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Council  
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Monks Walk  
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**please ask for** Devina Lester  
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**date** 18 June 2009

## **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

Date & Time

**Monday, 29 June 2009 at 9.30 a.m.**

Venue at

**Room 14, Priory House, Monks Walk, Shefford**

Jaki Salisbury  
**Interim Chief Executive**

To: The Chairman and Members of the AUDIT COMMITTEE to be announced at Council Meeting on 18 June 2009.

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. **MINUTES**

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 6 April 2009.

(previously circulated)

3. **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

4. **CHAIRMAN' S ANNOUNCEMENTS**

To receive any announcements from the Chairman and any matters of communication.

5. **PUBLIC PARTICIPATION**

To deal with general questions and statements from members of the public in accordance with the Public Participation Procedure as set out in section A4 of the Constitution.

6. **PETITIONS**

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

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

<b>Item</b>	<b>Subject</b>	<b>Page Nos.</b>
8	<b>Audit Commission's Code of Audit Practice</b>  To consider the Code of Audit Practice from the Audit Commission.	* 1 - 28
9	<b>Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies</b>  To consider the Statement of Responsibilities of Auditors and Audited Bodies from the Audit Commission.	* 1 – 20
10	<b>2008/09 Internal Audit Reviews</b>  The report details the outcomes of the Internal Audit reviews undertaken during 2008/09 which will form part of the evidence required to approve the 2008/09 Annual Governance Statements for the legacy authorities.	* 10/1 – 10/12
11	<b>Annual Governance Statements for the Legacy Authorities</b>  The report proposes that the revised 2008/09 Annual Governance Statements are approved for the three legacy authorities.	* 11/1 – 11/45
12	<b>Annual Audit Letter for the Citizens' Services Partnership</b>  The report proposes that the Audit Committee note the Audit Commission Annual Audit Letter relating to the former Citizens Services Partnership and endorses the review undertaken by the Joint Authority Member Task Group.	* 12/1 – 12/46
13	<b>2009/10 Audit Committee Outline Work Programme</b>  The report proposes a Work Programme for the Audit Committee for 2009/10.	* 13/1 – 13/5

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# Code of Audit Practice 2008

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**Public Sector**

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July 2008

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 **audit.**  
commission

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

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

**For further information about the Audit Commission, visit our website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).**

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## © Audit Commission 2008

This is an amended edition, which replaces the Code first published in March 2005 by the Audit Commission for local authorities and the National Health Service in England, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

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# Foreword to the 2005 code

We are pleased to present the Audit Commission's new Code of Audit Practice for local government bodies.

The Code determines the nature, level and scope of local audit work and, as such, underpins all of our activities. It has been developed with the benefit of input from a range of key stakeholders who have responded to consultation documents and worked with us to produce a Code which will provide a robust framework for the delivery of the Commission's strategic aims and objectives over the next five years.

At the core of the Commission's strategy is a commitment to Strategic Regulation and the Code embodies the key principles which will contribute to the delivery of Strategic Regulation in practice.

We believe that this Code will produce benefits for local government bodies by maximising the impact and minimising the burden of regulation. It will result in:

- a more streamlined audit targeted to those areas where auditors have most to contribute to improvement;
- specific auditor judgements in respect of value for money, with a focus on overall financial and performance management arrangements;
- a reduction in mandatory value for money work on individual services and functions;
- better and clearer reporting of the results of audits; and
- auditors working in partnership with other regulators to provide a coherent and co-ordinated approach.

Our mission is to be a driving force in the improvement of local public services. The Code will enable us to provide the assurances on proper stewardship and value for money in the use of resources which underpin the delivery of high quality services to the public.



**James Strachan** *Chairman*



**Steve Bundred** *Chief Executive*



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# Preface

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## The role of external audit in the public sector

External audit is an essential part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. External auditors in the public sector give an independent opinion on public bodies' financial statements and may review, and report on, aspects of the arrangements put in place by public bodies to ensure the proper conduct of their financial affairs and to manage their performance and use of resources. Because of the special accountabilities attached to public money and the conduct of public business, external audit in the public sector is characterised by three distinct features:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements, but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources; and
- auditors may report aspects of their work to the public and other key stakeholders.

These features are consistent with the 'principles of public audit' as defined by the Public Audit Forum, which comprises all the national audit agencies in the UK.

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## The role of the Audit Commission

The Audit Commission (the Commission) is an independent body with statutory responsibilities to regulate the audit of local government and NHS bodies in England, and to promote improvements in the economy, efficiency and effectiveness of public services. The Commission also has statutory responsibilities to carry out inspections of best value authorities and to assess the performance of local authorities. In particular, the Commission is responsible for:

- appointing auditors to local government and NHS bodies;
- setting the required standards for its appointed auditors; and
- regulating the quality of audits.

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# Preface

The Commission appoints auditors from the Commission's own staff and from private firms of auditors. It provides advice and support to auditors on technical matters and monitors their performance through a rigorous quality review process. Once appointed, auditors carry out their statutory and other responsibilities, and exercise their professional judgement, independently of the Commission.

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## Statutory responsibilities and powers of appointed auditors

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998 and Local Government Act 1999. In discharging these specific statutory responsibilities and powers, auditors are required to carry out their work in accordance with the Commission's *Code of Audit Practice* (the Code).

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## The Code of Audit Practice

The Audit Commission Act 1998 (the Act) requires the Commission to 'prepare, and keep under review, a *Code of Audit Practice* prescribing the way in which auditors [appointed by the Commission] are to carry out their functions under the Act, and which embodies what appears to the Commission to be the best professional practice with respect to the standards, procedures and techniques to be adopted by auditors'.

The Act also provides for the preparation of 'a different *Code* with respect to the audit of the accounts of health service bodies as compared with the *Code* applicable to the accounts of other bodies'.<sup>1</sup>

Under the Local Government Act 1999 the Commission is also required to prepare and keep under review a code of practice prescribing the way that

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<sup>1</sup> This Code covers the audits of local government bodies. These comprise the various bodies that provide public services locally, including local authorities, fire authorities, police authorities, local councils and local probation boards. It also incorporates the code relating to the audit of best value performance plans. A separate Code has been prepared for the audits of NHS bodies.

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auditors should carry out their functions in relation to the audit of best value performance plans. The Commission has prepared a combined *Code*, to emphasise the integrated nature of the Commission's audit regime and also, for practical purposes, to provide a single point of reference on the Commission's audit requirements, for both auditors and interested parties. Paragraphs 21, 31 and 41 relate specifically to the responsibilities of auditors of local government bodies in relation to best value performance plans.

The *Code* must be read in conjunction with any regulations that are in force under section 27 of the Act.

The Commission is committed to keeping the *Code* up to date to reflect changes both in the operating environment of audited bodies and in auditing standards and practice, and may amend the *Code* where appropriate in the light of practical experience.

The *Code* must be approved by a resolution of each House of Parliament at intervals of not more than five years. In the intervening period, the *Code* may be amended by laying proposed alterations before Parliament. The *Code* prescribes the way in which auditors are to carry out their functions under the Act and, where relevant, section 7 of the Local Government Act 1999.

In addition to the *Code*, the Commission publishes separate documents that are aimed specifically at audited bodies and members of the public:

- **Statement of Responsibilities of Auditors and of Audited Bodies** – which highlights the different responsibilities of the auditor and the audited body, and the limits on what the auditor can reasonably be expected to do;
- **Council Accounts: Your Rights** – which sets out the rights of members of the public to inspect, and of local electors to question and object to, local government bodies' accounts, and explains the powers of the auditor; and
- **Something to Complain About?** – which explains how audited bodies or members of the public can complain about the work of the Commission and its auditors.

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## The Commission's model of public audit

The *Code* has been developed on the basis of the Commission's model of public audit, which defines auditors' responsibilities in relation to:

- the financial statements of audited bodies; and
- audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources.

The model reflects the Commission's concept of an 'integrated audit', in which work in relation to one element of the audit informs audit work in relation to other elements. Central to auditors' work in relation to each of these audit responsibilities is a risk-based approach to audit planning, which reflects their overall knowledge of the audited body's business and assessment of the relevant business risks that it faces.

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## The contents of the *Code*

The *Code* comprises five sections:

- general principles;
- auditing the financial statements;
- auditors' responsibilities in relation to the use of resources;
- reporting the results of audit work; and
- principles relating to the exercise of specific powers and duties of local government auditors.

**Schedule 1** to the *Code* provides for the audit of small bodies.

**Appendix 1** contains a glossary of terms.

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# 1 | General principles

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## Status and application of the Code

**1** This *Code* is an amended version of the *Code* that was approved by resolution of each House of Parliament under section 4 of the Act and section 8 of the Local Government Act 1999 with effect from 9 March 2005. The amended *Code* was laid before Parliament under section 4 of the Act on 21 July 2008. The provisions of this amended *Code* apply to audit work that relates to financial years ending on or after 31 March 2008.

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## Scope of the Code

**2** This *Code of Audit Practice (Code)* prescribes the way in which auditors of local government bodies, as defined in Schedule 2 of the Audit Commission Act 1998 (the Act), appointed by the Audit Commission (the Commission) should carry out their functions under the Act, and the way in which auditors should carry out their functions in relation to the audit of best value performance plans under section 7 of the Local Government Act 1999. As with any code that attempts to cover a wide variety of circumstances, the application of the *Code* in any particular case will depend on the specific circumstances and on auditors' assessment of what is reasonable and appropriate in those circumstances. All the provisions of the *Code* are to be read and applied with that necessary qualification.

**3** The Commission may wish to appoint different auditors to carry out different elements of the audit at an audited body. In such cases, auditors should apply the *Code* in so far as, in their judgement, it is

appropriate, taking into account any relevant guidance issued by the Commission.

**4** There will be circumstances in which aspects of the *Code* that are potentially applicable may be inappropriate to the audit of certain bodies, for example, because of the nature of their business or the relatively small amounts of public money controlled by the bodies in question. In carrying out the audit of such bodies auditors should apply the *Code* in so far as, in their judgement, it is appropriate, taking into account the nature of the business of the body and any relevant guidance issued by the Commission. In carrying out the audit of bodies with either annual income or annual expenditure below a financial limit determined by the Commission from time to time, auditors should apply Schedule 1 to the *Code* if directed to do so by the Commission.

**5** From time to time, when necessary, the Commission also issues guidance to auditors. The Commission does so under its powers under section 3(8) of the Act and paragraph 7 of Schedule 1 to the Act, to appoint auditors and to determine their terms of appointment.

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## Scope of the audit and auditors' objectives

**6** Because of the special accountabilities attached to public money and the conduct of public business, the scope of external audit in local government is extended to cover not only the audit of the financial statements but also the audited body's arrangements for securing economy, efficiency and effectiveness in its use

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# 1 | General principles

of resources. The audit of the financial statements is covered by professional auditing standards and so this *Code* focuses more on how the wider range of functions of auditors appointed by the Commission should be carried out.

**7** Auditors' objectives are to review and report on, to the extent required by the relevant legislation and the requirements of this *Code*:

- (a) the audited body's financial statements and its statement on internal control; and
- (b) whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**8** Auditors should plan and carry out their audits to meet these audit objectives and comply with the requirements of the *Code*. Overall responsibility for carrying out an audit that meets these objectives is the responsibility of the appointed auditor.

**9** Auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

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## The audit approach

**10** Auditors should carry out the audit economically, efficiently and effectively, and in as timely a way as possible. In framing an audit approach to meet the objectives of the audit, they should:

- (a) plan and perform the audit on the basis of their assessment of audit risks, determining where to direct their work and to allocate resources to ensure that the audit is tailored to the circumstances of the audited body. They should obtain such information and explanations as they consider necessary to provide themselves with sufficient evidence to meet their responsibilities under statute and the *Code*. Auditors are not expected to review or perform detailed tests of all financial or other systems and processes or of all accounting procedures and transactions;
- (b) have regard to the principle that each part of the audit needs to be viewed in the context of the whole, or integrated, audit. No one part stands alone and work in relation to one element of the audit informs work in relation to other elements;
- (c) have regard to the fact that local government bodies operate and deliver their services in a range of partnerships and other forms of joint working or contracts with other public sector, voluntary or private sector bodies. Auditors should therefore consider whether they need to follow public money into and across such arrangements;
- (d) discuss with the audited body the need for timely and effective production of working papers and other information required for audit so that the process can be carried out as efficiently and effectively as possible;

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- (e) establish effective co-ordination arrangements with internal audit. Auditors should seek to place maximum reliance on the work of internal audit whenever possible;
  - (f) co-operate with other external auditors and the Commission, and provide information to the Commission (both locally and nationally), to enable knowledge of good practice to be transferred effectively across local government and from one audited body to another;
  - (g) have regard to the wider system of regulation of local government bodies, and establish effective co-ordination arrangements with the Commission and other statutory inspectorates to minimise the burden of regulation on audited bodies, so far as is consistent with the discharge of auditors' responsibilities, and to make best use of overall audit and inspection resources; and
  - (h) adopt a constructive and positive approach wherever possible, thereby supporting and encouraging worthwhile change, while providing independent scrutiny and assurance, and fulfilling their statutory and professional responsibilities.

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## **Integrity, objectivity and independence**

- 11** Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence, or might give rise to a reasonable perception that their independence could be impaired.

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## **Confidentiality**

- 12** Auditors should take all reasonable steps to ensure that they and their staff comply with relevant statutory and other requirements relating to the holding and disclosure of information received or obtained during the audit.

# 2 Auditing the financial statements

This section sets out how auditors fulfil the following statutory functions. References in the table are to the Audit Commission Act 1998.

Function	Statute
1 To be satisfied that the accounts comply with statutory requirements.	s5(1), (b), (c)
2 To be satisfied that proper practices have been observed in compiling the accounts.	s5(1)(d)
3 To express an opinion on the accounts.	s9(1)(b)

**13** The financial statements, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly (or, for local probation boards,<sup>1</sup> give a true and fair view of) the financial position of the body and its expenditure and income.

**14** The audited body is also responsible for preparing and publishing with its financial statements a statement on internal control.

**15** Auditors are required to audit the financial statements and to give their opinion, including:

- (a) whether they present fairly, or, for local probation boards, give a true and fair view of, the financial position of the audited body and its expenditure and income for the year in question;
- (b) whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards; and
- (c) for local probation boards, on the regularity of their expenditure and income.

<sup>1</sup> Although local probation boards are local government bodies for the purposes of this Code, they are not local authorities. In particular, local probation boards are subject to a different accounting framework from other bodies covered by this Code. Where relevant, requirements that apply specifically to local probation boards are highlighted in the Code.



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- 16** In carrying out this responsibility, auditors should provide reasonable assurance that the financial statements:
- (a) are free from material mis-statement, whether caused by fraud or other irregularity or error;
  - (b) comply with statutory and other applicable requirements; and
  - (c) comply with all relevant requirements for accounting presentation and disclosure.

- 17** Auditors should review whether the statement on internal control has been presented in accordance with relevant requirements and they should report if the statement:
- does not meet these requirements;
  - is misleading; and/or
  - is inconsistent with, or incomplete in the light of, other information of which the auditor is aware.

In doing so auditors should take into account the knowledge of the audited body that they gain through carrying out audit work in relation to the body's arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 18** In carrying out their audit of the financial statements in accordance with the *Code*, auditors should comply with auditing standards currently in force, and as may be amended from time to time, and have regard to any other relevant guidance and advice issued by the Auditing Practices Board (APB), including that covering the work of auditors in relation to audited bodies' statements on internal control. Auditors should also comply with the APB's Ethical Standards currently in force, and as may be amended from time to time.

# 3 Auditors' responsibilities in relation to the use of resources

This section sets out how auditors fulfil the following statutory functions. References in the table are to the Audit Commission Act 1998 unless otherwise stated.

Function	Statute
1 To be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.	s5(1)(e)
2 Where the Commission has issued a direction under section 44 of the Act requiring relevant bodies to publish information relating to their activities, to be satisfied that such audited bodies have proper arrangements for collecting, recording and publishing the information.	s5(1)(f)
3 To audit the annual performance plan published by a best value authority.	s7(1) Local Government Act 1999

**19** It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;

- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption.

**20** The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

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## Auditors' responsibilities in relation to the use of resources

**21** Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements and report on these arrangements. Auditors of best value authorities also have a responsibility to consider, and report on, the audited body's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

**22** Auditors' sources of assurance in discharging their responsibilities in relation to audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources are:

- the audited body's whole system of internal control as reported on in its statement on internal control;
- the results of the work of statutory inspectorates, if the results of the work have an impact on their responsibilities;
- work specified by the Commission in support of carrying out its functions; and
- any other work that they feel necessary to discharge their responsibilities.

**23** Auditors should normally place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance without carrying out procedures to assess the quality of the work performed and without re-performing any of the work, except where particular circumstances or information lead them to conclude that it would not be reasonable to place reliance on such reported results.

**24** In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. The audited body is responsible for deciding whether and how to implement any recommendations made by auditors. In making any recommendations, auditors should avoid any perception that they have any role in the decision-making arrangements of the audited body.

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## Considerations relating to planning audit work in relation to the use of resources

**25** In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors should consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body, and are relevant to auditors' responsibilities

# 3 Auditors' responsibilities in relation to the use of resources

under the *Code*. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors should discuss their assessment of risk with the audited body.

**26** Auditors' assessment of risk should reflect their consideration of the relevance and significance of the potential business risks faced by all bodies of a particular type, and other risks that apply specifically to individual audited bodies. Auditors should also consider the audited body's own assessment of the risks it faces and the arrangements put in place by the body to manage and address its risks. In assessing risks in relation to audited bodies' arrangements to secure economy, efficiency and effectiveness auditors should have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work;
- the results of assessments of performance carried out by the Commission;
- the work of other statutory inspectorates; and
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

**27** On the basis of their risk assessment auditors should plan their work and decide whether to:

- highlight the risk to the audited body;
- defer any work in the light of current or planned work by the body or other review agencies; or
- carry out work in relation to specific risks to form a view on the adequacy of aspects of the body's stewardship and governance and corporate performance management and financial management arrangements.

**28** In considering whether to carry out work in relation to a particular risk, auditors should have regard to the potential for them to contribute to improvement in the delivery of the functions of the audited body. Such work may include working with others in order to assess how well risks arising from the audited body's involvement in partnerships or other joint-working arrangements are being addressed.

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## Risks identified by the Commission

**29** The Commission may identify risks relating to the use of resources faced by all local government bodies of a particular type or within a locality. In the light of these risks the Commission may develop programmes of work or studies that require comprehensive coverage by auditors to enable comparisons to be made. The Commission may specify additional elements of work, to be carried out by auditors, which supplement the local risk-based approach to planning the audit.

# 4 Reporting the results of audit work

This section sets out how auditors fulfil the following statutory functions. References in the table are to the Audit Commission Act 1998 unless otherwise stated.

Function	Statute
1 To comply with the <i>Code</i> .	s5(2)
2 To consider whether, in the public interest, to report on any matter that comes to the attention of the auditor so that it may be considered by the body concerned or brought to the attention of the public.	s8
3 To certify the completion of the audit.	s9(1)(a)
4 To express an opinion on the accounts.	s9(1)(b)
5 To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	s11(3)
6 To report on an audited body's best value performance plan, including recommendations whether the Commission should carry out a best value inspection of the body under s10 of the Local Government Act 1999 and whether the Secretary of State should give a direction under s15 of that Act.	s7(4) Local Government Act 1999

## Outputs from the audit

**30** The results of audit work will be reported in a range of outputs that, unless specified otherwise, should be addressed to the audited body.

**31** The following outputs should be issued at key points in the audit process:

- (a) audit planning document;
- (b) oral and/or written reports or memoranda to officers and, where appropriate, members, on the results of, or matters arising from, specific aspects of auditors' work;

(c) a report to those charged with governance summarising the conclusions of the auditor;

(d) an audit report including the auditor's opinion on the financial statements<sup>1</sup> and a conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For best value authorities this conclusion incorporates the auditor's report on the audit of the best value performance plan;

<sup>1</sup> For local probation boards the opinion on the financial statements includes the auditor's opinion on the regularity of expenditure and income.

# 4 Reporting the results of audit work

- (e) a certificate that the audit of the accounts has been completed in accordance with statutory requirements; and
- (f) an annual audit letter or, for those bodies where the Commission carries out inspections, information to be reported to the Commission in a specified format to enable it to prepare an annual audit and inspection letter to the audited body.

**32** In addition, the following outputs, the need for which may arise at any point during the audit process, should be issued where appropriate:

- (a) a report dealing with any matter that the auditor considers needs to be raised, in the public interest under section 8 of the Act;
- (b) any recommendations under section 11(3) of the Act; and
- (c) information to be reported to the Commission in a specified format to enable it to carry out any of its other functions, including assessments of performance at relevant bodies, or to assist bodies such as the Commission for Social Care Inspection and the National Audit Office in carrying out their functions.

## Principles of audit reporting

**33** Auditors should maintain regular communications with audited bodies and ensure that emerging findings are discussed at the level within the audited body which auditors consider to be most appropriate and on a timely basis.

**34** All outputs from the audit should be:

- clear and succinctly expressed;
- relevant to the needs of the audited body;
- explicit when drawing conclusions and making recommendations; and
- issued promptly at the appropriate point in the audit process.

**35** Auditors should report to the audited body in such a way as to enable its members or officers to understand:

- the nature and scope of the audit work;
- any significant issues arising from auditors' work;
- the nature and grounds for any concerns they have; and
- where appropriate, any action that needs to be taken by the audited body to secure improvement.

**36** Auditors' recommendations, arising from their work in relation to audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, should:

- be specific about what action the audited body should consider taking;
- be useful, practicable and based on an assessment of the benefits to the audited body of implementing them; and
- take account of the costs of implementation and, where these are likely to be significant, report this.

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## Audit planning documents

- 37** Audit planning documents should set out how auditors intend to carry out their responsibilities, in the light of their assessment of risks. Auditors should explain their assessment of risks and discuss audit planning documents with those charged with governance. They should include provision for effective follow-up arrangements to review whether the audited body has properly considered any matters that have been identified previously and, where appropriate, has implemented agreed actions. Planning documents should also demonstrate explicitly how planned audit work will relate to those improvement planning priorities, relevant to the responsibilities of auditors, identified following any relevant assessments of performance by the Commission. Planning documents should be kept under review and updated as necessary.
- 38** For those audited bodies where the Commission carries out inspections, information derived from auditors' planning documents may be summarised for inclusion in combined audit and inspection plans prepared by the Commission.

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## Reports or memoranda on individual aspects of audit work

- 39** Auditors may report the results of, and matters arising from, specific elements or parts of the audit in reports, memoranda or properly evidenced presentations. Such reports, memoranda or presentations should be prepared and issued or delivered as soon as possible after completion of the work.

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## Report to those charged with governance

- 40** Auditors' reports to those charged with governance should cover the full range of auditors' responsibilities under statute and the Code. However, these reports do not need to duplicate significant matters previously communicated to those charged with governance, for example through reports, memoranda or presentations on specific pieces of audit work during the course of the year. Auditors should satisfy themselves that these reports are considered at the level within the audited body that they consider to be most appropriate.

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## The audit report

- 41** The audit report covers all the responsibilities of the auditor under section 5 of the Act. Therefore, it comprises the auditor's opinion on the financial statements and, having regard to relevant criteria, the auditor's conclusion whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For best value authorities this includes the auditor's conclusion whether the best value performance plan has been prepared and published in accordance with relevant requirements. The audit report should also include, by exception, any report by the auditor on:
- the statement on internal control;
  - any matters that prevent the auditor being satisfied that the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources;

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# 4 Reporting the results of audit work

- any matters that prevent the auditor from concluding that the best value performance plan has been prepared and published in accordance with relevant requirements;
- any recommendations relating to the audit of the best value performance plan arising from the auditor's responsibilities under section 7 of the Local Government Act 1999;
- any recommendations whether the Commission should carry out a best value inspection of the body and whether the Secretary of State should give a direction;
- any matters reported in the public interest in the course of, or at the conclusion of, the audit;
- any recommendations made under section 11(3) of the Act; and
- the exercise of any other special powers of the auditor under the Act.

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## Auditors' certificates

- 42** Auditors are required to certify the completion of each audit. The effect of the certificate is to close the audit and this marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.
- 43** There will be occasions when audit work in relation to the financial statements is substantially completed but the audit cannot be concluded – for example, because there are outstanding matters to be resolved arising from action or possible action under

the Act. Auditors should consider issuing their audit report, including the opinion and the conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, as soon as the necessary audit work has been carried out, subject to any exception or other qualification that the auditor may need to consider.

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## Annual audit letters

- 44** The purpose of preparing and issuing annual audit letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The annual audit letter should cover the work carried out by auditors since the previous annual audit letter was issued.
- 45** While the format of the annual audit letter is not prescribed it should highlight the key issues drawn from reports to those charged with governance and auditors' conclusions on relevant aspects of the audit. It should be prepared in clear language that is concise and accessible to a wide audience.
- 46** The annual audit letter should be addressed to all the members of the audited body and the auditor should ensure that all members receive a copy. Where the audited body does not arrange for distribution to all members, the auditor should make the necessary arrangements. Although some audited bodies are not subject to a statutory



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requirement to publish their annual audit letters, auditors should encourage these bodies to publicise the availability of the letters.

- 47** The auditor should issue the annual audit letter to the audited body as soon as possible after completion of the audit and, other than in exceptional circumstances, no later than a date to be specified by the Commission, following the end of the financial year to which the accounts relate.

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## Reports in the public interest

- 48** Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.
- 49** Auditors should consider whether the public interest requires any such matter to be made the subject of an immediate report rather than of a report to be made at the conclusion of the audit. A report in the public interest should be made where auditors consider a matter is sufficiently important to be brought to the notice of the audited body or the public as a matter of urgency.
- 50** In preparing and issuing reports in the public interest auditors should tailor their approach to the urgency and significance of their concerns.

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## Recommendations under section 11(3) of the Act

- 51** The auditor should consider whether to make any written recommendations to the audited body under section 11(3) of the Act, which need to be considered and responded to publicly. Where the auditor considers it necessary to make such recommendations, these can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body.

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## Information to be reported to the Commission

- 52** From time to time auditors may be required to report information to the Commission in a specified format to enable it to carry out its functions.

# 5 Principles relating to the exercise of specific powers and duties of local government auditors

This section sets out how auditors fulfil the following statutory functions. References in the table are to the Audit Commission Act 1998.

Function	Statute
1 To give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts.	s15 and 16
2 To apply to the court for a declaration that an item of account is contrary to law.	s17
3 To consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for judicial review.	s19A, 19B and 19C s24

**53** In addition to the general functions of auditors set out in previous sections of the *Code*, auditors of local government bodies have specific powers and duties under the Act. In exercising any of these specific powers and duties, including when they are carrying out audits of small local government bodies under Schedule 1, auditors should tailor their approach to the particular circumstances of the matters under consideration.

**54** Where any representations are made or information is provided that is relevant to the audit, or matters relevant to the audit otherwise come to their attention, auditors should consider whether the matter needs investigation and action under their specific powers or whether it can be considered more effectively within planned work programmes and audit reporting arrangements under their general audit powers.

**55** In considering whether to exercise any of their specific powers under the Act, auditors should apply a balanced and proportionate approach in determining the time and resources to be spent on dealing with matters that come to their attention. They should consider:

- the significance of the subject matter;
- whether there is wider public interest in the issues raised;
- the costs of dealing with the matter, bearing in mind that these fall directly on the taxpayer; and
- in the case of objections, the rights of both those subject to objection and the objector.

**56** Auditors should reject objections that disclose no reasonable cause for action, are frivolous or vexatious, or are otherwise an abuse of the audit process.

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# Schedule 1: The audit of small bodies

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## Introduction

**S1.1** It is inappropriate to apply the same level of audit scrutiny to certain bodies as to principal authorities, because of the relatively small amounts of public money controlled by the bodies in question. This Schedule sets out the approach to be adopted for the audit of small bodies with either annual income, or annual expenditure, of up to a financial level determined, after consultation with relevant bodies, from time to time by the Commission (referred to in this Schedule as small bodies).

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## Governance and accountability

**S1.2** It is the responsibility of small bodies to put in place proper arrangements to ensure the proper conduct of their financial affairs, and to monitor the adequacy and effectiveness of those arrangements in practice. Small bodies are required to prepare their accounts in accordance with their statutory responsibilities, and to maintain an adequate system of internal audit of their accounting records and control systems.

**S1.3** Small bodies meet their responsibilities by preparing and publishing, and providing the auditor with, the accounts prepared for the financial year, together with such additional information and explanation as is necessary to provide sufficient evidence that they have maintained adequate systems of internal control and internal audit throughout the financial year.

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## The audit approach

**S1.4** Auditors of small bodies should undertake an examination of the annual accounts and additional information and explanation provided by the body.

**S1.5** Auditors should meet their responsibility by:

- reviewing compliance with the requirements for the preparation of the annual accounts;
- carrying out a high-level analytical review of financial and other information provided to the auditor; and
- reviewing such additional information and explanation as is necessary to provide sufficient evidence that the body has maintained an adequate system of internal control and internal audit throughout the financial year.

**S1.6** Where, on the basis of the auditor's review, the auditor requires further evidence in relation to any relevant matter, additional testing should be undertaken to address the auditor's concerns.

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# Schedule 1: The audit of small bodies

**S1.7** When the auditor has completed an examination of the annual accounts and additional information and explanation provided, the auditor gives an opinion on the accounts and certifies the completion of the audit. Auditors provide assurance in the form of an opinion whether, on the basis of their review, the accounts

and the other information provided are in accordance with the specified requirements and that no matters have come to their attention giving cause for concern that relevant legislative and regulatory requirements have not been met.

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# Appendix 1: Glossary

## Act (the)

The Audit Commission Act 1998.

## Annual audit letter

Report issued by the auditor to an audited body that summarises the audit work carried out in the period, auditors' opinions or conclusions (where appropriate) and significant issues arising from auditors' work. For bodies where the Commission carries out inspections, the annual audit letter is included within the annual audit and inspection letter, which also contains a summary of inspection work carried out in the period.

## Audit

The audit of the accounts of an audited body, which comprises the audit of the financial statements and other work to meet auditors' other statutory responsibilities under the Audit Commission Act 1998 and the Local Government Act 1999.

## Audit committee

A committee established as part of the overall governance arrangements of the audited body. Audit committees are not mandatory for local government bodies, except for police authorities and local probation boards. However, bodies are expected to put in place proper arrangements to allow those charged with governance (see below) to discuss audit matters with both internal and external auditors. In local authorities this is achieved in a variety of ways, for example, through the full council/authority, an audit committee, an overview and scrutiny committee or any other committee.

## Audited body

Body to which the Audit Commission is responsible for appointing the external auditor, comprising both the members of the body and its management (the senior officers of the body). Those charged with governance are the members of the audited body. (See also '**members**' and '**those charged with governance**'.)

## Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards and other guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## Auditing standards

Pronouncements of the APB, which contain basic principles and essential procedures with which auditors are required to comply, except where otherwise stated in the auditing standard concerned.

## Auditor(s)

Auditors appointed by the Audit Commission.

## Best value/best value authorities

Statutory duty under the Local Government Act 1999 of specified local government bodies (best value authorities) to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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# Appendix 1: Glossary

## Best value performance plan

The plan that specified local government bodies are required to publish annually under section 6 of the Local Government Act 1999, summarising the body's assessments of its performance and position in relation to best value.

## Code (the)

The *Code of Audit Practice*.

## Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England and Wales.

## Ethical standards

Pronouncements of the APB that contain basic principles that apply to the conduct of audits and with which auditors are required to comply, except where otherwise stated in the standard concerned.

## Financial statements

The annual financial statements in the prescribed form, or the books of account for those audited bodies that are not required to produce statements.

## Inspectorates

Those organisations that are responsible for carrying out inspections, including bodies with statutory inspection functions such as OFSTED, the Commission for Social Care Inspection, the Benefits Fraud Inspectorate and Her Majesty's Inspectorate of Constabulary. See also '**review agencies**'.

## Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## Local government bodies

Bodies other than NHS bodies to which the Commission is responsible for appointing auditors, as set out in Schedule 2 of the Act. These include, for the purposes of applying this *Code*, local authorities, local councils (parish and town councils), police authorities, fire authorities, national park authorities and local probation boards. While some of these bodies, such as local probation boards, operate within their own national policy framework, the model of public audit set out in this *Code* applies to them.

## Materiality (and significance)

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a mis-statement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

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The term ‘materiality’ applies only to the audit of the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, in addition to their responsibility to audit the financial statements, which do not necessarily affect their opinion on the financial statements. The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

### Members

The elected or appointed members of local government bodies who are responsible for the overall direction and control of the audited body. (See also ‘**those charged with governance**’ and ‘**audited body**’.)

### National studies by the Commission

The Audit Commission has a power under section 33 of the Act to carry out ‘value for money’ studies in local government. Work carried out using these powers is referred to as national studies.

### Regularity (of the expenditure and income of local probation boards)

Whether, subject to the concept of materiality, the expenditure and income of local probation boards have been applied for the purposes intended by Parliament, and whether they conform with the authorities that govern them.

### Review agencies

Review agencies include inspectorates (see ‘inspectorates’) and others that have regulatory

responsibilities in relation to local government bodies, including government departments, the government offices and relevant regulators of local government professions.

### Statement on internal control

Local government bodies are required to publish a statement on internal control (SIC), in accordance with proper practice, with their annual accounts. Local probation boards are required to prepare a SIC in accordance with the requirements specified by HM Treasury in Government Accounting.

### Those charged with governance

Those charged with governance are defined in auditing standards as ‘those persons entrusted with the supervision, control and direction of an entity’. In local government bodies, those charged with governance, for the purpose of complying with auditing standards, are:

- for local authorities – the full council, audit committee (where established), any other committee with delegated responsibility for approval of the financial statements;
- for police or fire authorities – the full authority, audit committee (where established), any other committee with delegated responsibility for approval of the financial statements;
- for local probation boards – the board, audit committee; and
- for other local government bodies – the full authority/board/council, audit committee (where established), any other committee with delegated responsibility for approval of the financial statements.

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# **Statement of responsibilities of auditors and of audited bodies**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we seek to ensure that public services are good value for money and that public money is properly spent.

For further information about the Audit Commission, visit our website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



Printed in the UK for the Audit Commission by Thanet Press Ltd

Design and production by the Audit Commission Publishing Team

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First published in April 2008 by the Audit Commission for local authorities and the National Health Service in England, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

## General introduction

- 1** The Audit Commission (the Commission) is responsible for appointing auditors and determining their terms of appointment, as well as for preparing a Code of Audit Practice, which prescribes the way in which auditors are to carry out their functions. The Commission has prepared a Code for the audits of local government bodies and a Code for the audit of local NHS bodies. From time to time, the Commission issues guidance to auditors under section 3(8) of the Audit Commission Act 1998 (the Act) and paragraph 7 of Schedule 1 to the Act. This statement sets out guidance on general responsibilities relevant to audits in both sectors and so supports each Code.
- 2** The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of an audit, the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of the audited body in certain areas. Throughout this statement, the term ‘audited body’ covers both the members of the body (for example, elected members in local authorities and directors of NHS bodies) and its management (the senior officers of the body).
- 3** The responsibilities of auditors are derived from statute (principally the Audit Commission Act 1998) and from the Code. Nothing in this statement is intended to limit or extend those responsibilities. In particular, audited bodies should note that, because auditors must not prejudice their independence of the audited body, the audit role does not include providing financial or legal advice or consultancy to the audited body.
- 4** Auditors may wish to refer to, and/or incorporate, this statement in audit planning documents, annual audit letters, reports and other audit outputs.

## Introduction to responsibilities

- 5 Those who are responsible for the conduct of public business and for spending public money are accountable for ensuring both that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 6 In discharging this accountability, public bodies and their management (both members and officers) are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published statements on internal control (NHS bodies) or annual governance statement (local government bodies).
- 7 It is the responsibility of the audited body to ensure that proper arrangements are in place, but certain individuals have specific responsibilities. NHS bodies have a unitary board, consisting of executive members and part-time non-executive members, chaired by a non-executive member. The chairman and non-executive members are responsible for monitoring the executive management of the body and are responsible to the Secretary of State for the discharge of these responsibilities. In addition, there is a requirement for an audit committee, which contributes independently to the board's overall process for ensuring that an effective internal control and risk management system is maintained. The chief executive is responsible to the board for the day-to-day management of the organisation and, as accountable officer, is also responsible to the Department of Health for the proper stewardship of public money and assets.
- 8 Local government bodies have three designated statutory officers, each of whom has a specific role in relation to accountability and control. These are:
  - the head of paid service, usually the chief executive, responsible to the full council for the corporate and overall strategic management of the authority;
  - the monitoring officer, who is responsible for reporting to the authority any actual or potential breaches of the law or any maladministration, and for ensuring that procedures for recording and reporting key decisions are operating effectively; and
  - an officer with responsibility for the proper administration of their financial affairs.

- 9 In carrying out their responsibilities, auditors may wish to obtain representations from management, both orally and in writing, on important matters.
- 10 The following paragraphs summarise the responsibilities of auditors and of audited bodies in relation to the responsibilities of auditors described in the Code.

## The audit of the financial statements

- 11 The financial statements, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the audited body to:
- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
  - maintain proper accounting records; and
  - prepare financial statements that present fairly (or, for NHS bodies and local probation boards, give a true and fair view of) the financial position of the body and its expenditure and income and that are in accordance with applicable laws, regulations and accounting policies.
- 12 A local authority that is the administering authority for a local authority pension fund must prepare pension fund financial statements for each financial year that present fairly:
- the financial transactions of its pension fund during the year; and
  - the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 13 The audited body is also responsible for preparing and publishing with its financial statements:
- for health bodies and probation boards, a statement on internal control prepared in accordance with specified guidance; and
  - for local government bodies, an annual governance statement, prepared in accordance with proper practice set out in the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers publication *Delivering Good Governance in Local Government: A Framework*, and related guidance.

- 14** In preparing their financial statements, audited bodies are responsible for:
- preparing realistic plans that include clear targets and achievable timetables;
  - assigning responsibilities clearly to staff with the appropriate expertise and experience;
  - providing necessary resource to enable delivery of the plan;
  - maintaining adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements;
  - ensuring that senior management monitors, supervises and reviews work to meet agreed standards and deadlines; and
  - ensuring that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor. At local government bodies, the responsible financial officer must sign, date and certify the financial statements before they are approved by the body.
- 15** If draft financial statements and working papers of appropriate quality are not available at the agreed start date of the audit, the auditor is unable to meet the planned audit timetable and the start date of the audit will be delayed. The audit fee is calculated on the basis that the draft financial statements, and detailed working papers, are provided to an agreed timetable and are of an acceptable standard. If information is not provided to this timetable, or is provided to an unacceptable standard, the auditor will charge additional fees for any extra work that is necessary.
- 16** Auditors audit the financial statements and give their opinion, including:
- whether they present fairly, or give a true and fair view of, the financial position of the audited body and its expenditure and income for the year in question;
  - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
  - for certain bodies, on the regularity of their expenditure and income; and
  - for certain bodies, on whether the part of the remuneration report to be audited has been properly prepared.
- 17** In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.

- 18** Subject to the concept of materiality, auditors provide reasonable assurance that the financial statements:
- are free from material misstatement, whether caused by fraud or other irregularity or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- 19** Auditors plan and perform their audit on the basis of their assessment of risk. Auditors will examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.
- 20** Subject to the concept of materiality, auditors of specified NHS bodies and local probation boards also provide reasonable assurance on the regularity of expenditure and income. In giving such assurance, auditors do not perform detailed tests of transactions to the extent that would be necessary to disclose all unlawful transactions or events that may have occurred or might occur, and the audit process should not be relied upon to disclose such matters.
- 21** Auditors evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the financial statements. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.
- 22** Auditors review whether the statement on internal control (NHS bodies) or annual governance statement (local government bodies) has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the financial statements and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. They will also have regard to the work of other regulators, to the extent that it is relevant to auditors' responsibilities. Auditors are not required to consider whether the statement on internal control (NHS bodies) or annual governance statement (local government bodies) covers all risks and controls, nor are auditors required to express a formal opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.



**23** In carrying out their work on the financial statements, auditors will:

- plan to complete work and meet agreed deadlines;
- maintain close liaison with the audited body; and
- provide appropriate and adequate resources and assign responsibilities to staff with the relevant expertise and experience.

**24** Where audited bodies do not meet agreed timetables and/or provide poor documentation such that additional audit work is necessary, or the audit is delayed, auditors will charge additional fees to cover the costs incurred.

## Electronic publication of the financial statements

**25** Where the audited body wishes to publish its financial statements electronically, it is responsible for ensuring that the publication accurately presents the financial statements and the auditor's report on those financial statements. This responsibility also applies to the presentation of any financial information published in respect of prior periods. The auditor's report on the financial statements should not be reproduced or referred to electronically without the auditor's written consent.

**26** The audited body may also wish to distribute electronic copies of the financial statements, and the auditor's report on those financial statements, to its stakeholders and must ensure that these are presented accurately. The auditor's report on the financial statements distributed electronically should not be reproduced or referred to electronically without the auditor's prior written agreement.

**27** The examination of the controls over the electronic publication of audited financial statements is beyond the scope of the audit of the financial statements and the auditor cannot be held responsible for changes made to audited information after the initial publication of the financial statements and the auditor's report.

## Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

- 28** It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:
- establishing strategic and operational objectives;
  - determining policy and making decisions;
  - ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
  - ensuring compliance with established policies, procedures, laws and regulations;
  - identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
  - ensuring compliance with the general duty of best value, where applicable;
  - managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
  - monitoring and reviewing performance, including arrangements to ensure data quality; and
  - ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and for preventing and detecting fraud and corruption.
- 29** The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control (NHS bodies) or annual governance statement (local government bodies).

- 30** Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.
- 31** Auditors report annually their conclusion on those arrangements, having regard to the criteria specified by the Audit Commission and will report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether all aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively in practice.
- 32** In planning this work, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.
- 33** When assessing risk auditors consider:
- the relevance and significance of the potential business risks faced by all bodies of a particular type;
  - other risks that apply specifically to individual audited bodies;
  - the audited body's own assessment of the risks it faces; and
  - the arrangements put in place by the body to manage and address its risks.

- 34 In assessing risks auditors have regard to:
- evidence gained from previous audit work, including the response of the audited body to previous audit work;
  - the results of assessments of performance carried out by the Commission;
  - the work of other statutory inspectorates; and
  - relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.
- 35 Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.
- 36 In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision-making arrangements of the audited body.
- 37 While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.
- 38 Auditors are specifically required to review audited bodies' arrangements for 'monitoring and reviewing performance, including arrangements to ensure data quality'<sup>1</sup>.

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<sup>1</sup> *Code of Audit Practice 2005*, section 3: Auditors' responsibilities in relation to the use of resources.

- 39 The responsibility for applying data quality standards, collecting data that are fit for purpose and where appropriate conform to prescribed definitions, and reporting performance information that is reliable and accurate, rests with audited bodies.
- 40 Before performance information is reported externally or submitted to external auditors for review, it should be subject to scrutiny and approval by senior management and those charged with governance.
- 41 In order to fulfil their responsibilities under the Code, auditors will review an audited body's corporate arrangements to secure the quality of its data. This review will be informed by other relevant work, for example any detailed reviews of the data supporting specific performance information.
- 42 The findings of the review of corporate arrangements for data quality will contribute to the auditor's conclusion under the Code of Audit Practice on the audited body's arrangements to secure value for money, in relation to the specific criterion on data quality. Where weaknesses have been identified in an audited body's arrangements for data quality, the auditor will consider the overall impact on the conclusion under the Code of Audit Practice, and where appropriate make recommendations to support improvement.
- 43 Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.
- 44 The reviews arising from national studies developed by the Commission, or in support of the Healthcare Commission's national work programme, and the extent to which auditors are expected to apply them at relevant bodies, are prescribed by the Commission and are notified to audited bodies each year by the Commission in its annual work programme and by auditors in their audit planning documents. When carrying out national studies, auditors are required to follow the methodologies and, for certain studies, use comparative data provided by the Commission. Responsibility for the adequacy and appropriateness of these methodologies and the data rests with the Commission.

## Specific powers and duties of auditors

- 45 Auditors have specific powers and duties under the Audit Commission Act 1998 in relation to matters of legality and, in local government, electors' rights. Fees arising in connection with auditors' exercise of these powers and duties, including costs relating to the appointment of legal or other advisers to the auditors, are borne by the audited body.

## Reporting the results of audit work

- 46 Auditors provide:

- an audit planning document;
- oral and/or written reports or memoranda to officers and, where appropriate, members on the results of, or matters arising from, specific aspects of auditors' work;
- a report to those charged with governance, normally submitted to the audit committee, summarising the work of the auditor;
- an audit report, including the auditor's opinion on the financial statements and a conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
- a certificate that the audit of the accounts has been completed in accordance with statutory requirements; and
- an annual audit letter.

- 47 In addition, the following outputs, the need for which may arise at any point during the audit process, are issued where appropriate:

- a report dealing with any matter that the auditor considers needs to be raised in the public interest under section 8 of the Act;
- any recommendations under section 11(3) of the Act (local government bodies);
- any referral to the Secretary of State under section 19 of the Act (NHS bodies) where the auditor considers that a decision by a body or officer has led to, or would lead to, unlawful expenditure, or that some action by a body or officer has been, or would be, unlawful and likely to cause a loss or deficiency; and
- information to be reported to the Commission in a specified format to enable it to carry out any of its other functions, including assessments of performance at relevant

bodies, or to assist other bodies, such as the Healthcare Commission, the Commission for Social Care Inspection and the National Audit Office, in carrying out their functions.

- 48 When considering the action to be taken on audit reports, audited bodies should bear in mind the scope of the audit and responsibilities of auditors, as set out in the Code and as further explained in this statement. Matters raised by auditors will be drawn from those that come to their attention during the audit. The audit cannot be relied upon to detect all errors, weaknesses or opportunities for improvements in management arrangements that might exist. Audited bodies should assess auditors' conclusions and recommendations for their wider implications before deciding whether to accept or implement them.
- 49 Although annual audit letters and reports may be addressed to officers or members of the audited body, they are prepared for the sole use of the audited body. Auditors do not have responsibilities to officers or members in their individual capacities (other than in the exercise of auditors' specific powers and duties in relation to matters relating to electors' rights in local government) or to third parties that choose to place reliance upon the reports from auditors.

## Ad hoc requests for auditors' views

- 50 There may be occasions when audited bodies will seek the views of auditors on the legality, accounting treatment or value for money of a transaction before embarking upon it. In such cases, auditors will be as helpful as possible, but are precluded from giving a definite view in any case because auditors:
- must not prejudice their independence by being involved in the decision-making processes of the audited body;
  - are not financial or legal advisers to the audited body; and
  - may not act in any way that might fetter their ability to exercise the special powers conferred upon them by statute.

- 51 In response to such requests, auditors can offer only an indication as to whether anything in the information available to them at the time of forming a view could cause them to consider exercising the specific powers conferred upon them by statute. Any response from auditors should not be taken as suggesting that the proposed transaction or course of action will be exempt from challenge in future, whether by auditors or others entitled to raise objection to it. It is the responsibility of the audited body to decide whether to embark on any transaction.

## Access to information

- 52 Auditors have wide-ranging rights of access to documents and information in relation to the audit. Such rights apply not only to documents and information held by the audited body and its members and staff, including documents held in electronic form, but also to the audited body's partners and contractors, whether in the public, private or voluntary sectors.
- 53 There are restrictions on the disclosure of information obtained in the course of the audit, subject only to specific exemptions. The Freedom of Information Act 2000 does not apply to the Commission's appointed auditors, as they have not been designated as 'public authorities' for the purposes of that legislation. Audited bodies wishing to disclose information obtained from an auditor are required by law to seek the auditor's consent to that disclosure.

## Grant claims and returns – certification

- 54 The Commission agrees to make certification arrangements in accordance with the framework set out in the separate *Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns*. The responsibility for ensuring the completion, accuracy and completeness of grant claims and returns lies with the audited body. Grant-paying bodies may require independent examination as a condition of their acceptance of claims and returns and may ask the Commission to make arrangements for auditor certification of claims and returns. The Commission will have regard to what it is appropriate, practically and professionally, to expect the certification process and auditors to do before agreeing to make certification arrangements.



## Audit of charitable funds

- 55** This section is relevant to those charities to which the Audit Commission appoints auditors under s43A of the Charities Act 1993<sup>1</sup>.
- 56** Trustees of charitable funds subject to audit have a duty to prepare financial statements for each financial year which give a true and fair view of:
- the state of the charity's affairs at the end of the financial year; and
  - the incoming resources and the application of those resources by the charity for that period.
- 57** Trustees must ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice – 'Accounting and Reporting by Charities'.
- 58** It is the duty of the auditor to report to the trustees whether the financial statements give a true and fair view and whether they have been prepared in accordance with the Charities Act 1993 and the Charity (Accounts and Reports) Regulations.
- 59** Auditors are also required to report immediately to the Charity Commissioners any matter which they have reasonable cause to believe is, or is likely to be, of material significance to the Commissioners' functions under s8 (general power to institute inquiries) or s18 (power to act for protection of charities) of the 1993 Act. Such matters may relate not only to the activities or affairs of the charity, but also to any institution or body corporate which is connected with the charity.
- 60** The audit fee is calculated on the basis that detailed working papers, and other specified information, are provided to an agreed timetable. Where audited bodies do not meet agreed timetables and/or provide poor documentation such that additional audit work is necessary, or the audit is delayed, auditors will charge additional fees to cover the costs incurred.

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<sup>1</sup> S43A of the Charities Act 1993 prescribes that all English NHS charities shall, at the election of the Audit Commission, be subject to an independent examination or audit. The Commission has decided that it will require an audit for all those charities above the threshold of £500,000, as defined in s43. Those below this threshold will be subject to an independent examination, unless the trustees elect for an audit. The auditor or examiner appointed must then follow the procedures required under s43(7)(b) of the Charities Act. Where an independent examination is carried out, the responsibilities of the examiner are more limited.





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## Agenda Item: 10

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**Meeting:** Audit Committee

**Date:** 29 June 2009

**Subject:** 2008/09 Internal Audit Reviews

**Report of:** Director of Corporate Resources

**Summary:** The report proposes to present the Audit Committee with the outcomes of the Internal Audit reviews undertaken during 2008/09. This will form part of the evidence required to approve the 2008/09 Annual Governance Statements for the legacy authorities.

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Contact Officer: Nick Murley, Assistant Director of Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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### RECOMMENDATIONS:

1. That the Audit Committee notes the outcomes of the Internal Audit reviews undertaken during 2008/09.

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### Background

1. The Audit Committee is the governing body charged with monitoring the progress on the work of Internal Audit and Risk and should therefore receive an annual report on how that work was undertaken during the year. This report would describe the internal audit reviews undertaken during the year, the outcome of these reviews and also the number of recommendations made as a result as well as other performance information.
2. As this is not a normal year and because senior members of the legacy authority Internal Audit teams did not transfer into Central Bedfordshire, it has not been possible to produce this level of information. Instead we have decided to provide a summary of the work undertaken by the three teams during 2008/9 and the number of required action points.
3. This will provide the committee with some background information into the work covered by Internal Audit. It also provides Members with some evidence of the internal control and governance arrangements in place across the councils which in turn will provide some confidence when approving the Annual Governance Statements for the legacy authorities, dealt with elsewhere on this agenda.

4. Approximately 100 significant audit reviews were undertaken by the three Internal Audit teams during 2008/09. 368 recommendations were made ranging from high, medium to a low priority. In addition, a number of school toolkit assessments (FMSiS) were undertaken by Bedfordshire County Council.
5. The key issues arising from the reviews has been summarised and is set out in appendix A.
6. The areas of review, together with the assurance rating and number of recommendations, categorised as high, medium or low is set out in appendix B.

### **Conclusion and Next Steps**

7. Not all of the recommendations made as part of these reviews will be relevant to Central Bedfordshire but a large proportion will be.
8. The areas receiving a low assurance rating have been included in the Annual Governance Statements for the legacy authorities which are subject to approval at this committee meeting.
9. The recommendations arising from all of these reviews will be taken into account, where relevant, when the audit briefs for key systems and other specific audits are worked up over the coming months.

<b>CORPORATE IMPLICATIONS</b>
<p><b>Council Priorities:</b> The Internal Audit reviews carried out form an important improvement mechanism for service areas when striving to achieve the priorities of the council. Failure to improve on its internal control environment will impact key outputs like the quality of the Statement of Accounts, the Annual Governance Statement and the data integrity of the Best Value Performance Indicators.</p> <p><b>Financial:</b> None</p> <p><b>Legal:</b> None</p> <p><b>Risk Management:</b> None</p> <p><b>Staffing (including Trades Unions):</b> None</p> <p><b>Equalities/Human Rights:</b></p>

None

**Community Development/Safety:**

None

**Sustainability:**

None

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**Appendices:**

Appendix A – Schedule of key issues arising from the Internal Audit reviews

Appendix B – Schedule of area reviews undertaken

**Background:**

None

Location of papers: Priory House, Chicksands

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**Summary of Key issues Identified from Review of  
Audit Activities of Legacy Authorities**

<ul style="list-style-type: none"> <li>• Lack of Up to Date Documented Policies and Procedures</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of training of key personnel</li> </ul>
<p style="text-align: center;">Contract Issues, including:</p> <ul style="list-style-type: none"> <li>• Contract monitoring not robust</li> <li>• Contract not in place</li> <li>• Contract specifications not clear</li> </ul>
<p style="text-align: center;">IT related issues, including:</p> <ul style="list-style-type: none"> <li>• Access</li> <li>• Authorisations</li> <li>• Security</li> <li>• Role conflicts</li> </ul>
<p style="text-align: center;">Significant system weaknesses, including</p> <ul style="list-style-type: none"> <li>• Payroll (Beds CC)</li> <li>• RIPA ( Beds CC)</li> <li>• Teachers' Pensions administration</li> <li>• Gypsy Sites</li> </ul>

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No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
	<b><u>BCC Audits Completed before the 31 March 2009</u></b>							
1	<b>Main Accounting System Phase 1</b>	27/03/09	Adequate Assurance	2	0	2	0	Recommendations will be reviewed as part of key systems audits
2	<b>Main Accounting System Phase 2</b>	27/03/09	Adequate Assurance	11	4	6	1	Recommendations will be reviewed as part of key systems audits
3	<b>Main Accounting System Follow Up 2007/08</b>	27/03/09		11	4	6	1	Recommendations will be reviewed as part of key systems audits
4	<b>Payroll</b>	27/03/09	Limited Assurance	20	14	5	1	Included in the AGS
5	<b>Grants (follow up)</b>	27/03/09	Full Assurance					No action required
6	<b>SWIFT Financials Information Security</b>	23/03/09	Limited Assurance	7	5	2	0	Recommendations will be reviewed as part of key systems audits
7	<b>Asset Management Phase 1</b>	27/03/09	Adequate Assurance	8	3	5	0	
8	<b>Asset Management Phase 2</b>	27/03/09	Full assurance					No action required
9	<b>Accounts Payable</b>	23/03/09	Adequate Assurance	5	0	5	0	Recommendations will be reviewed as part of key systems audits
10	<b>Accounts Receivable</b>	26/03/09	Adequate Assurance	1	1	0	0	Recommendations will be reviewed as part of key systems audits
11	<b>Archives and County Records Office</b>	31/03/09	Adequate Assurance	5	3	2	0	Recommendations will be reviewed as part of key systems audits
12	<b>BUPA</b>	27/01/09	Adequate Assurance	2	2	0	0	Recommendations will be reviewed as part of key systems audits
13	<b>Buzzer Buses</b>	22/08/08		3	1	2	0	
14	<b>Direct Payments</b>	12/12/08	Limited Assurance	6	4	2	0	Recommendations will be reviewed as part of key systems audits
15	<b>European Social Funding Initiative</b>	05/11/08	Adequate Assurance	4	0	4	0	Recommendations will be reviewed as part of key systems audits

No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
16	<b>Gypsy Sites</b>	10/11/08	No Assurance	13	13	0	0	Since the issue of this report the contractor withdrew its services
17	<b>Integrated Waste Management</b>	05/12/08	Adequate Assurance	3	0	3	0	Recommendations will be reviewed as part of key systems audits
18	<b>Resilience Planning</b>	23/03/09	Adequate Assurance	2	0	2	0	Recommendations will be reviewed as part of key systems audits
19	<b>RIPA</b>	23/01/09	Limited Assurance	2	2	0	0	Recommendations will be reviewed as part of key systems audits
20	<b>Treasury Management</b>	10/12/08	Full Assurance					No action required
21	<b>Playing for Success Grant Audit</b>	24/11/08	Limited Assurance	17	13	4		
22	<b>LAA</b>	20/03/08	Adequate Assurance	14	2	11	1	Recommendations will be reviewed as part of key systems audits
23	<b>Teachers Pensions</b>	16/03/09	No Assurance	17	5	11	1	Included in the AGS as issues similar to those of payroll
24	<b>Specific School Audits (22 schools)</b>	throughout year	Various					
25	<b>School Pupil Numbers Returns (8)</b>	27/08/08	Various					No specific concerns to be followed up.
	<b><u>Audits Completed after 31 March 2009</u></b>							
26	<b>Use of Temporary Agency Staff</b>	09/04/09	Adequate Assurance	8	0	5	3	Recommendations will be reviewed as part of key systems audits
27	<b>Home Care - Payments to External Providers</b>	08/04/09	Adequate Assurance					Changes to the procedures around this service mean the outcomes of this review were not relevant.
28	<b>Amey Contract Audit</b>	06/05/09	Adequate Assurance	4	0	4	0	Recommendations will be reviewed as part of key systems audits
29	<b>Desktop Security and Endpoint Compliance</b>	22/05/09	Limited Assurance	9	2	6	1	Recommendations will be reviewed as part of key systems audits
30	<b>SAP e-Sourcing Information Security</b>	06/05/09	Adequate Assurance	6	0	5	1	Recommendations will be reviewed as part of key systems audits

No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
31	<b>Property Services Management - Contract with Mouchel</b>	07/05/09	Limited Assurance	5	3	2	0	This contract will be caretakers by BBC. We however should be aware of the implications of the recommendations when working through any working procedures with BBC.
32	<b>IT Governance</b>	20/04/09	Adequate Assurance	7	0	5	2	New procedures and policies around ICT have been developed and are seeking approval. These will need to be tested in the future.
33	<b>SAP Access and Security</b>	28/05/09	Limited Assurance	22	11	10	1	Included in the AGS
34	<b>Carlise Managed Solutions</b>	15/04/09	Adequate Assurance	2	0	2	0	Recommendations will be reviewed as part of key systems audits
35	<b>Schools Toolkits</b>	throughout year	Various					Assessments have been in progress throughout the year. Schools that have failed or received a conditional pass will need reassessment. Included in the AGS
	<b><u>Mid Beds Audits Completed During Year</u></b>							
36	<b>Disabled Facilities Grant</b>	10/11/08	Strong	0	0	0	0	No action required
37	<b>Fraud and Corruption</b>	17/02/09	Satisfactory	0	0	0	0	No action required
38	<b>Housing Benefits</b>	18/11/08	Good	1	0	1	0	No action required
39	<b>Income</b>	08/12/08	Strong	0	0	0	0	No action required
40	<b>Investments</b>	17/11/08	Strong	0	0	0	0	No action required
41	<b>Leisure Contract</b>	16/12/08	Good	0	0	0	0	No action required
42	<b>Main Accounting System</b>	17/02/09	Good	0	0	0	0	No action required
43	<b>Mid Beds Creditors</b>	17/02/09	Good	0	0	0	0	No action required
44	<b>NNDR</b>	04/11/08	Strong	0	0	0	0	No action required

No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
45	<b>Payroll</b>	17/02/09	Good	0	0	0	0	No action required
46	<b>Refuse Contract</b>	16/12/08	Good	0	0	0	0	No action required
47	<b>Bank reconciliation</b>	16/12/08	Strong	0	0	0	0	No action required
48	<b>Central Beds Creditors</b>	31/07/09	Satisfactory	0	0	0	0	Although no formal recommendations were made, there were several suggestions made. These will be reviewed and followed up, where relevant.
	<b><u>South Beds Audits Completed During Year</u></b>							
49	<b>Benefits Overpayments</b>	30/07/08	Substantial	11	3	7	1	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
50	<b>Benefits Provision</b>	16/03/09	Full Assurance	1	0	1	0	If relevant, this issue will be followed up as part of the managed audit reviews for Central Beds.
51	<b>Capital Accounting</b>	02/12/08	Limited Assurance	4	4	0	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
52	<b>Council Tax</b>	05/03/09	Substantial	8	2	6	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
53	<b>Creditors</b>	22/12/08	Substantial	5	2	3	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
54	<b>Debtors</b>	15/01/09	Full Assurance	1	0	0	1	If relevant, this issue will be followed up as part of the managed audit reviews for Central Beds.

No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
55	<b>Financial Management</b>	24/02/09	Full Assurance	4	1	3	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
56	<b>Non Domestic Rates</b>	20/02/09	Full Assurance	3	0	3	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
57	<b>Payroll</b>	23/12/08	Substantial	4	4	0	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
58	<b>Treasury Management</b>	03/02/09	Full Assurance	3	0	2	1	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
59	<b>Insurances</b>	21/10/08	Substantial	5	1	3	1	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
60	<b>Debt recovery</b>	28/11/08	Limited Assurance	4	3	1	0	Where relevant, these issues will be followed up as part of the managed audit reviews for Central Beds.
61	<b>Data Quality</b>	07/10/08	Limited Assurance	4	2	2	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
62	<b>Section 106 Agreements</b>	24/09/08	Substantial	5	1	4	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
63	<b>Housing Arrears Recovery and Follow Up</b>	17/09/08	Substantial	13	4	9	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
64	<b>Tenants Recharges and Follow Up</b>	23/09/08	Limited Assurance	5	3	2	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
65	<b>Corporate Communications and Follow Up</b>	30/07/08	Substantial	6	3	3	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
66	<b>Housing Day to Day Repairs</b>	24/03/09	Substantial	10	3	7	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
67	<b>Street Cleansing and Follow Up</b>	12/09/08	Substantial	10	6	4	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
68	<b>Terminations, Allocations and lettings</b>	17/12/08	Substantial	16	6	10	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
69	<b>Homelessness and Follow Up</b>	11/12/08	Limited Assurance	16	13	3	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
70	<b>Luton and South Beds Joint Planning and Transportation Committee</b>	20/02/09	Substantial	5	2	3	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.
71	<b>Service Contracts (Procurement0</b>	31/03/09	Limited Assurance	8	5	3	0	Where relevant, these issues will be followed up as part of the audit reviews for Central Beds.

No.	Area of Significant Reviews	Date of Report	Opinion	Number of Recs	High	Medium	Low	Comments
				368	160	191	17	



## Agenda Item: 11

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**Meeting:** Audit Committee

**Date:** 29 June 2009

**Subject:** Annual Governance Statements for the Legacy Authorities

**Report of:** Director of Corporate Resources

**Summary:** The report proposes that the revised 2008/09 Annual Governance Statements are approved for the three legacy authorities.

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Contact Officer: Nick Murley , Assistant Director of Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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### RECOMMENDATIONS:

1. That the Audit Committee approves the 2008/09 Annual Governance Statements for:

(a) South Bedfordshire District Council (Appendix A)

(b) Mid Bedfordshire District Council (Appendix B)

(c) Bedfordshire County Council (Appendix C)

subject to any further material issues that come to light between the date of this meeting and the date of the approval of the Statement of Accounts.

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### Background

1. At its first meeting on the 6 April 2009, the Audit Committee considered the Annual Governance Statements (AGS) that were prepared by the former South Bedfordshire, Mid Bedfordshire and Bedfordshire County councils.
2. At this meeting it was emphasised that the views set out in the AGS were by the former authorities based on the information available at the time of their production and so before the Central Bedfordshire Audit Committee could approve these, further review should be undertaken to capture any more significant issues that have come to light since the 31 March 2009.

3. This would mean that the AGS for each authority could then be revised, if necessary, and the committee could then approve them, discharging its responsibility, before signing the 2008/09 Statement of Accounts for these councils at its meeting on the 27 July 2009.

### **Review Work Undertaken**

4. Since the 31 March 2009, Internal Audit has been actively finishing off any audit reports that were outstanding in respect of the 2008/09 financial year. Elsewhere on this agenda, a report sets out all of the areas of review that were completed by the three legacy Internal Audit teams, the assurance given against these reviews, as well as setting out the number of recommendations made, either high, medium or low. Where areas of low assurance have been made, these had already been disclosed in the relevant AGS.
5. We have also had informal meetings with the external auditors to discuss any other findings that they have uncovered as part of their pre-audit work. It is pleasing to note that to date they had nothing else to bring to our attention.
6. Discussions have taken place with the finance team who are preparing the year end financial reports to understand why any financial variations have occurred and the implications of these.
7. Finally, the Directors have also raised any additional significant issues that they believe should be disclosed in the AGS that they have inherited from the legacy authorities.

### **Outcomes**

8. As a result of the reviews undertaken, as described above, only the BCC AGS has been amended.
9. The information relating to the Financial Management Standard in Schools (FMSiS) toolkit audit work has been updated to fully reflect the work undertaken by 31 March 2009. The percentage of schools who have passed the standard programmed for assessment has increased from 39% to 42%. Whilst this rate seems very low, of the 63 schools audited, 74% have passed.
10. A major contributing factor to this poor performance against the scheduled assessments is due to the late submission of information from the schools, which has in turn led to a large slippage in the programme of works. We are taking a report to the Schools Forum later today to raise awareness of this issue and will produce a more realistic schedule of the remaining 30 schools that need to produce their information for 2009/10.
9. The other inclusion is in relation to the partnership arrangements that were in place between Bedfordshire County Council, Bedfordshire Primary Care Trust and The Bedfordshire and Luton Partnership Trust.

10. This relates to the transfer of services and funding relating to learning disability service provision, on-going funding of continuing health care as well as the quality of the statutory functions of social care being delivered by these partners on our behalf.
11. It is clear from further investigation since the 1 April 2009 that poor and sometimes inadequate governance arrangements in place for these partnerships has led to a large amount of uncertainty surrounding both the financial and service provision aspects.
12. Much work has and is being undertaken to get to the bottom of this issues and actions plans to resolve these will be produced in the next few months.
13. Whilst the financial impact is now much better understood, we are proposing to disclose this in the AGS of the former County Council because of the failings of the governance arrangements surrounding these partnerships.

### **Conclusion and Next Steps**

14. As mentioned above nothing further has come to light relating to the district councils and so no adjustments have been made to those statements presented to the committee on the 6 April 2009.
15. The issues set out above in respect of the partnership arrangements with the PCT and BLPT will be added to the BCC AGS.
16. Approving the AGS of each of the former authorities is a requirement before the committee can approve the Annual Statement of Accounts of these authorities. The AGS provides that the control environment under which the accounts have been produced is adequate.
17. As mentioned above the Statement of Accounts will be presented for approval to the Audit Committee on the 27 July 2009

### **CORPORATE IMPLICATIONS**

#### **Council Priorities:**

The Annual Governance Statement sets out the internal control and governance framework of how a council operates. It also discloses the significant issues facing an authority. The statement therefore will contribute towards achieving the council's priorities.

#### **Financial:**

None directly arising from this report.

#### **Legal:**

None

#### **Risk Management:**

The AGS is another means where the authority can capture the significant risks facing the organisation. These are detailed in the body of the report.

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Development/Safety:**

None

**Sustainability:**

None

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**Appendices:**

Appendix A – Annual Governance Statement for South Bedfordshire District Council

Appendix B – Annual Governance Statement for Mid Bedfordshire District Council

Appendix C – Revised Annual Governance Statement for Bedfordshire County Council

**Background Papers:**

Audit Committee minutes from the 6 April 2009

Location of papers: Priory House, Chicksands

**SOUTH BEDFORDSHIRE DISTRICT COUNCIL****ANNUAL GOVERNANCE STATEMENT 2008/09****1.0 Scope of responsibility.**

South Bedfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Bedfordshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Bedfordshire District Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). A copy of the code is on our website at [www.southbeds.gov.uk/](http://www.southbeds.gov.uk/) or can be obtained from:

South Bedfordshire District Council  
Committee Services  
The District Offices  
High Street North  
Dunstable  
Bedfordshire  
LU6 1LF

This statement explains how South Bedfordshire District Council has complied with the code and also how we meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2.0 The purpose of the governance framework.**

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described below has been in place at South Bedfordshire District Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

### 3.0 The Governance Framework.

Our governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

#### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

The South Bedfordshire Community Plan (SBCP) outlines the vision, aims and nine priority themes for the area. It was produced in conjunction with the South Bedfordshire Local Strategic Partnership (SBLSP), which brings together all relevant stakeholders, including those that deliver services in the area.

Once the scale of the growth for the area was known it was agreed that the Community Plan should be reviewed to ensure it was fit for purpose. An evidence base was commissioned and a high profile public consultation was carried out in the summer of 2007. These activities have shaped the development of a revised vision, priorities and set of objectives for the new Sustainable Community Strategy which was published in June 2008.

The Council's aims and objectives are set out in the annually updated Council Plan. This contains a statement of priorities within six ambitions which describe the areas where we are focussing our activities over a three year period. These priorities reflect the Sustainable Community Strategy. The Council Plan also reports on progress against the previous year's priorities.

The Council Plan includes information about the Council’s services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how well we performed in previous years, plus our plans against these indicators for future years.

The Executive receives an annual medium-term financial strategy covering a five-year period, which is used to set initial parameters for the subsequent budget process.

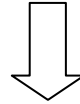
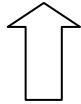
We are committed to encouraging all members of the local communities to contribute to, and participate in, the work of the Council. As part of this process we are founder members of the Bedfordshire Consultation Group (‘BedsVoice’) which started in 2007 and runs a residents panel of nearly 5,000 residents across the county. Surveys, workshops and other consultations are run on behalf of Bedfordshire County Council, Mid Beds and South Beds District Councils, Bedfordshire Police Authority and Bedfordshire and Luton Fire and Rescue Service using the panel.

The results are used to shape the future development of our vision including future investment and services provided. As part of this process any impact on governance arrangements will be identified and responded to. This is in addition to other activities throughout the year which have reached out to specific groups such as tenants and those hard to reach as well as undertaking the nationally required ‘Place Survey’.

The diagram below sets out the various links in the process of establishing and monitoring the achievements of the Authority’s ambitions, and shows the links between the Community and Council Plans which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them:



# service plans and team targets



# key result areas

The Council has an effective performance management framework – set out in the Performance Management Handbook - utilising a dedicated IT system to record and report upon performance management information. The system is driven by the Council Plan which focuses attention on Council ambitions and priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle. The Council's Executive and Local Governance Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary, on a quarterly basis. This reporting uses a traffic light system to make interpreting of the results easier. These reports also include quarterly budget monitoring information covering the General Fund, Housing Revenue Account, capital projects, key Prudential Code indicators and certain specific budget areas regarded as particularly sensitive. The reporting process is under constant review in order to develop its maximum potential, and we are exploring ways in which the financial information can be more closely linked to the service performance information.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A systems thinking approach has been utilised within some housing services in order to streamline activities and reduce wasteful effort. A corporate group has reviewed procurement arrangements and produced a corporate procurement toolkit in order to ensure proper arrangements are in place for procurement of goods and services.

The Council reviewed its financial rules in November 2006, with modernised financial regulations being approved by Council in December 2006. In addition the Code of Practice for Budgetary Control has also been reviewed. Revised procurement rules were adopted in 2005/06, and further refinements were identified during 2006/07. Since then, the decision to abolish the council and create a new council for Central Beds has meant that further development would be superfluous. However the new council is expected to adopt procurement rules along the lines of those used at this council. All budget heads are allocated to named budget officers, who are responsible for controlling spend against those budgets and for those assets used in the provision of their services.



Contracts let, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators e.g. the joint planning and transportation committee or the revised arrangements for refuse collection.

South Bedfordshire had adopted the Bedfordshire and Luton Compact as its framework for working with the Third Sector, and this will now be taken forward by Central Bedfordshire. A decision had also been taken to provide stability and security to the Third Sector and the new authority will honour all existing contractual arrangements that South Bedfordshire has in place with the voluntary sector and will review these as part of a fundamental review of Third Sector funding to be carried out in the first year of Central Bedfordshire.

The Council continues to develop and refine systems for identifying and evaluating all significant risks, via the corporate Business Risk Group. The Council approved a Risk Management Policy Statement in December 2003. The Business Risk Group has defined terms of reference to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. The Audit Committee in September 2006 adopted the risk management strategy and approved the risk register, with a requirement to maintain this as a dynamic document and submit it to the Audit Committee on an annual basis. The Business Risk Group will report to the Audit Committee more frequently if there are significant matters requiring members' attention. In addition a business continuity plan has also been produced – again this will be reviewed on an annual basis via the Audit Committee.

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The District Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

The main decision-making committee is the Executive, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Executive. Each Executive member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees so as to achieve the Council's ambitions. However the Council has not adopted individual decision-making powers for the portfolio holders.

The Council's Corporate Management Group (CMG) of Chief Officers meets on a regular basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMG also considers other internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. CMG will meet with portfolio holders on a three-weekly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

Below CMG the management structure is well defined in a hierarchical manner, comprising the following teams:

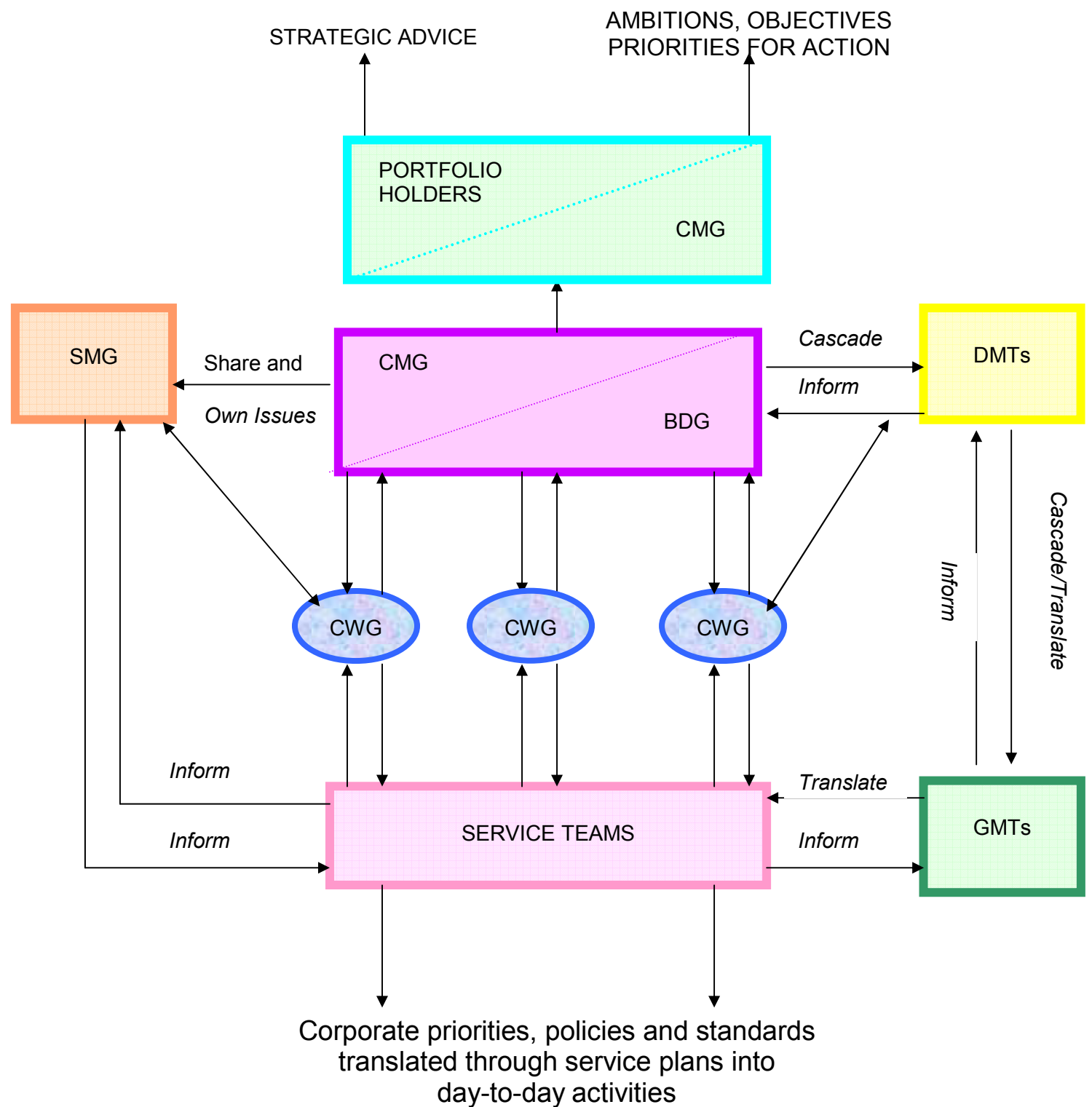
Title	Principal objectives
Directorate Management Team (DMT)	Ensures directorate contributions to CMG, SMG and other teams/groups Ensures feedback from CMG, SMG and other teams/groups is communicated within the Directorate Provides a lead within Directorate to meet corporate requirements
Group Management Team (GMT)	Ensures group corporate contribution Ensures communication of corporate requirements within and between teams in Group Raises awareness of issues for DMT/SMG consideration
Group of 36 – now the Senior Management Group (SMG)	Comprises all senior managers and directors Meets as required to share and understand key corporate issues, priorities and standards

In addition there are specific groups established to progress issues on a corporate basis, examples being:

Group	Principal objectives
Asset Management	To confirm the capital strategy and asset management plan To oversee: <ul style="list-style-type: none"> <li>• the full implementation of the capital strategy and asset management plan</li> <li>• the arrangements for maintenance of the corporate asset register</li> <li>• the production of a surplus land and property register</li> </ul> To consider future land and property requirements and review under-used or empty property To consider and approve terms for the disposal of surplus land and property assets
Business Risk	To raise the level of management awareness and accountability for the service risks identified by the Group To develop risk management as part of the culture of the council To provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Council To prioritise and accelerate the risk management strategy recommendations which are critical to the achievement of corporate objectives To receive reports from the Corporate Health and Safety group and respond as required
Business Decision (Ad hoc)	This is a task and finish group meeting occasionally to: <ul style="list-style-type: none"> <li>Oversee delivery of Council Plan</li> <li>Oversee performance and financial monitoring and planning</li> <li>Make operational decisions within existing policies and</li> </ul>

	framework
Communication Champions (Ad hoc)	To discuss external and internal communications and information sharing, to share experiences and perceptions and to identify priorities in this area
Equalities Working	Development of policies, practices and procedures in relation to: <ul style="list-style-type: none"> <li>• Service planning and delivery</li> <li>• Employment issues</li> </ul> Overseeing Equality Impact Assessments Ensuring effective communication with key stakeholders, community groups and other authorities Development and monitoring of service equality action plans
Environmental Working Group	To enable the Council to make its commitment to the Nottingham Declaration and progress environmental issues on a corporate basis including <ul style="list-style-type: none"> <li>• Develop and updating our environmental policy</li> <li>• Develop and monitoring the implementation of the Council's Environmental Improvement Plan</li> <li>• Providing training and support for the development of a Climate Change (mitigation/adaptation) Plan</li> </ul>
Making the Links (Ad hoc)	This is a task and finish group meeting occasionally to: <p>Strengthen and improve the links between the parts of the Council's corporate management framework</p> <p>Advise, guide and oversee the annual business planning cycle</p> <p>Communicate best practice and champion the corporate performance management framework</p> <p>Consider links between the Local Area Agreement, Local Strategic Partnership and any Local Delivery Vehicles that may be created.</p>
People Management	Oversee the implementation of the Human Resource Strategy Give final approval to all people management policies and procedures Agree all restructures, advertising of posts and establishment changes Review conditions of service
Procurement	Revise, implement and monitor the council's procurement rules and procedures Oversee: <ul style="list-style-type: none"> <li>• The introduction of e-procurement</li> <li>• The procurement strategy</li> <li>• The contracts register</li> <li>• The 'How to do business with the Council' guide</li> <li>• The procurement handbook</li> </ul> Advise on procurement matters and support the procurement process generally

The structure can be set out in diagrammatic form as:



CMG – Corporate Management Group  
 SMG – Senior Management Group  
 DMT – Departmental Management Team  
 BDG – Business Decision Group  
 CWG – Corporate Working Group  
 GMT – Group Management Team

The District Council has adopted a number of codes and protocols that govern both Member and officer activities. These are:

- Members Code of Conduct
- Officers Code of Conduct
- Code of Conduct for Members and officers regarding planning matters
- Members' declarations of interest
- Member/officer relations
- Gifts and hospitality

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The Council has designated the Corporate Service Manager – Legal and Democratic Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive he will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Employee Development Scheme and addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved re-accreditation in November 2006 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

Development Control achieved accreditation under the Charter Mark standard in July 2008 – the Environmental Health (2005) and Building Control (2006) services having already achieved accreditation. Charter Mark is the government's national standard for excellence in customer service.

The financial management of the Authority is conducted in accordance with the financial rules set out in Parts 2 and 4 of the Constitution and with Financial Regulations. At the start of the year the Council had designated the Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. From 1 July 2008 this role was undertaken by the Corporate Service Manager – Business Services. The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

Individual services have produced Service Plans, which currently cover the time period 2007/10. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The Council has several committees which carry out regulatory or scrutiny functions. These are:

- A Planning Committee to determine planning applications and related matters;
- A Standards Committee which promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- A Local Governance Committee, which is the authority's principal overview and scrutiny committee and which reviews and/or scrutinises decisions made or actions taken in connection with the discharge of any of the Council's functions;;
- The Growth Area Committee, with primary responsibility for scrutinising options and proposals relating to the Luton and South Bedfordshire Growth Area.

Previously the Policy Review Committee had shared responsibility for overview and scrutiny with the Local Governance Committee. The former committee was discontinued in April 2008 in view of new arrangements for policy review as part of the preparations for the new unitary of Central Bedfordshire.

### **Developing the capacity and capability of members and officers to be effective**

Corporate Management Group continues to ensure that senior management capacity is directed towards delivering on our priorities, as well as making the appropriate levels of contribution to the Central Bedfordshire agenda. With the recent appointment of a number of senior managers (from service manager level to Directors) to the Central Bedfordshire team, they have continued to review the impact of these appointments and put in place flexible management arrangements to enable these officers to fully participate in the preparations for the new authority.

South Bedfordshire has also made arrangements to compliment the ICT and corporately run training courses already available to employees, by offering access to the Skills for Change programme developed by colleagues at Bedfordshire County Council. The aim of that programme is to help equip employees with tools, knowledge and support during this transition period. The Skills for Change programme details were made available online via the 'Bedford Academy' and the site also contained a wide range of learning and development materials.

The Council's Knowledge and Information Management Strategy seeks to enhance the value and usefulness of the corporate resource that information, data and knowledge represents. In support of this, the Council has been taking forward a corporate records management programme coupled with an EDRMS pilot project. The aim of this is to enable the Council as a whole (and all services individually) to better locate and manage its stored information and data plus other knowledge material so that it can be more effective.

Key deliverables during 2008/09 include: training and awareness for all teams, a refresh of the Data Protection Policy and updated records management guidelines (covering records holdings rationalisation and storage or disposal, indexing of records and records tracking), and ongoing support for all services to implement these activities.

Over the past six months this programme has been fine-tuned and redirected to the objective of ensuring that all South Bedfordshire's records and information holdings have been rationalised. In doing so this will facilitate the effective transfer of knowledge and information from the existing council to the new authority, so that it can develop the solid corporate information, data and knowledge resource that it will need to have in place.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

On 13 March 2007 the Executive approved the Reputation & Communications Strategy 2007-2010 which set out objectives and plans for reinforcing the council's corporate and brand identity, internal communications, media training and enhancing two-way communication to and from the council's customers (residents, community groups, commercial enterprises, hard-to-reach customers etc). Implementation of this strategy has been under way since mid-2007 and is scheduled to meet several of its objectives by the end of 2007/2008 and during 2008/09.

Since then roll-out of the strategy has been running in parallel with the process of planning communications for the new Central Bedfordshire council and of raising awareness about the new authority.

#### **4.0 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process to be adopted during 2008/09 for a review is:

- January 2009 Production of a draft AGS, and circulation for comments by senior managers
- 17 March 2009 Approval by the Executive
- 19 March 2009 Approval by the Audit Committee

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the executive managers within the council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Corporate Service Manager – Legal and Democratic (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. Following a full review in the latter part of 2006/07, and various amendments during 2007/08 including a new Members' Code of Conduct and an updated Members' Allowances Scheme, the only significant amendment to the Constitution during 2008/09 was the establishment of Assessment, Review and Hearings Sub-Committees of the Standards Committee to comply with the requirements of the new local assessment regime. This requires local Standards Committees to play a far greater role in determining complaints that councillors may have infringed the Members' Code of Conduct.

The Council has two overview and scrutiny committees as set out above. They can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive. The Local Governance Committee can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Local Governance Committee can exercise its scrutiny role in respect of any Executive function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing. No task and finish groups were set up during 2008/09 as the focus of in-depth work of this nature by Members was in respect of the preparations, jointly with Mid Bedfordshire District Council and Bedfordshire County Council, for transition to unitary status in April 2009.

The Standards Committee on 7 December 2006 conducted a broad-ranging review of the Council's existing procedures for compliance with (a) the SBDC Members' Code of Conduct and (b) related ethical conduct requirements such as the Planning Code of Conduct, Register of Members' Interests, procedures for declaring interests at committee meetings and protocols on accepting gifts and hospitality, member/employee relations and Members' use of ICT equipment supplied by the council. It simultaneously reviewed how compliance is monitored and the evidence of compliance. The Standards Committee confirmed its endorsement of the compliance procedures and evidence sources used by SBDC as representing a satisfactory assessment of Members' standards of conduct. The Standards Committee has also reviewed the wording of both the Planning Code of Conduct and the Gifts and Hospitality Protocol to ensure they are clear and up to date, and in March 2007 recommended Council to approve various amendments. On that date the Committee also inspected the members' register of gifts and hospitality received (an annual task), and the register of members' interests (undertaken at each meeting of the Committee).



In June 2007 the Standards Committee reviewed a proposed new Members' Code of Conduct (which was subsequently approved by the full Council in June 2007), together with arrangements for training Members in its requirements. In September 2007 the Committee reviewed the Local Code of Conduct regarding Planning and Related Matters and the Members' Protocol for Gifts and Hospitality as a result of adopting a new Members' Code of Conduct, both of which were also subsequently approved by the full Council later in September 2007.

The Audit Committee in June 2008 received the annual internal audit report for 2007/08. In September 2008 it reviewed the risk management strategy and the risk register. In January 2009 it received a report on data quality arrangements and reviewed the risk register, and in March 2009 received the annual Audit Commission audit and inspection letter for 2007/08, the Annual Governance Statement (for the 2008/09 financial year), and the Use of Resources Assessment 2008.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low) and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions were amended in June 2007 and are:

Full assurance	There is a sound system of control designed to achieve the system objectives with controls being consistently applied
Substantial assurance	Whilst there is a basically sound system, there are weaknesses that put some of the objectives at risk. The control framework may be adequate but a number of controls are not operating effectively
Limited assurance	Weaknesses in the system of controls are such as to place the system objectives at risk. Controls are not being consistently applied.
No assurance*	Control is generally weak, leaving the system open to significant error or abuse. Adequate controls are not in place to meet all of the system objectives and controls are not being consistently applied.

\* A rating of no assurance requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date. Reports with these ratings must also be reported to the Audit Committee for Member scrutiny.

The Internal Audit service is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

During 2006 the Internal Audit service was reviewed by the Chief Internal Auditor of Luton Borough Council (a peer review process). A number of recommendations were made and have been implemented. In addition the Council has signed up to a 'call off contract' for audit assistance with Deloitte – this will provide in particular specialist audit support when required.

For performance management, a traffic light monitoring and reporting system is in place. Reporting to chief officers and councillors is on a quarterly basis, with corrective action plans put in place for any under-performing areas.

In the Comprehensive Performance Assessment (CPA) by the Audit Commission of July 2004, performance management was assessed as a strong area. The CPA report stated that performance management is embedded within the culture of the Council and that good systems are in place to manage performance proactively with both councillors and management taking a strong lead. The report also stated that the Council has strong financial management and a good approach to risk management. Overall the Council was placed in the "Good" corporate assessment category.

As part of the CPA framework for districts, the Council has been assessed twice under the 'Use of Resources' category. The outcome of this assessment (in March 2009) was to award a score of 3 (out of 4). The most significant areas where further development is needed are set out in section 5.0 below.

The Council's Corporate Management Group has reviewed this Annual Governance Statement and the evidence supporting it.

## 5.0 Significant governance issues

The following governance issues were identified during 2007/08 as a result of the review of arrangements and by the work of external and internal audit:

No.	Issue	Action/Progress to date
1.	More clearly link the financial and performance information within the 'Managing our Performance' Executive quarterly reports.	All reports to committees since 2007/08 link the reporting of key financial data and Performance Information as part of the council's 'Managing our Performance' quarterly reports. These reports are also published using PBviews on the council's website.
2.	Undertake further work to evaluate the effectiveness of debt recovery actions, identify associated costs and the cost of not recovering debt promptly.	Work during 2008/09 reduced the recovery time significantly for sundry debts before legal action is taken. Further work was halted pending the recovery arrangements that will be adopted by Central Bedfordshire.
3.	Extend the arrangements for the provision of standards of ethical training to officers.	It was the intention to address this issue during 2008/09 but required workloads in respect of Central Bedfordshire made this impossible.

The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit:

No.	Issue	Action/Progress to date
1.	Capital Accounting – non-adherence to the SORP and related working papers	This related to a specific aspect of the accounting requirements, and was addressed during the course of the audit. For 2008/09 accounts work has already begun on checking that the 2008 SORP requirements will be fully addressed and that the appropriate working papers will be maintained.
2.	Management of our asset base	This aspect is recognised as a weakness and will need to be addressed by Central Bedfordshire when it sets up its asset management arrangements.
3.	Extend the arrangements for the provision of standards of ethical training to officers.	This was highlighted again in the 2008 Use of Resources assessment. We do not have the internal resources to do this fully, and so this will be an issue for Central Bedfordshire to progress during 2009/10.

#### 6.0 Certification by the Leader of the Council and the Chief Executive

**Signed:**

Date:

Date:

Leader of the Council

Chief Executive

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**Annual Governance Statement 2008/09**

**1. SCOPE OF RESPONSIBILITY**

Mid Bedfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Mid Bedfordshire District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Mid Bedfordshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Mid Bedfordshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website [www.midbeds.gov.uk](http://www.midbeds.gov.uk) or can be obtained from:-

Mid Bedfordshire District Council,  
Finance Department,  
Priory House,  
Monks Walk,  
Chicksands,  
Shefford,  
Bedfordshire SG17 5TQ.

This statement explains how Mid Bedfordshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

This governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives

and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Mid Bedfordshire District Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Mid Bedfordshire District Council for the year ended 31 March 2009 and up to the date of approval of the governance statement and statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:-

- **identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Vision, which the Council has adopted, is: *To improve the quality of life in Mid Beds*. Of course, quality of life is a combination of many factors such as having a job, staying healthy and enjoying a safe & clean environment.

Recognising the need for clarity, the Council has set itself three aims, which are focused on what it can do to improve the quality of life for residents. These are: *To support our community; To care for the environment; and To deliver quality services*.

The Vision and Aims give us the long term framework for what we are trying to do. We need to translate this into more concrete objectives to guide our work. At Mid Beds we have five corporate objectives in place, namely:

*To minimise waste, prevent and control pollution and encourage sustainability;*

*To help create a safer, stronger, healthier and more prosperous community;*

*To improve the delivery and responsiveness of Council services to our customers;*

*To champion community interests and ensure all sections have an opportunity to be involved/participate in decision making;*

*To ensure that the development of the district is in accord with the Local Plan.*

Beneath these objectives are "High Level Targets (HLT's)" which are reviewed annually and which are the practical expression of our priorities for the coming year. These targets do not attempt to cover all aspects of our services, but are helpful in showing

what is most important in the short and medium term.

The 12 High Level Targets were last reviewed in 2007 and are embedded within the corporate plan 2007-09. Because of the circumstances of the authority in terms of Local Government Reorganisation these targets set out our aspirations up to April 2009 when Central Bedfordshire Council comes into being.

The selection of areas as High Level Targets included consideration of a range of survey information to ensure that our priorities are consistent with public concerns. The full evaluation of this information, and the rationale underpinning the choice of targets, is included within the report to Executive of 21 November 2007.

The High Level Targets are communicated through circulation of the corporate plan (to all staff, members and key partners) and through Horizon Magazine to the public more broadly. They are also available through the Council's website.

- **reviewing the authority's vision and its implications for the authority's governance arrangements**

The Council periodically reviews its Vision and Objectives and would ordinarily have done so following the election of the new administration in May 2007. However, in light of local government reorganisation, members agreed to retain the Mid Beds Vision un-amended until April 2009.

Governance arrangements, including Executive arrangements, Overview and Scrutiny and Audit Committee were unaltered during 2008/09. However, during the year Mid Beds streamlined the operation of its Executive and Overview & Scrutiny functions to reduce the number of meetings. This reflects the need to direct resources to establishing the new Council for Central Bedfordshire, including the establishment of a number of member task forces' and a shadow scrutiny committee.

The approach to policy and decision making is laid down in the Council's constitution, which sets down both decision-making arrangements and responsibilities for different functions. The service planning and budget process is integrated to ensure that clear links exist between corporate objectives, service plans and budgets to enable appropriate prioritisation to take place.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council monitors performance information at regular intervals, to check that we are making progress with achieving our goals. Performance measurement is used to improve services to the public, and improve accountability, i.e. the results

which are achieved for the resources that are used.

Measuring performance is the foundation upon which performance management is built, and helps us maintain focus on key priorities, and question areas of poor performance.

There are different types of performance measures:-

*National Performance Indicators (NPIs) are required by law and reflect the government's priorities. These provide national comparisons of performance;*

*High Level Targets (HLTs) are set by Members and reflect our local priorities (some of which will also be national priorities). These align directly to our Corporate aims and objectives;*

*Local Performance Indicators (LPIs) are set by Directors through service planning, and reflect both local objectives and day-to-day management.*

Members of the Council agree a budget at the beginning of each year. This is monitored by officers on a monthly basis to identify whether expenditure and income show any major variances. Budget monitoring reports are then presented to Management Team and the Overview and Scrutiny Committee on a quarterly basis. Using briefing books, which are published at various intervals, the Council can see how well it is delivering on its day-to-day services, and on the range of long-term plans and strategies, for example the Crime & Disorder Reduction strategy and the Sport and Physical Activity strategy.

A performance management software system (PB Views) is used across all divisions. This primary dataset is known as "Vital Signs" and consists of approximately 50 indicators. It is collated and presented quarterly to the Scrutiny committee, who hold the relevant Executive member (Portfolio Holder) to account for performance in their portfolio. The content of the Vital Signs data set was reviewed in March 2008. Management Team and Corporate Management Group receive bi-monthly presentations of performance data, based upon Vital Signs, but augmented with a selection of further indicators of interest to senior managers.

With regard to ensuring that services are delivered in a cost effective manner, the Council utilises cost comparison information provided by the Institute of Public Finance. This shows that the Council provides good value for money (both overall and within services). This was confirmed within the Council's corporate performance assessment carried out in 2007 and in the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors



- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council Constitution lays down the roles and responsibilities of specific Officers, Members and Committees. It also lays down the delegation arrangements and protocols that both Officers and Members are expected to follow.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Part 5 of the Council's Constitution sets out the Code of Conduct expected of Council Members, together with various other codes and protocols. Following the changes to the Code in May 2007 training was rolled out to all Members of the District Council and also to Town and Parish Councils to ensure they were aware of the changes contained within the new Code. Training continues on an ad hoc basis as required.

Additionally, Members also have completed new Register of Interest forms, which were approved by the Ethics & Standards Committee, together with guidance in January 2008.

- **reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Council's Constitution, incorporating procedures, financial instructions, scheme of delegation, etc. underwent a review in 2006. Subsequently, areas of the Constitution are reviewed / updated as the need arises and suitable authorisation for such changes is obtained. The Financial Procedure Rules were revised in June 2006, to take account of a CIPFA "best practice" model. These are not intended to be reviewed on a cyclical basis. Instead their contents are reviewed / revised when, for operational reasons, it is deemed appropriate.

All the Council's financial records are governed by various computerised systems. It is for the system owners to ensure there are appropriate supporting procedure notes / manuals, that define how decisions are taken, and the controls required to manage the risks.

- **undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Council introduced a new Audit Committee in May 2007. Its Terms of Reference are set out in Part 3 of the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has designated the Director of Corporate and Democratic Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Council has agreed a constitution, which sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer will report to full Council, or to the Executive in relation to an Executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The Council has designated the Chief Finance Officer as the s151 Officer. This Officer has the specific statutory responsibility to ensure the proper arrangements of the authority's financial affairs, and to set the financial management standards and to monitor compliance with them. This is achieved through compliance with Financial Procedure Rules, as laid down in the constitution. This is the framework to be followed, and applies to every Member and Officer of the Council, and anyone acting on its behalf. The Chief Finance Officer will report any breaches of these rules to the full Council and the Executive. The Chief Finance Officer will report to full Council, or to the Executive in relation to an Executive function and the Council's External Auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

The Council maintains an Internal Audit Section. It is the role of the auditors to assist management, by reporting compliance with the Council Financial Procedure Rules as laid down in the constitution.

The Council is fully committed to the principles of good corporate governance. This is demonstrated through the measures outlined within a Corporate Governance - Code of Practice, which was revised in March 2008, and the many documents / processes already in place. Regular reviews against a

CIPFA/SOLACE checklist are carried out. The results having been reported to our Audit Committee are then published on the Mid Beds web-site.

Councillors review proposed changes to the policies and procedures. The Audit Committee approves the Anti Fraud and Corruption Policy, and related policies, and monitors the operation of those codes and practices.

The Chief Executive has overall responsibility for ensuring that risks are effectively managed within the Council. The Management Team act as the Council's co-ordinating group on Risk Management, rather than having a separate group established. All Directors of Services and the Chief Finance Officer, in conjunction with their staff have identified, analysed and profiled their operational risks. These operational risks have been identified in risk registers and the operation of controls to mitigate the risks to an acceptable level. Management at all levels are responsible for establishing the internal control environment, ensuring staff comply with controls. The Internal Audit section assists Management, by reviewing operations in accordance with an audit plan, to confirm compliance with procedures / controls and recommending further improvements where necessary. A control environment statement was included in every audit report issued. The Directors of Services signed off Risk Assurance and Internal Control Assurance Statements. This enabled a wider impression of the risk and control environment to be given.

- **whistle-blowing and for receiving and investigating complaints from the public**

The Whistle-blowing Code was reviewed by the Council's Ethics and Standards Committee on 6 December 2006. Complaints under this Code are investigated by the Monitoring Officer. There have been no complaints this year.

In addition, a formal procedure operates for complaints received from members of the public. The results of which are reported quarterly to the Ethics and Standards Committee.

- **identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

All Officers' undertake a Personal Development Review on a six monthly basis. Part of which, is to determine any development / training needs necessary to enable Officers to be more effective when carrying out their roles and responsibilities.

A training programme is developed for Members to follow, including an extensive induction programme for new Members.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council, as part of a county wide consortium, operates a resident's panel (BedsVoice) which is used as a sounding board for consultation purposes. This is supplemented by a range of "subject specific" consultations carried out in a way which fits the particular needs. In the last year, issues which have been subject to consultation have included waste and recycling.

The Council also undertakes sector specific consultation exercises and in the last year this has included direct consultation with the transgender community and with disabled people. This combination of approaches ensures that we understand and communicate with our stakeholders in a comprehensive manner.

- **incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

Management Team identified the significant partnerships with which we are involved. Assurance reporting arrangements includes reporting on the governance arrangements of our significant partnerships. This information is incorporated into our overall governance arrangements e.g. in accordance with our local code of governance.

#### **4. REVIEW OF EFFECTIVENESS**

Mid Bedfordshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Management Team within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by appropriate Officers, external audit, other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the governance framework, is as follows:-

- **The Council** – This is the body that consists of 53 Members and which exercises all its powers and duties in accordance with the law and Constitution. Article 4 of the Constitution sets out its role, including its functions.
- **The Executive Committee** – This is the body responsible for the majority of

day-to-day decisions. The Executive can only take decisions, which are in line with the Council's Budget and Policy Framework. If it wishes to make a decision that is outside the Budget or Policy Framework, this must be referred to the Council as a whole to decide. As a control mechanism, there is a procedure to allow decisions made by the Executive, but not yet implemented to be "called in" for review by the Scrutiny Committee. A detailed "call-in" scheme is appended to the Overview and Scrutiny Procedure Rules in the Constitution and sets out the provisions governing the "call-in" of Executive decisions. No "call-ins" were made during 2008/09. The Executive consists of the Leader, who is elected by the Council, together with at least six but not more than nine Councillors who are appointed by the Leader. The Leader has the authority to determine the Portfolio structure of the Executive and to allocate Portfolios to individual Members of the Executive. The Portfolio Holders work closely with the Directors of Services responsible for the operational activities within the Portfolio. Regular meetings of the Management Team, Directors of Services and Portfolio Holders are held to ensure co-ordination of corporate and operational objectives. Portfolio Holders are accountable, on behalf of the Executive, in respect of the Portfolio and are responsible for presenting reports and recommendations at meetings of the Executive, justifying proposals and responding to questions. They are also accountable to the Overview and Scrutiny Committees and the Council, as appropriate.

- **The Audit Committee** – This Committee oversees our corporate risk management and governance arrangements, receiving regular updates. This helps to ensure our arrangements are effective, and in accordance with approved strategy and policy documents. The Anti Fraud and Corruption Policy was last reviewed / updated December 2007. The Council continues to have a very low instance of fraud and corruption, supported by these documents. All these documents are available to both Officers and Members of the public on the Mid Beds web site.

An assessment of the effectiveness of the Audit Committee was carried out, against a CIPFA Audit Committee checklist in January 2009. There were no significant issues highlighted, and no action plan was proposed, partly due the decision to supersede Mid Bedfordshire District Council with Central Bedfordshire Council from April 2009.

- **The Overview and Scrutiny Committees** – The Council introduced revised Overview and Scrutiny arrangements with effect from April 2005, with the aim of establishing an influential overview and scrutiny function, which adds value to the Council. The Overview Committee assists the Executive and the Council in the development and review of its Budget and Policy Framework and other policies and strategies by in-depth analysis of policy issues. The Scrutiny Committee reviews and scrutinises decisions and performance in relation to the Council's policy objectives, performance targets and/or particular service areas. A further Constitutional review was conducted during early 2006, where a number of minor adjustments were made to the Council's call-in scheme. These revised overview and scrutiny arrangements are acknowledged as a success.

- **The Ethics and Standards Committee** - The Council acknowledged the increase in workload for the Ethics and Standards Committee following the introduction of the new local regime which deals with complaints received in relation to Members' conduct. The Standards Board for England previously dealt with these. The constitution was amended to set up the necessary Sub-Committees to deal with the process and these have met. Additionally, the new monitoring of performance regime required by the Standards Board for England has been implemented.
- **Internal Audit** – It is not feasible for all activities, in all divisions, to be reviewed by Internal Audit on an annual basis, nor would it be cost effective to do so. The Audit Manager prepares an annual audit plan in accordance with the audit strategy and based upon an assessment of those areas to be reviewed and the anticipated audit resources needed to complete the plan. This audit plan is then reviewed and approved by the Chief Finance Officer (s151 Officer) and reported to the Audit Committee for information.

For each audit review, a brief is developed, with auditee management. Sample testing is performed to test that controls laid down by Management are working as expected, highlighting risks and making recommendations for improvements in the audit report.

A copy of the audit report is issued to the relevant Director of Service, s151 Officer and Service Manager. This report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Service Managers.

Each audit report contains the auditors' assessment of the internal control environment operating over areas reviewed. This is based upon the number and significance of the recommendations made. An executive summary of the audit findings / control environment is issued to Management Team, as part of the reporting process. Copies of the executive summaries of all audit reports are available to Audit Committee Members, if required.

The Auditor carried out all eleven "fundamental" reviews planned to be completed in the year, supplemented with five "other" reviews. The Audit Manager is pleased to report that "Satisfactory" and above controls have been introduced by auditee management in the areas audited, and these controls were working as expected. This was an overall improvement of the control environment in the areas reviewed, when compared to 2007/08.

All audit reports are routinely followed up, to determine whether agreed audit recommendations have been suitably addressed. In September 2008, all agreed recommendations made in audit reports issued between July 2007 and June 2008 were followed up. The Audit Committee were subsequently informed that all 17 agreed recommendations had been suitably addressed. No subsequent follow-up work has been carried out.

No formal effectiveness review of our processes against the CIPFA Code of Practice for internal audit in local government has been carried out. However, the Audit Manager, is broadly satisfied that internal audit still complies with the latest CIPFA Code of Practice.

To obtain customer feedback on the Internal Audit service provided, an end of year questionnaire was sent to the Directors, Chief Executive and Members of the Audit Committee, as our main stakeholders. The feedback received indicates the auditors continue to provide a useful role, which adds value to MBDC.

Information from the audit reviews undertaken; the follow up of agreed audit recommendations; and other assurance statements obtained enabled the Audit Manager to issue an opinion that the overall adequacy and effectiveness of Mid Bedfordshire District Council Internal Control Environment continues to be "Satisfactory."

- **Other explicit reviews / assurance mechanisms**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

### **Corporate Governance Arrangements**

Mid Beds District Council is committed to having sound Corporate Governance arrangements. A Local Code of Governance both approved and displayed on the Mid Bedfordshire District Council web site assists in achieving this aim.

Senior Officers met in September 2008 and January 2009 to score our governance arrangements against a CIPFA / SOLACE checklist. This checklist includes risk management and internal control, and an action plan is noted to deal with any issues identified. Officers concluded that there is a strong regulatory framework of control, with robust arrangements for monitoring and review. The results noted on the checklist were reported to Management Team and then onto the Audit Committee (who oversee governance arrangements) prior to being published on the Mid Bedfordshire District Council website.

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory governance arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The governance arrangements for all four significant partnerships were reported as "Satisfactory".

However, detailed information about the governance arrangements of these significant partnerships has not been obtained to confirm statements made are accurate.

## **Corporate Risk Management Arrangements**

The Council has designated the Chief Executive, Deputy Chief Executive, four Directors and the Chief Finance Officer as its Management Team. Part of the function of Management Team is to identify Corporate Risks; to review the Corporate Risk Register on a quarterly basis; to agree risk scores and actions where required to reduce the risks to an acceptable level. The risk register results were reported to the Audit Committee (who oversee risk arrangements) prior to being published on the Mid Bedfordshire District Council website.

The Corporate Risk Register was reviewed three times during the year (June, September and December 2008) and the scores awarded were appropriate to the risks identified. The fourth review, planned for the end of March 2009 did not occur, as it was determined to be of little benefit, due to the fact that Mid Bedfordshire will cease after 31<sup>st</sup> march 2009.

These Risk Management arrangements enabled a Corporate Risk Assurance Statement to be issued. This indicated: - that all significant risks have been identified; and the scores awarded were appropriate to the risks identified. There were no Corporate Risks identified (at any time) that were awarded a residual score that needed urgent action to reduce the risk to an acceptable level. This Corporate Risk Assurance Statement has been further strengthened, by obtaining the endorsement of the Leader of the Council, to indicate that the statement content agrees with her knowledge.

The risks of our significant partnerships failing are recorded on the Corporate Risk register. All were reported to be at low risk of failing during the year.

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory risk management arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The risk management arrangements for all our significant partnerships were reported as "Satisfactory", apart from the Beds Community Safety Partnership. Officers have indicated that satisfactory arrangements will be put in place, post March 2009 for the new partnership.

## **Operational Risk Management Arrangements**

The Deputy Chief Executive, four Directors and the Chief Finance Officer were able to issue Operational Risk Assurance Statements. This was a result of operational risk registers being in place for service areas. They confirmed that the risk registers had been reviewed at least twice during the year, and the scores awarded are appropriate to the risks identified. They gave an assurance that all significant operational risks for which they are responsible have been identified and recorded in operational risk registers.



Any Operational risks that were awarded a residual score of 7, 8 or 9 (any time during the year) were identified, together with actions taken or proposed, to reduce the risk to an acceptable level. In addition, such risks were reported to Management Team with the Corporate Risk Register, so they are aware, and can monitor / ensure that appropriate action is taken to reduce the identified Operational risk(s) to an acceptable level. The Operational Risk Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement contents agree with their knowledge.

### **Internal Control Arrangements**

The Deputy Chief Executive, four Directors and the Chief Finance Officer completed Internal Controls "Service" Assurance Statements. This was achieved by Officers carrying out a "Service" Assurance Assessment of Internal Controls.

In some Directorates, more than one service assurance statement was produced. The vast majority of these statements indicated a "High" assurance rating was determined. This helps indicate that appropriate internal controls were in place and were operating to reduce significant operational risks, to an acceptable level. There were only two areas e.g. Environmental and Planning; and Customer Services, where only a "Medium" assurance rating was determined.

Where appropriate, actions taken or proposed to resolve identified control issues have been recorded on these assurance statements. For example, within the Finance area, concerns were raised about IT and Office inventory records, given the high levels of activity in these areas concerning the implementation of Central Bedfordshire. Finance Officers recommended that physical inventory checks be carried out to ensure that the new authority has an accurate record of the assets transferred to it. In view of the practical difficulties due to local government re-organisation, the Chief Finance Officer has determined a 10% check be carried out prior to 31<sup>st</sup> March 2009. These Internal Control "Service" Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement content agrees with their knowledge.

## **Director of Corporate and Democratic Services**

The Director of Corporate and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A comprehensive review of the Constitution occurred during 2004/05, following detailed consideration by an Overview and Scrutiny Task Force. A further review was conducted during 2005/06 to consider whether revised political management structures had achieved the aims set in amending the Constitution. As a result of the review some further amendments were approved for implementation during 2006/07 including increasing the number of independent persons serving on the Ethics and Standards Committee and making provision for the Committee to be chaired by one of the independent persons. The Constitution remains under constant review with reports recommending revisions being submitted to the Council as necessary.

Members/Senior Officers have access to appropriate training to ensure continued development and support of their needs.

The Monitoring Officer is of the opinion that arrangements for Mid Beds District Council to be in compliance with established policies, procedures, laws and regulations were "Satisfactory" and operated throughout the financial year.

This assessment is based upon the annual report issued to the Ethics and Standards Committee, other documentation relating thereto in respect of Ethical issues for the Municipal year, and personal knowledge.

## **Chief Finance Officer**

The Chief Finance Officer (the s151 Officer) has a duty to make suitable arrangements for the proper administration of the financial affairs of the Council. This is achieved via Financial Procedure and Procurement Procedure rules, which all Officers and Members of the Council have a responsibility to adhere to. These rules were fully updated in June 2006 in line with the CIPFA model, with minor changes being made during 2007/08, for operational reasons. These rules provide a strong control environment, which Officers continue to follow. No significant breaches of these rules occurred during the year. Technical breaches did occur, but none warranted disciplinary action being taken.

The latest "Use of Resources" assessment, and personal knowledge enabled the s151 Officer to issue the following statement to the Council: - that the financial accounting and reporting arrangements for Mid Beds District Council were "satisfactory" throughout the financial year. The arrangements to plan and manage its finances for Mid Beds District Council were also "satisfactory" throughout the financial year. In addition, the arrangements to safeguard the financial standing for Mid Beds District Council was "satisfactory" throughout the financial year. The internal control environment for Mid Beds District Council was "satisfactory" throughout the financial year, to enable it to manage its significant business risks.

## **Corporate Policy Manager**

The Corporate Policy Manager is of the opinion that “Value for Money” arrangements were “Satisfactory”. This assessment is largely based upon the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors, and the “good” outcome of the Council’s 2007 comprehensive performance assessment.

Also, performance reporting arrangements were “Satisfactory” throughout the financial year. This assessment is based upon the production of regular performance reports, the ongoing use of Actuate software i.e. PBViews to monitor performance; an unqualified audit opinion for the Council’s best value performance plan and performance indicators; and an adequate score for the external audit of the Council’s data quality arrangements.

The Council has in place a Policy and Performance Improvement team, who monitor and regularly report performance achieved to Members and Management Team against targets set. Members and Managers have confidence in the accuracy of data being reported to them. The Audit Commission’s annual audit of data quality showed that management systems were adequate, with no performance indicators reserved or qualified.

Systematic monitoring and review of performance is firmly embedded. Evidence lies in:-

*Routine quarterly performance reports to Scrutiny committee, Management Team/CMG;*

*Comprehensive service planning, linked to the budget;*

*Performance, including targets, is discussed at team meetings;*

*Director/Portfolio Holder meetings;*

In 2008 the Audit Commission examination of “Use of Resources” concluded that the Council’s arrangements, including value for money was adequate, scoring 2 out of 4.

## **Emergency Planning Officer**

The Emergency Planning Officer is of the opinion that the arrangements to comply with the Civil Contingencies Act, during the year were “satisfactory”. This assessment is largely based upon personal knowledge, plans of capability, exercises and training arrangements in place, and positive feedback received from Elected Members.

Mid Beds Crisis Management plan was activated in 2008 for minor incidents – some examples include reacting to burst water mains, and a potential fuel dispute.

It was agreed at Management Team in April 2008 that in light of Local Government Reorganisation the existing arrangements would continue 'as is' until April 2009. Whilst there has been some reduction in numbers of trained Flood Team members, this was accepted in light of Local Government Reorganisation and is mitigated by the provision of mutual aid by the new Bedfordshire County Council flood team who will work under Mid Beds' direction.

The partnership arrangements within the Local Resilience Forum remain strong with good results on the government's 2008 National Capability Survey, and positive feedback from the Government Office when comparing across the East of England.

The controls put in place included:-

*Mid Beds' Crisis Management plan in place, last revised November 2007;*

*Divisional Business Continuity Plans in place, last revised July 2008;*

*Plans stored securely off-site with Emergency Contacts List (last revised January 2009), Next of Kin details and all officer home contact details updated (last revised July 2008 – technical problem with Snowdrop being resolved to provide final update);*

*39 Officers issued with Mid Beds Crisis Management Plan;*

*Ten trained 1<sup>st</sup> Responders;*

*Ten trained members of Flood Team, last trained and exercised November 2008;*

*Briefing to Elected Members at Full Council June 2008;*

*Plans last exercised in November 2008 (major Local Resilience Forum exercise);*

*BCM programme to April 2009 signed off by Management Team in April 2008. This included approval of updated Business Impact Analysis and Business Continuity strategies for accommodation, Information Technology and contractors; and increasing cover under SunGard IT Disaster Recovery contract in light of Business Impact Analysis.*

## **External Audit**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

## **TO CONCLUDE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by a group of senior officers and the audit committee, who conclude that a detailed plan to address weaknesses and ensure continuous improvement of the system is not required. The review of local government in Bedfordshire has determined that Mid Bedfordshire District Council will be superseded, as part of a new Authority Central Bedfordshire, to be set up from April 2009. Officers' attention and efforts during 2008/09 were targeted at creating sound governance arrangements for this new authority while ensuring that established systems operating in Mid Beds continued to function effectively in Mid Beds' final year.

### **5. SIGNIFICANT GOVERNANCE ISSUES**

In last year's Annual Governance Statement, no significant governance issues were identified, where further improvements could be made to the control environment.

Following a review of our governance arrangements for 2008/09, the following significant control issues were identified, where areas of improvement are needed for the new Council:-

Ethical training for all staff needed.

Training for members of the Audit Committee in terms of role and responsibility is needed.

Risk Management training is appropriately aimed at all staff.

Governance arrangements to be defined and implemented.

No action plan is shown for the governance issues identified above, as it felt inappropriate to record actions for a new Council to implement. Instead, these issues are shown for the new Council to consider and action as deemed necessary.

P Turner MBE  
Leader

J Salisbury  
Chief Executive

Dated

Dated

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**Bedfordshire County Council**  
**Annual Governance Statement**

**SCOPE OF RESPONSIBILITY**

Bedfordshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for.

Bedfordshire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are carried out, making sure it delivers services with economy, efficiency and effectiveness.

The County Council is responsible for putting in place proper arrangements for the governance of its affairs, to enable it to carry out its functions, which include arrangements for the management of risk.

Bedfordshire County Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website and can be obtained from the Monitoring Officer or the Head of Internal Audit.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how we have complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 on the publication of a statement on internal control.

**THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework is made up of the systems, processes, culture and values by which the authority is directed and controlled. It controls the activities through which it engages with and leads the community. The governance framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bedfordshire County Council since 2001 and in this particular form since 2008.

## **THE GOVERNANCE FRAMEWORK**

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements:

### ***Bedfordshire County Council's vision***

The Council's vision, its purpose and outcomes for its communities is set out in *Making Bedfordshire Thrive*. The Sustainable Community Strategy and its vision are both owned by the Countywide Partnership, with the County Council as the accountable body. The aim is to provide a common sense of direction for all partner organisations in Bedfordshire shaping and aligning our strategies and plans.

The Sustainable Community Strategy supports the County Council's vision for the future. The strategy was updated in April 2008 with a renewed evidence base, revised performance indicators and new targets. The Council's Medium Term Strategy, Making Bedfordshire Thrive programme and contribution to the Local Area Agreement are all key components of the Council's delivery of its vision.

### ***Service quality***

Each directorate provides information on performance indicators, which are incorporated into service plans. A performance report, containing a number of key indicators (set locally and nationally) is reviewed by the Corporate Management Board, relevant Portfolio Holders and the Overview and Scrutiny Committees each quarter. The Council's year-end performance position is detailed in its Annual Report.

### ***Key roles and responsibilities***

The terms of reference, roles and responsibilities for members of the Executive and all other Committees are set out in the Constitution, which went through a fundamental review completed in January 2008. The Scheme of Delegation sets out the roles and responsibility of officers and the powers delegated to officers by the Executive. The Protocol for Member / Officer Relations defines further the day-to-day roles and responsibilities of officers and members.

### ***Codes of conduct and standards of behaviour***

Employees of the Council must abide by the rules set out in the Code of Conduct for staff. The standards of behaviour expected of Members are set out in the Member Code of Conduct. All new Members must sign up to the code upon taking office. The Chairman of the Standards Committee is an independent member and 50% of the membership of the Committee is independent. The Committee operates an ethical risk register to guide its work programme. In 2008 the Council successfully implemented the new regime for dealing with complaints against Members. Through its Assessment and Review Sub Committees the Standards Committee has dealt with three complaints. None of them resulted in a full investigation or hearing before the full Committee.

### ***Decisions, processes and controls***

The rules governing how the Council operates are set out in the Council's Constitution. Rules are set out which govern the procedural elements of business, while financial regulations set out how financial activity is carried out and how financial interests are safeguarded. The Scheme of Delegation sets out the role of the Chief Executive and each of the directors. It also sets out the delegated authority given to officers in order to carry out the business of the Council. The Corporate Risk Management Strategy outlines the arrangements to ensure the Council identifies and deals with the key risks it faces.



### ***Functions of the Audit Committee***

Under the corporate governance and assurance framework the Audit Committee is responsible for reviewing the Annual Governance Statement and advising the Council or Executive on matters. The terms of reference of the Audit Committee are set out in the Constitution. The Audit Committee has been effective in monitoring the Council's financial and risk management arrangements throughout the year. Internal Audit undertakes a risk based approach to its annual audit work, which is approved by the S151 officer and agreed with the Audit Committee.

In addition, the Audit Committee is the governing body charged with monitoring the internal control environment of the Council. The Committee has successfully tracked internal and external audit recommendations to ensure the continuous improvement of key systems and compliance with audit recommendations. This involves closely monitoring progress against current recommendations arising from all external inspection reports and high risk recommendations from internal audit reports, on a quarterly basis. Where issues are raised, the Committee calls the relevant senior manager to attend the Committee to explain what is being done to rectify the situation and closely monitors progress.

### ***Compliance with relevant laws and regulations***

The functions of the Monitoring Officer and Section 151 Officer are specified in the Constitution. The Assistant Director for Corporate Governance, as monitoring officer, is responsible for ensuring lawfulness and fairness in decision making. The Director of Resources as the appointed Section 151 Officer is responsible for ensuring lawfulness and financial probity and prudence in decision making. The Head of Internal Audit is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the reporting and investigation of fraud, and ensuring that the risk management framework is robust.

### ***Whistle-blowing and complaints***

Members and employees are positively encouraged to raise concerns regarding fraud or corruption via the Council's Whistleblowing Policy and Anti-fraud and Anti-corruption Strategy. The Audit Committee and the Standards Committee approved the policy and the strategy which advocates a zero tolerance on fraud. Internal Audit undertakes special investigations and works with the police, where necessary. The Head of Internal Audit maintains separate logs of all fraud investigations and whistleblowing. The Customer Charter sets out the standards of service that the Council is committed to providing to its customers. The Overview and Scrutiny Committee considers the effectiveness of the customer charter.

### ***Development and training***

To help identify staff training and development needs, the Council uses a PDR (Performance Development Review) process. Development needs are incorporated into a personal development plan. For members, there is a Member Development Strategy. The Strategy is monitored by a member development steering group. The Council also places significant emphasis on organisational development and the support for all staff within an overall framework of organisational value and behaviour.

### ***Channels of communication***

As a means of establishing clear channels of communication, the Council has produced Customer Engagement Strategy and a Communications Strategy. The internal and external communications service has previously been recognised nationally as being amongst the best.

### **Partnership governance**

The Council has a document - Partnership Governance Principles – which sets out the principles for governance arrangements for public and private sector partnerships. The Council has also produced a Guide to Partnerships, which is considered best practice nationally. The Council places strong emphasis on managing the performance of key partnerships as illustrated through specific performance clinic work across, for example, the Environment Directorate, including in conjunction with its highways contractor, Amey.

## **REVIEW OF EFFECTIVENESS**

Bedfordshire County Council is responsible for conducting a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. The Head of Internal Audit has undertaken a review of the effectiveness of internal audit and a review of the effectiveness of the systems of internal control. Senior officers have signed the annual statements of responsibilities confirming that during the year they have:

- Ensured that there are arrangements in place for establishing directorate objectives and compliance with corporate priorities
  - Ensured compliance with the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
  - Ensured arrangements for sound budgetary controls
  - Effectively monitored and managed performance
  - Reported to the appropriate member committees
  - Responded promptly to internal & external audits & inspections
  - Continuously managed business risks and service continuity arrangements
- Significant work has taken place to successfully put risk management into the heart of decision making, strategic planning and performance processes. The Council is now risk enabled and active management of risk is undertaken throughout the organisation.

During 2007, officers received a service control pack. The pack is a tool designed to assist officers in the understanding and management of internal controls in their service areas. It is not an exhaustive and/or all inclusive pack; however it does include the core business information and can be personalised to service area and needs. This pack is kept up to date by Directors and Assistant Directors. An electronic master copy is maintained by Internal Audit and Risk Management.

In 2007/2008 a member steering group was set up to carry out an annual governance review. The member steering group allowed a significant member input into the process and development of the Code of Corporate Governance and provided the appropriate challenge to existing arrangements providing the assurance necessary to complete the Annual Governance Statement.

During the course of the review our corporate governance framework was revised following the publication of "Delivering Good Governance in Local Government" by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in July 2007.

The member steering group led the development of the Code of Corporate Governance. It also undertook a gap analysis using the CIPFA/SOLACE framework.

During 2008/9 the Council's main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services, through a high level Unitary Risk Register and Transitions Issues log.

Therefore this year we have taken a lighter touch approach to the preparation of the Annual Governance Statement and have not formed a Member Steering Group. However, key Members including the Leader of the Council, the Opposition Leaders and the Chairman of the Standards Committee were consulted in preparing the Annual Governance Statement.

During 2008/9 the processes for managing and monitoring performance were further embedded. The positive overall Use of Resources judgement for 2007/8 at Level 3 demonstrates the Authority's commitment to improved financial control and management of risks. A Level 4 assessment was achieved for the management of significant business risks and promoting external accountability in relation to financial reporting. The Use of Resources Assessment concluded that the Council is performing well in all of the five themes assessed and there had been particular improvements in Financial Reporting and Internal Control.

During 2008/9 additional controls have been introduced to ensure that there is a robust governance framework in place to address any additional risks that may arise during the close down the County Council. A three quarter year closure of accounts was undertaken at the end of December to ensure a smooth final closure of accounts and specific resources have been committed to this.

The review of the effectiveness of internal audit was undertaken by the Head of Internal Audit using the CIPFA matrix for assessing internal audit. It confirmed that the systems of internal audit operated in accordance with CIPFA's Code of Practice. This demonstrates that the previous improvement in the results of the managed audits has generally been maintained.

The CSCI Safeguarding Inspection was conducted in May 2008, and reported in September 2008. It found services to be adequate, and that prospects for improvement were uncertain. An Action Plan was drawn up to respond to the recommendations of the report, which is currently assessed as being on track for delivery. The two new Unitary Councils have agreed that they will refresh the Action Plan and continue the programme of improvement. CSCI will review progress in the autumn of 2009.

In December 2008 Ofsted released its Annual Performance Assessment of Children's Services. The assessment concluded that Bedfordshire County Council provides services that make a good contribution to outcomes for children and young people. It delivers services that overall are above the minimum requirements and which make an outstanding contribution to keeping children and young people safe. The management of children's services is good as is the capacity of the council to make further improvements.

## **SIGNIFICANT GOVERNANCE ISSUES**

The review of systems of internal control disclosed that they were effective in 2008/09. During the year we have taken steps to address the matters identified in the 2007/8 Annual Governance Statement to further enhance our governance arrangements. We are satisfied that these steps have improved the overall governance in place. However the following issues remain of concern:

- To date only 42% of schools scheduled for assessment between 2006-07 and 2008-09 have met the Financial Management Standard in Schools (FMSiS). Problems have been encountered with many schools submitting their evidence portfolio for assessment at the very end of each financial year (e.g. March 2009 for 2008-09) which has contributed to a backlog of assessments. A further issue has been non-submission of evidence by schools which results in an automatic fail, and a rescheduled deadline for assessment at a later date. Anticipated. A more rigorous approach to the scheduling of assessments in 2009-10 is required, and schools may require additional support from the relevant new unitaries.
- Although most of the payroll weaknesses that were identified during the 2007/8 managed audit reviews have been addressed the 2008/9 review has identified new concerns relating to access levels which have emerged since the SAP Payroll implementation.
- In addition the managed audit reviews for 2008/9 have identified concerns relating to IT security, including access and authorisations.
- Concerns surrounding the governance arrangements with the Primary Care Trust and Bedford and Luton Partnership Trust relating to the transfer of services and funding for learning disabilities, on-going funding of continuing health care as well as the quality of the statutory functions of social care being delivered by these partners.

The above issues will need to be addressed by the new authorities. As a result, an action plan for 2009/10 has not been produced. It will be more appropriate for the new authorities to produce relevant action plans. In addition, we would encourage them to refer to the Unitary Risk Register and Transition Issues log to move forward on the risks and issues that have been identified. The budget and financial constraints of the new authorities will necessitate robust financial and performance management to ensure that the objectives of the organisations can be achieved.

## **CONCLUSION**

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2008/9. However, it should be noted that it has been produced prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31<sup>st</sup> 2008. The statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

As mentioned before during 2008/9 our main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services. The County Council is now focussing on passing on its services and staff to the two new unitary authorities to be created on 1 April 2009.

The Council's Corporate Overview and Scrutiny Committee undertook a review of the progress within the County Council in supporting the transition to two new unitary councils in Bedfordshire. The Committee found that since the date of the decision in the Judicial Review proceedings, which coincided with the Government's final decision, the County Council had proactively supported the setting up of the two new unitaries with the provision of information requested and active identification of key issues as well as the successful transfer of staff.

A peer review conducted by the Regional Improvement & Efficiency Partnership (RIEP) examined the role of the County Council in supporting the transition to two new unitaries. The preliminary findings are very positive, with the team highlighting the County Council having met all of its obligations and more, whilst continuing to deliver high quality services to the people of Bedfordshire.

In addition, the County Council willingly engaged with the Audit Commission with their Local Government Review (LGR) work in Bedfordshire, as we supported their analysis that the reorganisation represented a potential risk to public services. The Audit Commission acknowledged that Bedfordshire County Council had supported the LGR in a very thorough way.

**Signed:** .....

Leader of the Council and the Chief Executive , Central Bedfordshire Council

29 June 2009

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**Agenda Item: 12**

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**Meeting:** Audit Committee

**Date:** 29 June 2009

**Subject:** Annual Audit Letter for the Citizens' Services Partnership

**Report of:** Director of Corporate Resources

**Summary:** The report proposes that the Audit Committee note the Audit Commission Annual Audit Letter relating to the former Citizens Services Partnership and endorses the review undertaken by the Joint Authority Member Task Group.

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**Contact Officer:** Nick Murley, Assistant Director of Audit and Risk

**Public/Exempt:** Public

**Wards Affected:** All

**Function of:** Audit Committee

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**RECOMMENDATIONS:**

**1. That the Audit Committee**

**(a) Note the Annual Audit Letter attached at appendix A**

**(b) Endorse the recommendations of the review undertaken by the Joint Authority Member task Group attached at appendix B**

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**Background**

1. The Citizens Services partnership (CSP) was established in October 2001, to promote a joint approach to the implementation and operation of cross cutting eGovernment technology and business processes across Bedfordshire.
2. By December 2004, it eventually consisted of three partners, Bedfordshire County Council, Mid Bedfordshire District Council and South Bedfordshire District Council.
3. During the life of the CSP, detailed reviews were carried out by Internal Audit (of the former Bedfordshire County Council) and by a joint Member task force, to ensure adequate governance arrangements were in place for the partnership.

4. Some of the key findings included:
  - A lack of clear vision of the purpose to direct and control the CSP
  - Confused roles and responsibilities and lack of accountability of both Members and officers
  - An ineffective system of financial control and weak procurement procedures
  - A lack of awareness and attention given to the findings of Internal Audit reports regarding the CSP
  - Poor assessment of capacity and skills required to manage the project
  - Inadequate leadership and poor value for money
5. In addition to this the Police carried out investigations into some financial irregularities. The CPS advised that there was no reasonable prospect of a conviction, and therefore no further action was taken.
6. As a result of all of the above the CSP was formally dissolved in July 2007.

### **Annual Audit Letter**

7. As part of their role, the Audit Commission also undertook a code of practice audit on the CSP financial statements for the three years 2004/05, 2005/06 and 2006/07. The code requires the Audit Commission to review and report on the accounts and the arrangements that are in place for securing economy, efficiency and the effective use of resources. The Annual Audit letter, attached at appendix A, sets out the findings.
8. The Audit Commission issued a disclaimed opinion on 8 June 2009 on the 2004/05, 2005/06 and 2006/07 financial statements. A disclaimed opinion is issued when the auditor could not form, and refuses to present, an opinion on the financial statements. This is more extensive than a qualification where it is possible to refer to one particular area or issue.

### **Joint Authority Member Task Group**

9. During the latter stages of the partnership a member task force was formed to look into the failings of the partnership. After much work and investigation the group produced a report setting out their conclusions and made recommendations for future partnership working. This report is set out as Appendix B.
10. As a result of the recommendations all three legacy authorities made immediate changes to their processes and procedures to ensure that the same issues never reoccurred in the future.
11. Central Bedfordshire has also recognised the issues arising from the CSP failure and included the recommendations from the Joint Authority Member Task Group in the new Constitution.



## Conclusion and Next Steps

12. The CSP was formally dissolved in July 2007 and as such there are no direct implications for Central Bedfordshire or Bedford Borough Council. There is a small risk that some of the grant funding (£1.6m) made available by the government could be repayable. As part of the approval of the Statement of Accounts we will decide how we best deal with this.
13. As a result of the recommendations made by the Member Task Group, improvements have already been made to processes and procedures surrounding our partnership governance arrangements and have been included in the Central Bedfordshire Constitution.
14. Good examples of much improved governance arrangements exist in the Bedfordshire Energy and Recycling (BEaR) project as well as proven in the programme management arrangements used to implement the Local Government Reorganisation in Bedfordshire.

### CORPORATE IMPLICATIONS

#### **Council Priorities:**

We need to have robust processes and procedures in place to manage all governance arrangements for any contracts or partnerships supporting our priorities.

#### **Financial:**

There is a small risk that a grant provided to support the CSP could be repayable to the government and is in the order of £1.6m.

#### **Legal:**

None

#### **Risk Management:**

Any project or partnership that does not have sound governance arrangements is likely to fail. The lessons learnt from the CSP are numerous but our Constitution, working practices and procedures have been improved to remove the risk of these problems occurring again in the future.

#### **Staffing (including Trades Unions):**

None

#### **Equalities/Human Rights:**

None

#### **Community Development/Safety:**

None

#### **Sustainability:**

None

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**Appendices:**

Appendix A - Annual Audit Letter of the Citizens Services Partnership

Appendix B – CSP A Review Undertaken by the Joint Authority Member Task Group

**Background Papers:**

None

Location of papers: Priory House, Chicksands

# Annual Audit Letter

Citizens' Services Partnership

Audits 2004/05, 2006/07 and 2007/08

31 March 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.
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# Summary

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### Key messages

- 1 This Annual Audit Letter summarises the findings from our audits of the Citizens' Services Partnership (CSP) joint committee for 2004/05, 2005/06 and 2006/07, which are now complete.
- 2 Our work on the financial statements is complete and I am proposing to issue a disclaimed opinion on 2004/05, 2005/06 and 2006/07 on the basis that I do not have sufficient evidence available to me to give reasonable assurance that the financial statements are free from material misstatement. I will issue my opinion and certificate once the statutory period for inspection of the accounts has been concluded.
- 3 Our work on the CSP's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete. I am proposing to issue an adverse conclusion on the use of resources for 2005/06 and 2006/07 at the same time as the opinion on the financial statements.
- 4 Under the Code of Audit Practice there is no requirement for me to issue a value for money conclusion in relation to 2004/05. For 2004/05, I am however, required to assess the adequacy of the CSP's arrangement in relation to financial aspects of corporate governance and report any significant issue to those charged with governance. I have assessed the CSP's arrangements in this respect as inadequate and have included further detail of the weaknesses identified in this report.

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# Purpose, responsibilities and scope

- 5 This Annual Audit Letter (letter) summarises the key issues arising from our work carried out during the year. I have addressed this letter to members as it is the responsibility of the CSP to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.
- 6 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 7 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 8 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the CSP's accounts; and
  - whether the CSP has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 9 This letter summarises the significant issues arising from both these areas of work.

# Audit of the accounts

- 10 The CSP's financial statements and Statement on Internal Control are important means by which the CSP accounts for its stewardship of public funds. As CSP members you have final responsibility for the financial statements and Statement on Internal Control.
- 11 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 12 In addition, auditing standards require us to report to you:
  - the draft representation letter which we ask management and you to sign;
  - our views about the CSP's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to our report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 13 In planning our audits we identified key areas of judgement and audit risk that we considered as part of our audits.
- 14 Our findings are set out in Table 1. This table include risks specifically identified in our original planning and our supplementary audit plan that was issued to the Director of Finance.

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
No internal audit coverage of payments and accounts systems	CSP placed reliance on systems operated by Bedfordshire CC (BCC) and these were reviewed by BCC Internal Audit. For 2004/05 Internal Audit reported that the main accounting, purchasing and accounts payable systems were 'unsatisfactory'. For 2005/06, Internal Audit concluded that overall an 'unsatisfactory' level of assurance could be provided in respect of the Council's internal control environment. For 2006/07, the opinions for BCC's main accounting, accounts payable and accounts receivable systems were unqualified.

Issue or risk	Finding
Lack of documented Governance arrangements: Financial Regulations and Standing Orders. Evidence of appointments of suppliers without seeking competitive tenders prior to issue of purchase orders. Uncertainty over authorisation process.	Adequate arrangements to control purchases not in place and the system open to fraud. Consequentially we were unable to gain sufficient assurance that the transactions included in the accounts are bona fide and goods have been received.
No asset register in place or list of committed liabilities resulting in risk that assets are not correctly accounted for.	No fixed assets have been included in the financial statements. Only assets included in the accounts relate to cash and debtors. We have been able to verify these.
Ongoing fraud investigation by Bedfordshire Police.	Bedfordshire police confirmed in 2009 that they would not be progressing their investigations further.
Unable to obtain answers to audit queries due to staff involved in the partnership no longer being employed by the Council or partners.	Adequate documentation to support expenditure was not available due to weaknesses in internal control and governance arrangements. Staff have however been helpful in responding to queries where possible.
Partnership not formally terminated until August 2007. Therefore accounts required for 1 April 2007 to 31 August 2007 (part year accounts)	As a result of the weaknesses in internal control and governance arrangements identified in the previous years a disclaimer opinion will also be issued in relation to the 2006/07 accounts. Further audit work to verify expenditure has therefore not been undertaken.

### Letter of representation

15 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;



## Audit of the accounts

- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
  - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
  - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
  - you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
  - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
  - you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
  - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 16** Management has declined to provide me with written representations in respect of matters material to the financial statements where I believe that other sufficient appropriate audit evidence does not exist, in particular that:
- all the accounting records, other records and related information have been made available and all the transactions undertaken by the CSP have been properly reflected and recorded in the accounting records, and
  - there have been no irregularities involving management or employees that could have a material effect on the financial statements.
- 17** Bedfordshire County Council's Audit Committee, confirmed, at its meeting of 16 March 2009, that it would not be providing a letter of representation to me.

## The audit report

- 18** We expect to issue a modified report including a disclaimed opinion on the CSP's financial statements. The opinion has been disclaimed on the basis of limitation in evidence available to me due to the fact that:
- the Committee did not have an adequate system of internal control. Owing to the nature of the Committee's records and the timing of my audit procedures, I was unable to obtain sufficient appropriate evidence regarding the validity of expenditure included within the Consolidated Revenue Account; and

- management has declined to provide me with written representations in respect of matters material to the financial statements where I believed that other sufficient appropriate audit evidence did not exist.

**Material weaknesses in internal control**

- 19 Significant weaknesses in the design or operation of an internal control have been identified that might result in a material error in your financial statements. These have been previously brought to your attention in a number of reports issued by Bedfordshire County Council's Internal Audit between March 2004 and July 2008. The key weaknesses are repeated in Table 2 for completeness.

**Table 2 Weaknesses in internal control**

<b>Internal Audit Findings</b>
Governance and operational arrangements were inadequate and had resulted in delays, lack of co-ordinated effort, and a failure to address the issues of transparency, accountability and probity.
The overall position of the Partnership was assessed as 'Unsound'.
It was not possible to provide reasonable assurance that procurement procedures had not been manipulated to the advantage of favoured suppliers. It was also not possible to fully confirm whether EC Procurement Directives had been complied with.
Appointment procedures did not adhere to the County Council's Contract Standing Orders (competitive tenders were not sought and documentation held was insufficient to demonstrate the veracity of the payments).
The CSP deliverable is not in proportion to the £8.4m spent on the project (the Partnership was formally dissolved in July 2007 and a subsequent evaluation of the potentially usable assets acquired by the partnership valued the assets at approximately £727k).

- 20 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed and the Internal Audit work we have considered.

# Value for money

- 21 For 2005/06 and 2006/07 we are required to conclude whether the CSP put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. We assess your arrangements against criteria specified by the Commission.
- 22 I have assessed the arrangements of the CSP as inadequate in all nine areas that are applicable to the CSP joint committee and therefore propose to issue an adverse conclusion.

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# Closing remarks

23 I am sending this Letter to all CSP joint committee Members.

24 Table 3 sets out the reports issued to the Committee.

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**Table 3     Reports issued**

<b>Report</b>	<b>Date of issue</b>
Report to those charged with governance	March 2009
Annual audit letter	March 2009

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**Debbie Hanson**  
**District Auditor**

March 2009

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# CITIZENS SERVICES PARTNERSHIP

**A Review Undertaken by the Joint Authority Member  
Task Group**



**Bedfordshire**  
county council



**South Bedfordshire**  
taking pride in our district

**Final Version**  
**May 2008**

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## 1. Executive Summary

- 1.1 Jointly commissioned by the Scrutiny Committees of Bedfordshire County Council and Mid & South Bedfordshire District Councils, this report seeks to communicate the final conclusions and recommendations of the Joint Authority Member Task Group established to identify why the Citizens Services Partnership (CSP) failed, in order to learn lessons for the future and avoid a similar fate befalling other partnerships. The review covered areas such as governance arrangements, project management, the roles of senior officers and Members, procurement and the delivery of strategic objectives.
- 1.2 The review has been a robust and challenging one for all concerned and this report is intentionally direct in its commentary. By necessity it focussed upon, and critically appraised, past events surrounding the CSP to ensure its conclusions and recommendations can add value to the continuous improvement of all three Council's processes and procedures. It is important to recognise however that all Councils have moved forward considerably since the CSP's demise and are already implementing a number of initiatives to improve both partnership working and project management arrangements generally.
- 1.3 The key findings of the review were: -
  - A paucity of governance arrangements to direct and control the CSP;
  - A lack of a clear vision of the purpose and intended outcomes of the CSP;
  - Confused roles and responsibilities and lack of accountability of both Members and officers;
  - An ineffective system of financial control and weak procurement procedures;
  - A lack of any formal project and risk management methodology, combined with a lack of early action to address clearly identified weaknesses;
  - A lack of awareness and attention given to the findings of Internal Audit reports regarding the CSP;
  - Poor assessment of the capacity and skills required to deliver the project;
  - Inadequate leadership and poor value for money; and
  - An acknowledgement by all partners of the need to address the above weaknesses and the pro-active implementation of initiatives to do so.
- 1.4 The main purpose of the Task Group was to conduct a thorough appraisal of the Partnership so that lessons could be learned and the authorities involved could move forward, better prepared for the future and particularly in light of the need to create a unitary Central Bedfordshire by April 2009. The Task Force is confident that this aim has been achieved and therefore commends its recommendations to the constituent authorities Executives.

## 2. Introduction

### 2.1 Origins of the Review

- 2.1.1 The Citizens Services Partnership (CSP) was established to promote a joint approach to the implementation and operation of cross cutting eGovernment technology and business processes across Bedfordshire to achieve improvements and choices in service delivery to the citizens of the region and to also meet Government targets.
- 2.1.2 The CSP had its roots in a Bedfordshire County Council commissioned feasibility study undertaken in 1998 to gauge interest in electronic service delivery across 14 public sector organisations in the county and was given added impetus by the “Modernising Government” White Paper of 1999, which introduced a target of all dealings with local government being deliverable electronically by 2008 (subsequently amended to 2005).
- 2.1.3 The feasibility study formed the basis of a successful bid for Invest to Save funding of £1.238M in July 2000 on behalf of this 14 organisation consortium, but in 2001 the consortium was re-aligned to 5 core partners (the 5 local authorities within Bedfordshire & Luton) and a further grant claim for Local Government On-Line funding of £1.775M was successful in 2002.
- 2.1.4 Although a number of loose governance arrangements existed during these early days including a Memorandum of Understanding, it was not until May 2004 that the CSP was formally established by the signing of a Joint Arrangement Agreement between 4 partners (Bedford Borough Council withdrew from the CSP at that time). In December 2004, Luton Borough Council also decided to withdraw from the CSP, leaving a partnership consisting of Bedfordshire County Council (BCC), Mid Beds District Council (MBDC) and South Beds District Council (SBDC).
- 2.1.5 As a result of increasing concerns over the governance, strategic objectives and cost effectiveness of the CSP, Councillor Steve Male, in his capacity as a member of MBDC’s Scrutiny Committee and Vice Chairman of BCC’s Overview & Scrutiny Committee, proposed the establishment of a Joint Authority Member Task Group to review the activities of the Citizens Services Partnership (CSP) in the summer of 2005.
- 2.1.6 Despite the fact that a similar review had failed in the previous year due to a lack of commitment from some partners (see above), the Scrutiny Committees of all three remaining partner authorities firmly supported the proposal at their respective meetings in August 2005 and appointed two members each to undertake the task.

## 2.2 Review Objectives

2.2.1 The Task Group convened for its first meeting on 17 October 2005 and consisted of the following members: -

- Cllr L Birt (MBDC)
- Cllr M Cathrall (MBDC)
- Cllr W Forde (SBDC)
- Cllr L Ledster (SBDC)
- Cllr V Lee (BCC)
- Cllr S Male (BCC)

Note: Cllr M Cathrall was replaced by Cllr M Gibson following MBDC elections in May 2007.

2.2.2 At that meeting Members appointed Cllr Steve Male as Task Group Chairman for the duration of the review, received a scene-setting presentation and background papers from key officers involved in the CSP and agreed the Task Group's overriding objective, as follows: -

***To assess the overall viability of the CSP,  
the opportunities it presents and its  
progress so far.***

2.2.3 The Task Group agreed that this objective would be achieved by seeking answers to the followings 6 key questions: -

1. How has the project reached this point?
2. Are the programme's scope and objectives clear?
3. What are the benefits for the public?
4. Are the systems and controls fit for purpose?
5. Does the project offer good value for money?
6. Will it deliver on time and within budget?

2.2.4 Responses to these key questions would inform the Task Group's findings, conclusions and recommendations, which would be incorporated into a final report for submission to the constituent authorities' Executives.

2.2.5 Unfortunately however two significant events conspired against achievement of the Task Group's original objective, and these are detailed below: -

- In early 2006 following BCC Internal Audit investigations at the request of the Task Group, the activities of the Partnership became the subject of a local Police and subsequently, a Serious Fraud Office (SFO), enquiry.
- In July 2006, the three remaining partner authorities agreed to terminate the Partnership.

2.2.6 As a result of the SFO enquiry, the Task Group's work was temporarily suspended (in June 2006) and upon resumption (in September 2007) changed in emphasis, becoming a task to establish why the Partnership failed, in order to learn lessons for the future and avoid a similar fate befalling others. These events and the Task Group's change in emphasis are expanded upon in the next section of this report.

## 2.3 Review Context

2.3.1 At its first meeting in October 2005 the Task Group agreed a work programme based around the collection of evidence flowing from officer responses to its key questions (and an extensive set of sub questions at a more detailed level below these key lines of enquiry). It was the Task Group's clear intention to conclude its review by April 2006 and its original work programme and list of questions is attached at Appendix A for information.

2.3.2 The Task Group approached its review in a logical order by addressing each of the key questions outlined within the review's objectives in turn and this process proceeded smoothly until January 2006 with the receipt of substantial evidence from officers and Members addressing key questions 1 to 3.

2.3.3 In January 2006 however and following increasing concerns about the Partnership's governance arrangements, the Task Group considered 2 BCC Internal Audit reports, which reviewed progress regarding previous audit recommendations concerning the Partnership and scrutinised in some detail its probity. As a result the Task Group agreed the following supplementary actions: -

- The submission of a letter from the Task Group Chairman to the Chief Executives, Customer Services Portfolio Holders and political Leaders of each partner authority expressing the view that the Partnership had no mandate to spend further monies if its governance arrangements were not addressed immediately (a copy of this letter is attached at Appendix B); and
- Approval for officers of BCC Internal Audit to continue their investigation into probity issues, concentrating in particular on 4 cases, which merited further attention.

- 2.3.4 These actions led indirectly to the events outlined in paragraph 2.2.5 above and compelled the Task Group to suspend its activities pending conclusion of the ensuing SFO enquiry.
- 2.3.5 It is not for this report to pass comment on the SFO enquiry other than to say its duration was considerable and it was not until September 2007 that the Task Group was able to recommence its work, although during its period of suspension, it did continue to receive regular confidential updates from Beds Police regarding the SFO's enquiry.
- 2.3.6 As mentioned in paragraph 2.2.6 above, when the Task Group was finally able to recommence its activities, its members agreed to change the emphasis of the review to establish why the Partnership had failed in order to learn lessons for the future and avoid a similar fate befalling other partnerships. The primary means by which the Task Group achieved this new objective was to request and consider the following further documentation: -
- A final report from BCC Internal Audit summarising the lessons learnt from the failure of the Partnership. This report provided the Task Group with a thorough list of findings, together with areas of improvement and finally, comprehensive guidelines for future partnership working; and
  - Responses to this final Internal Audit report from the Chief Executives of each partner authority, which addressed Internal Audit findings and detailed how effective current arrangements were at each authority in terms of managing existing and future partnerships.
- 2.3.7 In total the Task Group met on 13 occasions between October 2005 and May 2008, requested and reviewed a considerable volume of documentary evidence and interviewed key witnesses (both officers and Members). A list of these witnesses and the documentary evidence collected is attached at Appendices C and D respectively. Also attached at Appendix E is a timeline of key Partnership and Task Group milestones, which will assist readers to put the whole issue into context.
- 2.3.8 The remainder of this report focuses on the conclusions drawn by the Task Group following its consideration of the above documentation and witness interviews, and includes a number of recommendations for consideration by the Executives of each partner authority. Although the Task Group uncovered a considerable number of specific issues during the course of its investigation, there emerged from these issues a small number of key recurrent themes regarding the reasons behind the failure of the Partnership generally. These themes centred on governance, project management, procurement and organisational capability and the next section has therefore been structured not only to list the specific issues identified but to also group them into these four recurrent themes.

3. Review Conclusions and Recommendations

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
3.1	<b><i>Governance</i></b>		
3.1.1	<p>The paucity of adequate governance arrangements to direct and control the Partnership was a major failing of those responsible for it and emerged as a regular theme from the Task Group's investigation. Governance is defined as the development and management of consistent, cohesive policies, processes and decision-rights for a given area of responsibility and during its investigation the Task Group identified a number of specific governance issues as areas of concern, which are outlined below.</p>	<p>The Task Group concluded that governance arrangements for the CSP were wholly inadequate and were a major contributor to its failure.</p>	<p>Constituent authorities must ensure that appropriate governance arrangements are in place for all current and future partnerships, by: -</p> <ul style="list-style-type: none"> <li>(i) Reviewing arrangements for all existing partnerships, and</li> <li>(ii) Adopting the Audit Commission's guidelines on partnerships with immediate effect (Governing Partnerships: Bridging the Accountability Gap, October 2005)</li> </ul> <p>In addition to adopting such guidelines as a minimum requirement, constituent authorities should also adopt the following specific recommendations.</p>

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
3.1.2	<p>Although attempts were made by the CSP Joint Committee to put in place a sound package of governance documents (i.e. a joint agreement, charter, financial regulations, scheme of delegation and a procurement policy) towards the end of the Partnership's life, for much of its existence, the Partnership operated without the benefit of such a framework. As a result the roles and responsibilities of both Members and officers were blurred and confused, which impacted adversely on the extent of authority, accountability and transparency in the decision-making process. This was particularly so in the Partnership's early years, when meetings had no clear focus and no progress was made.</p> <p>In this confused environment, strategic leadership was deficient and contributed to a lack of a firm governance framework being developed. As a result, there was no effective system of internal financial control and no clarity about the Partnership's legal status.</p> <p>The confused environment was compounded by the autocratic style of the CSP Programme Director and the off-site establishment of a Programme Office, whose operation and control was unclear.</p>	<p>The Task Group concluded that the lack of a clear vision of the purpose and intended outcomes of the CSP during its lifetime contributed significantly to its downfall. Moreover, the lack of clarity regarding its legal status caused considerable confusion amongst both officers and Members.</p>	<p>Constituent authorities must develop and articulate a clear vision of the purpose and intended outcomes of a partnership at the outset and ensure that there is clarity about its legal status.</p>

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
3.1.3	There was little evidence to establish whether Members were clear about their roles and responsibilities in relation to the Partnership and understood the extent of their authority. The Member/officer relationship was not strictly observed by the Partnership and this allowed a Councillor to become inappropriately involved in the operational management of the partnership.	The Task Group concluded that the roles and responsibilities of members and officers involved in the Partnership were blurred, which led to inappropriate relationships and conflicts of interest.	Constituent authorities must set out a clear statement of the respective roles, responsibilities and accountabilities of members and officers in relation to any partnership, determine a scheme of delegation and put in place safeguards against conflicts of interest.
3.1.4	An essential component of good governance is the maintenance of an effective system of internal financial control. The probity audit undertaken by BCC supported the view that the system of internal financial control was not fully effective in identifying potentially fraudulent expenditure. This was despite the fact that a partnership agreement signed by the constituent authorities in May 2004 made it clear that the administering authority (BCC) was to provide legal, secretarial and financial support services.	The Task Group concluded that internal financial control was inadequate.	Constituent authorities must recognise the limits of lawful action and observe the requirements of Financial Regulations, Contract Procedures and the general responsibilities placed on officers and members.
3.1.6	The Task Group also noted that BCC Internal Audit undertook 4 major reviews of the Partnership towards the latter part of its life, all of which raised significant concerns about the lack of a sound governance framework. More specifically, the first such review conducted in March 2004 concluded that governance and operational arrangements were inadequate and had	The Task Group concluded that the lack of early action by those responsible for the Partnership to address the findings of these Internal Audit reports precipitated its failure. Whilst in no way excusing this inaction, the scarcity of timely, succinct and frank reporting to those responsible did not help matters.	Constituent authorities must take immediate steps to ensure the findings of internal audit reports are reported widely and acted upon judiciously. Authorities must also develop and maintain an effective scrutiny function that encourages constructive challenge.



	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
	<p>resulted in delays, lack of co-ordinated effort and a failure to address the issues of transparency, accountability and probity. A follow up review in January 2005 assessed the Partnership as “unsound” and a second follow up review in September 2005 identified the probability of improper practices. This led to a much more detailed probity audit of Partnership transactions in January 2006, the results of which were later reported to Bedfordshire Police.</p> <p>Although these internal audit reports highlighted serious weaknesses, their restricted circulation coupled with frequent changes of key officers caused an insufficient awareness of the problems facing the Partnership and were, in the opinion of the Task Group, not taken as seriously as they should have been by those responsible for it.</p> <p>The Task Group also identified an insufficient level of reporting generally to those Members responsible for the Partnership. There was also no routine Overview &amp; Scrutiny involvement as a final check and balance, despite repeated requests from Overview &amp; Scrutiny Members.</p>		<p>However Task Group recommendations flowing from this review should apply only to those large-scale projects involving partners, but those managing these projects should also be subject to the requirement to submit an annual review to each partner’s Executive (and Scrutiny Committee) outlining progress to date.</p>

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
3.2	<b><i>Project Management</i></b>		
3.2.1	<p>Although there was an overarching vision and rationale for establishing the Partnership, this was not developed and articulated into a clear statement of purpose and intended outcomes for service users and the general public. The project therefore evolved as the implementation of IT systems without a clear business case and benefits.</p> <p>This meant that apart from a technical plan of activities, there existed no outcome focussed, customer driven project plan. As a result the partnership became technically focussed and lost sight of its strategic objective i.e. what it was trying to achieve from a customer perspective</p> <p>No formal programme or project management methodology was evident at the outset or implemented during the life of the Partnership. Tangible objectives, milestones and timescales were not clearly laid out and progress towards achieving them was slow and poorly co-ordinated. The lack of progress in service delivery was a significant factor in causing both Bedford BC and Luton BC to leave the Partnership. Additionally, there was no evidence of clear leadership from the administering authority (BCC) and when slippages occurred, as they</p>	<p>The Task Group concluded that the lack of a customer focussed project plan with strategic objectives, key milestones and an overarching project framework for the Partnership was a critical weakness. In addition, the distinct lack of leadership to address partnership deficiencies and drive through the project to a successful conclusion compounded the situation.</p>	<p>Constituent authorities must implement a formal project management methodology that describes the services to be delivered, sets timescales and deadlines for delivery and includes: -</p> <ol style="list-style-type: none"> <li>i. Outcome focussed, customer driven, SMART objectives;</li> <li>ii. A specification of the blend of skills, experience and knowledge required to achieve objectives;</li> <li>iii. Is supported by an effective performance management and monitoring system; and</li> <li>iv. Provision of good communication channels and progress reporting to key stakeholders</li> </ol> <p>It is imperative that any methodology adopted includes an outcome focussed, customer driven project plan in addition to any operational plans below it, together with the identification of a lead authority, whose responsibilities &amp; accountabilities</p>

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
	<p>did at regular intervals, these were seemingly not taken seriously nor addressed accordingly</p>		<p>are clearly defined.</p> <p>Likewise, a Director or equivalent must be responsible and accountable for all aspects of operational management and a suitable senior officer must also be assigned responsibility for maintaining an effective system of financial control. Both these officers should come from the lead authority. Similarly, the lead authority's terms and conditions should be used for the remuneration of consultants.</p> <p>Constituent authorities must also ensure that when slippages occur (outside of defined parameters), they are taken seriously, reported appropriately (to Overview &amp; Scrutiny, in addition to any other formal reporting lines) and addressed accordingly.</p>
3.2.2	<p>Central government's desire to drive through at pace its e-government agenda, softened by the "carrot" of significant grants, overrode legitimate concerns regarding the partnership. In future, there was a need to be robust in the face of government pressure.</p>	<p>There was no formal identification and management of risks within the Partnership, which adversely affected its progress.</p>	<p>Constituent authorities must be robust in the face of government pressure in future and ensure that effective risk management arrangements are established and that members and managers</p>

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
	This issue was one of a number of examples of risk faced by the Partnership, which had not been clearly identified and managed.		at all levels recognise that risk management is part of their jobs.
3.2.3	<p>It was the Task Group's opinion that the CSP failed to deliver one of the key objectives of any partnership, namely the delivery of value for money. Economies of scale should have flowed naturally from the pooling of resources and a shared understanding of realisable benefits. Against a total spend by the Partnership of approximately £8.5M, the Task Group found little evidence of an enduring legacy, with potentially usable Partnership assets following termination valued at only £727k.</p> <p>There was no clear decision made on how value for money was to be measured or reviewed and it was difficult to establish whether the CSP had the information necessary to conduct reviews. Best use of resources was not made and expenditure represented poor value for money.</p>	The Task Group concluded that the Partnership represented extremely poor value for money.	<p>Constituent authorities must decide how value for money is to be measured and ensure that any future partnership has the information needed to review performance.</p> <p>Additionally, it is imperative that a clear business case is established at the outset and a broader assessment of cost v. benefit undertaken, which can identify tangible benefits, payback periods and/or improved performance.</p>
3.3	<i>Procurement</i>		
3.3.1	In January 2005 a second BCC Internal Audit review assessed the overall position of the Partnership as "unsound", stating that it was not possible to provide reasonable assurance that procurement procedures had	The Task Group concluded that procurement procedures were weak and led directly to the need to involve Bedfordshire Police in its investigation of Partnership activities.	Constituent authorities must articulate the procurement rules, procedures and processes that a partnership will adopt and in normal circumstances these

	<b>Commentary</b>	<b>Conclusions</b>	<b>Recommendations</b>
	not been manipulated to the advantage of favoured suppliers and that it was not possible to fully confirm compliance with EC Procurement Directives.		should mirror those of the lead authority.
3.3.2	The purchase of Hyperwave in March 2003 was rushed and ultimately flawed, with no attempt to match what the partnership wanted to achieve against a suitable list of products. Many of the difficulties which arose later in the Partnership's life, stemmed from the purchase of this unsuitable product.	The Task Group concluded that the procurement of Hyperwave was a pivotal factor in the Partnership's demise.	Constituent authorities must maintain open and effective mechanisms for documenting evidence for decisions to employ suppliers of goods and/or services.
3.4	<b><i>Organisational Capability</i></b>		
3.4.1	<p>Although witnesses confirmed that one of the most challenging tasks faced by the Partnership was constituent authorities' ability to generate sufficient capacity to resource the programme, there was little evidence of any assessment of the capacity required to deliver and manage the project at both officer and Member level.</p> <p>There was also little evidence of any assessment of the skills and capabilities required of officers to manage the project nor any training of Members responsible for the Partnership to ensure they possessed the right skills to adequately challenge and ask the right questions.</p>	The Task Group concluded that no formal assessment had been made of the capacity, skills and capabilities required of both Members and officers to deliver the project successfully.	Constituent authorities must assess and develop the skills required of both Members and officers to enable roles to be carried out effectively, ensure that information that is fit for purpose is provided to decision makers and create sufficient capacity to deliver projects successfully, recognising when outside expert advice is needed.

## 4. Evidence Base

- 4.1 From October 2005 to May 2008, the Task Group met on 13 occasions. In that period Members of the Task Group received and considered a large amount of existing evidence, mainly in the form of previous committee (and other) reports, in addition to instigating extensive new evidence. This new evidence was primarily in the form of verbal reports from key witnesses, although a number of new written reports were also requested and considered.
- 4.2 Much of the factual information contained within existing evidence provided the verification framework to support Members in reaching firm conclusions and recommendations. In some instances however, this existing evidence prompted calls for further new evidence in the form of written reports and/or witness interviews. This allowed Members to appreciate in greater detail the issues involved, which in turn allowed them to draw more rational and cogent conclusions regarding the overall management of the Partnership.
- 4.2 Both the existing and new evidence gathered in the form of written reports and other documents were supplemented by extensive witness interviews undertaken during each Task Group meeting. Members of the Task Group would like to take this opportunity to thank sincerely those Members and officers who kindly agreed to act as such witnesses.
- 4.4 These witness interviews complemented the extensive written documentation considered, and provided the Task Group with a much more in-depth and appreciative understanding of the key barriers surrounding the successful delivery of the Partnership programme. The outcomes of these interviews are contained within the full notes of Task Group meetings available upon request.
- 4.5 Tentative conclusions were reached following the review of evidence at each Task Group meeting and Members subsequently tested (and where necessary amended) these tentative conclusions following completion of the evidence-gathering phase. The conclusions reached by the Task Group take full account of these witness interviews and the documentary evidence gathered. A full list of witnesses interviewed can be found at Appendix C and at Appendix D readers will find a list of documentary evidence considered.
- 4.6 In order to aid better understanding of the fundamental issues affecting the Partnership, a simple chronology of key events is also provided at Appendix E.
- 4.7 A complete version of all the documents outlined above is available upon request.

## 5. Lessons Already Learned

- 5.1 Although the thrust of the report thus far has been to highlight the failures of the Partnership, it is important to acknowledge that all three constituent authorities have moved on considerably since the Partnership's demise in June 2006, in terms of improved partnership working and project management.
- 5.2 This bodes well for the future as all three authorities move forward to create a new unitary local authority in Central Bedfordshire, but there is no room for complacency. Unitary local government will be the biggest ever change programme faced by all three authorities and it is imperative that the partnership and project management improvements already implemented, together with the recommendations outlined within this report are adopted and disseminated across all three authorities with immediate effect to ensure successful delivery of a unitary Central Bedfordshire.
- 5.3 Listed below for information are details of the improvements already made by each authority:

### *Bedfordshire County Council*

- i. Adoption of a policy for Governance Arrangements for Key Partners.
- ii. The implementation of a structured approach to forming and agreeing Countywide Partnership arrangements, supported by the appointment of a Partnerships Manager.
- iii. Member/officer relationships are much more strictly observed and are drawn from the Principles of Good Governance.
- iv. Internal financial controls are much more robust, evidenced by unqualified accounts and improved Use of Resources score.
- v. The Audit Committee critically reviews the findings and outcomes of all sensitive audits.
- vi. Overview & Scrutiny arrangements have been reviewed.
- vii. A robust Standards Committee now exists to promote and maintain high standards of conduct by Councillors.
- viii. Financial Regulations and Contract Procedures have been reviewed and rewritten.
- ix. Risk Management receives a high priority and Risk Registers have been established for the Countywide Partnership and Local Area Agreements.

*Mid Beds District Council*

- i. The adoption of a comprehensive project management toolkit, supported by training for relevant officers.
- ii. Officer training in PRINCE2 project management methodology.
- iii. “Performance Clinic” Management Team meetings every 2 months, which monitors major projects in the Corporate Workplan.
- iv. Adoption of the Audit Commission’s guidance on partnerships, Governing Partnerships: Bridging the Accountability Gap.
- v. Regular Management Team review of the Corporate Risk Register, which includes key partnership arrangements.

Officers at MBDC recognise however that although the performance management of partnerships is improving, it remains a development area.

*South Beds District Council*

- i. Regular review of the Corporate Risk Register, which includes key partnership arrangements.
- ii. The review of partnership working generally and the appointment of a Project Manager for its major Property Review & Registration Project.
- iii. Working towards full compliance with the Audit Commission’s guidance on partnerships, Governing Partnerships: Bridging the Accountability Gap.



## 6. Summary of Recommendations

6.1 To assist the reader, the recommendations outlined in section 3 are summarised below for information.

### **Governance**

- i. Constituent authorities must ensure that appropriate governance arrangements are in place for all current and future partnerships, by: -  
  
Reviewing arrangements for all existing partnerships, and  
  
Adopting the Audit Commission's guidelines on partnerships with immediate effect (Governing Partnerships: Bridging the Accountability Gap, October 2005)
- ii. Constituent authorities must develop and articulate a clear vision of the purpose and intended outcomes of a partnership at the outset and ensure that there is clarity about its legal status.
- iii. Constituent authorities must set out a clear statement of the respective roles, responsibilities and accountabilities of members and officers in relation to any partnership, determine a scheme of delegation and put in place safeguards against conflicts of interest.
- iv. Constituent authorities must recognise the limits of lawful action and observe the requirements of Financial Regulations, Contract Procedures and the general responsibilities placed on officers and members.
- v. Constituent authorities must take immediate steps to ensure the findings of internal audit reports are reported widely and acted upon judiciously. Authorities must also develop and maintain an effective scrutiny function that encourages constructive challenge. Those managing large-scale projects involving partners should be subject to the requirement to submit an annual review to each partner's Executive (and Scrutiny Committee) outlining progress to date.

### **Project Management**

- vi. Constituent authorities must implement a formal project management methodology that describes the services to be delivered, sets timescales and deadlines for delivery and includes: -  
  
Outcome focussed, customer driven, SMART objectives;  
  
A specification of the blend of skills, experience and knowledge required to achieve objectives;  
  
Is supported by an effective performance management and monitoring system; and

Provision of good communication channels and progress reporting to key stakeholders

It is imperative that any methodology adopted however includes an outcome focussed, customer driven project plan in addition to any operational action plans below it, together with the identification of a lead authority, whose responsibilities and accountabilities are clearly defined.

Likewise, a Director or equivalent must be responsible and accountable for all aspects of operational management and a suitable senior officer must also be assigned responsibility for maintaining an effective system of financial control. Both these officers should come from the lead authority. Similarly, the lead authority's terms and conditions should be used for the remuneration of consultants.

Constituent authorities must also ensure that when slippages occur (outside of defined parameters), they are taken seriously, reported appropriately (to Overview & Scrutiny, in addition to any other formal reporting lines) and addressed accordingly.

- vii. Constituent authorities must be robust in the face of government pressure in future and ensure that effective risk management arrangements are established and that members and managers at all levels recognise that risk management is part of their jobs.
- viii. Constituent authorities must decide how value for money is to be measured and ensure that any future partnership has the information needed to review performance. Additionally, it is imperative that a clear business case is established at the outset and a broader assessment of cost v. benefit undertaken, which would identify tangible benefits, payback periods and/or improved performance.

### **Procurement**

- ix. Constituent authorities must articulate the procurement rules, procedures and processes that a partnership will adopt and in normal circumstances these should mirror those of the lead authority.
- x. Constituent authorities must maintain open and effective mechanisms for documenting evidence for decisions to employ suppliers of goods and/or services.

### **Organisational Capability**

- xi. Constituent authorities must assess and develop the skills required of both Members and officers to enable roles to be carried out effectively, ensure that information that is fit for purpose is provided to decision makers and create sufficient capacity to deliver projects successfully, recognising when outside expert advice is needed.

## 7. Further Information

7.1 This report has been prepared on behalf of the Joint Authority Member Task Group by the Overview and Scrutiny Manager at Mid Beds District Council. Should you require any further information regarding its contents, please contact:

Bernard Carter  
Overview and Scrutiny Manager  
Mid Beds District Council

Tel: 08458 495175 or 01462 611175

Email: [bernard.carter@midbeds.gov.uk](mailto:bernard.carter@midbeds.gov.uk)

*"challenging, influencing, making a difference"*

For more information about Overview and Scrutiny at Mid Beds District Council visit the website at:

[http://www.midbeds.gov.uk/Your\\_Council/Overview\\_Scrutiny/default.aspx](http://www.midbeds.gov.uk/Your_Council/Overview_Scrutiny/default.aspx)

### Joint Scrutiny Review of the Citizens Services Partnership

The joint scrutiny review should seek the answers to six key questions. Taken together these ought to give a rounded picture of the CSP's overall viability, the opportunities it presents and its progress so far:

1. How has the project reached this point?
2. Are the programme's scope and objectives clear?
3. What are the benefits for the public?
4. Are the systems and controls fit for purpose?
5. Does the project offer good value for money?
6. Will it deliver on time and within budget?

There are four main stages to this work:

- Agreement of work programme and initial briefings
- Detailed evidence from the CSP Joint Committee and officers (this stage is likely to take more than one meeting)
- Discussion of the review's findings and conclusions against each of the five questions
- Approval of concluding report and recommendations to the CSP Joint Committee (via the individual overview and scrutiny committees of BCC, MBDC and SBDC).

The group may wish to hold one follow-up meeting to consider the Joint Committee's response and, if required, issue a final report before winding up.

### Key Questions

Each question heading potentially includes a number of more detailed issues.

#### 1.0 How has the project reached this point?

- 1.1 What were the original consortium's aims and objectives? How well were they researched and planned out?
- 1.2 What has been achieved so far and at what cost? What commitments have been made?
- 1.3 What has been the impact of Luton and Bedford Borough Councils' departure from the consortium?
- 1.4 Has the financial planning and control been sound? What issues were raised in the Internal Audit report?
- 1.5 What lessons should be learnt in taking the project forward from here? Where are the gaps? What needs doing better?

### 2.0 Are the project's scope, objectives and funding clear?

- 2.1 Does the current CSP Joint Committee have clear terms of reference and objectives? How are the outputs and outcomes specified and documented?
- 2.2 Is the scope of the project clearly defined, including who the customers are and the channels of communication they will want to use? How have customers' needs been mapped and how well do the client specifications meet them?
- 2.3 What are the timescales and major milestones? Do these fully meet the ODPM's e-government targets? Is there a detailed (SMART) action plan to deliver?
- 2.4 What were the original cost estimates and what are they now (capital and revenue)? If different, what has changed?
- 2.5 How is the programme being funded, including government grants? What is the basis for the current cost apportionment between BCC, MBDC and SBDC?

### 3.0 Are the systems and controls fit for purpose?

- 3.1 Does the CSP Joint Committee have good audit and governance arrangements? Are there clear, robust structures for decision-making, monitoring and reporting?
- 3.2 Is there effective project management and co-ordination? Are all responsibilities and lines of accountability clear?
- 3.3 Is there sufficient capacity to support the programme and deliver the outcomes?
- 3.4 Is there effective risk management to identify, evaluate and mitigate the financial, procurement, technical and other risks? How are the major procurement issues including Hyperwave being addressed? What contingency plans are there?
- 3.5 Are there effective budgetary and financial controls? How are the accounts audited?

### 4.0 What are the benefits for the public?

- 4.1 What direct benefits will people notice (residents, customers/ service users, people who work in or visit Bedfordshire, others)?
- 4.2 How will it improve access to local information and what types/ categories of information will be available? How will it improve convenience for people in terms of simplicity and speed of access? What range of transactional services will it offer? How will it improve service quality to customers?

- 4.3 How will the impact of these benefits be measured? Are there examples of successful outcomes from similar projects elsewhere?
- 4.4 How many people currently access the BCC/MBDC/SBDC websites, what is the pattern of usage and how is this projected to increase over time?
- 4.5 How will the new services be promoted to encourage maximum take-up?

### 5.0 Does the project offer good value for money?

- 5.1 Does the CSP Joint Committee judge the project to be good value for money? If so, how has it reached that judgement?
- 5.2 What are the yardsticks or cost comparators in other local authorities? What can be learnt from other authorities?
- 5.3 How will the programme improve operational efficiency within the three authorities (for instance e-procurement), reduce administration costs and help meet Gershon targets?
- 5.4 How will it benefit joint intelligence gathering, information sharing and co-ordination with partner organisations in Bedfordshire, and possibly public sector agencies across a wider area?
- 5.5 Will the overall benefits (to both residents and the council) be commensurate with the costs?

### 6.0 Will it deliver on time and within budget?

- 6.1 Is the programme broadly on track? Has there been any slippage? If so, where?
- 6.2 What are the most recent projections for implementation timescales? If different from the action plan, why?
- 6.3 Does the latest budget monitoring show any significant variance? If so why? What are the predicted outturn costs?
- 6.4 Have any significant risks or weaknesses been identified?
- 6.5 If so, what action has been taken to control or mitigate them?

**The Limes  
Dunstable Street  
Amphill  
Bedford MK45 2JU**

**Mrs B Morris  
Head of Democratic & Legal Services**

Leaders, Customer Service Portfolio  
Holders & Chief Executives of: -

Bedfordshire County Council  
Mid Beds District Council  
South Beds District Council

**DX**

**please ask for  
direct line  
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n/a  
BMC  
1st March 2006

Dear Sir/Madam

### **Citizens Services Partnership (CSP)**

The Chairman and Members of the CSP Joint Authority Scrutiny Task Group have asked me to communicate a recommendation made by them at a meeting held on 20<sup>th</sup> February 2006 regarding the CSP.

It is understood by the Task Group that the CSP Joint Committee will be considering the adoption of a package of governance documents at its meeting scheduled for 23<sup>rd</sup> March 2006, which have been prepared in consultation with Beds County Council Internal Audit and fully satisfy audit and governance requirements. It is further understood that if adopted by the Joint Committee, these documents will provide a firm governance framework for the operation of the CSP and provided the key controls within the documents are not weakened by amendments, the major risks that have existed since the CSP commenced operations in 2000/01 will at last have been removed.

The Task Group therefore recommends that the CSP Joint Committee adopts the package of governance documents in full and without amendment. Should these documents not be adopted in full then the Task Group firmly believes that the Joint Committee will have no mandate to spend any further Partnership funds.

I very much hope you will be able to lend support and convey this recommendation to the CSP Joint Committee and those officers supporting it.

For information, Members of the Task Group are Cllr L Birt (MBDC), Cllr M Cathrall (MBDC), Cllr W Forde (SBDC), Cllr L Ledster (SBDC), Cllr V Lee (BCC) and Cllr S Male (Chairman, BCC).

Yours faithfully,

Mr B Carter  
Overview & Scrutiny Manager

## List of Witnesses Interviewed

### Bedfordshire County Council

R Arthur	Consultant Senior Auditor
J Atkinson	Head of Legal Services
N Bell	Former Director of Finance
G Bowers	Former Programme Manager, CSP Office
C Chukwulozie	Assistant Director, Audit & Risk Management
R Ellis	Director of Corporate Engagement & Corporate Services
J Flowers	Former Strategic Director
G Jeram	IT Officer
M Lomas	Former Assistant Director of Customer Services
T Neaves	Former Director of Finance
K Odgers	Consultant (representing BCC Internal Audit)
Cllr P Walley	CSP Joint Committee Member

### Mid Bedfordshire District Council

Cllr J Gardner	CSP Joint Committee Chairman
B Morris	Director of Corporate & Democratic Services
S Redmore	Deputy Chief Executive

### South Bedfordshire District Council

A Kang	Corporate Services Manager
G Stevens	Corporate Services Manager



## List of Documentary Evidence Considered

1. MBDC Response to BCC Final Internal Audit Report (3 March 2008)
2. BCC Response to BCC Final Internal Audit Report (3 March 2008)
3. SBDC Response to BCC Final Internal Audit Report (10 March 2008)
4. BCC Further Financial Analysis of the CSP (10 March 2008)
5. Addendum to Final Internal Audit Report (15 February 2008)
6. BCC Financial Analysis of the CSP (8 February 2008)
7. Briefing Paper: Best Practice in Managing/Governing Partnerships in the Public Sector (8 February 2008)
8. BCC Final Audit Report (7 February 2008)
9. BCC Executive Report regarding Closure of CSP (27 June 2006)
10. MBDC Executive Report regarding Closure of CSP (21 June 2006)
11. CSP Proposal for Closedown: Briefing Paper for Chief Executives (25 May 2006)
12. BCC Technical Portal Platform Assessment (April 2006)
13. BCC Probity Audit Report (7 February 2006)
14. BCC 2<sup>nd</sup> Follow Up Audit Report (7 February 2006)
15. BCC Briefing Paper: Lessons Learned from Hyperwave
16. MBDC Briefing Paper Addressing Key Task Group Questions 2 & 3 (20 January 2006)
17. BCC Briefing Paper Addressing Key Task Group Question 1 (24 November 2005)
18. Customer Service Transformation Through E-Government Presentation Notes (17 October 2005)
19. CSP Joint Committee Agenda Item: Setting the Scene – Introducing the Programme & Updating on Change (19 July 2005)
20. CSP Joint Committee Agenda Item: Moving Forward Together with Budget for 2005/06 (19 July 2005)
21. CSP Joint Committee Agenda Item: CSP Outturn Report 2004/05 (19 July 2005)
22. CSP Joint Committee Agenda Item: Report on Progress Against Joint Committee Resolutions (19 July 2005)
23. CSP Joint Committee Agenda Item: Joint Committee Governance Document (19 July 2005)
24. BCC Follow Up Audit Report (April 2005)
25. CSP Joint Committee Minutes (17 March 2005)
26. BCC Audit Report (May 2004)
27. Bedfordshire & Luton ESD Consortium Presentation Notes to MBDC Customer Services Advisory Committee (17 September 2003)

### Citizens Services Partnership Timeline

Date	Event
1998	BCC commission high level research study to gauge interest in electronic service delivery (ESD) across 14 public sector organisations in the county
1999	Conference held to consider outcomes of research & establishment of consortium
July 00	Consortium feasibility study & successful bid for Invest to Save (ISB) funding of £1.238M
Oct 01	Review of costs, consortium membership realigned to 5 core partners (Beds local authorities)
Aug 02	Further LGOL grant claim of £1.775M
Feb 03	Programme Director appointed
May 03	<p>Consortium Memorandum of Association agreed with ODPM</p> <p>Consortium now governed by Member Executive Board (previously governed by Programme Executive Board (Chief execs of 5 partners) and a Programme Management Board (2 Members from each partner))</p>
May 04	<p>Joint Arrangement Agreement produced but not signed by all partners (BBC refused).</p> <p>Joint Committee (JC) established to govern CSP</p> <p>BCC Internal Audit (IA) report produced &amp; assesses CSP as “satisfactory but with reservations”</p> <p>BBC leaves CSP</p>
Sept 04	Revised Agreement produced but not signed by all partners (Luton refuse)
Dec 04	Luton leaves CSP
Apr 05	Follow up BCC IA report produced & assesses CSP as “unsound”
17/10/05	1 <sup>st</sup> CSP Joint Authority Task Group meeting, receives presentation & establishes key questions
24/11/05	2 <sup>nd</sup> Task Group meeting, receives IA reports mentioned above and initial officer response to key questions

**Appendix E**

20/01/06	3 <sup>rd</sup> Task Group meeting, receives further officer response to key questions and lessons learned from Hyperwave issues
Feb 06	2 <sup>nd</sup> Follow up BCC IA report produced – growing concerns of improper practice BCC IA Probity report also produced investigating CSP transactions – identifies 4 cases requiring further investigation
20/02/06	4 <sup>th</sup> Task Group meeting, receives above 2 IA reports & agrees that IA should continue its investigation of individual cases immediately. Task Group also agrees to send a letter to the Leaders, Customer Services PFHs and Chief Executives of remaining 3 partners asserting that partners have no mandate to spend further CSP funds without agreeing to and implementing with immediate effect a package of governance documents prepared by BCC IA
01/03/06	Above letter sent
Feb/Mar 06	IA reports its findings to Beds Police, who refer matter to Serious Fraud Office (SFO)
25/04/06	CSP JC agrees to terminate partnership
08/06/06	5 <sup>th</sup> Task Group meeting, receives initial verbal update regarding Police investigation from BCC Director of Finance. Group's work formally suspended pending outcome of Police investigation
21/06/06	6 <sup>th</sup> Task Group meeting, receives further update from BCC Director of Finance
27/06/06	BCC Executive agrees to terminate CSP (MBDC Executive agrees 21/06/06)
30/06/06	CSP terminated by mutual agreement of 3 remaining partners
20/09/06	7 <sup>th</sup> Task Group meeting, receives update from Beds Police
16/01/07	8 <sup>th</sup> Task Group meeting, receives update from Beds Police
06/06/07	Task Group Chairman receives progress report from Beds Police
Summer 07	SFO concludes its investigation, finds no prospect of securing a conviction for serious fraud & passes case back to Beds Police
26/09/07	9 <sup>th</sup> Task Group meeting, receives update from Beds Police, who confirm Group can recommence its work
16/10/07	10 <sup>th</sup> Task Group meeting, agrees to request final IA report covering lessons learned & fitness of partners to manage partnerships in future

	<b>Appendix E</b>
15/02/08	11 <sup>th</sup> Task Group meeting considers IA report & requests a detailed response to it from the Chief Executives of partner authorities
18/03/08	12 <sup>th</sup> Task Group meeting to reconsider IA report in light of responses from the Chief Executives of partner authorities and agrees tentative conclusions
07/05/08	13 <sup>th</sup> Task Group meeting to consider its draft report of findings, conclusions and recommendations

## Agenda Item: 13

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**Meeting:** Audit Committee

**Date:** 29 June 2009

**Subject:** 2009/10 Audit Committee Outline Work Programme

**Report of:** Director of Corporate Resources

**Summary:** The report proposes to set out the work programme for the Audit Committee for 2009/10.

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Contact Officer: Nick Murley, Assistant Director of Audit & Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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### RECOMMENDATIONS:

1. That the Audit Committee agrees the Work Programme as attached at Appendix A

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### Background

1. Appendix A attached is an outline Work Programme containing the key agenda items that the Audit committee will need to consider over the course of the financial year.
2. This is an unusual year as the committee will need to consider the three Annual Governance Statements of the legacy authorities in June (as set on this agenda elsewhere), the three sets of accounts from the predecessor authorities in July and the Audit Commission findings on all three sets of accounts and their respective Audit Letters in September and January respectively. Moving forward into the next financial year, these items will just be in respect of Central Bedfordshire.
2. The Work Programme is only an outline proposal at this stage and is subject to change as we progress through the year.

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### Appendices:

Appendix A – Outline 2009/10 Work Programme for the Audit Committee

**Background Papers** (open to public inspection):

None

Location of papers: Priory House, Chicksands

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	Responsible Officer	29 June 2009	27 July 2009	21 Sept. 2009	11 January 2010	12 April 2010
To note the Annual Audit Letter for the CSP and endorse the Review Undertaken by the Joint Authority Member Task Group	Assistant Director Audit & Risk					
To note the Internal Audit Reviews undertaken during 2008/09.	Assistant Director Audit & Risk					
To approve the 2008/09 Annual Governance Statements for the former SBDC, MBDC and BCC.	Assistant Director Audit & Risk					
To note the Internal Audit & Risk Management Performance Report.	Assistant Director Audit & Risk					
To note the Member Allowances paid during 2008/09.	Assistant Director Legal & Democratic					
To note the progress on Internal Audit Report recommendations.	Assistant Director Audit & Risk / Assistant Director Policy					
To approve the Annual Statement of Accounts South Bedfordshire District Council.	Assistant Director Financial Services					
To approve the Annual Statement of Accounts Mid Bedfordshire District Council.	Assistant Director Financial Services					

To approve the Annual Statement of Accounts Bedfordshire County Council.	Assistant Director Financial Services						
To approve the Anti-Fraud Strategy.	Assistant Director Audit & Risk						
To recommend changes to the Confidential Reporting Policy (“Whistleblowing”) to the Constitutional Working Group.	Assistant Director Audit & Risk						
To receive the audit findings as set out in the Annual Governance Report (ISA 260) for South Bedfordshire District Council and approve the 2008/09 Annual Statement of Accounts.	Audit Commission/ Assistant Director Financial Services						
To receive the audit findings as set out in the Annual Governance Report (ISA 260) for Mid Bedfordshire District Council and approve the 2008/09 Annual Statement of Accounts.	Audit Commission/ Assistant Director Financial Services						
To receive the audit findings as set out in the Annual Governance Report (ISA 260) for Bedfordshire County Council and approve the 2008/09 Annual Statement of Accounts.	Audit Commission/ Assistant Director Financial Services						
To approve the Annual Internal Audit Plan.	Assistant Director Audit & Risk						
To approve the Internal Audit Strategy.	Assistant Director						



	Audit & Risk						
To review the Strategic and Operational Risk Registers.	Assistant Director Audit & Risk						
To receive the 2009/10 Audit Commission Annual Audit Plan.	Audit Commission						
To receive the Annual Audit Letter for South Bedfordshire District Council.	Audit Commission						
To receive the Annual Audit Letter for Mid Bedfordshire District Council.	Audit Commission						
To receive the Annual Audit Letter for Bedfordshire County Council.	Audit Commission						
To approve the process for producing the 2009/10 Annual Governance Statement.	Assistant Director Legal & Democratic/ Assistant Director Audit & Risk						
To approve the 2009/10 Annual Governance Statement.	Assistant Director Legal & Democratic						
Consider the Work Programme of the Audit Committee.	Chairman						

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