review would yield benefit, found many positives in the approach and actions being taken to establish the new councils. There was evident commitment to achieving successful implementation of re-organisation and strong public service services from the County Council. Despite a very challenging timescale all councils demonstrated clear recognition of the need to maintain good local government services during the transition, whilst also devoting capacity and focus to establishing new and ambitious councils.
- 5 Work is in progress to disaggregate the BCC balance sheet as at 31 March 2009. A timetable has been drawn up with a view to completing the exercise by 31 December 2009. There are still some significant issues to be resolved between Central Bedfordshire and Bedford Borough Councils, in particular the treatment of the County Farms.

- 6 An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The new Central Bedfordshire Council has developed a project plan to implement these standards and is progressing with the implementation of this plan.

Use of resources and value for money conclusion

- 7 We assess how the Council makes use of the resources at its disposal to provide local services. Due to local government reorganisation in Bedfordshire I am not required to give a scored Use of Resources assessment for the three demised authorities for 2008/09. I am however required to give a value for money conclusion.
- 8 As a result of my assessment, I concluded that the both Mid Bedfordshire and South Bedfordshire District Councils had proper arrangements in place for the way that they managed their use of resources. However, my value for money conclusion for Bedfordshire County Council was qualified due to weaknesses identified in arrangements to ensure data quality and performance management.

Managing performance and organisational assessment

- 9 The detail of the Council's Managing Performance and Organisational Assessment are being reported separately by the Comprehensive Area Assessment Lead for Bedfordshire, Nigel Smith. The key messages are however set out in this Letter.
- 10 The Council has clear aims. Some plans for improvement are already in place. Other plans are being developed to make sure it can deliver improvement in services that matter most to residents. Councillors and officers are clear about what they want to achieve for local people and they work well together. The Council works well with local partners such as the NHS and the Fire and Rescue Service and is keen to take advantage of new opportunities such as the Total Place project which aims to improve the lives of local people and improve value for money. The Council is well prepared to make future improvements.
- 11 The Council is developing plans to improve poorly performing services, for example, adult social care. Education results need to be better in certain areas and steps are being taken to improve schools' performance. The area is becoming cleaner, safer and greener. Housing management and homelessness are particular challenging problems. The Council is supporting residents and business through the recession. Recent research shows that overall the area is performing better economically. However, the south of the area is not performing well and this could make the difference in opportunity for people living in different parts of Central Bedfordshire even greater. Clear plans are needed from the Council and its partners to show how they intend to manage growth.

Key messages

Financial standing

- 12** The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 13** In addition to the challenges of economic recession the Council is facing considerable budget pressures in 2009/10, with a forecast overspend for the year of £8.6m.
- 14** Directorate action plans identify total savings of £4.3m for 2009/10, of which £0.6m are classified as high risk in terms of achievement. This therefore leaves £4.9m of the projected overspend which still has to be addressed. Directors have been instructed to identify further actions to identify savings and potential under spends to address the overspend. Officers have informed Members that any overspend could potentially take the Council into deficit at the year end.
- 15** I will continue to monitor the Council's response and actions in this key area. It is particularly important to identify and understand the reasons for the 2009/10 projected overspend so that an accurate budget can be set for 2010/11.

Audit fees

- 16** The final audit fees for both Bedfordshire County Council and South Bedfordshire District Council were both higher than the fee that I initially planned. Additional fees were incurred on the County audit as a result of additional work required on data quality, and impairment. For South Bedfordshire additional work was required in respect of capital accounting in order to issue the opinion on the accounts. Details of the actual fees for all three authorities are provided at Table 2.

Independence

- 17** As the External Auditor appointed to audit the Council and the three demised authorities, I have to maintain my independence. I can confirm that this audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Recommendations

- 18** I have made a number of recommendations within this letter, to further develop the arrangements in place at the Council, with the purpose of delivering better outcomes for the residents of the Council. The Council should monitor the implementation of these recommendations.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Audit opinions

- 19** I issued an unqualified opinion on Mid Bedfordshire District Council's (MBDC) accounts on 2 October 2009, the County Council's and Pension Fund accounts on 17 November and South Bedfordshire DC's (SBDC) accounts on 30 November 2009. In my opinion the four sets of accounts present fairly the financial position of each of the three Councils and the Pension Fund as at 31 March 2009 and their income and expenditure for the year then ended.
- 20** Before giving my opinion, I reported to those charged with governance, in this case the Central Bedfordshire Audit Committee, on the issues arising from the 2008/09 audit. I presented my reports on 21 September and 30 October 2009.
- 21** Responsibility for the administration of the Bedfordshire Pension Fund transferred to Bedford Borough on 1 April 2009. Therefore I also reported the issues arising from the audit of the Pension Fund to the Bedford Borough Pension Committee.
- 22** The transfer of responsibility for the administration of the pension fund did not have an impact on the timeliness or accuracy of the pension fund accounts submitted for audit.

Accounting issues

- 23** We received all four sets of accounts for audit on 27 July 2009, the date that they were approved by Central Bedfordshire Audit Committee. As Central Bedfordshire was responsible for preparing three sets of accounts for predecessor authorities it was required to approve the accounts by 31 July 2009 rather than by the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 24** I presented my Annual Governance Reports (AGR) for the County Council, MBDC and the Pension Fund to the Central Bedfordshire Audit Committee on 21 September 2009. The SBDC AGR was reported to the Audit Committee on 30 October 2009 together with an updated report for the County Council. These reports included the full details of the issues arising from our audit of the accounts. I reported the adjusted and unadjusted errors that my audits had found. I requested that the Audit Committee formally consider the audit errors, for which officers had chosen not to adjust the accounts for. This consideration was formally recorded in a Letter to me, which allowed me to conclude my audit procedures and issue my audit opinion as set out above.

- 25 We identified three material errors in the Bedfordshire County Council accounts, one material error in the Mid Bedfordshire accounts and five material errors in the South Bedfordshire accounts. There were no material errors identified in the Pension Fund accounts. The key issues, as reported in the four Annual Governance Reports, are summarised Table 1.

Table 1 Key issues as reported in the Annual Governance Reports for Bedfordshire CC, Bedfordshire Pension Fund, Mid Bedfordshire DC and South Bedfordshire DC.

Key issues reported in Annual Governance Reports.
Bedfordshire County Council
Area Based Grant (ABG) of £17.5m had been incorrectly apportioned over the service headings in the income and expenditure account rather than being consolidated with Revenue Support Grant (RSG) under "non specific" grants.
In addition, as a result of an accounting error the income and expenditure in relation to the ABG was apportioned across service headings twice. As a result both income and expenditure for a number of services headings were overstated.
There was a material error in the Cash Flow statement. Public Works Loans Board (PWLB) debt of £27.243m which the County Council had held on behalf of Luton Borough Council was incorrectly shown as being repaid.
In 2008/09 Internal Audit found weaknesses in the new SAP payroll system and issued a limited assurance opinion. As in previous years, we carried out additional substantive testing on the payroll figure in the statement of accounts.
Bedfordshire Pension Fund
In the 2007/08 Pension Fund Annual Governance Report we recommended that measures be put in place to ensure the pensionable pay figures included in the monthly returns from admitted and scheduled bodies are complete and accurate. During 2008/09 Internal Audit carried out specific work on this area and we have been able to rely on their work to gain assurance as to the reasonableness of the figures for employee contributions included in the Fund Account.
Our audit also found that not all admitted bodies provide payroll data to the Pension Fund. We have therefore recommended that all scheme employers should be reminded of the requirement to provide relevant payroll information to enable checks to be made on the contributions deducted.
Mid Bedfordshire District Council
The creditors balance included a debit balance of £1.364m representing housing benefit subsidy owed to the Council at 31 March 2009. As a debit balance this amount should have been included in the debtors balance. Consequently, both the debtors and creditors balances in the accounts had been understated by this amount.

South Bedfordshire District Council

Corporate and democratic" core costs in the income and expenditure account included £1.6m for staff time involved in local government reorganisation (LGR). These costs should have been included in the "exceptional costs of LGR" line of the income and expenditure account.

The total impairment of £14,974m on council dwellings and sheltered housing was not initially charged against the balances for individual properties on the revaluation reserve. When this was corrected it was found that £3.981m of the impairment should have been charged to income and expenditure, leaving a balance of £3.981m on the revaluation reserve against individual assets. This has meant that the impairment charged to the income and expenditure account and the transfer from the capital adjustment account have been increased by this amount.

The Council obtained a revaluation of its council dwellings and sheltered housing at 31 March 2009, as recommended in our final accounts memorandum on the 2007/08 audit. Councils are also required to obtain a valuation for resource accounting purposes each year as at 1 April. Although the Council obtained the resource accounting valuation for 1 April 2008 this was not put through the accounts. This valuation showed an overall increase in asset values as at 1 April 2008 of £12 million (a material increase). Correction of this omission has resulted in an increase in revaluation gains and impairments.

Depreciation on council dwellings and sheltered housing was incorrectly deducted from the balance as at 31 March 2009 provided by the external valuers. As a result the closing asset value was understated by £3.769m and entries in the revaluation reserve and capital adjustment account were incorrect. The same issue also arose for general fund properties where the value of the depreciation incorrectly deducted was £0.934m.

Our audit also found that whilst invoice requests are completed before sales ledger invoices are raised there were no checks evidenced on these. The Authority was dependent on staff within the exchequer team being aware of the types of income that could be invoiced and those staff who would be likely to raise them. This did not represent an adequate control on which we could rely for our opinion and therefore we carried out detailed testing on individual income items at the year end.

- 26** Officers agreed to correct all the material errors identified and some but not all of the other errors identified. I reported these issues to the Central Bedfordshire Audit Committee (as those charged with the governance of the Council) on 21 September and 30 October 2009, who agreed with your officers' decision not to amend the accounts for those errors. The Audit Committee formally provided me with a Letter of Representation, for each of the demised authorities, recording their rationale for not adjusting the accounts for the uncorrected errors identified. The final statements of account for all three authorities were approved by Central Bedfordshire Audit Committee on 30 October 2009.

Financial statements and annual governance statement

- 27** Table 1 above includes a number of reporting issues in respect of capital accounting for South Bedfordshire DC. The size of the amendments reflects the fact that the Council was responsible for managing housing stock through a Housing Revenue Account (HRA). Capital accounting is a particularly complex area of local government accounting and there are specific rules for HRA assets and this has resulted in a number of amendments to the South Bedfordshire accounts in recent years. Central Bedfordshire Council's accounts for 2009/10 will include a Housing Revenue Account and the Council will also have inherited a significant asset base, including a number of schools, from Bedfordshire County Council. Accounting correctly for capital will therefore be a major challenge for the new Council and you will need to ensure that you have the appropriate skills, capacity and information systems in place to meet the relevant capital accounting requirements.
- 28** The working papers provided at the start of the audit to support the South Bedfordshire statements of account were not adequate and although further working papers were provided there remained gaps. In addition, due to local government reorganisation, some finance staff had left before the audit started and others had moved to new posts at the successor authority. Therefore the time taken to resolve audit queries was protracted in some cases.

Disaggregation

- 29** Work is in progress to disaggregate the Bedfordshire County Council balance sheet as at 31 March 2009. A timetable has been drawn up with a view to completing the exercise by 31 December 2009. There are still some significant issues to be resolved between Central Bedfordshire and Bedford Borough Councils, in particular the treatment of the County Farms.

Certification of claims and returns

- 30** We certify the Council's claims and returns on the following basis.
- Claims below £100,000 are not subject to certification.
 - Claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification.
 - Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.
- 31** The number grant claims audited at the three demised Councils are set out in the Table 2.

Table 2 Council's claims and returns

Authority	Number of claims above the certification threshold	Certified to date	Comments
Bedfordshire County Council	5	2	Sure Start Claim and Teachers Pensions return both subject to minor amendments and qualification reports.
Mid Bedfordshire	2	1	National Non Domestic Rate (NNDR) claim subject to a qualification report.
South Bedfordshire	6	4	Housing base data and Housing Benefit claims both amended and qualified. National Non Domestic Rate (NNDR) claim subject to a qualification report.

- 32** The reasons for the amendments and qualification letters on the Bedfordshire County Council Sure Start and Teachers Pensions claims and the Mid Bedfordshire NNDR claim were not significant and therefore there are no matters to report to those charged with governance.
- 33** The audits of the Mid Bedfordshire and South Bedfordshire housing benefits claims have however been problematic and an extensive qualification letter has been issued for South Bedfordshire. Following Local Government Reorganisation the same officers have been dealing with queries for both of these claims. In addition queries raised by the Department of Works and Pensions (DWP) in respect of the qualifications we reported to them in respect of the 2007/08 South Bedfordshire housing benefit claim have been received and are being responded to.
- 34** The new Central Bedfordshire Council is currently transferring data to its new housing benefits system. In implementing the new system and training staff in its use, the problems that have led to the qualifications of these claims in previous years need to be addressed.

International Financial Reporting Standards

- 35** International Financial Reporting Standards (IFRS) will be introduced for local government accounts from 2010/11 and will require the comparative figures for 2009/10 to be restated into the new accounting format. Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. This change is significant in a number of respects, particularly in the accounting for private finance initiative schemes, fixed assets and leases. A great deal of work will be required in the run up to preparing the 2010/11 accounts in order to establish and collect the information required and to account for it under the new accounting standards.
- 36** The Council has a detailed project plan in place, with clear roles and responsibilities, and progress will be reported regularly to the Audit Committee. The intention is to restate the 2008/09 financial statements early in the new year.

Recommendations	
R1	Ensure the appropriate skills, capacity and information systems are in place to meet the capital accounting requirements..
R2	Ensure that, in implementing the new housing benefits system and training staff in its use, the problems that have led to the qualifications of these claims in previous years are addressed.
R3	Monitor progress on implementing the IFRS plan to enable the Council meet the new reporting requirements under IFRS

Value for money conclusion

I assessed whether the demised Councils put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in their use of resources. This is known as the value for money (VFM) conclusion.

- 37** I assessed the arrangements at all three demised Councils to secure economy, efficiency and effectiveness in the use of resources against criteria specified by the Audit Commission for demised authorities.
- 38** I was able to issue unqualified conclusions for both Mid Bedfordshire and South Bedfordshire District Councils, stating that both councils had adequate arrangements to secure economy, efficiency and effectiveness in their use of resources.
- 39** My opinion for Bedfordshire County Council however was qualified on the basis that:
- the Council's arrangements for managing performance in key areas were inadequate during 2008/09; and
 - our testing of a sample of performance indicators found that, due to elapsed time and disaggregation following LGR, for three out of four of the indicators tested the figures used in the calculation could not be agreed back to systems reports or prime documentation.

Managing performance and organisation assessment

- 40 The Audit Commission also assesses how well Central Bedfordshire Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 41 As Central Bedfordshire was only established on 1 April 2009, the Audit Commission has not scored its assessment of how the Council manages its performance this year. In future years this assessment will be scored on a basis of 1 to 4, the same scoring mechanism as for use of resources.
- 42 The detail of the Council's Managing Performance and Organisational Assessment are being reported separately by the Comprehensive Area Assessment Lead for Bedfordshire, Nigel Smith. The key messages are however set out in the following paragraphs.
- 43 Central Bedfordshire Council now delivers services such as education and social care that used to be provided by the former Bedfordshire County Council plus all services previously provided by Mid Bedfordshire and South Bedfordshire district councils.
- 44 The Council has clear aims. Some plans for improvement are already in place. Other plans are being developed to make sure it can deliver improvement in services that matter most to residents. Councillors and officers are clear about what they want to achieve for local people and they work well together. The Council works well with local partners such as the NHS and the Fire and Rescue Service and is keen to take advantage of new opportunities such as the Total Place project which aims to improve the lives of local people and improve value for money. The Council is well prepared to make future improvements.
- 45 The Council is developing plans to improve poorly performing services, for example, adult social care. Education results need to be better in certain areas and steps are being taken to improve schools' performance. The area is becoming cleaner, safer and greener. Housing management and homelessness are particular challenging problems. The Council is supporting residents and business through the recession. Recent research shows that overall the area is performing better economically. However, the economy in the south of the area is not performing well and this could make the difference in opportunity for people living in different parts of Central Bedfordshire even greater. Clear plans are needed from the Council and its partners to show how they intend to manage growth.
- 46 The Council has a good understanding of its financial position and understands the impact of the recession. However, managing the budget for 2009/10 is a significant challenge. There are big decisions to be made on how best to make savings and ensure services offer value for money.

Local Government Reorganisation

- 47** In 2008 we carried out a project focusing on the key risks associated with local government reorganisation in Bedfordshire. This was particularly in relation to:
- transition planning;
 - staffing issues;
 - finance and governance; and
 - information management and technology.
- 48** The review, although focused on identifying potential gaps and areas where additional review would yield benefit, found many positives in the approach and actions being taken by the legacy authorities to establish the new councils. Despite a very challenging timescale all councils demonstrated clear recognition of the need to maintain good local government services during 2008, whilst also devoting capacity and focus to establishing new and ambitious councils.
- 49** The key areas for further action were discussed with the two new councils in October 2008 and are set out below.
- There were different understandings about the approach to shared services. This contributed to delays in decision making to establish future arrangements for the provision of some services. The criteria for agreeing which services will be shared and which disaggregated did not appear to be systematic.
 - Residents and service users did not appear to be consistently engaged in shaping future service provision.
 - There was varying utilisation of County Council expertise and knowledge.
 - Arrangements for agreeing and establishing ICT systems and data transfer were not well advanced, thus presenting a risk to future service delivery. This has been recognised as a key risk area and is now being monitored at Executive Director level. Consultants have been appointed to determine if the necessary activities and arrangements are in place for Vesting Day and to determine approaches to any risks identified.
 - The impact of delays in disaggregating staff created potential risks to delivery of other elements of the implementation plan.
 - Limited evidence of effective joint working between the two new councils to address the similar service specific issues they are facing.
- 50** There are a large number of shared services arrangements in place between the Central Bedfordshire Council and Bedford Borough Council. We are undertaking a joint review at both Central Bedfordshire and Bedford Borough Council, as part of our 2009/10 audits, to assess how the Councils are managing the risks associated with shared services.

Financial standing

- 51** The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 52** In addition to the challenges of economic recession managing the budget for 2009/10 is a significant challenge for the new Central Bedfordshire Council. The Council is facing considerable budget pressures in 2009/10. The budget monitoring report to the Executive meeting on 10 November 2009 forecast an overspend for the year of £8.6m. The greatest pressures are on the Children's, Families and Schools budget with a forecast overspend of £2.9m and the Health and Housing and Social Care budget with a £4.8m forecast overspend, largely in respect of adult social care.
- 53** Action plans to address the overspend are in place in all of the Directorates and are monitored on a regular basis by both officers and Members. The action plans identify total savings of £4.3m, of which £0.6m are classified as high risk in terms of achievement. This therefore leaves £4.9m of the projected overspend which still has to be addressed. Directors have been instructed to identify further actions to identify savings and potential under spends to address the overspend.
- 54** Any revenue overspend will need to be met from general reserves. The expected closing balance on general reserves for 2009/10 is £3.9m (as reported to Executive on 10 November 2009) and officers have informed Members that any overspend could potentially take the Council into deficit at the year end.
- 55** I will continue to monitor the Council's response and actions in this key area. It is particularly important to identify and understand the reasons for the 2009/10 projected overspend so that an accurate budget can be set for 2010/11.

Recommendation

- R4** Continue to take action to identify the reasons for the 2009/10 projected overspend so that an accurate budget can be set for 2010/11.

Audit fees

- 56 The actual audit fee for Mid Bedfordshire Council was in line with the planned fee.
- 57 The actual fees for Bedfordshire County and South Bedfordshire District Councils were more than initially planned. We are in the process of agreeing the additional audit fees to be charged with your officers. The proposed additional fees are set out in Table 2 below.
- 58 As reported in the Annual Governance Report for Bedfordshire County Council the additional fee incurred on this audit was in respect of: additional work above that originally planned to assess your arrangements to secure value for money; additional work to verify the impairment figures in the accounts; and additional time required to audit the accounts in October which was in excess of the time included in our original budget.
- 59 Additional work was also required on the SBDC audit. As noted earlier there were issues with the working papers provided to support the statements of account and the availability of finance staff to resolve audit queries.
- 60 Our work on grant claims at all three authorities is still in progress and we will update the Audit Committee on the final fees for this work when the audits are complete.

Table 3 Audit fees

	BCC		SBDC		MBDC
	Planned	Variance	Planned	Variance	Planned and actual
Financial statements and annual governance statement including WGA and vfm conclusion	£257,783	+£15,000	£91,160	+£13,000	£75,412
Use of resources 2007/08	£19,047	0	23,430	0	£34,370
LGR	0	0	7690	0	£7690
Data quality 2007/08	£14,439	0	12,450	0	£8654
Total audit fees	£291,269	+£15,000	£134,730	+£13,000	£126,126
Certification of claims and returns	£37,079	TBC	£38,800	TBC	£32,000
Total	£328,348		£173,530		£158,126

Closing remarks

- 61** I have discussed and agreed this letter with both the Director of Corporate Resources and the Director of Business Transformation of Central Bedfordshire Council. I will provide copies to all Members by 31 December 2009 and I will present this letter at the Audit Committee on 27 January 2010.
- 62** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 4 Audit reports

Report	Date issued		
	BCC	SBDC	MBDC
Audit and inspection plan	June 2008	June 2008	June 2008
Annual governance report	21 September 2009 and 30 October 2009	30 October 2009	21 September 2009
Opinion on financial statements	17 November 2009	30 November 2009	2 October 2009
Value for money conclusion	17 November 2009	30 November 2009	2 October 2009
Annual audit letter	December 2009	December 2009	December 2009
Managing Performance and Organisational Assessment for Central Bedfordshire Council.	December 2009	December 2009	December 2009

- 63** Central Bedfordshire and the predecessor authorities, Bedfordshire County Council, South Bedfordshire and Mid Bedfordshire District Councils have all taken a positive and constructive approach to our audit. I also wish to thank the Council staff for their support and co-operation during the audit.

Availability of this letter

64 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website

Debbie Hanson
District Auditor
December 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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Central Bedfordshire Council
2009-2010 External Audit Plan – Position Statement @ January 2010

Area of work	Work performed/to be performed	Status	Report due
2009/10 Indicative Fee Letter to Director of Corporate Resources	<p>Letter sent to the Director of Corporate Resources setting out the indicative audit fee for 2009/10.</p> <p>The fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10.</p> <p>More detailed planning documents for particular pieces of work will be issued during the year.</p>	<p>The letter was sent in May 2009 and the Audit Manager reported the total indicative fee to the Audit Committee in June 2009.</p>	N/A
Audit Opinion Plan	<p>A detailed plan for the audit of the financial statements will be issued shortly. This will detail the risks identified, planned audit procedures and any changes in fee.</p>	<p>In progress. Following discussion with officers the plan will be reported to the April 2010 Audit Committee.</p>	April 2010
Use of resources assessment	<p>The use of resources assessment forms part of the Comprehensive Area Assessment (CAA) and will feed into the Council's annual organisational assessment.</p> <p>The UOR key lines of enquiry will also be the "relevant criteria" for the value for money conclusion.</p>	<p>We have had set up meetings and the work will be carried out in February and March 2010.</p>	VFM conclusion- September 2010

Area of work	Work performed/to be performed	Status	Report due
Managing Performance Assessment	<p>The scored managing performance assessment considers outcomes achieved by the Council and plans and capacity for future improvement. This together with use of resources contributes to the overall Organisational Assessment for Central Bedfordshire.</p>	<p>We are in the process of agreeing the timescale for this work with your officers.</p>	TBC
Shared Service Review	<p>We will carry out a joint review at both Central Bedfordshire and Bedford Borough to assess how the Councils are managing the associated risks and will aim to inform the Councils' approach to the future of shared services.</p>	<p>We are in the process of agreeing the project brief for this piece of work.</p>	TBC
Performance Management	<p>The review will assess the Council's plans to take forward performance management at Central Bedfordshire and help with areas of best practice.</p>	<p>We are in the process of agreeing the project brief for this piece of work.</p>	TBC
Final accounts	<p>Audit of the Council's financial statements.</p>	<p>We have started our work on the Council's key financial systems. The detailed work on the statement of accounts will take place in July/ August/September 2010.</p>	<p>Annual Governance Report – September 2010 Opinion - September 2010</p>
Grant claims 2009-10	<p>Our work on grant claims is charged at published daily rates, the fee is not included within the audit plan as part of the overall audit fee. The time taken to audit grant claims depends on the quality of working papers, whether we can rely on underlying systems and the extent of</p>	<p>We will audit claims when they are made available to us.</p>	<p>We will issue a report when we have completed the audit of all relevant 2009/10</p>

Area of work	Work performed/to be performed	Status	Report due
	<p>work needed to meet the requirements of government departments.</p> <p>An estimate of £83,400 for grant claims work has been included in the fee letter.</p>		claims.
Annual Audit Letter 2009/10	<p>Summary of conclusions and significant issues arising from our audit work. (This will include key messages from the Organisational Assessment and Area Assessment if appropriate).</p>	We will draft the Annual Audit Letter in October / November 2010.	Issued to all Members by 31 December 2010.
20010/11 Indicative Fee Letter	<p>A letter will be sent to the Council setting out the indicative audit fee for 20010/11.</p> <p>The fee is will be based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 20010/11.</p> <p>More detailed planning documents for particular pieces of work will be issued during the year.</p>	The letter will be discussed with officers and the indicative fee will be reported to the April 2010 Audit Committee.	April 2010

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Meeting: Audit Committee
Date: 27 January 2010
Subject: Progress on Strategic and Directorate Risk Registers
Report of: Director of Corporate Resources
Summary: This report provides an update on the progress made to produce the strategic, directorate and service risk registers.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Nick Murley, Assistant Director Audit & Risk
Public/Exempt: Public
Wards Affected: All
Function of: Audit

CORPORATE IMPLICATIONS

Council Priorities:

The Corporate Risk Management Strategy sets the framework for the organisation to manage its risk which is critical to the effective overall management of the Council and hence will support all of the council priorities.

Financial:

None directly from this report

Legal:

None directly from this report

Risk Management:

The strategic risks along with mitigating control are set out in the appendix.

Staffing (including Trades Unions):

The Council needs to ensure that people issues are high on the agenda, with a fit for purpose people strategy (this is under development and will be implemented in March 2010), and that managers are trained to manage individuals and teams effectively. Resourcing and workforce plans, as well as a comprehensive learning and development programme will underpin and support the people strategy. Additionally, managers will be supported by HR professionals when undertaking change programmes.

Equalities/Human Rights:

Central Bedfordshire Council has a duty to promote equality and to tackle discrimination relating to age, disability, gender, gender reassignment, race, religion or belief, and sexual orientation. Equality legislation can impact on every aspect of Council activity relating to service users, local communities, staff, stakeholders and contractors. Failure to comply with equality legislation can expose the Council to the risk of litigation and scrutiny by the Equalities and Human Rights Commission. Individual employees, voluntary organisations or customers can also take legal action against councils which can result in court judgements or out of court settlements.

The People section of the Risk Registers address the need to ensure that staff and managers are trained and supported to meet the requirements of equality legislation.

Community Safety:

None directly from this report

Sustainability:

None directly from this report

RECOMMENDATION:

That the Audit Committee note the progress made on the Strategic and Directorate Risk Registers in line with the Corporate Risk Management Strategy

Background

1. The Corporate Risk Management Strategy for Central Bedfordshire Council was approved by the Shadow Executive on the 17 March 2009. It was endorsed by the Audit Committee in April 2009, who also approved the working practices in support of the strategy.
2. As part of that strategy, the Executive have responsibility to approve and monitor a Strategic Risk Register of the Council. The Audit Committee have the responsibility to make sure that adequate working arrangements are in place to implement the strategy. This includes making sure that both the Strategic Risk Register and operational registers are in place.

Strategic Risk Register

3. The first strategic register was approved by the Executive on the 12 January 2010. It captured a number of strategic risks affecting the council's core business but also identified a number of transitional risks that the council is still facing as a result of local government reorganisation that we are expecting will fall away over time.

4. The core risks captured were as follows:
 - Adult Social Care – service improvement and safeguarding vulnerable adults
 - Children, Families and Learning – Service improvement and safeguarding Children
 - Growth Agenda
 - Recession
 - Climate Change
 - Waste
 - Financial
 - People
 - Partnerships/Programmes/Projects
 - Contracts/Commissioning
 - Information Management
5. The transitional risks identified were as follows:
 - Health & Safety
 - Service Level Agreements
 - Technological – systemic failure of ICT
 - Interim Accommodation Strategy
 - Business Continuity
 - Emergency Planning
6. The detailed strategic register sets out the individual risk, explaining in more detail the likely impact and then provides information on the risk control measures that are in place to mitigate the effect. A risk score, the product of the probability and impact, is presented representing how effective our current controls that are in place. A residual score is then presented assuming all of the controls are in place. The risk control owners are also set out in the register along with an expected completion date.

Directorate and Service Risk Registers

7. In parallel to the creation of the Strategic Risk Register, the Risk Management team have been actively meeting with Directors, Assistant Directors and Heads of Service to facilitate the production of both directorate and service risk registers.
8. Appendix A sets out the progress made to date in each directorate.
9. The same format used to create the Strategic Risk Register has been used to generate the directorate and service registers. Clear links have been made between service risk and if pronounced have fed up into the directorate risk register. Similarly consistent risks identified at a directorate level have fed into the Strategic Risk Register.

10. The aim is to have the service risk registers completed by the end of January 2010 and the directorate registers by the end of February 2010. This information will then inform the review of the Strategic Risk Register by CMT in April 2010.

Conclusion and Next Steps

11. All the registers being created will form an important management tool moving forward and should focus attention on the mitigating the risk where possible. The registers will be reviewed on a frequent basis by the service areas and directors.
12. The Strategic Risk register will be reviewed by CMT on a quarterly basis, the next review being April 2010, and by the Executive twice a year.
13. Information from the directorate and service registers has been used to create the strategic register and will also inform the strategic internal audit plan.

Appendices:

Appendix A - Status of Directorate and Service Risk Registers

Background Papers:

Corporate Risk Management Strategy – Shadow Executive 17 March 2009

Risk Management Strategy and Working Practices – Audit Committee 6 April 2009

Strategic Risk Register – Executive 12 January 2010

Location of papers: Priory House, Chicksands, Bedfordshire

Appendix A

Directorate & Service Area Risk Registers

	Status
Business Transformation	Draft awaiting service register completion
Communications	Draft sent awaiting comments
Customer Service & Business Transformation	Draft sent awaiting comments
Policy Partnerships & Performance	Awaiting information
Corporate Resources	Draft awaiting service register completion
Audit & Risk	Completed
Financial Services	Draft sent awaiting comments
HR & Organisational Development	Draft sent awaiting comments
Information & Communication Technology	Draft sent awaiting comments
Legal & Democratic Services	Draft in progress
Property & Asset Management	Draft sent awaiting comments
Children Families & Learning	Draft awaiting service register completion
Children's Specialist Services	Draft in progress
Development & Commissioning	Draft sent awaiting comments
Integrated Services	Draft in progress
Learning & School Support	Draft sent awaiting comments
Leisure & Culture Adult & Community Learning	Draft in progress
Social Care, Health & Housing	Draft awaiting service register completion
Adult Social Care	Draft in progress
Business & Performance	Meeting to be arranged
Commissioning	Meeting to be arranged
Housing Services	Awaiting information
Sustainable Communities	Draft awaiting service register completion
Community Safety & Public Protection	Draft sent awaiting comments
Development Management	Draft sent awaiting comments
Economic Growth Regeneration	Draft sent awaiting comments
Highways	Draft sent awaiting comments
Planning & Development Strategy	Draft sent awaiting comments
Waste Operations & Waste Strategy	Draft in progress

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Meeting: Audit Committee
Date: 27 January 2010
Subject: Internal Audit and Risk Management Progress Report
Report of: Director of Corporate Resources
Summary: This report provides a progress update on the status of internal audit and risk management work for 2009/10.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Nick Murley, Assistant Director Audit & Risk
Public/Exempt: Public
Wards Affected: All
Function of: Audit

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit and Risk Management are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

Financial:

None directly from this report.

Legal:

None directly from this report.

Risk Management:

No risk management implications come directly from this report but the Risk Management team have been actively working with Directors and Assistant Directors to identify and score strategic, directorate and service risk with the controls to mitigate these risks.

Staffing (including Trades Unions):

None directly from this report.

Equalities/Human Rights:

None directly from this report.

Community Safety:

None directly from this report

Sustainability:

None directly from this report

RECOMMENDATION:

That the Audit Committee note the progress made to date.

Background

1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit and Risk Management review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
2. In September 2009, the Audit Committee approved the 2009/10 internal audit plan, drawing information from the Audit Needs Assessment exercise that was being undertaken for the whole council to form that plan. This report sets out the progress of work undertaken against that 2009/10 plan and also details the work undertaken by the Risk Management team to date during 2009/10.

Progress on the 2009/10 Internal Audit Plan.

3. The Audit Needs Assessment informing our Strategic Internal Audit Plan is now almost complete. Members, however, will recall approving an initial 2009/10 Internal Audit plan in September 2009 using the headline information available at that time.
4. Discussions were held with the Audit Commission at an early stage to agree the approach to the 2009/10 Managed Audits. Regular meetings have since taken place discussing progress against these audits and to share some of the initial work completed.
5. Final reports for these managed audits will not be finished until early in the next financial year as the substantive transaction testing needs to cover the complete 2009/10 financial year.
6. The primary focus of the work undertaken to date in respect of the Managed Audits has been to document the system in detail, identifying the key controls and undertaking walkthrough testing to confirm whether the key controls identified are in operation. Further substantive testing will be undertaken to cover the complete 2009/10 financial year. Recognising the need to communicate some of our initial findings reports have been produced setting out our draft recommendations. The outcomes of these reports are set out later in the report.

7. Progress on all audits is given below:

Review Title	Progress
Accounts Payable	First stage final report issued
Accounts Receivable	Draft first stage report issued for comment
Main Accounting System	First stage final report issued
Cash & Banking	Work in progress
Treasury Management	Draft first stage report issued for comment
Payroll	First stage final report issued
Asset Management	Awaiting Asset Disaggregation to be agreed, but preliminary work commenced.
SWIFT Financials	Not yet started, but work scheduled for end February
National Non Domestic Rates	Work in progress
Council Tax	Work in progress
Housing Rents	Draft first stage report issued for Arrears. Rent calculation element is work in progress..
Housing Benefits	Draft first stage report prepared
SAP Access and Security	Brief prepared. Work scheduled for end February.
Other Audits	
Youth Foster Care	Draft report issued for comment.
Grants	Draft report prepared
Gifts and Hospitality	Draft report issued for comment
Leighton Buzzard Theatre	Final report agreed.
Teachers Pensions	Work in progress
EEDA Grant Claim	Fieldwork completed
Travel and Subsistence	Work In progress
Data Quality Management	Work In progress
Contactpoint	Preliminary work commenced.

8. Work has also been completed on the verification of two grant claims. Work on Section 256 and 28A agreements has previously been reported to the Committee. Internal Audit has also participated in the Purchasing Card Project, providing advice on the expected controls.

9. Our assurance ratings on all of the above will be reported to the April or June 2010 Audit Committee depending on completion.

National Fraud Initiative (NFI)

10. During the year we have also been completing work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches.
11. During 2009/10 we have been completing work started by the legacy authorities including matches around pension payments to registered deaths, matching payrolls between local authorities, and other matches including UK visas, blue badges, private residential care, and Housing Benefits.
12. As a result of our work to date £7,240 has been identified as being fraudulent from the former BCC data matches. No savings have been identified from either the South or Mid Beds portals. There are however a number of matches that are still being investigated.

Special Investigations

13. To date we have completed one special investigation which concluded there were no breaches of key controls or any fraudulent activity.
14. We currently have three further investigations underway and as soon as these have been concluded, the outcomes will be presented to the committee.

Schools

15. The audit plan includes provision for the external assessment of over 100 schools and on allowance of 335 days to complete the work against the Financial Management in Schools Standard (FMSiS). This includes first time assessments, re-assessments and slippage from previous years. Work on this has will continue to the end of the financial year.
16. Of the planned school FMSiS assessments, 39 have been finalised. 65% of the schools assessed have met the standard which equates to 51% of all Central Bedfordshire Schools.
17. Reports on the progress of the audit work have been taken to the Schools Forum in June 2009, September 2009 and January 2010.
18. In addition to the CBC schools, the team have also completed 15 Bedford Borough Council (BBC) school assessment that were in progress at the start of the financial year. As such BBC will be charged for this element of our work.

Audit Findings to date

19. Initial audit work has identified some control weaknesses. These have been reported to the responsible officers in draft reports in order that timely action may be taken.

20. It is important to recognise that not all auditees have had chance to discuss these recommendations and that they have only arisen from our initial work. As we begin to complete the substantive testing we may find that through more sample transaction testing some of the recommendations are not appropriate or more that recommendations are be made.
21. The table below sets out the draft recommendations made following the audit work completed to date, categorised as high, medium or low:

Audit	High	Medium	Low	Total
Payroll	4	4	1	9
Main Accounting System	4	6	0	10
Accounts Payable	0	5	0	5
Accounts Receivable	1	0	0	1
Housing Rent Arrears	1	9	0	10
Treasury Management	5	9	1	15
Gifts and Hospitality	3	4	3	10
Leighton Buzzard Theatre	4	16	0	20
Housing Benefits	3	0	0	3
Grants	0	7	1	8
Youth Foster Care	5	5	0	10

22. As mentioned above the final reports for these audits will not be finished until early in the next financial year and as a result it is too early to comment on any assurance ratings.
23. Future reports on the progress of actions addressing the high ranking recommendations will be presented to the Audit Committee once final audit reports have been issued.

Performance Management

24. The Internal Audit Charter approved by the Audit Committee in April 2009 requires Internal Audit to report its progress on some key performance indicators. Processes will be developed to ensure that progress reports contain periodically updated indicators.
25. The indicators include both CBC audit activities and school activity.

26. **Activities for 1 April – 31 December 2009**

KPI	Definition	How we performed	Our target
KPI01	Percentage of total audit days completed.	67%	80%
KPI02	Percentage of the number of planned reviews completed.	40%	80%
KPI03	Time taken to complete an audit within the planned time budget.	50%	80%
KPI04	Time taken to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	N/A	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	N/A	80%
KPI06	Overall customer satisfaction	85%	80%

27. Analysis of indicators:

KPI01 – In the first nine months we have delivered a total of 1,000 productive audit days against a total of 1,484 planned days for the year. This exceeds our target for the period.

KPI02 – This KPI measures final reports issued To date, 40% of the planned reviews have been completed to final report stage. However, this excludes work on managed audits for which the final report will not be issued until substantive testing is finalised.

KPI03 – Only 50% of planned reviews have been completed within the planned time budgets. This includes a number of school FMSiS assessments which have gone over budget. The approach to undertaking these reviews is currently being reviewed. Some audit reviews have taken longer than planned due to staff developing skills in using the new audit software. In addition, the integration of audit teams from three legacy authorities has required harmonisation of working practices and the development of staff to deliver a broader range of audits. Central Bedfordshire Council's systems are still developing which has resulted in additional audit time being taken to identify and document systems.

KPI04 - This indicator cannot be measured until final reports are issued.

KPI05 - This indicator cannot be measured until final reports are issued.

KPI06 - Of the 32 questionnaires sent out, 18 have been returned to date, giving a response rate of 56%. All returned questionnaires relate to FMSiS toolkit assessments. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 85%.

Progress on the 2009/10 Corporate Risk Management Strategy

28. The Corporate Risk Management Strategy was approved in February 2009 by the Shadow Executive and endorsed by the Audit Committee in April 2009. The framework supporting this strategy was also approved by the Audit Committee at the same meeting in April.
29. Since that time the Risk Management team have been actively working with Directors, Assistant Directors and Heads of Service to produce a Strategic Risk Register, Directorate and Service Risk Registers. All these registers will be held on the JCAD software.
30. The Strategic Risk Register was approved by the Executive on the 12 January 2010. Elsewhere on this agenda a report presents the Strategic Register and also provides a position statement on the progress of the directorate and supporting service registers.
31. The Risk Management team have also been working with colleagues on a number of project registers including Information Governance, the Interim accommodation Strategy, Customer Service Strategy, Building Schools for the Future, Climate Change and the BEaR project.

32. In respect of our insurance activity, the legacy JCAD insurance claims handling system has been successfully transferred as well as the legacy authority run off claims. CBC is responsible for dealing with these claims and as the balance sheet for Bedfordshire County Council is disaggregated, along with the consolidation of the district council balance sheets, appropriate funds will be transferred to cover the costs and administration of all of these claims.

Health & Safety

33. The Health and Safety Manager has produced a 2009/10 annual risk based health and safety audit plan for our buildings. This will be resourced using our insurers, contractors and our own staff.
34. To date 21 audits have been carried out to date. The Risk Management Corporate report, attached at Appendix A, gives more information around where the audits have been completed and what the key audit finds were.
35. The appendix also provide various information around other Risk Management team activity including the number of accidents that have occurred during the first three quarters of the year and the number of insurance claims closed or that are still open. Both the Health and Safety and Insurance teams have provided advice and support to management around these incidents.
36. In addition to the above the team have been actively involved in supporting the arrangements for dealing with the Swine Flu epidemic and the short term accommodation programme.
37. The Assessnet accident reporting system has been rolled out and we currently have 70% usage across the organisation. This system enables us to electronically record the number of accidents occurring across all of our sites including schools. We are continuing to support and train administrators and increase the usage across the council.

Training

38. A comprehensive 2009/10 Risk Management and Health & Safety training programme has been developed and is available to all staff and Members. As at 31 December 2009, 11 specific training sessions have been run by the team including working safely, managing safely and risk assessment training.
39. The Risk Management team also organised a Risk Awareness Week back in November 2009. This event was aimed at raising the profile of risk across the organisation and included over 89 sessions across the three main office locations. Unfortunately due to a lack of attendance some 66 sessions had to be cancelled including a session for Members on their health and safety responsibilities.
40. Feedback was sought from the senior management because of the poor levels of attendance and a consistent message given was down to lack of capacity at this time. Further conversations have since been had with the Organisational Development team to try and integrate any future training provision with the corporate organisational development plan.

Conclusion and Next Steps

41. Good progress has been made by both of the Internal Audit and Risk Management teams and has enabled us to advise management of some of the control weaknesses we have identified at an early stage.
42. Final audit reports will be issued during the early part of the next financial year and annual reports will be produced for both Internal Audit and Health & Safety.

Appendices:

Appendix A Risk Management Corporate Report
Strategic Risk Register (please refer to the appendix in the Executive report of 12 January 2010)

Background Papers:

2009/10 Internal Audit Plan – Audit Committee 21 September 2009

Location of papers: Priory House, Chicksands, Bedfordshire

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Risk Management Corporate Monthly Report Issued January 2010

This report sets out the issues relating to the management of risk within Central Bedfordshire Council for the first three quarters of 2009/10.

If you require further information on any of the issues reported please contact the Risk Management Team on 0300 300 8129 or email risk.management@centralbedfordshire.gov.uk

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1. Accident Report Summary

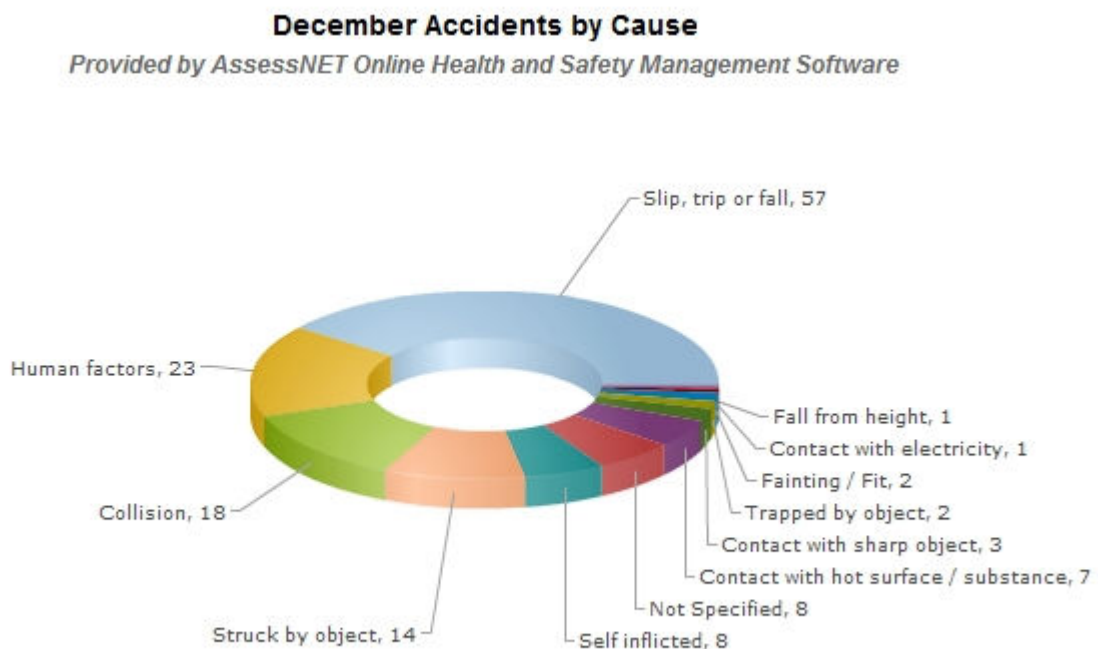
	Dec 09	Nov 09	Quarter1 (April- June 09)	Quarter2 (July Sept 09)	Quarter3 (Oct- Dec 09)	Year to Date (April-Dec 09)
Total number of workplace accidents	144	160	540	333	424	1,297
Number of RIDDOR¹ reportable accidents (see Appendix 1)	24	27	96	79	90	265

The table above captures the number of accidents for the first three quarters of 2009/10, a large proportion of which occurred at schools.

The number of accidents in Quarter 2 (July –Sept) were less than quarter 1 and 3 as schools are closed for the summer holidays.

2. Accident Statistics for December 2009

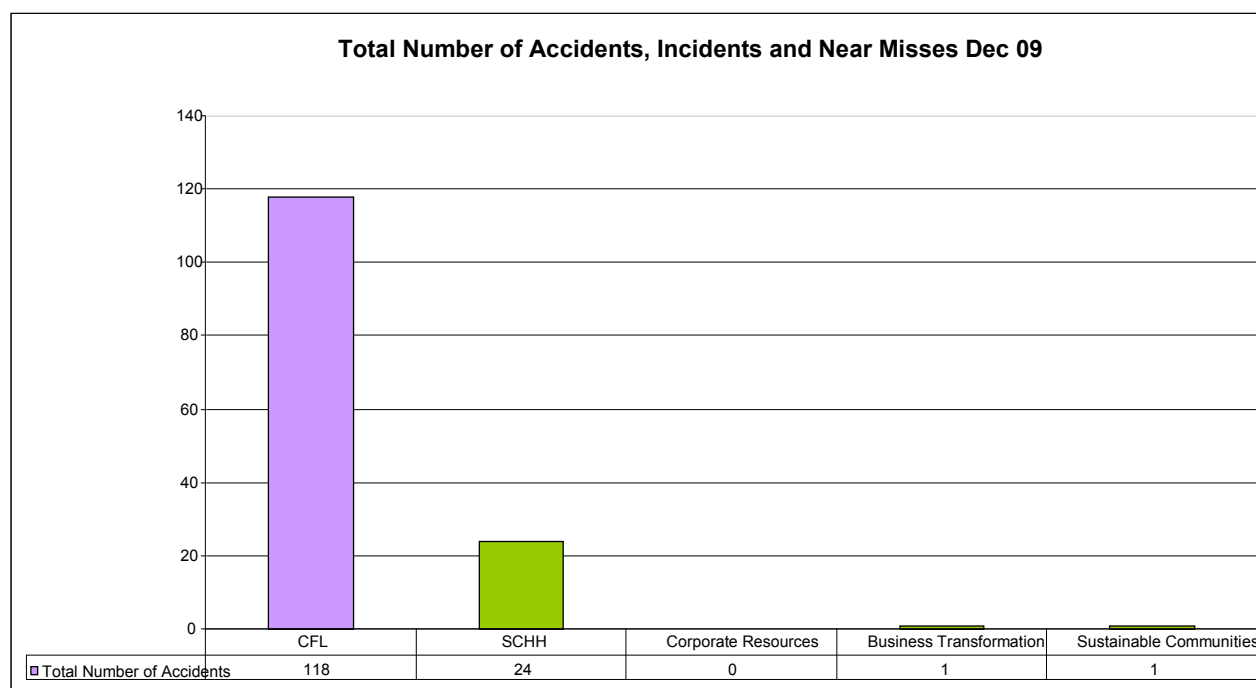
Pie Chart by Cause of Accident



40% of all accidents were slips/trips and falls related

¹ RIDDOR – Reporting Injuries, Diseases, Dangerous Occurrences Regulations

Table of Number of Accidents/Incidents by Directorates



3. Health and Safety Incidents of Interest

1. Ice and Snow

Description: Reports of members of staff and a Councillor slipping over on ice at various corporate buildings.

Current Situation: Michael Gallacher to review snow/ice risk assessment for corporate buildings. Risk Management liaising Library service to review snow/ice risk assessment and guidance.

2. Arnold Middle School

Description: 24/12/09 external canopy collapse

Current Situation: Loss adjusters attended the site with a structural engineer and forensic scientist to establish cause of collapse. Safety Message issued to all Bedfordshire schools on the 6th January advising them not to use area underneath cantilevered canopies until they have been assessed. Incident reported to Health and Safety Executive as Dangerous Occurrence. In view of snow/ice weather conditions across the country other Local Authorities Health & Safety teams were notified of incident through local Government Employers (LGE).

3. St Mary's Church, Clophill

Description: Central Bedfordshire Council own site and Ruin but it attracts anti social behaviour at night and there is risk of persons being injured.

Current Situation: Health & Safety to visit the site and advise on control measures to put in place to manage the risk.

4. Health and Safety Issues

1. Lone Working

Description: Central Bedfordshire Council has no Corporate Lone Working Policy. All legacy councils recognised risk to lone workers and identified the need to procure electronic lone worker monitoring devices. Currently there are various controls and mitigating measures in place for managing lone working throughout the council and service areas (no electronic devices in operation).

Action Taken: Risk Management has developed a Draft Corporate Lone Working Policy which requires consultation with Unions. Risk Management has also identified a provider of lone worker monitoring devices that already meets the Councils procurement rules. A trial of 10 electronic devices by the Public Protection team, Building Control and CFL Family Group Meeting team to commence at the end of January for 4 weeks. Risk Management will then evaluate this trial and feedback to the Corporate Risk Management Group.

2. Special Interest Register

Description: This register will hold information to help our customer facing teams know who they are dealing with. A process will be in place to capture and approve the information held on the register.

Action Taken: Meetings have been held with key customer facing teams to discuss reactivating the ex district process and register. The procedures have been discussed in principle and the database is currently being constructed on the CBC network. The register will then be completed and the process activated once communicated with the relevant teams and managers.

3. AssessNet (Online Accident and Incident Reporting System)

Description: The Council uses a web based on-line accident and incident reporting system for recording all accidents and incidents. Currently there is approximately 70% usage across the organisation.

Action Taken: To continue to support and train AssessNET administrators and market the system to increase usage to 100%.

4. Health and Safety Committee

Description: Unison has requested under the Safety Representatives and Safety Committees Regulations 1977 (as amended) Regulations that Central Bedfordshire sets up a Corporate Health and Safety Committee.

Action Taken: Due to current organisational changes it has been agreed with Human Resources to establish a Health and Safety Forum with a view to establishing a Health and Safety committee. The Safety Forum will be chaired by Nick Murley, Assistant Director Audit & Risk and attended by HR representatives and 2 representatives from Unison and GMB.

5. **Asbestos**

Description: Mouchel have not provided data from the annual visual inspection of condition asbestos in our schools or a programme of removal for 2009/10. Also bringing together 3 different legacy asbestos management systems and ensuring compliance to the Control of Asbestos Regulations 2006.

Action Taken: 2009/10 Asbestos budget has not been spent and identified for carry over into 2010/11 CFL capital budget. Our insurers, Zurich Municipal, are to carry out an H&S audit of the management of asbestos across the Council. Audits are commencing April 2010.

6. **Legionella**

Description: Bringing together three different legacy legionella management systems to ensure compliance to the approved Code Of Practice. The control of legionella bacteria in water systems.

Action Taken: Our insurers, Zurich Municipal to carry out an H&S audit of the management of legionella across the Council. Audits are commencing April 2010.

7. **SCARE Project**

Description: Partnership project with Bedfordshire and Luton Fire Authority and Bedfordshire Police, Luton and Bedford Borough to assess all schools for risk of arson.

Action Taken: All schools have been assessed for risk of Arson and individual school result sent to schools. All Bedfordshire schools were invited to attend a SCARE project Seminar on the 7th October 2009 @ Dunstable Fire Station to share the findings of Crime and Arson Risk assessment.

42 Central Bedfordshire schools have been identified as HIGH risk of arson. 16 of these will receive a joint SCARE visit from the Police and Fire Authority in 2009/10 to identify measures to help reduce the risk of arson and crime. H&S Officers from Central Bedfordshire have accompanied them on 2 visits to date.

5. Health and Safety Audits during December 2009

Audit Title	Scope of Audit	Directorate/Service Area	Date of Audit	Quarter	Status	Key Audit Findings
Hillcrest special school	Audit of Health and Safety management system	CFL/Schools	3/12/09	3	Audit Completed	Risk Assessment, maintenance
Weatherfield Middle school	Audit of Health and Safety management system	CFL/Schools	10/12/09	3	Audit Completed	Risk Assessment
Derwent lower	Audit of Health and Safety Management system following Ofsted failure of school	CFL/Schools	14/12/10	3	Audit Completed and report sent	Non existent Health and Safety management system in place

2009/10 Quarter 1-3 Health & Safety Audits

Audit Title	Scope of Audit	Directorate/Service Area	Date of Audit	Quarter	Status	Key Audit Findings
Priory House	Facilities Management	Corporate Resources/Property	27/05/09	1	Audit Completed and report sent	Fire safety, accident reporting and first aid
Dunstable offices	Facilities Management	Corporate Resources/Property	04/06/09	1	Audit Completed and report sent	Accident reporting, first aid and housekeeping
Melbourne House	Facilities Management	Corporate Resources/Property	15/06/09	1	Audit Completed	Fire safety, building maintenance
Vernon Place & Dunstable court house	Facilities Management	Corporate Resources/Property	18/06/09	1	Audit Completed and report sent	Fire safety, first aid and housekeeping
Arlesey Youth Centre	Full audit	CFL/Integrated Learning	23/06/09	1	Audit Completed	Asbestos, legionella, fire safety
Court House Woburn POP	Fire Safety/customer services	Corporate Resources/Property	14/07/09	2	Audit Completed and report sent	Fire safety and security
Houghton Regis POP	Customer services Security	Corporate Resources/Property	Security visit and RA completed	2	Audit Completed and report sent	Lone working, and management of violence and aggression

Haynes lower	Full Audit		13/07/09	2	Audit Completed and report sent	H&S policy, Fire safety and Housekeeping
Sundon lower school	Full Audit		10/07/09	2	Audit Completed and report sent	H&S Policy, Risk assessments, accident reporting and fire safety
Leighton Buzzard POP	Fire Safety/customer services Security	Corporate Resources/Property	Security visit and RA completed	3	Audit Completed and report sent	Personal safety
Biggleswade POP	Fire Safety/customer services Security	Corporate Resources/Property		3	Audit Completed and report sent	Good lone working systems in place. Fire safety issues
Stratton Upper Farm	Farm operation			3	Audit moved to 2010/11 programme	
Glenwood special school	Full audit	CFL/Specialist Services	30/11/09	3	Audit Re-scheduled to 26/3/09	
Hillcrest special school	Full audit	CFL/Specialist Services	03/12/09	3	Audit Completed	Risk Assessment, maintenance
Oakbank special school	Full audit	CFL/Specialist Services	26/11/09	3	Audit Completed	Risk Assessment, Fire safety
Weatherfield special school	Full audit	CFL/Specialist Services	10/12/09	3	Audit Completed	Risk Assessment
14-18 young apprenticeships	provision in place and changes in April 10	CFL/Learning and school support		3	Audit moved to 2010/11 programme	
All Saints Lower	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning	20/11/09	3	Audit Completed and report sent	PAT testing Stress management
Gothic Meade	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning		3	Gas leak and postponed until quarter 4	
Maulden	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning	19/11/09	3	Audit Completed	H&S policy, Swimming pool
Southlands Lower	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning	20/11/09	3	Audit Completed	Fire RA, stress, swimming pool
St Mary's (Clophill)	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning		3	School cancelled last minute rearranged for quarter 4	

The Firs	H&S and Security risk ranking	CFL/Leisure and cultural Adult and community learning	19/11/09	3	Audit Completed	Asbestos
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6. Corporate CBC Insurance Claims Summary

	Dec 09		Nov 09		Quarter1 (April- June 09)		Quarter2 (July Sept 09)		Quarter 3 (Oct- Dec 09)		Year to Date (April-Dec 09)	
	O	C	O	C	O	C	O	C	O	C	O	C
O= Open Claim C = Closed Claim												
Total number of Public Liability Claims Received	32	8	11	0	19	0	54	7	60	10	133	17
Total number of Employer Liability Claims Received	0	0	1	0	0	0	0	0	2	0	2	0
Total number of School Contents Claims Received	2	0	3	1	6	0	9	2	9	3	24	5
Total number of Property Claims Received	4	0	2	3	3	0	2	1	23	7	28	8

7. Run off Insurance Liability Claims for Legacy Authorities

	Public Liability Claims		Employer Liability Claims		Others Liability		Total	
	O	C	O	C	O	C	O	C
Bedfordshire County Council	250	278	34	6	2	1	286	285
South Bedfordshire District Council	41	234	0	0	7	0	48	234
Mid Bedfordshire District Council	3	0	1	0	0	0	3	1

8. Risk & Insurance Incidents of Interest

1. Arnold Middle School

Description: 24/12/09 external canopy collapse

Current Situation: The cause of the accident is being investigated which will determine how we are to deal with the costs of the incident.

2. St Mary's Church, Clophill

Description: Central Bedfordshire Council own site and Ruin but it attracts anti social behaviour at night and there is risk of persons being injured.

Current Situation: We have confirmed our insurance arrangements for this and other heritage sites

3. Albion Archaeology - site at Luton Aquatic Centre

Description: Work started at the site on 5th January and had plant (tracked mechanical excavator) delivered on the 06/01/10. Overnight (7/1/10) the plant was set on fire by vandals. At the time it was set on fire it was behind bolted HERAS (metal) fence panels. The Common itself is secured by several anti-vehicle gates (metal) making it relatively secure in terms of stopping theft - but less effective against pedestrian vandals.

Current Situation: Claim being dealt with by Zurich Municipal, loss adjuster appointed value of the plant at £75k.

9. Risk Registers

	Progress to Date	Action Required
Strategic Risk Register	Approved by the Executive on 12 January 2010.	Next review to be undertaken by CMT in April 2010.
Business Transformation	All services registers in draft which will feed into Directorate register.	Service registers to be signed off by Assistant Directors by the end of January 2010. Directorate registers to be signed off by Directors by the end of February 2010.
Corporate Resources	All services registers in draft which will feed into Directorate register.	
Children, Families & Learning	All services registers in draft which will feed into Directorate register.	
Social Care, Health & Housing	Some registers in draft and further meetings held to complete.	
Sustainable Communities	All services registers in draft which will feed into Directorate register.	

10. Events/Training Plan for January-March 2010

Course	Date	Venue
IOSH Working Safely	3 rd February	Priory House, Chicksands
Site Agent = 2 Days	5 th and 12 th March	
IOSH Managing Safely	2 nd and 3 rd March 9 th and 10 th March	Priory House, Chicksands
Managing Medicines Course	TBC	
Fire risk assessment	TBC	

17 Days of H&S Training has been delivered up to end of December 2009 by Health and Safety

Appendix 1 - HSE RIDDOR Reportable Accidents for Dec 2009

Total 24 Reportable accidents

17 school pupil related accidents

3 employee related accidents

3 accidents involving members of public who went directly to hospital

1 Dangerous occurrence (canopy collapse)

Directorate	Location	Date of Accident or Incident	Person Injured	Description of What Happened	HSE Category	Cause of Injury
CFL	Fulbrook Middle School	1/12/09	Pupil	Playing basketball and the IP bent his thumb back.	Taken to hospital	Moving object
CFL	Robert Bloomfield Middle School	1/12/09	Pupil	IP bumped into another pupil injuring her nose	Taken to hospital	Hit by moving object
CFL	St Andrews VC Lower School	1/12/09	Pupil	IP fell from the climbing wall	Taken to hospital	Fall from height
CFL	Holmead Middle School	2/12/09	Pupil	Fell and bumped head	Taken to Hospital	Slip, trip fall
CFL	All Saints Academy	3/12/09	Pupil	Whilst playing rugby he made a tackle and fell in pain	Taken to Hospital	Other
CFL	Manshead Upper	3/12/09	Pupil	IP put foot down awkwardly	Taken to hospital	Other
CFL	Hillcrest Special School	4/12/09	Employee	IP was grabbed by a pupil	Over three day injury	Human Factors
CFL	Linslade Middle School	7/12/09	Pupil	IP was playing hockey and was struck by hockey stick	Taken to Hospital	Hit by object

Directorate	Location	Date of Accident or Incident	Person Injured	Description of What Happened	HSE Category	Cause of Injury
CFL	All Saints Academy	8/12/09	Member of public	Fell from kerb	Taken to Hospital	Fall
CFL	Mandhead Upper	09/12/09	Pupil	Fell on arm	Taken to Hospital	Fall
CFL	Manshead Upper	09/12/09	Pupil	Caught thumb in door	Taken to hospital	Other
CFL	Manshead Upper	09/12/09	Pupil	Fell on shoulder awkwardly whilst playing rugby	Taken to hospital	Fall
CFL	Southlands Lower School	09/12/09	Pupil	Collided with another pupil	Taken to hospital	Other
CFL	All Saints Academy	10/12/09	Pupil	Jumped off Trampoline	Taken to hospital	Other
CFL	Parkfields Middle School	11/12/09	Pupil	Playing rugby another pupil stood on the IP's hand	Taken to hospital	Fall
CFL	Queensbury Upper	11/12/09	Employee	Fainted and fell down stairs	Taken to hospital and remained for more than 24 hours	Fall
CFL	Redbourne Upper	11/12/09	Pupil	IP landed awkwardly on her ankle	Taken to hospital	Fall
CFL	Linslade Upper	14/12/09	Pupil	Fell During PE	Taken to hospital	Fall
CFL	Maple Tree Lower	17/12/09	Pupil	Fingers Caught in door	Taken to hospital	Other

Directorate	Location	Date of Accident or Incident	Person Injured	Description of What Happened	HSE Category	Cause of Injury
CFL	All Saints Academy	17/12/09	Pupil	Shut door on Finger	Taken to hospital	Other
SCHH	Houghton Lodge	18/12/09	Employee	Fell on icy road	Over three day injury	Fall
Sustainable Communities	HWRC Ampthill	19/12/09	Member of public	Fell near skip	Taken to hospital	Slip, trip fall
SCHH	Linsel House	19/12/09	Member of public	Hit by a client	Taken to hospital	Physically assaulted
CFL	Arnold Middle School	24/12/09	Damage to property	Canopy collapsed	(Dangerous Occurrence) Collapse of structure	

IP – Injured party

Meeting: Audit Committee
Date: 27 January 2009
Subject: Third Quarter Close 2009/10 and Progress on IFRS Implementation
Report of: Director of Corporate Resources
Summary: The report provides information on proposals to carry out a third quarter close (to 31 December 2009) and update on progress made in meeting IFRS reporting requirements.

Contact Officer: Barry Williams, Interim Chief Accountant
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

None.

Financial:

No direct effects, although the exercise will help to provide information on Council balances and identify potential impacts on current spending.

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Safety:

None

Sustainability:

None

RECOMMENDATION(S):

1. that the
 - (a) **Committee note the contents of the report**

Background

1. The Council is required to prepare its annual accounts for presentation to the Audit Committee by the 30 June. To ensure a successful closure process, a third quarter closure is considered to be an important step to accelerate, as far as possible, a number of year-end and ongoing processes prior to the end of the financial year, thereby reducing the work that will have to be undertaken after 31 March.
2. The process has also been developed to incorporate changes to the Statement of Accounts itself arising from both the application of the 2009 Statement of Recommended Practice and the need to generate a Statement of Accounts for Central Bedfordshire Council for the first time.

The Approach

3. The key emphasis of the third quarter close will be;
 - To develop and embed year-end procedures,
 - To consolidate the balance sheets and supporting information from predecessor authorities.
 - To accelerate, where possible, a number of ongoing and year-end processes prior to the end of the financial year.
4. There are a number of outputs expected as a result of this exercise;

a) Format of Accounts

A draft Statement of Accounts will be produced for Central Bedfordshire, including the Housing Revenue Account transferred from South Bedfordshire District Council.

b) The Core Financial Statements

Within the Statement of Accounts the core financial statements will be prepared to ensure compliance with the Best Value Accounting Code of Practice and the 2009 Statement of Recommended Practice.

c) Statement of Accounting Policies

Work is being carried out to harmonise accounting policies of the predecessor authorities. These policies will be evaluated against existing processes to ensure they are compatible. A key part of this work is centred around asset valuation policies due to the large variation in the existing policies of the predecessor authorities due to their respective sizes.

d) Balance Sheet Disaggregation / Opening Balances

The final disaggregation of the balance sheet is expected to be completed by the end of January. That part of the balance sheet that will transfer over to Central Bedfordshire plus the balance sheet values from Mid and South Bedfordshire will form the opening balances for the Council at 1 April 2009.

e) Control and Suspense Accounts

All key control and suspense accounts will be reconciled to 31 December by the end of January. This work will be clearly evidenced and be available for inspection by audit.

f) Support Services and Management Overheads

A significant amount of preparation work will be needed to develop processes to enable the allocation of support services and management overheads to directly managed services to comply with definition of total cost within the Best Value Accounting Code of Practice.

5. External audit are being consulted over the third quarter closure process at an early stage and this will form part of the early audit work in relation to the 2009/10 closure.

International Financial Reporting Standards (IFRS)

6. The Council will be required to compile its Statement of Accounts for 2010/11 using IFRS, rather than the current UK Generally Accepted Accounting Practice. This will initially have quite a dramatic effect on both the level of work required to do the closure and the format of the accounts themselves.
7. During 2009/10 the Council has put in place a number of working groups to look at the major areas affected by the introduction of IFRS. The major areas affected are:
 - **PFI projects**, which are covered within the 2009 SORP, and effectively bring PFI projects on to the Council's balance sheet. The Council currently has a PFI project for the improvement of two schools within Mid Bedfordshire at Harlington Upper School and Samuel Whitbread Community College both of which have been granted Foundation School status and are therefore no longer owned by the Council. Discussions are underway with the Audit Commission about the treatment of this project in the 2009/10 Statement of Accounts.
 - **Employee Benefits** including accrued holiday pay. This could involve the Council incurring a significant one year cost for the initial accrual of these benefits, particularly for teachers holiday pay. The Department of Communities and Local Government issued a consultation paper on 17 November 2009 which proposed that this accrual would not be required and the cost would be accounted for in the year the benefits were taken. The results of the consultation are still awaited but it is hoped that the potential cost of the proposal will not now arise.

- **Leases.** IFRS proposes that leases which transfer most or all of the benefits to the lessee will be classed as a finance lease, rather than an operating lease as at present. The impact of this would be to transfer revenue income to capital and adversely affect the revenue position of the Council. Every lease the Council pays, or receives income for, needs to be examined to see what level of risk and reward passes to or from the Council. This will involve a significant level of work, particularly by Property Services, and the impact of this change has yet to be assessed. The consultation paper mentioned earlier also covers this issue and the proposal is to “exempt” all existing leases entered into by the date of the consultation i.e. 17 November 2009, but to introduce IFRS rules for all subsequent lease transactions, which is the preferred option of the Council.
- **Property, Plant and Equipment.** All investment and surplus properties will have to be re-assessed to meet the respective definitions under IFRS. An investment property must be held solely for purposes of income creation or capital gain. Assets which are currently classed as investment properties, such as industrial estates or office developments, were generally built as a result of council policies, such as economic regeneration and would therefore fall outside of this definition. Others such as shops and town centre developments might more appropriately fall within the IFRS definition. Surplus properties can only be classified as such under IFRS if the Council has passed a resolution to dispose of the asset and it actively pursuing its disposal. Land and property holdings that are surplus to requirements may therefore have to be re-classified under this definition.
- **Grants and contributions.** There are some technical accounting changes surrounding the treatment of grants and contributions but none of these impact on the overall finances of the Council.

The Corporate Resources Leadership Team received a report updating the position on IFRS on 16 December 2009. The individual project teams dealing with IFRS issues are developing delivery plans to prepare for IFRS and are expected to report back to CRLT and will receive further updates on an ongoing basis.

Finance staff are preparing new financial statements for 2010/11 to reflect IFRS and are assessing the work involved in re-stating the 2009/10 Statement of Accounts to enable meaningful comparisons between 2009/10 and 2010/11 to take place will be expected to be completed by 30 June 2010.

High Risk Areas

8. The evaluation of high risk areas within the process will be influenced by the findings of interim managed audits and the recommendations contained within the Annual Governance Reports of the predecessor authorities. Particular reference will however be made to the reserves and provisions to be transferred to the Council to see if they are adequate in the light of the commitments and budget pressures facing the Council.

Conclusion

9. A third quarter close will help to prepare for a full accounts closure at 31 March as the amount of work to be carried out at that time will be reduced and potential problem areas will be identified at an early stage.
10. A significant proportion of the work surrounding the closure of accounts is carried out within Finance but there are important areas requiring input from other sections and third parties. By carrying out a third quarter close it is anticipated that difficulties in this area will also be identified at an early stage leading overall to a smooth closure process generally.

Background Papers: (open to public inspection)

Statement of Accounts 2008/09 – Bedfordshire CC, Mid and South Beds District Councils

Location of papers: Borough Hall, Bedford

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2009/10 – 2010/11 Audit Committee Outline Work Programme

Item	Responsible Officer	27 January 2010	12 April 2010	28 June 2010	27 September 2010	24 January 2011	11 April 2011
To receive the Annual Audit Letter for Central Bedfordshire District Council.	Audit Commission						
Progress on the Strategic and Directorate Risk Registers.	Assistant Director Audit & Risk						
To note the progress on 2009/10 closure process.	Assistant Director Financial Services						
To receive the 2010/11 Audit Commission Annual Audit Opinion.	Audit Commission						
To approve the Annual Internal Audit Strategy and Audit Plan.	Assistant Director Audit & Risk						
To note the 2009/10 opening balances for Central Bedfordshire following Balance Sheet Disaggregation.	Assistant Director Financial Services						
Draft 2009/10 Annual Governance Statement.	Assistant Director Legal & Democratic/ Assistant Director Audit & Risk						

2009/10 – 2010/11 Audit Committee Outline Work Programme

Item	Responsible Officer	27 January 2010	12 April 2010	28 June 2010	27 September 2010	24 January 2011	11 April 2011
To approve the 2009/10 Annual Governance Statement.	Assistant Director Legal & Democratic						
To approve the Central Bedfordshire Statement of Accounts.	Assistant Director Financial Services						
To receive the audit findings as set out in the 2009/10 Annual Governance Report (ISA 260) for Central Bedfordshire Council.	Audit Commission						
To note the progress on Internal Audit Report recommendations.	Assistant Director Audit & Risk						
To note the Internal Audit & Risk Management Progress Report.	Assistant Director Audit & Risk						
Progress report form the Audit Commission	Audit Commission						
Consider the Work Programme of the Audit Committee.	Chairman						