

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



please ask for Leslie Manning
direct line 0300 300 5132
date 12 January 2012

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 23 January 2012 2.00 p.m.

Venue at

Room 14, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

PLEASE NOTE THE START TIME

To: The Chairman and Members of the AUDIT COMMITTEE:

Cllrs D Bowater (Chairman), M C Blair (Vice-Chairman), L Birt,
Mrs D B Green, D J Lawrence, A Shadbolt and A Zerny

[Named Substitutes:

R D Berry, N B Costin, M A Smith and N Warren]

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**

To receive 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 26 September 2011 (copy attached).

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 and Communications**

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

5. **Petitions**

To receive petitions from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

6. **Questions, Statements or Deputations**

To receive any questions, statements or deputations from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of Part A4 of the Constitution.

REPORTS

Item	Subject	Page Nos.
7	Annual Audit Letter 2010/11 To receive the Audit Commission's Annual Audit Letter for 2010/11.	* 15 - 28
8	Audit Committee Update To receive a report by the Audit Commission on the progress made in its role as the Council's external auditor	* 29 - 42

together with an update on the externalisation of the Audit Practice.

- | | | |
|----|--|-------------|
| 9 | Audit Plan 2011/12 | * 43 - 66 |
| | To receive the Audit Commission's Audit Plan which sets out the work for the 2011/12 audit. | |
| 10 | Internal Audit Progress Report | * 67 - 76 |
| | To receive an update on the progress of work by Internal Audit for 2011/12. | |
| 11 | Revised Anti-Fraud and Confidential Reporting Policies | * 77 - 110 |
| | To consider proposed amendments to the Council's Anti-Fraud and Corruption Strategy (including Anti-Bribery) and Confidential Reporting Policy to reflect changes in legislation and roles and responsibilities. | |
| 12 | Risk Update Report | * 111 - 116 |
| | To receive an overview of the Council's risk position as at the end of November 2011. | |
| 13 | Tracking of Audit Recommendations | * 117 - 138 |
| | To receive a summary of the high risk recommendations arising from Internal Audit reports together with an outline of how these will be monitored, tracked and reported to the Audit Committee. | |

This page is intentionally left blank

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 26 September 2011

PRESENT

Cllr D Bowater (Chairman)
Cllr M C Blair (Vice-Chairman)

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Apologies for Absence: Cllrs L Birt

Substitutes: Cllrs N B Costin (In place of L Birt)

Members in Attendance: Cllrs M R Jones

Officers in Attendance:	Mr J Atkinson	Head of Legal and Democratic Services
	Mr P Fraser	Head of Partnerships & Community Engagement
	Mr A King	Head of Financial Strategy
	Mr L Manning	Committee Services Officer
	Mr M Millar	Interim Chief Accountant
	Ms K Riches	Head of Audit
	Mr J Unsworth	Interim Assistant Chief Executive - Resources
	Mrs L Schultz	Finance Manager – Capital and Co-ordination
	Mr C Warboys	Chief Finance Officer

Others In Attendance:	Mr P King	Audit Commission
	Ms C O'Carroll	Audit Commission
	Mrs H Rothwell-Trickett	Audit Commission

A/11/18 **Minutes**

The Chairman reported that a member of the public had requested that greater detail be included in the minutes when reporting the issues raised under the Public Participation Procedure. It had also been suggested that the names of those raising such issues should be included within the minutes. In response the Committee Services Officer explained that the minutes were not meant to be a verbatim record of the debate but provide a representation of that which had taken place. Further it was not the practice to record individual's names.

The meeting then turned to consider the accuracy of the minutes.

RESOLVED

that the minutes of the meeting of the Audit Committee held on 27 June 2011 be confirmed and signed by the Chairman as a correct record subject to the following amendment:

Minute A/11/12 (Audit Committee – Evening Meetings)

Delete the following sentence from paragraph 1:

‘The Member had previously expressed concern regarding his ability to attend day-time meetings due to his work commitments.’

A/11/19 Members' Interests

(a) Personal Interests:-

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D J Lawrence	7, 8	Is trustee and Vice-Chair of Bedford Borough Council's Pension Fund Committee (which acts on behalf of Central Bedfordshire Council's pension fund).	Present

(b) Personal and Prejudicial Interests:-

None.

A/11/20 Chairman's Announcements and Communications

None.

A/11/21 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Part D2 of the Constitution.

A/11/22 **Questions, Statements or Deputations**

No questions, statements or deputations were received from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of Part A4 of the Constitution.

A/11/23 **Annual Governance Report 2010/11**

The Committee received the Audit Commission's Annual Governance Report for 2010/11. The report set out the Commission's findings on the audit of Central Bedfordshire Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

The District Auditor (Audit Commission) worked through the report highlighting points for Members' information. Under the section 'Quality of Your Financial Statements' (Issue 6) he stated that he had now agreed the proposed amendments in the amended Note 7. He next commented in general on the significant improvement in the arrangements for the submission of the accounts in comparison to the previous year and their production in the International Financial Reporting Standards (IFRS) compliant format. He commented that the latter was a major achievement in itself and expressed his thanks to the Council's officers for their efforts and achievement.

The District Auditor stated that he had identified some material disclosure errors within notes to the accounts and a number of non-material errors and uncertainties. He added that the Council's officers had agreed to adjust the financial statements for all but 12 of the errors and these 12 were detailed in Appendix 3 to the report. The amendments that had been carried out to the draft financial statements were set out at Appendix 2.

The Audit Manager (Audit Commission) explained that the more significant amendments that had been made to the accounts were separately reported in Appendix 2. She brought the Committee's attention to an amendment to Note 21 'Creditors' which had not been separately disclosed and which she needed to bring to their attention due to the value of the amendment made. In Note 21 creditors of £4.6 million were reclassified as being due from "central government bodies" rather than "other" and £1.7 million was reclassified from "other" to "other local authorities". There was no change in the total creditor figure in Note 21 or the balance sheet.

The District Auditor next referred the Committee to the 'Key Messages' section of his report and the receipt of questions from the public. He added that, since preparing the report, four more questions had been submitted including queries in relation to the Council's use of Section 106 monies. The District Auditor advised that whilst he did not think at this point that the questions were likely to affect the issue of an audit report containing an unqualified opinion on the financial statements and an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its

resources (value for money) he would be unable to issue the certificate of audit completion whilst any questions remained unanswered.

The District Auditor drew Member's attention to the potential risk to the independence of the audit due to a member of his staff having previously worked with the Council's Head of Audit. To reduce the risk to an acceptable level the member of staff had not been allocated any work that reviewed Internal Audit in general or specific pieces of Internal Audit work. In addition the District Auditor also advised that the Audit Commission's Audit Practice had undertaken non-audit work for the Council. The Council had agreed to work with the Audit Commission to pilot the Commission's Simplify and Perfect approach to Housing Benefit. No fee had been charged for the work. Last, a shared Final Accounts workshop had been held at the request of Bedford Borough and Central Bedfordshire Councils for which a fee had been charged.

Turning to the key audit risks which he had identified the District Auditor referred to the finding regarding the Council's adoption of International Financial Reporting Standards (IFRS) and commented that the Council's experience in this area had been similar to that nationally. He added that a significant number of other local authorities had fallen behind in their preparations for IFRS to the extent that their accounts were at risk of not being published by the statutory deadline of 30 September.

Moving next to internal control issues the District Auditor referred to his recommendations on meeting the identified weaknesses. Members were aware that Appendix 6 to the report, which formed the action plan in which the Council was to detail its responses to the District Auditor's recommendations, was uncompleted. However, the Head of Financial Strategy circulated a completed Appendix 6, setting out the Council's responses, to replace that attached to the report and Members considered this document.

It was noted that the template draft Letter of Representation included within the Annual Governance Report at Appendix 5 had been superseded by the draft Letter of Representation included at Appendix B to Item 8 (2010/11 Statement of Accounts). Minute A/11/24 below refers.

With regard to the requirement on him to conclude whether the Council had put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) the District Auditor stated that he would issue an unqualified conclusion stating that the Council had proper arrangements in place to achieve this.

A Member referred to Appendix 2 and sought clarification on the capital commitment in respect of the NHS Campus closure. In response the Executive Member for Corporate Resources explained that, as the NHS wished to move patients into community care, it provided funds to the Council so that, in return, the Council made buildings available under its capital programme for NHS community care use.

NOTED

- 1 the Audit Commission's Annual Governance Report on its findings on Central Bedfordshire Council's audit for 2010/11 and the issue of an audit report by the Commission containing an unqualified opinion on the financial statements and an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources (value for money);
- 2 the adjustments to the financial statements as set out at Appendix 2 to the Annual Governance Report.

RESOLVED

that the Council's response to the District Auditor's recommendations within the Annual Governance Report, as set out in the completed version of Appendix 6 (Action Plan) and circulated by the Head of Financial Strategy at the meeting, be approved.

A/11/24

Central Bedfordshire Council Statement of Accounts 2010/11

The Committee considered a report by the Chief Finance Officer which presented the 2010/11 Statement of Accounts for Central Bedfordshire Council for approval. The meeting was aware that the accounts, together with the audit opinion and certificate, had to be published by 30 September.

The full set of annual accounts was attached at Appendix A to the report.

Members noted that auditing standards required that the External Auditor obtain the appropriate written representation from the Council regarding the financial statements and governance arrangements. The Committee was also asked, therefore, to approve a draft letter of representation to the Audit Commission, a copy of which was attached at Appendix B to the Chief Finance Officer's report.

The Head of Financial Strategy stated that there had been no change in the General Fund Balance and no material errors had been identified in the key financial statements. The Statement of Accounts before the meeting was identical to the certified version presented to the Committee in June and subsequently subjected to both public inspection and external audit validation.

With regard to the draft letter of representation the Head of Financial Strategy explained that this set out the details of the unadjusted misstatements and provided details on the reasons for not correcting those items.

On behalf of Members, and with their full support, the Executive Member for Corporate Resources expressed his congratulations to officers for their efforts.

RESOLVED

- 1 that the 2010/11 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved and published;**
- 2 that the draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission to the Audit Commission;**
- 3 that the Audit Committee records its appreciation to the officers for their work in the preparation of the 2010/11 Statement of Accounts.**

(Note: At this point in the Committee's proceedings it was decided to bring forward Item 10 (Internal Audit Progress Report) for consideration prior to Item 9 (Quarter 1 Risk Report)).

A/11/25

Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer which provided an update on the status of Internal Audit work for 2011/12 as at 31 August 2011. The Head of Audit worked through the report drawing Members' attention to the progress which had been made.

A Member referred to the Key Performance Indicators (KPI's) and commented that, whilst KPI's 01-04 had shown an improvement, they were still well below the target figures and he stressed the need for substantial improvement. Concern was then expressed by another Member that the effectiveness of the audit function could be diluted by recent changes in working practices. In response the Head of Audit assured the Committee that the role undertaken by Internal Audit was clearly defined and the quality of its work had not been adversely affected by the changes.

Members were aware that the Internal Audit Plan, which had originally been approved by the Committee 4 April 2011, was subject to proposed revisions following discussions between Internal Audit and senior officers. The meeting noted that, with regard to the IT audit plan, the combination of the Information Security and Desk Top Security audits would lead to a saving of five days. This time could then be added to the SAP Access and Authorisation audit making 15 days available for that review. It was also noted that the review of Financial Management within Social Care, Health and Housing Directorate had been deferred until next year at the request of the Director and that the secondment of a member of the Internal Audit Team to Finance to assist with the SAP Optimisation/Recovery Plan had been extended and this could impact on the delivery of the Internal Audit Plan.

Members noted that Internal Audit would continue to review and reassess risks in view of changes in funding and legislation and would bring any further changes to the Internal Audit Plan to the Committee for approval.

NOTED

the progress made against the 2011/12 Internal Audit Plan.

RESOLVED

that the proposed revisions to the 2011/12 Internal Audit Plan with regard to the IT audit plan, the SAP Access and Authorisation audit and the deferral of the review of Financial Management within Social Care, Health and Housing be approved.

A/11/26

Quarter 1 Risk Report

The Committee considered a report by the Head of Partnerships and Community Engagement which provided an overview of the Council's risk position as at the end of Quarter 1 (June – August 2011). A risk summary dashboard, which covered both strategic and operational risks, was attached at Appendix A to the report.

Members were aware that, at the Committee's meeting held on 4 April 2011, they had requested that a regular quarterly risk report be submitted to assist them in carrying out their responsibility in monitoring the Risk Management Policy Statement.

The Head of Partnerships and Community Engagement stated that the two strategic risks with the highest residual exposure continued to be financial pressures and staffing issues both of which related to the Council's ability to achieve its efficiency targets and the impact on staff of any subsequent reduction in resources. However, he stressed that both were well managed and there had been no change in their rating. Overall there had been little change within the 12 risks listed within the strategic risk matrix.

With regard to operational risks the meeting noted that the payroll contract and its current systems and processes represented the risk with the highest residual exposure. In addition five new risks had appeared in the 10 listed within the operational risk matrix.

The Head of Partnerships and Community Engagement clarified issues in response to Members' queries.

NOTED

the strategic and operational risks facing Central Bedfordshire Council as set out in the risk summary dashboard attached at Appendix A to the report of the Head of Partnerships and Community Engagement.

A/11/27

Tracking of Audit Recommendations

The Committee considered a report by the Chief Finance Officer which summarised the high risk recommendations arising from Internal Audit reports,

outlined how these were monitored and the progress made on their implementation as at the end of August 2011. The meeting noted that, in order to distinguish between recommendations made during 2010/11 and those in the current financial year, the tracking had been presented in two tables: one summarised the reports issued during 2010/11 and included within previous monitoring reports to the Committee whilst the second summarised reports issued since the Committee's meeting on 4 April 2011.

NOTED

the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of August 2011.

A/11/28 **Exclusion of Press and Public**

RESOLVED

that in accordance with Section 100A (4) of the Local Government Act 1972 the Press and Public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act:

Appendix B to the Internal Audit Progress Report referred to in Minute 11/25 above.

A/11/29 **Internal Audit Progress Report - Exempt Appendix B**

The Committee considered the information contained within exempt Appendix B to Item 10 (Internal Audit Progress Report). The Appendix set out a summary of the three special investigations concluded since the last meeting. The Head of Audit added that a fourth special investigation was nearing completion.

At the request of Members, and in order to establish whether any member of the Committee was a local ward councillor, the Head of Audit advised the meeting of the geographical locations where two of the three completed special investigations had been carried out.

With regard to the third completed special investigation a query was raised by a Member as to whether a Central Bedfordshire councillor had followed the correct procedure in connection with the declaration of interests. Following discussion the Head of Legal and Democratic Services and the Member undertook to consider the matter further after the meeting had finished.

The Head of Audit advised the meeting which Council directorate was affected by the fourth, unfinished, special investigation.

NOTED

exempt Appendix B to the Internal Audit Progress Report.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.40 a.m.)

Chairman

Dated

This page is intentionally left blank

Annual Audit Letter

Central Bedfordshire Council

Audit 2010/11



Contents

Key messages	3
Audit opinion and financial statements.....	3
Value for money	3
Questions from a member of the public	3
Current and future challenges	4
Financial statements and annual governance statement	7
Value for money	9
Closing remarks	11
Appendix 1 – Fees	12
Appendix 2 – Glossary	13

Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

- This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**
- **the audit of your financial statements; and**
 - **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

The arrangements for preparing and submitting the financial statements have improved significantly compared with last year. A complete set of accounts were submitted for audit by the due date of 30 June 2011, supported by much improved working papers. I issued an unqualified opinion and certificate on 29 September 2011.

This improvement was achieved in a year in which the requirements of International Financial Reporting Standards (IFRS) meant the financial statements for 2010/11 were much more complex than last year. The audit process was helped by clear planning for the audit and the prompt response of officers to questions raised by the audit team.

Internal Audit issued limited assurance opinions on the Main Accounting, Payroll and Housing Benefit systems. Having completed my own work I agreed with these findings. In addition I found that one of

the key controls in the in place for processing payments to the independent sector and foster carers (SWIFT) was not in place. The actions that management are taking to address the weaknesses reported are set out in the Action Plan of my Annual Governance Report.

I am in the process of completing my work on certifying the Council's 2010/11 claims and returns.

Value for money

I issued an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources on 29 September 2011.

Questions from a member of the public

During the audit a member of the public asked questions about the Council's management and use of section 106 funds. Having reviewed the relevant documentation and comments from Council officers, I concluded that the issues raised did not affect my opinion on the financial statements or my value for money conclusion for 2010/11. I will be considering these issues further as part of my 2011/12 audit.

Current and future challenges

Economic downturn and pressure on the public sector

The economic downturn is placing increasing pressure on the public sector as a whole. This is reflected in the:

- challenging Comprehensive Spending Review settlement;
- increasing demand for key services; and
- reduced ability of members of the public to pay for services.

In addition there are challenges arising from Housing Revenue Account self-financing; possible boundary changes and the increased level of pension costs arising from the triennial revaluation and changing assumptions regarding pensionable employees. Taken together, these challenges will put increasing pressure on the Council's finances.

Central Bedfordshire is well-placed to meet these challenges. The Council has a positive track record of delivering savings, having achieved the £12 million of savings and efficiencies included in the 2010/11 budget. The Council was also able to increase the General Fund balance from £5.2 million to £7 million during the year. Savings of £19.6 million are included in the 2011/12 budget and the Medium Term Financial Plan (MTFP) estimates that a further £12.3 million will be required in the period 2012/13 to 2014/15. The most recent budget monitoring reports indicate that the Council is on track to meet its 2011/12 budget. The MTFP plans further increases to the General Fund balance, to bring it up to what the Council considers to be a sustainable level of £11 million.

Housing Revenue Account self financing

Under the existing housing subsidy system councils with housing stock are required to prepare a notional Housing Revenue Account using a set of predetermined factors for such items as maintenance costs and rental income to reflect the mix and age of the housing stock. In simple terms, if this notional account is in credit then the surplus is payable to central government. If it is in deficit an equivalent payment is made to the council to support the housing landlord function. The Council's notional Housing Revenue Account is in credit and so it was required to make a contribution of some £8.6 million to central government in 2010/11.

The current year, 2011/12, will be the last year of the existing system. Under a new financing system, councils will be responsible for financing of the Housing Revenue Account, and the existing system of grants and payments will end. To fund this central government will be making payments to certain local authorities and in the case of the Council and other local authorities that currently contribute to the scheme, transferring an allocation of the national debt liability. The debt liability transfer, in the region of £160 million for Central Bedfordshire, is to take place on 28 March 2012. Under the new system the Council will be able to keep all of the rental income from its own housing stock.

A key issue is how the transferred debt will be financed. Recent central government announcements have indicated that authorities that will be having debt transferred will now be able to borrow at preferential rates from the Public Works Loans Board (PWLb) rather than from the money markets by way of loans or bonds. It is expected the availability of these lower rates will lead to the majority of councils funding their debt transfer through the PWLB. The Council's budget proposals for 2012/13 will include the development of a 30-year business plan for the housing stock and a treasury management strategy to finance and repay the transferred debt.

Localism Bill

This Bill is expected to receive Royal Assent in early 2012 to allow the Housing Revenue Account self financing proposals discussed earlier to proceed. However, the Bill has far reaching implications for local authorities including the following.

- Granting of a 'general power of competence', to provide councils with the legal power to do what is not specifically prohibited.
- New rights and powers for communities. These include:
 - 'community right of challenge' – would allow voluntary and community groups to express an interest in taking over and running local authority services; AND
 - 'community right to buy' – local authorities to hold a list of community value assets and if wish to dispose of community groups must be allowed time to put together bids and finance.
- Planning system reforms including changes to the community infrastructure levy with a proportion going to neighbourhoods affected by the developments.

The full implementation of the provisions of the Bill will have significant service provisions and hence budgetary implications for the Council.

Welfare reform

The Welfare Reform Bill was introduced in Parliament in February 2011. The Bill means significant changes to the welfare system. It provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. These include Housing Benefit and Council Tax Benefit, which are administered by councils. The Bill follows the November 2010 White Paper, 'Universal Credit: welfare that works', which set out the Coalition Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

Besides introducing Universal Credit and related measures, the Bill makes other significant changes to the benefits system. The changes that specifically affect councils include:

- restriction of Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need;
- up-rating of Local Housing Allowance rates by the Consumer Price Index; and
- capping of the total amount of benefit that can be paid.

The Government has yet to confirm the detailed timescale over which the full move from the existing Housing Benefit and Council Tax Benefit systems to the Universal Credit will take place. However, it is clear that this will have significant operational and resource implications for the Council. This is identified as a key issue and is being actively monitored.

More recently the Government released a consultation paper on local support for council tax. This stated that council tax support would not form part of Universal Credit and would remain a local authority responsibility. The paper also set out the need for a 10 per cent cut in the existing level of support.

Financial statements and annual governance statement

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

Overall conclusion from the audit

I issued an unqualified opinion and certificate on 29 September 2011.

The move to IFRS set all councils the difficult task of reviewing their past accounting policies and accounts and restating them in the format required by IFRS, as well as preparing the current year accounts in that format. After falling behind in its preparations for IFRS during 2010 the Council made significant progress in early 2011, with the restated accounts reported to the Audit Committee in April 2011.

My audit testing did not identify any material errors which would impact on the Council's reported financial position or the financial results for the year. I did identify some material disclosure errors within notes to the accounts and a number of non material errors and uncertainties. The accounts were amended for all but 12 of the errors. The financial effect of the amendments made is to reduce the net worth of the Council by £0.623 million as at 31 March 2011. The unadjusted errors and uncertainties were set out in detail in my Annual Governance Report.

The arrangements for the preparation and submission of the financial statements had improved significantly from last year. A complete set of accounts were submitted for audit by the due date of 30 June 2011. The draft financial statements were made available to audit prior to 30 June. The quality of the working papers provided to support the financial statements was significantly better than in 2009/10. The audit process was helped by clear planning for the audit and the prompt response of the Chief Accountant and other members of the finance team to questions raised by the audit team.

Significant weaknesses in internal control

I reported in my Pre Statements Memorandum that Internal Audit had issued limited assurance opinions on the Main Accounting, Payroll and Housing Benefit systems and that having completed my own work I agreed with these findings. In addition I found that one of the key controls in the system in place for processing payments to the independent sector and foster carers (SWIFT) was not in place. As a result I substantively tested the payroll and SWIFT expenditure included in the accounts. My work did not identify any significant errors that would lead to a material misstatement in the accounts. The actions that management are taking to address the weaknesses reported are set out in the Action Plan of my Annual Governance Report.

Questions from a member of the public

During the course of the audit a member of the public asked questions about the management and use of section 106 monies. Having reviewed the relevant documentation and comments from Council officers, I concluded the issues raised did not affect my opinion on the financial statements or my value for money conclusion for 2010/11. I will be considering these issues further as part of my 2011/12 audit.

Grant certification

As the Council's auditor, I am required to certify the Council's claims and returns on the following basis.

- Claims below £125,000 are not subject to certification.
- Claims between £125,000 and £500,000 are subjected to a reduced, light-touch certification.
- Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

I am required to certify a total of nine claims. At the time of drafting this letter six of the nine claims have been certified. Work on the Housing Benefits, Teachers Pensions and Housing Subsidy claims is in progress. Three of the six claims that have been certified required amendments. The Sure Start claim was subject to a qualification letter. I will report the full findings from my audit of 2010/11 claims in my Certification of Claims Annual Report, which will be issued in February 2012.

The Department of Work and Pensions (DWP) have requested that both the Council, and my team, carry out additional work on some of the issues raised in the qualification report on the 2009/10 Housing Benefit claim. The DWP require a response by 30 November 2011. The fee for this work has been included in the revised estimate of £90,000 for 2009/10 claims.

My indicative fee letter for 2010/11 issued in March 2010 estimated the fee for auditing 2010/11 claims would be £100,562, the indicative fee for 2009/10 claims was £83,400. I expect the 2010/11 fee will be lower than the indicative fee and will offset the additional fees incurred in auditing the 2009/10 Housing Benefit claim. I therefore estimate the fees for the audit of 2010/11 claims to be £90,000.

Whole of Government Accounts

The Whole of Government Accounts return for 2010/11 was certified and submitted on 29 September prior to the deadline of 30 September.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion

1. Financial resilience
The organisation has proper arrangements in place to secure financial resilience.
Focus for 2010/11:
The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Key messages

The Council has proper arrangements in place to secure financial resilience.
Members and the Corporate Management Team (CMT) understand the financial challenges that face the Council. The Medium Term Financial Plan (MTFP) has been updated to reflect the changing national/government financial situation.
CMT provide constructive scrutiny and challenge on financial matters. There is also evidence of improved Member challenge as part of the 2011/12 budget setting process.
The Audit Committee provides effective challenge.
Budget pressures are discussed on a regular basis at CMT, EIG (Efficiencies Implementation Group) and the Executive. Key cost drivers are used to inform forecasts and target corrective action. These drivers identify some of the budgets that have a significant impact on the forecast out-turn and variances.

Criterion	Key messages
	<p>The Council was successful in achieving the £12 million of efficiency savings included in the 2010/11 budget. The year-end position was a surplus of £0.328 million. The surplus has remained unchanged from that reported in the financial statements submitted for audit on 30 June 2011.</p>
<p>2. Securing economy efficiency and effectiveness</p>	<p>The Council has a positive track record in delivering savings. The 2009/10 budget included efficiency savings of £10 million. The 2010/11 budget included £12 million of savings and efficiencies and in-year savings of £1.5 million in response to Area Based Grant reductions.</p>
<p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>The Council can show that it prioritises resources on areas of need, for example Adult Social care remains a key strategic priority for the Council and has seen improvements in service.</p>
<p>Focus for 2010/11:</p>	<p>Efficiencies are driven from the Efficiencies Implementation Group (EIG) which meets monthly.</p>
<p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>Set up in 2009, the EIG's aim was to achieve the £12 million of savings needed to have a balanced budget in 2010/11. The EIG reports quarterly to CMT using a traffic light summary of progress against; the Organisation Plan, Efficiencies, Invest to Save projects, Corporate Improvement and Efficiency Initiatives.</p>

Closing remarks

I have discussed and agreed this letter with the Chief Executive, the Assistant Chief Executive Resources and the Chief Finance Officer. I will present this letter at the Audit Committee on January 2012 and will provide copies to all Council members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit Opinion Plan	April 2011
Pre Statements Memorandum	June 2011
Annual Governance Report	September 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Paul King
District Auditor
November 2011

Appendix 1 – Fees

	Actual	Proposed	Variance
Scale fee	£342,380	£342,380 *	£0
Non-audit work	£5,600	£5,600	£0
Accounts workshop fee. A joint workshop was held at the request of Central Bedfordshire and Bedford Borough Councils. The total fee charged of £5,600 was invoiced to Bedford Borough Council and then an element recharged to Central Bedfordshire Council.			
Total	£347,980	£347,980	£0

During the year the Council agreed to work with the Audit Commission to pilot its Simplify and Perfect approach in Housing Benefit Services. No fee was charged for this work.

* Separate to the audit fee of £342,380 noted above the Council received two rebates totalling £30,090 directly from the Audit Commission. This total rebate comprised £19,000 in respect of the transitional costs of the introduction of IFRS and £11,090 for a reduction in work on the Use of Resources assessment.

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.
Design and production by the Audit Commission Publishing Team.
Image copyright © Audit Commission.

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.



Audit Committee Update

Central Bedfordshire Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Introduction	2
Progress Report.....	3
Financial statements.....	3
VFM conclusion	3
Other areas of work	3
Other Matters of Interest	4
2011/12 Final Accounts Workshops	4
Dealing with the economic downturn	4
Procurement Fraud in the Public Sector	5
Protecting the Public Purse 2011	5
For information: Police Reform and Social Responsibility Act 2011	6
Localism Act 2011	6
Openness and Accountability in Local Pay.....	7
Housing Revenue Account self financing determinations.....	7
Update on the externalisation of the Audit Practice.....	9
Key Considerations	10
Contact Details.....	11

Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Paul King

District Auditor

December 2011

Progress Report

Financial statements

5 My audit of the financial statements for 2010/11 is complete. I have just started my pre-statements work for the 2011/12 audit. This involves documenting the Council's material financial systems and identifying the controls you have in place to detect material errors or misstatements.

6 My Audit Plan for the 2011/12 audit will be presented to the January Audit Committee.

VFM conclusion

7 I have concluded my review for 2010/11 and issued an unqualified Value for Money conclusion. My review for 2011/12 will follow up on this work. I will carry out a risk assessment and focus my work on any emerging risks.

Other areas of work

Grants certification

8 I have completed my work on the certification of the Council's 2010/11 claims and returns, including the Housing Benefits and Council Tax benefits return which has now been certified. There were a number of amendments to the claim and as in previous years I have issued a lengthy qualification letter. The claim was certified by the 30 November deadline which is a significant improvement from the 2009/10 claim, which was certified in January 2011.

9 I will report the full findings from my audit of 2010/11 claims in my Certification of Claims Annual Report, which will be issued in February 2012.

Other Matters of Interest

2011/12 Final Accounts Workshops

10 We have invited your staff to a workshop that will help them to prepare your financial statements for 2011/12. The closest event for Central Bedfordshire is at Homerton College Conference Centre, Cambridge on 17th January and 7th February 2012. Please contact Paul King, your District Auditor, if you have not received an invite to these workshops or if you would like to discuss the events in more detail.

Dealing with the economic downturn

11 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'.

12 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

13 The key findings in the report are:

- Most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books;
- Although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets;
- To meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years; and
- Councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

14 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.

Procurement Fraud in the Public Sector

15 The National Fraud Authority has recently issued a report on public sector procurement fraud which examines new approaches to reduce fraud risk and make processes both quicker and simpler.

16 The report acknowledges that procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contract award phase. It can be perpetrated by those inside and outside an organisation.

17 The report includes a number of case studies and details a number of actions that can be taken both immediately and in the medium term.

Protecting the Public Purse 2011

18 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.'

19 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

20 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers.

21 The key areas where fraud was detected are:

- housing benefits and council tax benefits fraud, which accounted for more than half of the total fraud losses detected by councils;
- false claims for student and single person council tax discounts - £22million; and
- procurement fraud, with 145 cases amounting to £14.6 million.

22 We have therefore developed a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average and this can be found on our website.

23 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils and, in addition to the above, the National Fraud Authority estimates that housing tenancy fraud could cost up to £900 million each year.

24 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

25 In addition to the core report, there are separate briefings to specifically aid governors in schools and councillors in parish and town councils.

For information: Police Reform and Social Responsibility Act 2011

26 The Police Reform and Social Responsibility Act received Royal Assent on 15 September 2011.

27 This Act will abolish police authorities in England and Wales and replace them with directly elected police and crime commissioners.

28 The Act requires the police and crime commissioner for a policing area to hold the chief constable to account, while also safeguarding the chief constable's operational independence. A police and crime panel, established by the local authorities in a police area, will provide independent scrutiny of the police and crime commissioner.

29 The first elections of police and crime commissioners will take place on 15 November 2012 and police authorities will be abolished within a week of these elections. All staff and assets will transfer in the first instance to the office of the police and crime commissioner.

Localism Act 2011

30 On 15 November 2011 the Localism Bill received Royal Assent.

31 The Department for Communities and Local Government (DCLG) has published an updated plain English guide to the Localism Act to reflect the final legislation and this may be of interest to members of the Audit Committee.

32 Subject to commencement, key measures of the Act include:

- introducing a new general power of competence, giving councils freedom to work together to improve services and drive down costs. Councils are now free to do anything - provided they do not break other laws;
- giving communities the right to approve or veto - by way of a referendum - Council Tax increases higher than a limit determined by the Government.

- opening the door for the transfer of power to major cities to develop their areas, improve local services, and boost their local economies;
 - abolishing the Standards Board;
 - clarifying the rules on predetermination in order to free up councillors to express their opinions on issues of local importance without the fear of legal challenge;
 - enabling councils to return to the committee system of governance, if they wish, regardless of their size;
 - giving councils greater control over business rates. Councils will have the power to offer business rate discounts, which could help attract firms, investment and jobs;
 - promoting openness regarding the pay of senior officers; and
 - allowing councils to keep the rent they collect and use it locally to maintain social homes through the abolition of the housing revenue account.
- 33** Many of the measures in the Localism Act are expected to be in place by April 2012.

Openness and Accountability in Local Pay

34 The Localism Act referred to earlier requires local authority pay policies to be openly approved by democratically elected councillors.

35 On 17 November 2011 the Department for Communities and Local Government published guidance which sets out the requirements for councils to publish their remuneration arrangements and approve larger salary packages in an open session of the full council.

36 Pay policy statements must be in place by 31 March 2012 and Ministers explicitly say in the guidance that the pay vote ceiling should be set at £100,000.

37 There will be a requirement to publicly justify any big bonuses, above inflation annual pay rises, or hiring a person already in receipt of retirement or severance money and organisations should state in their pay policy statement whether or not they permit such practices.

Housing Revenue Account self financing determinations

38 The Department for Communities and Local Government (DCLG) has recently published a consultation exercise on the Housing Revenue Account (HRA) self-financing determinations.

39 The consultation - which closes on 6 January 2012 - can be found on the DCLG's website and covers five draft determinations, the key ones of which are:

- the amount each local authority will either pay the government or receive from the government on 28 March 2012 to exit the current subsidy system, and the way in which the payments will be made; and
- the cap on the amount of housing debt each council may hold.

Update on the externalisation of the Audit Practice

40 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice.

41 The key points are:

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (i.e. four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private-sector providers the opportunity to bid.
- Bids are due in by mid-December 2011, with the contract awards planned for mid-February 2012, with formal Commission approval planned for late July 2012 following consultation.
- Appointments will start on 1 September 2012. As such, the Commission will extend the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

42 A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

43 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

44 Against this background, the Audit Practice's focus remains:

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Key Considerations

The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council considered the Tough Times report and made appropriate use of the Audit Commission's VFM profiles?
- Has the Council completed the fraud prevention checklist and, where appropriate, developed an action plan to address any weaknesses?
- Has the Council circulated the fraud briefing to all school governors?
- Has the Council circulated the DCLG's plain English guide to the Localism Act to all members?
- Has the Council responded to the DCLG's consultation exercise on the Housing Revenue Account self-financing determinations?

Contact Details

45 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor / Engagement Lead or Audit Manager.

46 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Paul King

District Auditor

0844 798 5811

07974 757910

paul-king@audit-commission.gov.uk

Cathy O'Carroll

Audit Manager

07967 624334

0844 798 5830

c-ocarroll@audit-commission.gov.uk

This page is intentionally left blank

Audit plan

Central Bedfordshire Council

Audit 2011/12



Contents

Introduction.....	3
Accounting statements and Whole of Government Accounts	4
Value for money.....	10
Key milestones and deadlines	11
The audit team	12
Independence and quality	13
Fees	14
Appendix 1 – Independence and objectivity	17
Appendix 2 – Basis for fee.....	19
Appendix 3 – Glossary	20

Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Identification of significant risks

A significant risk is a risk that requires special audit consideration, on the grounds that the risk could result in a material misstatement in the financial statements. Significant risks often relate to significant material non-routine transactions, events or judgemental matters. The significant risks I have identified are set out in the following table.

Table 1: **Significant risks**

Risk	Audit response
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value PPE at fair value (with some exceptions). The valuation is usually an estimate, as such the figures are inherently subjective. In addition, the high monetary value of the assets held mean that even relatively modest changes in the assumptions and variables informing the valuation can have a material impact on the financial statements.</p>	<p>Review of controls over establishing estimates, including arrangements for instructing your valuers and controls over information provided to valuers.</p> <p>Procedures for reliance on the work of the valuer.</p> <p>Tests of detail on valuations and associated depreciation calculations.</p>
<p>Schools</p> <p>There may be a risk that the Authority has materially misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet.</p> <p>A significant number of Central Bedfordshire schools have gained Academy status in 2011/12. These schools will need to be removed from the Authority's balance sheet in the 2011/12 accounts.</p> <p>The Authority currently includes voluntary controlled school buildings in its balance sheet at nil value on the basis that they are owned by the Diocese. While the 2011 Code is not explicit in how different types of schools should be accounted for the Audit Commission's view is that Authorities should review schools on a case by case basis and justify their treatment with reference to IAS 16 and recognise them in the balance sheet where:</p>	<p>Review of the accounting treatment for the derecognition of schools that became academies in 2011/12.</p> <p>Review the Authority's consideration of its accounting treatment for schools and check that this is consistent with the requirements of IAS 16.</p>

Risk	Audit response
<p>(a) it is probable that future economic benefits associated with the item will flow to the entity; and</p> <p>(b) the cost of the item can be measured reliably.</p>	
<p>HRA reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>Review of management oversight of HRA reforms and transactions required by the Authority.</p> <p>Tests of detail on the settlement payment or receipt.</p>

Identification of specific risks

A specific risk is a specific issue related to a particular item in the financial statements. While a specific risk may not lead to a material misstatement in the accounts it does require me to carry out some focussed audit work in that area. I have identified the following specific risk for 2011/12.

Table 2: Specific risk

Risk	Audit response
<p>Section 106 agreements</p> <p>During the 2010/11 audit a member of the public asked questions about the Council's management and use of section 106 funds. Having reviewed the relevant documentation and comments from Council officers, I concluded that the issues raised did not affect my opinion on the financial statements or my value for money conclusion for 2010/11. I will be considering these issues further as part of my 2011/12 audit.</p>	<p>Review of Internal Audit's work on the procedures in place for managing section 106 monies.</p> <p>Review of the Authority's arrangements for ensuring that section 106 monies received are used in accordance with the terms of the relevant agreements.</p>

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows, overleaf.

Table 3: Proposed work

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	<p>Main Accounting system</p> <p>Accounts payable</p> <p>Accounts Receivable</p> <p>Council Tax</p> <p>Rents</p> <p>Non-domestic rates (NNDR)</p> <p>Housing Benefits</p> <p>SWIFT</p> <p>Fully Funded schools</p>	<p>Main Accounting system (including cash and bank)</p>			<p>Payroll.</p> <p>Investments and other non-current assets – ownership.</p> <p>Repairs and maintenance of housing stock.</p>
Final visit			<p>Pensions assets and liabilities – auditor to Bedfordshire Pension Fund.</p>	<p>Pensions liabilities and assets – Hymans Robertson and our own consulting actuary.</p> <p>Valuation of property, plant and equipment – Authority’s in house valuers and Wilkes Head and Eve.</p>	<p>All material accounts balances and amounts.</p> <p>Year-end feeder system reconciliations.</p> <p>Substantive Analytical Review of the Rents, Council Tax and NNDR systems.</p> <p>Substantive testing of the SWIFT system.</p>

Following my review of Internal Audit work and completion of walk throughs for all of the key financial systems I may have to carry out substantive testing on additional systems. I am able to carry forward assurance gained through controls testing of the Accounts Payable, Accounts Receivable and Fully Funded schools systems from 2010/11.

I have provided officers with a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have not identified any additional significant risks that are relevant to my conclusion on the Authority's arrangements. If my assessment changes, I will report this to the Audit Committee.

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: Proposed timetable and planned outputs

Activity	Date	Output
Opinion: controls and early substantive testing	January – April 2012	Pre statements memorandum
Opinion: receipt of accounts and supporting working papers	June 2012	
Opinion: substantive testing	June – September 2012	
Work to support value for money conclusion	February 2012	Auditor's report
Present Annual Governance Report at the Audit Committee	By 30 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Paul King District Auditor	paul-king@audit-commission.gov.uk 0844 798 5811	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Cathy O'Carroll Audit Manager	c-ocarroll@audit-commission.gov.uk 0844 798 5830	Manages and coordinates the different elements of the audit work. Key point of contact for the Chief Finance Officer.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

Table 6: Threats and safeguards

Threat	Safeguard
A member of my staff previously worked with the Council's Head of Audit.	This member of staff will not be allocated any work that reviews Internal Audit in general or specific pieces of Internal Audit work.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £308,142, as set out in my letter of 7 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £308,142 which represents a 10 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements [and reporting on the Whole of Government Accounts return]; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with Chief Finance Officer and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I have identified the following actions that you could take.

- Ensure that the weaknesses in controls in the Main Accounting, Payroll, Housing Benefits and SWIFT systems reported in my Annual Governance Report for 2010/11 are addressed to ensure that adequate controls are in place for 2011/12.
- Ensure that responsible officers are reminded of the importance of maintaining adequate evidence to support the accounts, in particular the debtors and creditors balances and the various Notes included in the accounts.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 7: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	308,142	342,380	(34,238)
Certification of claims and returns	85,253	90,000	(4,747)
Non-audit work	0	5,600	(5,600)
Total	393,395	437,980	(44,585)

My indicative fee letter for 2010/11 issued in March 2010 estimated the fee for auditing 2010/11 claims would be £100,562. I expect the 2010/11 fee will be lower than the indicative fee and I estimate the fees for the audit of 2010/11 claims to be £90,000.

Separate to the audit fee of £342,380 noted above the Council received two rebates totalling £30,090 directly from the Audit Commission. This total rebate comprised £19,000 in respect of the transitional costs of the introduction of IFRS and £11,090 for a reduction in work on the Use of Resources assessment.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 8: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	<p>All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.</p>
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively; and
 - I secure the co-operation of other auditors.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated 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 that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

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

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting 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 misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

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 accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.
Design and production by the Audit Commission Publishing Team.
Image copyright © Audit Commission.

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.



www.audit-commission.gov.uk

January 2012

This page is intentionally left blank

Meeting: Audit Committee
Date: 23 January 2012
Subject: Internal Audit Progress Report
Report of: Chief Finance Officer
Summary: This report provides a progress update on the status of Internal Audit work for 2011/12.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

1. None directly from this report.

Legal:

2. None directly from this report.

Risk Management:

3. None specifically. The Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Community Safety:

6. None directly from this report.

Sustainability:

7. None directly from this report.

RECOMMENDATION:

That the Audit Committee:

- a) notes the progress made to date, and**
- b) approves the proposed revisions to the 2011/12 Plan.**

Background

- 8. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
- 9. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
- 10. The Audit Committee approved the 2011/12 Audit Plan in April 2011. This report provides an update on progress made against the plan up to 31st December 2011.

Updated Internal Audit Plan

- 11. The September Audit Committee approved several revisions to the original audit plan. As a result of reduced staffing resources, due to the extended secondment of a member of the audit team to Finance, and the need to deliver in year budget savings, some further revisions to the plan have been made. The plan was reassessed, and, in consultation with directors, several reviews have either been taken out of the plan or deferred to next year. These reviews are shown in italics in Appendix A.

Progress on the 2011/12 Internal Audit Plan

Managed Audits

- 12. Work is progressing on the 2011/12 Managed audit reviews and the progress made to date is summarised in Appendix A.
- 13. The primary focus of the work undertaken to date has been to document the systems in detail, identifying the key controls and undertaking walkthrough testing to confirm whether the key controls identified are operating effectively. Where appropriate, substantive testing has been undertaken covering the period April – October (Phase 1 testing) and further testing will be undertaken to cover the complete financial year (Phase 2 testing).

14. Recognising the need to communicate initial findings Phase 1 draft reports have been produced for a number of the reviews setting out draft recommendations and provisional audit opinions. In addition, the Phase 1 reviews for Council Tax and National Non Domestic rates (NNDR) have been finalised. The outcomes of these reports are also set out in Appendix A. It is important to recognise that the opinions given are provisional, based upon audit testing undertaken to date. The opinions may be revised once substantive testing for the whole year has been undertaken.
15. The Managed Audit work is ongoing and further progress will be reported verbally at the Audit Committee Meeting.

Other Audit Work

16. In addition to work on Managed Audits, the following work has been finalised since the last report to the Committee:
 - Children's Services – Commissioning (adequate)
 - Children's Services – Procurement of Services (limited)
 - Members Code of Conduct (full)
 - Declaration of Interests (limited)
 - Local Management of Day Centres - two reports on separate centres (both adequate)
 - Contracts Management – Amey Highways Contract (adequate)
 - Data Quality Management Follow Up (satisfactory progress)The assurance opinion given is indicated in brackets.

17. For each review, where areas of improvement have been identified, actions to address the issues have been agreed with management.
18. A number of other reviews are currently progressing, and these are also shown within Appendix A. Work will continue with these reviews in the final quarter, along with those reviews not yet started.

National Fraud Initiative (NFI)

19. Work on the latest data matching exercise is nearing completion. No savings in addition to those previously reported have been identified.

Fraud and Special Investigations

20. No investigations have been concluded since the last Committee. There is one investigation ongoing.

Schools

21. The rolling programme of school audit visits has continued. To date this year 9 school reports have been finalised and 5 reports have been issued as drafts. 4 further site visits have been undertaken with reports still to be prepared and 8 school visits are planned for the final quarter.

Performance Management

22. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators. The indicators include both CBC audit activities and school audit activity.
23. **Activities for 1 April 2011 – 31 December 2011**

KPI	Definition	Current Year		Previous Year		Annual target
		Actual	Target	Actual	Target	
		Current Period to 31 December 2011		April – December 2010		
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	70%	58%	67%	58%	80%
KPI02	Percentage of the number of planned reviews completed.	56%	55%	51.4%	55%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	66%	80%	63%	80%	80%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	54%	80%	33%	80%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	80%	80%
KPI06	Overall customer satisfaction.	82%	80%	85%	80%	80%

24. Analysis of indicators:

KPI01 – In the first 9 months we have delivered a total of 1,051 productive audit days against a total of 1,500 planned days for the year. The performance of previous years has been maintained.

KPI02 – This KPI measures final reports issued to date, 56% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. Work is in progress on the Managed Audits, school visits, and a number of other reviews within the plan. This is slightly above target and represents an improvement on last year. Although a number of reviews have been prepared to draft report stage, work to agree actions and finalise the report is still ongoing.

KPI03 – 66% of planned reviews have been completed within the planned time budgets. This is below target but represents an improvement on last year. In some instances the planned reviews have only just exceeded the budget. Action continues to be taken to monitor audit work closely in order to continue to improve performance against this indicator.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. As at the end of December, 54% of draft reports were responded to within the target set. However, this represents a significant improvement over last year.

KPI05 – This indicator shows that Internal Audit has continued to issue final reports promptly, once the final response agreeing the report has been received from the auditee.

KPI06 - Of the 36 questionnaires sent out, 12 have been returned to date, giving a response rate of 33%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 82%.

Conclusion and Next Steps

- 25. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, and good progress has been made to date in 2011/12.
- 26. An update on audit progress will be presented to the next Audit Committee.

Appendices: Appendix A – 2011/12 Internal Audit Plan – Summary of Progress as at 31.12.11

Background Papers: None

Location of papers: N/A

This page is intentionally left blank

2011/12 Internal Audit
Plan

Appendix A

Summary of Progress as at 31.12.11

<u>Audit Title</u>	2011/12 Days	Position as at end December 2011	Opinion
Managed Audits (Key Financial Systems)			
Accounts Payable/Purchase Ledger	20	Draft Phase 1 report issued	Adequate
Accounts Receivable/Sales Ledger	20	Work in Progress	
Asset Management (incl. Asset Register)/Capital Accounting	25	Work in Progress	
Council Tax	30	Final Phase 1 report issued	Adequate
Housing Benefits	45	Final Draft Phase 1 report issued.	Adequate
Main Accounting Systems (MAS)	30	Report drafted	Adequate
National Non Domestic Rates (NNDR)	30	Final Phase 1 report issued.	Adequate
Payroll	35	Work in Progress	
SWIFT Financials	15	Work in Progress	
Treasury Management	20	Final Draft Phase 1 report issued.	Adequate
Housing Rents	35	Report drafted	Adequate
Cash And Banking (Income)	20	Work in Progress	
Total - Managed Audits	325		
Assurance Audits - Former Office of Chief Executive and Customer and Shared Services			
Partnership Agreements and Joint Working	20	Not started	
Performance Management (i.e. Data Quality Management & BVPs)	20	2010/11 Follow Up - Final report issued	Satisfactory Progress
Major Projects	20	Work in Progress	Ongoing project assurance work. Therefore, no opinion.
Budgeting & Budgetary Controls	20	Work in Progress	
Accounts Payable (Purchasing Cards Project)	10	Completed	Adequate
<i>Income Optimisation Assurance</i>	20	<i>Removed from Plan for current year</i>	<i>n/a</i>
Debt Collection Arrangements	20	Work in Progress	
Post implementation review of all schools becoming Fully Funded	10	Not started	
Total - Former Office of Chief Executive and Customer and Shared Services	140		
Assurance Audits - Children's Services			
<i>Safeguarding Vulnerable Children</i>	20	<i>Removed from Plan for current year</i>	<i>n/a</i>
Commissioning	20	Two final reports issued. - one entitled Commissioning and one entitled Procurement of Services	Commissioning - Adequate. Procurement of Services - Limited
Schools General - School Improvement	200	Ongoing. 18 FMSiS assessments finalised. 9 school reports finalised. 5 further school reports issued as drafts.	Various
Total - Children's Services	240		

2011/12 Internal Audit
Plan
Summary of Progress as at 31.12.11

<u>Audit Title</u>	2011/12	Position as at end	Opinion
	Days	December 2011	
Assurance Audits - Social Care, Health and Housing			
<i>Personalisation/individual Budgets</i>	20	<i>Deferred to next year with agreement of director</i>	<i>n/a</i>
<i>Safeguarding Vulnerable Adults</i>	20	<i>Deferred to next year with agreement of director</i>	<i>n/a</i>
Commissioning/Contracting	20	Report drafted	
Local Management of establishments (including Day Centres)	20	Work in Progress	
<i>Financial Management</i>	20	<i>Deferred to next year upon request of director</i>	<i>n/a</i>
Assurance on Client Charging Arrangements	20	Currently being scoped	
Learning Disabilities Grant - Follow up	10	Not started	
Total - Social Care, Health and Housing	130		
Assurance Audits - Sustainable Communities			
<i>Sustainability</i>	15	<i>Background research undertaken. Audit to cover CRC. Since CBC does not now need to register until next year, this audit has been deferred.</i>	
Total - Sustainable Communities	15		
Assurance Audits - Governance			
Members Code of Conduct	5	Final report issued	Full
Total - Governance	5		
Assurance Audits - Contracts and Partnerships			
Service Level Agreements (Follow Up)	15	Not started	
Contracts Management	20	Work in Progress	
Total - Contracts and Partnerships	35		
Assurance Audits - ICT			
Information Security	10	This will be combined with the Desk Top Security review. Currently being scoped	
SAP Access & Authorisation	10	Not yet started. Will include IT Disaster Recovery (see below)	
Desk Top Security and End Point Compliance	15	See above	
IT Change and Release Management	15	Defer IT Change and Release Management to next year. Days to be used to provide ICS Programme Board Project Assurance	Ongoing project assurance work. Therefore, no opinion.
IT Disaster Recovery (including Network Backup)	15	Not yet started	
<i>SAP Systems</i>	15	<i>Deferred to next year at request of Chief Finance Officer</i>	<i>n/a</i>
Total - ICT	80		
Special Investigations			
National Fraud Initiative (NFI)	40	Substantially completed.	<i>n/a</i>
Special Investigations	80	Ongoing	<i>n/a</i>
Pro Active Anti Fraud	20	Not started	
Total - Special Investigations	140		

2011/12 Internal Audit
Plan
Summary of Progress as at 31.12.11

<u>Audit Title</u>	2011/12 Days	Position as at end December 2011	Opinion
Ad Hoc Consultancy etc.			
Annual Governance Statement	5	Planning commenced	
Audit of Individual Grants	40	Ongoing - Luton and South Bedfordshire Partnership Grant Claim completed. Other grant claim work in progress	n/a
General Advice	20	Ongoing	
Contingency	88	Used to support investigations	n/a
Professional Groups	14	Ongoing	n/a
Head of Audit Chargeable Against Plan	58	Ongoing	n/a
Benchmarking Exercise	5	Completed	n/a
Total - Ad Hoc Consultancy etc.	230		
Completion of reviews in progress as at 31st March:	160		
Accounts Payable 2010/11 Phase 2		Completed	Adequate
Accounts Receivable 2010/11 Phase 2		Completed	Adequate
Contracts Register 2010/11		Completed	Adequate
Council Tax 2010/11 Phase 2		Completed	Adequate
Housing and Council Tax Benefits 2010/11 Phase 2		Completed	Limited
Housing Rents 2010/11 Phase 2		Completed	Adequate
IT Governance 2010/11 (including IT Strategy)		Completed	Adequate
Main Accounting System 2010/11 Phase 2		Completed	Limited
NNDR 2010/11 Phase 2		Completed	Adequate
Payroll 2010/11 Phase 2		Completed	Limited
SAP Access and Security (including IT DR)		Completed	Limited
SWIFT Financials 2010/11		Completed	Limited
Travelling and Subsistence		Completed	Adequate
Treasury Management 2010/11 Phase 2		Completed	Adequate
Local Management of Day Centres		Completed. Two final reports issued.	Adequate
Section 106		Report drafted	
Declaration of Interests		Final report issued.	Limited
Contracts Management - Amey		Final report issued.	Adequate
TOTAL CHARGEABLE DAYS REQUIRED	1500		

This page is intentionally left blank

Meeting: Audit Committee
Date: 23 January 2012
Subject: Revised Anti-Fraud and Confidential Reporting Policies
Report of: Chief Finance Officer
Summary: The Anti-Fraud and Corruption Strategy (including Anti-Bribery) and Confidential Reporting Policy have been updated to reflect changes in legislation and roles and responsibilities.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The implementation of a robust anti-fraud culture supports all the Council's key priorities by encouraging probity and accountability across the Council.

Financial:

1. None directly from this report.

Legal:

2. These policies are key parts of the Council's Ethical Governance Framework and provide an element of assurance in respect of the Council's fiduciary duty to the Council tax payers.
3. The Confidential Reporting Policy ensures that the Council complies with its obligations in respect of protected disclosures under the Employment Rights Act 1996, and discharges its obligations under the Public Interest Disclosure Act 1998.
4. The revised Anti Fraud And Corruption Policy (including Anti Bribery) addresses the Council's obligations under the Bribery Act 2010.

Risk Management:

5. None directly from this report.

Staffing (including Trades Unions):

6. Trade unions were consulted on the original policies.

Equalities/Human Rights:

7. None directly from this report.

Community Safety:

8. None directly from this report.

Sustainability:

9. None directly from this report.

RECOMMENDATION:

That the Audit Committee approves the proposed revisions to the Anti-Fraud and Corruption Strategy and Confidential Reporting Policy.

Background

10. The Audit Committee, at its meeting on 17th July 2009, approved both the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy. Both policies were approved by Full Council on 19th November 2009.
11. Both policies are contained within the Constitution. The Confidential Reporting Policy is included within the Ethical Framework section whilst the Anti-Fraud and Corruption Strategy is included within the Finance, Contracts and Legal section.
12. The documents have been refreshed to ensure that they are up to date and reflect current legislation and reporting channels within the Council.

Anti Fraud and Corruption Strategy (Including Anti-Bribery)

13. The Anti-Fraud and Corruption Policy sets out in detail the Council's approach to dealing with suspected fraud, corruption, and misappropriation across the organisation, including members, officers, contracting partners and external individuals and organisations.
14. Since the policy was produced in July 2009, there have been a number of changes in reporting channels within the Council, and the updated policy reflects these changes.
15. The Bribery Act 2010 came into force on 1st July 2011. The revised Anti-Fraud and Corruption Strategy includes an appendix to reflect the requirements of the Act. A training session for Audit Committee members held in October considered the Bribery Act in detail.
16. The updated policy also reflects the changes in responsibilities of the Standards Committee.

Confidential Reporting Policy

17. The Public Interest Disclosure Act 1998 encourages individuals to raise concerns about malpractice in the workplace, and this policy document makes it clear that employees can raise serious concerns without fear of victimisation, subsequent discrimination or disadvantage and is intended to encourage individuals to raise concerns within the Council.
18. The policy has been revised to reflect current roles and responsibilities.

Conclusion and Next Steps

19. Central Bedfordshire Council is committed to the highest possible standards of openness, probity and accountability. The Anti-Fraud and Corruption Policy (including Anti-Bribery) and the Confidential Reporting (Whistle Blowing) Policy are two key documents which contribute to promoting a robust but fair anti fraud culture.
20. The revised policies, once approved, will replace the current policies on the Council's Intranet, and will be published on the Central Bedfordshire Website.

Appendices:

Appendix A – Anti-Fraud and Corruption Strategy (including Anti-Bribery) December 2011

Appendix B – Confidential Reporting Policy (also known as “Whistle Blowing”) December 2011

Background Papers: None

Location of papers: N/A

This page is intentionally left blank

APPENDIX A



**ANTI-FRAUD AND CORRUPTION STRATEGY
(including Anti Bribery)
December 2011**

Contents

Anti-fraud and Corruption Strategy (including Anti Bribery) Part 1

1. Introduction
2. Roles and Responsibilities
3. Definitions
4. Culture
5. Deterrence
6. The Fraud Risks
7. Prevention
8. Detection
9. Investigation
10. Sanctions and Redress

Anti-fraud and Corruption Strategy (including Anti Bribery) Part 2 – Prosecution Policy

Introduction
Evidential Test
Public interest Test
Public interest Factors
Officer Fraud and Corruption

Appendix A - Nolan Committee Report – The Seven Principles of Public Life

Appendix B – Specific Responsibilities

Appendix C – Anti Bribery – Policy Statement

Appendix D – Useful Contacts

**Central Bedfordshire
Anti-fraud Strategy Part 1**

Anti-fraud and Corruption Policy (including Anti Bribery)

1. Introduction

- 1.1 This document sets out Central Bedfordshire's policy and strategy in relation to fraud and corruption. It has the full support of the Council's Members and Central Bedfordshire Management Team (CMT). This also incorporates the Council's approach to Anti Bribery and Facilitation payments.
- 1.2 Central Bedfordshire is committed to the eradication of fraud, corruption and misappropriation and to the promotion of high standards of integrity, with the objective of being a model of public probity, affording maximum protection to the funds administered.
- 1.3 To deliver Central Bedfordshire's corporate strategy, there is a need to maximise the financial resources available. In order to do this fraud and misappropriation must be minimised.
- 1.4 Furthermore, Central Bedfordshire recognises its fiduciary responsibility to protect public funds and will endeavour to implement secure systems and high standards of conduct. The strongest possible sanctions will be sought against those who seek to defraud the Council. This includes members, officers, contracting partners and external individuals and organisations.
- 1.5 The strategy to deal with fraud, corruption and misappropriation is built upon seven key concepts: Culture, Deterrence, Prevention, Detection, Investigation, Sanctions and Redress.

2. Roles and Responsibilities

- 2.1 The prevention, detection and reporting of suspected fraud, bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All staff members, contractors and partners are required to comply with the policy, and raise concerns as soon as possible if they believe or suspect a conflict with this policy has occurred.
- 2.2 All Members are expected to act in a manner which sets an example to the community whom they represent and to the staff of Central Bedfordshire who implement their policy objectives.
- 2.3 All officers are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated and those found guilty of it will be pursued, so that the most appropriate and severe sanctions are applied.
- 2.4 There is a special responsibility on the Central Bedfordshire senior management team, Assistant Directors, the Monitoring Officer, and other relevant chief officers to lead their staff by example. The Council expects these officers to set the standard by their own behaviour. This includes practicing the Nolan's principles of public life. (The Seven Principles of Public Life, identified by Nolan, are set out at Appendix A).
- 2.5 It is the responsibility of directors and managers to be aware of the appropriate financial and other anti-fraud regulations and to be responsible for raising awareness of and ensuring conformance to them by the staff for whom they are responsible.
- 2.6 Those organisations undertaking work on behalf of the Council are required to maintain strong anti-fraud principles. The Council is happy to work with such organisations and to provide

advice on anti-fraud measures. Through contract documentation it will be ensured that partners take the issue of fraud seriously. Contractor partners will be required to have adequate recruitment procedures and controls when they are handling finance on behalf of the Council. This expectation will be written into all contract terms and agreements.

- 2.7 Members of the public receive financial assistance and benefits from the Council through a variety of sources e.g. Council Tax Benefit and various Grants. The anti- fraud effort will be balanced against the desire to ensure genuine claimants receive their full entitlement, and the same principles will apply in dealing with fraud in all of areas of expenditure that directly support the community.

3. Definitions

- 3.1 For the purposes of this policy, fraud is defined as the intentional distortion of records for gain; corruption as the offering or acceptance of inducements designed to influence official action; financial malpractice as theft of funds or assets from the Council or its clients and intentional, unauthorised breaches of financial regulations; and misuse of official position as employees or their friends, relatives or acquaintances benefiting inappropriately from exercise of duty.
- 3.2 Bribery is defined as an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.
- 3.3 This policy excludes housing benefit fraud, responsibility for which is within the Benefits Service, and is covered within a separate policy document.

4. Culture

- 4.1 The strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. This culture will be promoted across all service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.
- 4.2 The Council will seek to promote an anti-fraud culture within the community by publicising the impact of fraud on the community, and will also seek to assist partners and the community to understand and reduce fraud risks through a programme of awareness training. Furthermore, specific publicity and general campaigns will be used to deter potential fraudsters.
- 4.3 Central Bedfordshire takes a holistic approach to anti-fraud measures. Fraud prevention and system security is an integral part of the development of new systems and ongoing operations. Managers will consider the fraud risks and take advice where appropriate when implementing any financial or operational system.
- 4.4 The holistic approach extends to the investigation of allegations and the prevention of fraud through system reviews. Internal Audit provides the Council's fraud investigation and system audit functions. They employ a multi-disciplinary approach to the deterrence, prevention, detection, investigation, sanctions and redress of fraudulent activity. In addition, the team are free to work with other agencies in the pursuance of Central Bedfordshire's anti-fraud aims.

5. Deterrence - The Governance Framework

- 5.1 Central Bedfordshire takes ultimate responsibility for the protection of its finances and those that are administered on behalf of the Government or the Community. In turn, managers have a duty to protect their service area from losses due to fraud and irregularity and are responsible for implementing proper internal controls.
- 5.2 The governance framework, which underpins the operation of the Council, has a number of facets that exist to protect the Council against losses from fraud and act as a deterrent. These include:
- An established Standards Committee and an adopted code of conduct for Members.
 - Members formally signing a declaration accepting the terms of the code of conduct.
 - The constitution, financial regulations, standing orders and the scheme of delegation.
 - Constitution arrangements which are disseminated to the public, partners, members and staff.
 - Internal control reviews by Internal Audit, including pro- active fraud work.
 - A confidential reporting policy (“whistleblowing” procedure).
 - An anti-fraud and corruption policy (including Anti Bribery).
 - Policies on the Regulation of Investigatory Powers Act (RIPA), and Money Laundering.
 - Data Protection procedure.
 - A complaints procedure.
 - Relevant documents being made available to the public, partners, staff and members.
 - Transparency over how public money is spent, in line with the Government’s requirements for publication.
 - Training for staff and members on the corporate strategy documents and what the arrangements mean for their behaviour.
 - Monitoring and testing of the operation of the ethical framework.
 - Participation in national anti-fraud initiatives and organisations like the CIPFA Better Governance Forum.
 - The promotion of awareness of anti-fraud and corruption issues reinforced by training and publicity.
 - Effective disciplinary procedures as detailed in the staff handbook.
 - Effective recruitment procedures.

5.3 The respective roles and responsibilities of stakeholders are detailed within this document. For clarity, the specific responsibilities are summarised at Appendix B.

6. The Fraud Risks

6.1 Central Bedfordshire is responsible for the proper administration of its finances. This not only includes direct income and expenditure but also that administered on behalf of the Government, on behalf of clients and that for which it is the responsible accountable body. All of these sources of income and expenditure and assets are vulnerable to fraud.

6.2 Central Bedfordshire will be vigilant in all of these areas and will apply the same principles of deterrence, prevention, detection, investigation, sanctions and redress across all its services. The Council will not be afraid to tackle difficult or uncomfortable cases and will take a robust line and seek the maximum appropriate sanctions and redress in all areas of operation.

7. Prevention

7.1 Members will comply with the Code of Conduct for Members and any ancillary codes that the Council implements. The Council will provide fraud awareness training to its Members and encourage an open and honest dialogue between Members and Officers.

7.2 These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members. The Council will ensure that the processes that are particularly vulnerable, such as planning, licensing, and disposals and tendering are adequately protected through internal control mechanisms.

7.3 It is recognised that systems are vulnerable from attack from within the organisation, particularly by those who misuse inside knowledge of control weaknesses through their official position. Prevention is better than cure and all managers must ensure that as far as possible their systems are adequately protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied and on the activities intended. This includes responsibility for the prevention and detection of fraud, corruption and financial malpractice.

7.4 It will be ensured that an adequate and effective internal audit is undertaken of the Council's systems and processes. Internal Audit will assist managers to implement proper controls and remedy control failures.

7.5 It will be ensured that procedures relating to recruitment, staff conduct and disciplinary processes are robust and are followed. With regard to the vetting of new entrants, references will be taken in all cases and personal testimonials will not be accepted. Where qualifications are required for a particular post, candidates will be required to submit original certificates for checking. If a doubt arises as to the authenticity of a qualification, this will be verified with the examination board / professional body.

7.6 Where posts involve positions of trust, such as cash handling, legal or accountancy posts, reference checks with previous employers will incorporate specific questions as to the integrity of the applicants.

7.7 Where agency staff are being employed in positions where they have access to finance, personal data or other assets, their references will be checked direct with their previous employer. The Council will not rely on references supplied by staffing agencies.

7.8 Where necessary, officers will undertake checks with the Criminal Records Bureau (CRB).

- 7.9 The Council will expect its partners to have adequate controls in place to minimise fraud, and will provide fraud awareness training to partners as required. It will also provide support and training to community partners to help them implement proper controls and protect the funds they administer.
- 7.10 The Council will implement strong systems of verification of all claims for all types of financial assistance, and will utilise all data available to corroborate information given by applicants for the purposes of prevention and detection of fraud. It will also monitor and review grants and assistance given to external organisations to ensure applications are genuine. All staff involved in assessing applications will be given ongoing fraud awareness training.

8. Detection

- 8.1 Through Internal Audit reviews and the work of the Monitoring Officer the possibility of fraud will be considered in all vulnerable areas and appropriate tests are devised to detect fraud.
- 8.2 All internal audit reviews will have regard to the possibility of fraud. Auditors and Investigators will receive reciprocal training to ensure that both have a full understanding of system controls and potential fraud areas. A series of proactive anti-fraud audits in high risk areas will be undertaken with a view to uncovering fraud and misappropriation.
- 8.3 The Council actively encourages the reporting of suspected acts of fraud or impropriety whether they be committed by colleagues or members. All members of staff, the public and Councillors are encouraged to contact Internal Audit with any suspicion of fraud, corruption, financial malpractice or the misuse of official position. There is a dedicated free fraud hotline **0300 300 8182** and e-mail address "**tellusaboutfraud@centralbedfordshire.gov.uk**" to report any suspected fraud. All referrals received from members of the public will be evaluated and investigations undertaken into all appropriate cases.
- 8.4 In addition the Council operates a Confidential Reporting Policy (Whistleblowing Policy) for those employees who wish to utilise the protection offered by the Public Interest Disclosure Act 1998.
- 8.5 All methods available will be utilised to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigation. The Council will also actively participate in the Audit Commission's National Fraud Initiative (NFI). and work with all Government agencies to detect and prevent fraud and other crimes affecting the well-being of the community.
- 8.6 Where partners are involved with the administration of Council finances, or those for which it has responsibility, the Council will conduct internal audit reviews and pro-active anti-fraud exercises as for its own service areas.
- 8.7 Fraud trends will be analysed in order to identify high risk areas and undertake pro-active anti-fraud drives based on that analysis.

9. Investigation

- 9.1 Allegations of fraud and corruption made against Members will be fully investigated in accordance with the provisions of the Local Government Act 2000 and any subsequent statute or codes of practice. The Standards Committee is responsible for the initial assessment of alleged breaches of the Members' Code of Conduct.

- 9.2 The Council will fully assist the Standards Committee or other law enforcement agencies with any investigation concerning a Member.
- 9.3 Allegations about Members that are received by Internal Audit will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise Internal Audit for the purposes of any investigation.
- 9.4 Internal Audit is charged with leading on any other suspected issues of fraud or irregularity, with the exception of Housing Benefits. A dedicated Team has been established for investigations in this area. Internal Audit reports to the Chief Finance Officer and will be free to examine all allegations of fraudulent, financial misconduct, corruption and other behaviour affecting the finances or integrity of the Council.
- 9.5 Internal Audit will investigate any allegation that may have a direct or indirect impact on the finances for which the Council is responsible. This will include cases where staff may have financial information relating to organisations which are, or have been, funded by the Council or with whom the Council have a contract. Staff have a duty to assist the Council with any matter under investigation. Failure to assist with an investigation may be considered as a breach of trust or failure to comply with financial regulations. This could lead to disciplinary action being taken.
- 9.6 The Council's partners will provide full access to their financial records, as they relate to Council finances, and their staff will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements. Personnel records of any person suspected of being involved in fraud will be made available to Internal Audit.
- 9.7 Internal Audit will work with other public sector bodies including; the Department of Work and Pensions (DWP), the Police, Revenue & Customs and the Immigration Service for the purposes of preventing, detecting and investigating crime. Internal Audit will liaise with these agencies while utilising their services, where applicable, to undertake their investigations.

10. Sanctions and Redress

- 10.1 The Council will utilise its own Standards Committee to the fullest extent to promote high standards and regulate the conduct of Members.
- 10.2 The Council will seek the strongest available sanctions against staff who commit fraud against the Council, its clients or the public purse. This may include disciplinary action, prosecution and civil proceedings. Employees found guilty of gross misconduct at disciplinary for offences of fraud, theft, serious financial malpractice, using their position for personal gain or for the gain of others, will be subject to the Council's formal processes. This applies to employees who improperly benefit from the Council as a corporate body and not just those who steal funds from their own unit. It also applies to employees who defraud or steal from the Council's clients. It may also take disciplinary action against staff who commit fraud against other Local Authorities, or any other agency administering public funds. As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis.
- 10.3 At the conclusion of each investigation, the Investigator will produce a report. The manager whose responsibility encompasses the area of that investigation will formally accept the report and take the appropriate action (disciplinary or other). If the Head of Internal Audit and Risk is not satisfied that the appropriate action has been undertaken they will refer the matter to the Chief Finance Officer.

- 10.4 Internal Audit will also highlight any system weaknesses that are identified as a result of an investigation. These will be addressed through an agreed action plan. The relevant service area manager is responsible for implementing the action plan. Internal Audit will monitor implementation of agreed actions. Failure to implement adequate system controls following a loss to fraud will be the subject of a report to the relevant Director, and/or Committee. All potential misconduct cases must be handled using the Authority's Disciplinary Procedure and Internal Audit's investigating officers will liaise with line managers and Human Resources advisers to ensure effective use of the Authority's procedures.
- 10.5 The decision to refer the matter on for further action, such as prosecution, will be taken by the Chief Finance Officer the relevant service director and the Council's Monitoring Officer upon a recommendation from the Head of Internal Audit and Risk in accordance with any prosecution policy in force at the time.
- 10.6 The Council will also seek the strongest available sanctions against partners and contractor staff who commit fraud against the Council or who commit fraud against the public purse, and may request that the organisation takes appropriate disciplinary action against the individual and / or may require that they are removed from the Central Bedfordshire account. The ability to request removal of staff will be written into contract terms. All partners and contractors will be responsible for any losses affecting Council funds attributable to their employees. This will be written into contract terms.
- 10.7 As a deterrent, the Council may also publicise our successful sanctions in the local press.

Anti-fraud Strategy Part 2

Prosecution Policy

1. Introduction

1.1 The Council's anti-fraud policy and strategy sets out its aims and objectives with regard to tackling fraud and corruption. It states that it will seek the strongest possible sanction against any individual or organisation that defraud, or seek to defraud the Council. The use of sanctions will be governed by the following policy and the principles of the policy shall apply equally to any fraud against the Council or against funds for which the Council has responsibility.

2. Objectives

2.1 The objectives of this policy are:

- To ensure that the Council applies a full range of sanctions in a just and consistent manner.
- To ensure that sanctions are applied in an effective and cost efficient manner.
- To ensure that the sanction decision making process is stringent, robust and transparent.

2.2 This policy is designed to provide a framework within which to ensure the most appropriate resolution to a case is reached. The sanction decision will have regard at all times to the Council's disciplinary policy and anti-fraud policy objectives, the individual circumstances of each person concerned and the overall impact of the punishment to both the individual and the community. A range of sanctions is available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, official cautions and administrative penalties.

2.3 The ultimate sanction available to the Council is criminal prosecution. We recognise that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly.

2.4 In some cases, the ultimate decision on prosecution will be taken by the Crown Prosecution Service. This will be as a result of a referral of cases to the Police. We will utilise the Police in cases where their additional powers are required to secure evidence or recovery of funds or where the matter is considered too serious to be pursued in-house.

2.5 The Council's Legal Service and external legal advisors will be used to undertake criminal prosecution and civil proceedings. In these cases, the decision to refer cases for prosecution will be taken by the Chief Finance Officer in consultation with the Head of Internal Audit and Risk, the Service Director and the Monitoring Officer.

2.6 In appropriate cases, the Council will also utilise the prosecution arm of other public agencies. This will usually be for cases involving joint investigations.

2.7 When considering a case for prosecution, it is generally accepted that there are two "tests" to be applied – the evidential test and the public interest test. Only when both these tests are satisfied can a case be considered suitable for prosecution.

3. Evidential Test

- 3.1 Is there enough evidence to provide “a realistic prospect of conviction”?
- 3.2 In order to ensure that a “realistic prospect of conviction” exists, officers will at all times ensure that investigations are conducted in accordance with relevant legislation and in line with published Codes of Practice and Guidance with regard to evidence gathering, interviewing and rules of disclosure.
- 3.3 The Council does not have the resources of the police and CPS available to it and to ensure the cost effectiveness of actions, will require the evidence to be of a standard to make the prospect of a conviction highly likely.
- 3.4 The evidence gathered will be examined in the first instance by the investigator and their manager. When both are satisfied that sufficient evidence exists to successfully prosecute and that the Public Interest test is also satisfied, in consultation with the Council’s legal team and any external advisors, the case file will be passed on to the police for investigation. Both the Council’s Legal team and the CPS will apply their own inspection of the evidence to ensure that a realistic prospect of conviction exists.

4. Public interest Test

- 4.1 In order to ensure consistency and correctness when considering a case for Sanction / Prosecution, the guidelines applied by the Crown Prosecution Office – as detailed in Section 10 Prosecution of Offences Act 1985 will be followed by officers. In addition, the guidance provided by relevant Government agencies on prosecution will also be considered.

5. Public interest Factors

- A conviction is likely to result in a significant sentence.
- The defendant was in a position of authority or trust.
- The evidence shows that the defendant was a ringleader or an organiser of the offence.
- There is evidence that the offence was premeditated.
- There is evidence that the offence was carried out by a group.
- The defendant’s previous convictions or cautions are relevant to the present offence.
- There are grounds for believing that the offence is likely to be continued or repeated, for example, by a history of recurring conduct; or the offence, although not serious in itself, is widespread in the area where it was committed.
- Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction.

6. Officer Fraud and Corruption

- 6.1 In all cases of fraud, financial misconduct, serious and intentional breach of financial regulations and corruption committed by officers the Council will seek disciplinary action. The normal recommendation would be gross misconduct.

- 6.2 Where a financial loss has been identified, it will always seek to recover this loss either through the civil or criminal process.
- 6.3 Fraud committed by officers will also be considered for criminal prosecution.
- 6.4 The factors that will affect the decision to prosecute will be based on the evidential and the public interest test. Prosecution will be sought in all cases involving theft from vulnerable clients or where there is evidence of corruption of public officials.

APPENDIX A

Nolan Committee Report – The Seven Principles of Public Life

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

APPENDIX B

Stakeholder	Specific Responsibilities
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Monitoring Officer	To advise Councillors and officers on ethical issues, standards and powers to ensure that the Council operates within the Law and statutory Codes of Practice.
Chief Finance Officer (Section 151 Officer)	To ensure the Council has an adequately resourced and effective Counter Fraud and Internal Audit and Risk Management Service.
Audit Committee	To monitor the Council's policies and consider the effectiveness of the arrangements for Counter Fraud and Whistleblowing.
Standards Committee	The Committee promotes and maintains high standards of conduct by Members and is responsible for assessing and determining complaints against Members.
Councillors	To support and promote the development of a strong counter fraud culture.
External Audit	Statutory duty to ensure that the County Council has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.
Internal Audit and Risk	Responsible for developing and implementing the Anti Fraud and Corruption Strategy (including Anti Bribery) and investigating any issues reported under this policy and the Confidential Reporting (Whistleblowing) Policy. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence.
Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing robust internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to the appropriate management, the Chief Executive, the Chief Finance Officer, the Monitoring Officer, or Internal Audit and Risk.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns or suspicions.

APPENDIX C

CENTRAL BEDFORDSHIRE COUNCIL

1. Policy Statement – Anti- Bribery

- 1.1 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer an improper inducement to anyone for any purpose, nor does it or will it, accept bribes or improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 The Council is committed to the prevention, deterrence and detection of bribery. It has zero-tolerance towards bribery, and aims to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

2. Objective of this policy

- 2.1 This policy provides a coherent and consistent framework to enable the Council’s employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.
- 2.2 The Council requires that all personnel, including those permanently employed, temporary agency staff, and contractors:
 - act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities

3. Scope of this policy

- 3.1 This policy applies to all of the Council’s activities. For partners, joint ventures and suppliers, the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 3.2 Within the Council the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all service areas and corporate functions.
- 3.3 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, partners, non-executives, agents, Members (including independent members), volunteers and consultants.
- 3.4 The policy sets out the Council’s commitments and definitions, along with an overview of the four key offences under the Bribery Act. It sets out the six principles that the Council will follow. In addition, the policy outlines the penalties that may be imposed, staff responsibilities and information on how to raise a concern.

4. The Council’s Commitment

- 4.1 The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date.
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times.
- Training all employees so that they can recognise and avoid the use of bribery by themselves and others.
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution.
- Taking firm and vigorous action against any individual(s) involved in bribery.
- Provide information to all employees to report breaches and suspected breaches of this policy.
- Include appropriate clauses in contracts to prevent bribery.

5. Definition of Bribery

- 5.1 Bribery is defined as an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

6. The Bribery Act

- 6.1 There are four key offences under the Act:

- bribery of another person (section 1).
- accepting a bribe (section 2).
- bribing a foreign official (section 6).
- failing to prevent bribery (section 7).

- 6.2 The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

- 6.3 An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

7. Definition of “Commercial Organisation”

- 7.1 The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.”

7.2 The Council is therefore a “commercial organisation”.

8. Definition of “Adequate Procedures” – The Six Principles

8.1 Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the Council. It is for the Council to determine proportionate procedures in the recommended areas of six principles. These principles are not prescriptive. They are intended to be flexible and outcome focussed, allowing for the different circumstances of organisations.

8.2 **The Council is committed to proportional implementation of the principles, as set out below:**

- ***Proportionate procedures***

An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.

- ***Top level commitment***

The top-level management (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

- ***Risk Assessment***

The organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

- ***Due diligence***

The organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

- ***Communication (including training)***

The organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

- ***Monitoring and review***

The organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

9. Penalties

9.1 An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both

- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

9.2 Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

10. Bribery is not tolerated

10.1 It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

11. Facilitation payments

11.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

12. Gifts and hospitality

12.1 This policy is not meant to change the requirements of the Constitution with regards to gifts and hospitality. (See F3 of Constitution).

13. Public contracts and failure to prevent bribery

13.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council has the discretion to exclude organisations convicted of this offence.

14. Staff responsibilities

14.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

14.2 You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

14.3 Failure by a member of staff to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's disciplinary policies and procedures.

15. Raising a concern

15.1 The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wishes every member of staff to know how they can raise concerns.

15.2 All staff have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

15.3 There are multiple channels to help you raise concerns. Please refer to the Confidential Reporting (Whistle blowing Policy) for more information. Preferably the disclosure will be made and resolved internally (e.g. to your head of department/on line reporting/telephone hotline). Secondly, where internal disclosure proves inappropriate, concerns can be raised with the regulator (e.g. external auditor. See link to "BIS prescribed persons" at the end of this document). Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

15.4 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, the Council will act as soon as possible to evaluate the situation. The council has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

15.5 Staff who refuse to accept or offer a bribe or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council is committed to openness, probity and accountability and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

15.6 The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

See Appendix D for useful officer contact details.

16 Useful links

CIPFA Better Governance Forum [CIPFA Better Governance Forum - CIPFA Networks](#)

The Bribery Act [Bribery Act 2010](#)

Bribery Act final guidance <http://www.cipfanetworks.net/governance/briberyact2010/final/guidance>

Bribery Act quick start guide <http://www.cipfanetworks.net/governance/briberyact2010/quickstartguide>

Joint Prosecution Guidance <http://www.cipfanetworks.net/governance/> Joint Practice Guidance

National Fraud Authority [National Fraud Authority](#)

Transparency International [Transparency International UK](#)

Public Concern at Work [Public Concern at Work - Making Whistle blowing Work - 0207 404 6609](#)

The British Standards Institution (Code of Practice on whistle blowing arrangements 2008, Anti Bribery Management System Standard late 2011) [BSI: Standards, Training, Testing, Assessment & Certification](#)

Department for Business Innovation and Skills (Blowing the whistle to a prescribed person) http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@employ/documents/digitalasset/dg_177605.pdf

Ministry of Justice
The Bribery Act 2010
www.justice.gov.uk/guidance/bribery.htm

APPENDIX D

Useful Contacts

Charles Warboys, Chief Finance Officer

TEL: 0300 300 6147

EMAIL: charles.warboys@centralbedfordshire.gov.uk

Kathy Riches, Head of Internal Audit and Risk

TEL: 0300 300 6155

EMAIL: kathy.riches@centralbedfordshire.gov.uk

24 Hours CBC Fraud Hotline

TEL: 0300 300 8182

EMAIL: tellusaboutfraud@centralbedfordshire.gov.uk

John Atkinson Head of Legal and Democratic Services (Monitoring Officer)

TEL: 0300 300 6255

EMAIL: john.atkinson@centralbedfordshire.gov.uk

Richard Carr, Chief Executive

TEL: 0300 300 4009

EMAIL: richard.carr@centralbedfordshire.gov.uk

This page is intentionally left blank

APPENDIX B



**Confidential Reporting Policy
(Also known as "Whistle Blowing")
December 2011**

CONFIDENTIAL REPORTING
(Also known as 'Whistle Blowing')

1.0 Introduction

- 1.1 Central Bedfordshire Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.2 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.3 The Public Interest Disclosure Act 1998 encourages individuals to raise concerns about malpractice in the workplace and this policy document makes it clear that employees can raise serious concerns without fear of victimisation, subsequent discrimination or disadvantage and is intended to encourage and enable employees to raise those concerns within the Council, rather than overlooking a problem.
- 1.4 The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders, and drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example care homes. Members of the public are also encouraged to raise concerns, which will be responded to in accordance with this policy.
- 1.5 These procedures are in addition to the Council's complaint procedures and other statutory reporting procedures applying to some service areas. Service managers are responsible for making service users aware of the existence of these procedures if and when necessary.
- 1.6 This policy has been discussed with the relevant trade unions and professional organisations and has their support.

2.0 Aims and Scope of this Policy

2.1 This policy aims to:-

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

- 2.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. The Confidential Reporting Policy is intended to cover major concerns that fall outside the scope of other procedures. These include:
- conduct which is an offence or a breach of law
 - disclosures related to miscarriages of justice
 - health and safety risks, including risks to the public as well as other employees
 - damages to the environment
 - the unauthorised use of public funds
 - possible fraud and corruption, including bribery
 - sexual or physical abuse of clients, or
 - other unethical conduct
- 2.3 Thus any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council can be reported under the Confidential Reporting Policy. This may be about something that:
- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribe to; or
 - is against the Council's Standing Orders and policies; or
 - falls below established standards of practice; or
 - amounts to improper conduct.
- 2.4 This policy does not replace the corporate complaint procedure.
- 3.0 **Safeguards**
- 3.1 **Harassment or Victimisation**
- 3.2 The Council is committed to good practice and high standards and wants to be supportive of employees.
- 3.3 The Council recognises that the decision to report a concern can be a difficult one to make. If you make an allegation in good faith you will have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.
- 3.4 The Council will not tolerate any harassment or victimisation (including informal pressure) and will take appropriate action to protect you when you raise a concern in good faith.
- 3.5 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.
- 4.0 **Confidentiality**
- 4.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, i.e. if and when,

the matter goes to an investigatory stage and a disciplinary hearing, however, you may need to come forward as a witness.

5.0 **Anonymous Allegations**

5.1 This policy encourages you to put your name to your allegation whenever possible.

5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

5.3 In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

6.0 **Untrue Allegations**

6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however, you make an allegation maliciously or for personal gain, disciplinary action may be taken against you. (The Council will manage such situations using its agreed Disciplinary Procedure).

7.0 **How to raise a concern**

7.1 As a first step, you should normally raise concerns with your immediate manager or their superior. This depends however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved you should approach the Chief Executive, Chief Finance Officer, the Council's Monitoring Officer or the Head of Internal Audit and Risk.

7.2 Concerns may be raised verbally or in writing. Staff who wish to make a written report are invited to use the following format:

- the background and history of the concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

All concerns received will be registered immediately with the Monitoring Officer.

7.3 The earlier you express the concern the easier it is to take action.

7.4 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

7.5 Advice and guidance on how matters of concern may be pursued can be obtained from:

- Monitoring Officer

- Chief Finance Officer
- Head of Internal Audit and Risk
- Chief Executive

7.6 You may wish to consider discussing your concern with a colleague or your trade union representative first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns. *However, once you have raised a concern under the Confidential Reporting Policy you should be mindful that any further discussions with other parties may impede the maintenance of confidentiality.*

7.7 You may invite your trade union or friend to be present during any meetings or interviews in connection with the concerns you have raised.

8.0 **How the Council will respond**

8.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

8.2 Where appropriate the matters raised may:

- be investigated by management, internal audit, or through the disciplinary process
- be referred to the police
- be referred to the external auditor
- form the subject of an independent inquiry

8.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest. Concerns or allegations, which fall within the scope of specific procedures (for example, child protection or discrimination issues), will normally be referred for consideration under those procedures.

8.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

8.5 Within ten working days of a concern being raised, the Monitoring Officer will write to you:

- acknowledging that the concern has been received
- indicating how we propose to deal with the matter
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made
- supply you with information on staff support mechanisms, and
- telling you whether further investigations will take place and if not, why not.

8.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

- 8.7 Where any meeting is arranged, off-site if you so wish, a union or professional association representative or a friend can accompany you.
- 8.8 The Council will take steps to minimise any difficulties, which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 8.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcomes of any investigation.
- 9.0 **The Responsible Officer**
- 9.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.
- 10.0 **How the matter can be taken further**
- 10.1 This policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, possible contact points are set out in *paragraph 10.3*.
- 10.2 Before taking matters outside the Council you may wish to take independent advice and the charity Public Concern at Work (telephone 0207 404 6609) offers such facilities to employees.
- 10.3 The following are possible external contact points:
- the Council's external auditor
 - your trade union/professional association representative
 - your local Citizens Advice Bureau
 - relevant professional bodies or regulatory organisations
 - a relevant voluntary organisation
 - the police
- 10.4 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information

Further Information:

Charles Warboys – Chief Finance Officer

TEL: 0300 300 6147

EMAIL: charles.warboys@centralbedfordshire.gov.uk

Kathy Riches – Head of Internal Audit and Risk

TEL: 0300 300 6155

EMAIL: kathy.riches@centralbedfordshire.gov.uk

24 Hours CBC Fraud Hotline

TEL: 0300 300 8182.

EMAIL: tellusaboutfraud@centralbedfordshire.gov.uk

John Atkinson - Head of Legal and Democratic Services (Monitoring Officer)

TEL: 0300 300 6255

EMAIL: john.atkinson@centralbedfordshire.gov.uk

Richard Carr - Chief Executive

TEL: 0300 300 4009

EMAIL: richard.carr@centralbedfordshire.gov.uk.

This page is intentionally left blank

Meeting: Audit Committee

Date: 23 January 2012

Subject: Risk Update Report

Report of: Chief Finance Officer

Summary: The purpose of this report is to give an overview of the Council's risk position as at the end of November 2011. A regular report was requested by the Audit Committee on 4 April 2011.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

Good risk management enables delivery of the Council's aims and objectives. Good risk management ensures that we adopt a planned and systematic approach to the identification and control of the risks that threaten the delivery of objectives, protection of assets, or the financial wellbeing of the Council.

Financial:

1. None directly from this report.

Legal:

2. There are no direct legal implications.

Risk Management:

3. The specific strategic risks are as set out in the report below. The Audit Committee has, in its terms of reference, the responsibility to monitor the operation of risk management within the Council and to provide independent assurance on the adequacy of the risk management framework.

Staffing (including Trades Unions):

4. There are no direct staffing issues.

Equalities/Human Rights:

5. None directly from this report.

Community Safety:

6. None directly from this report.

Sustainability:

7. None directly from this report.

RECOMMENDATION:

That the Audit Committee notes the risks facing Central Bedfordshire Council, as contained in the risk summary dashboard attached at Appendix A.

Background

8. The Audit Committee in its terms of reference has the responsibility to approve the Risk Management Policy Statement, and monitor the operation thereof. At its meeting on 4 April 2011 the Audit Committee agreed and endorsed the Council's 2011/12 Risk Management Strategy. In order to meet the responsibility of monitoring the operation of the Risk Management Policy Statement the Committee requested a regular report.
9. The purpose of this report is to give an overview of the Council's risk position as at the end of November 2011.

Strategic Risks

10. Since the last meeting of the Committee the strategic risks have been reviewed and updated. The November risk report is attached at Appendix A. The report contains twelve strategic risks. The key issues identified are summarised in this report.
11. The two risks with the highest residual score continue to be financial pressures (STR0001) and staffing (STR0004- increased pressure on staff /low morale). The residual risk score on both of these remains at 16.
12. The Adult Social Care Strategic Risk (STR002- failure to improve performance and safeguarding practice) has been reviewed. The inherent risk has been scored as 25. Whilst the mitigating actions have been updated the residual risk exposure remains at 15.
13. The Growth Agenda Risk (STR0003- failure to deliver Growth Agenda) has been reviewed. Although the residual risk score remains the same, an additional mitigating action has been added. This reads "The October Executive resolved to support the preparation of the Development Strategy, Gypsy and Traveller Plan and Site Allocations Plan/Neighbourhood Plans".

14. The description of the Staffing Strategic Risk (STR0004) has been amended to remove the reference to changes in terms and conditions, which have now been effected.
15. The Health and Safety Strategic Risk (STR0006- failure to comply with Health and Safety legislation) has been reviewed by the Assistant Chief Executive – People and Organisation and the Interim Health and Safety Manager. The risk description, inherent risk, consequences and mitigating actions have all been revised, and the residual risk has increased to 16.
16. The Contract Strategic Risk (STR0007- failure in the competition process) has been reviewed and refreshed by the recently appointed Head of Procurement and has been expanded to capture failure in the whole competition process. The residual risk exposure has increased to 12.

Operational Risks

17. The risk summary dashboard also highlights the key operational risks facing the Council. These have been drawn directly from Directorate risk registers as uploaded onto the JCAD risk management system.
18. Work is ongoing to further develop the risk registers for the newly formed Corporate Services, which includes Resources and People, and input the registers into JCAD.
19. The payroll contract remains the highest rated risk on the Directorates' risk registers. Six risks appear in the Top Ten Operational Risk Tracker for the first time. These relate to insufficient capacity, expertise and competence to deliver the Adult Social Care and Housing Agenda (SCHH0008), Failure to manage resources (SCHH0004), Health and Joint Commissioning Partnership risks (SCHH0007), insufficient capacity, expertise and competency to deliver Procurement agenda (RES0006), delivering the Welfare Reform Agenda within Revenues and Benefits (RES0017), and the failure to address the financial implications of changes in legislation and the need to “do more for less” (RES0018).

Emerging Strategic Risks

20. Although some of the strategic risks have been rephrased, no new risks have been added since the last update.
21. The Medium Term Plan identifies a number of drivers for change with implications for service delivery, including;
 - Devolved services to Town and Parish Councils
 - A trust for a range of services such as leisure, culture and adult learning
 - Shared services with other Councils
 - A trading arm for commercial services
 - Market testing for private sector providers/externalisation
 - Outsourced services to other public sector providers
 - Social enterprises/mutuals etc.

22. Whilst partnerships and shared services are captured on the Strategic Risk Register, other service delivery options are not currently reflected. Consideration is currently being given to risks associated with these options and will be reflected in the Strategic and Directorate risk registers accordingly.

Appendices:

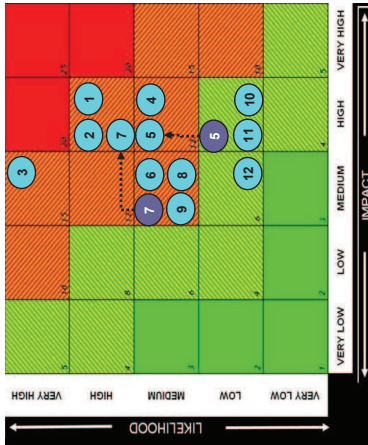
Appendix A – CBC Strategic Risk Register Matrix – Residual Risk Rating

Background Papers: None

Location of papers: N/A

NOT PROTECTED

CBC Strategic Risk Register Matrix - Residual Risk Rating



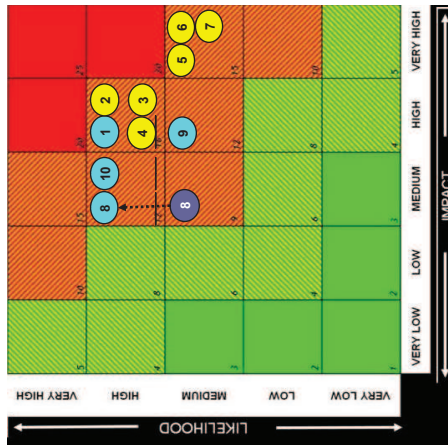
#	Reference	Key	Nature of Risk
1	STR0001	Financial Pressures	Financial Pressures
2	STR0004	Staffing Issues	Staffing Issues
3	STR0002	Adult Social Care	Adult Social Care
4	STR0003	Growth	Growth
5	STR0007	Contracts - Failure in Competition process	Contracts - Failure in Competition process
6	STR0005	Waste	Waste
7	STR0006	Health and Safety	Health and Safety
8	STR0008	ICT Failure	ICT Failure
9	STR0010	Protecting Children	Protecting Children
10	STR0009	Partnerships	Partnerships
11	STR0011	Shared Services	Shared Services
12	STR0013	Data Management	Data Management

Key:

- New Risk
- Current Position
- Previous Position
- Accepted Level of Risk

Reference	Nature of Risk					2011/12					2012/13				
	Feb	June	Aug	Nov	16	Feb	June	Aug	Nov	16	Feb	June	Aug	Nov	16
STR0001	20	16	16	16	16										
STR0004	12	16	16	16	16										
STR0006	9	9	9	9	16										
STR0002	15	15	15	15	15										
STR0007	8	8	8	8	12										
STR0003	12	12	12	12	12										
STR0005	12	15	15	15	15										
STR0008	8	8	8	8	8										
STR0010	8	8	8	8	8										
STR0009	8	8	8	8	8										
STR0011	8	8	8	8	8										
STR0013	6	6	6	6	6										

CBC Top Operational Risks - Residual Risk Rating



#	Reference	Key	Nature of Risk
1	CSS020002	Payroll contract	Payroll contract
2	SCH00008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda
3	SCH00004	Failure to manage resources/capacity	Failure to manage resources/capacity
4	SCH00007	Health and Joint Commissioning partnership risks	Health and Joint Commissioning partnership risks
5	RES00006	Insufficient capacity, expertise and competency to deliver Procurement agenda	Insufficient capacity, expertise and competency to deliver Procurement agenda
6	RES00017	Welfare Reform	Welfare Reform
7	RES00018	Failure to address the financial implications of changes in legislation and need to "do more for less"	Failure to address the financial implications of changes in legislation and need to "do more for less"
8	CHS00001	ICT change in Children's Services	ICT change in Children's Services
9	CHS00004	Children's Services Business Continuity	Children's Services Business Continuity
10	CHS00005	CS - Failure to retain & recruit staff	CS - Failure to retain & recruit staff

Reference	Nature of Risk					2011/12					2012/13				
	Feb	June	Aug	Nov	16	Feb	June	Aug	Nov	16	Feb	June	Aug	Nov	16
CSS020002					16										
SCH00008															
SCH00004															
SCH00007															
RES00006															
RES00017															
RES00018															
CHS00001															
CHS00004															
CHS00005															

Overview of Risk Position - November 2011

The three risks with the highest residual exposure are financial pressures (STR0001), staffing (STR0004) and Health and Safety (STR0006). The Health and Safety risk has been reviewed and the risk score increased to 16. Risk STR0007 (Contracts) has also changed in score. As a result of reviewing the risk of failure of the whole competition process the residual risk exposure has increased to 12. The following risks have also been reviewed and refreshed:

- Adult Social Care (STR0002)
- Staffing (STR0004)
- Growth Agenda (STR0003)

In each case the residual score remains the same, although there are changes in places to the risk descriptions, inherent risks, consequences and mitigating actions.

The matrix to the left highlights the most noteworthy operational risks facing CBC. The highest rated risk on the Directorate's risk registers remains the Payroll contract. Six new risks appear in the top operational risk tracker. These relate to insufficient capacity, expertise and competency to deliver the Adult Social Care and Housing agenda (SCH00008), Failure to manage resources (SCH00004), Health and Joint Commissioning Partnership risks (SCH00007), insufficient capacity, expertise and competency to deliver Procurement agenda (RES00006), delivering the Welfare Reform Agenda within Revenue and Benefits (RES00017) and the failure to address the financial implications of changes in legislation and the need to do "more for less" (RES00018).

Assessing Impact

Impact Scale	Description	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, significant publicity in national media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other locations may be affected, financial loss up to £5m, sustained adverse publicity in national media greater than 6 months
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity national media, greater than 3 months
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, short term absence for up to 5 people (single event)

Assessing Likelihood

Scale	Description	Likelihood of Occurrence
5	Almost Certain	Likely to occur each year/over 60% chance of occurrence
4	Likely	Likely to occur every 3 years/up to a 60% chance of occurrence
3	Possible	Likely to occur every 5 years/up to a 40% chance of occurrence
2	Unlikely	Likely to occur every 10 years/up to a 20% chance of occurrence
1	Rare	Likely to occur every 10+ years/up to a 10% chance of occurrence

This page is intentionally left blank

Meeting: Audit Committee

Date: 21 January 2012

Subject: Tracking of Audit Recommendations

Report of: Chief Finance Officer

Summary: This report summarises the high risk recommendations arising from Internal Audit reports and outlines how these will be monitored, tracked and reported to the Audit Committee.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

An effective internal audit function will indirectly contribute to all of the Council's priorities.

Financial:

1. Although there are no financial risks from the issues identified in the report, the outcome of implementing audit recommendations is for the Council to enhance internal control, and better manage its risks, thereby increasing protection from adverse events.

Legal:

2. None arising directly from the report.

Risk Management:

3. None specifically. The Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Community Safety:

6. None directly from this report.

Sustainability:

7. None directly from this report.

RECOMMENDATION:

That the Audit Committee notes and comments on the updates as presented.

Background

8. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment.
9. To further strengthen the Audit Committee's role in monitoring the internal control environment within the Council, Internal Audit has developed a system for monitoring and reporting progress against high risk recommendations arising from internal audit inspections.
10. This paper represents the regular summary of high risk recommendations made to date, along with the progress made against implementation of those recommendations.

Tracking High Risk Recommendations

11. This report sets out the position as at the end of December 2011. In order to distinguish between recommendations made during 2010/11 and more recent recommendations, the tracking has been presented as two tables – one summarising the reports issued during 2010/11 and captured in previous monitoring reports to the Committee and the second table summarising reports containing high risk recommendations issued since the April 2011 Committee.

12. Appendix A provides detail of progress made to date in addressing high risk recommendations contained in reports issued during 2010/11 and previously reported to the Committee. The table below provides a summary by Directorate.

Table 1 – Summary of High Priority Recommendations Made and Included in tracking reports to the Audit Committee during 2010/11 and earlier

	Customer and Shared Services/ ACE-Resources /ACE-People	Office of The Chief Executive	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of reports	15	1	1	2	1	20	
Recs:							
Completed GREEN	55	3	5	4	1	68	91
Ongoing-On schedule for completion within timescales GREEN	0	0	0	0	0	0	0
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	6	0	0	1	0	7	9
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	61	3	5	5	1	75	100

Progress has been made on implementing the high risk recommendations, although 9% are ongoing with target missed within the agreed timescales.

13. Appendix C provides details of the 7 high risk recommendations contained in Table 1 where implementation of the recommendation is running behind planned completion dates. The appendix includes the rationale behind the audit recommendation and an explanation for the reason for the slippage.
14. Appendix B sets out the reports issued since the April Audit Committee that contain further high risk recommendations. The table below provides a summary by Directorate.

15. **Table 2- Summary of Additional High Priority Recommendations Made Since Last Audit Committee (April 2011)**

	Customer and Shared Services/ ACE-Resources /ACE-People	Office of The Chief Executive	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of reports	10	0	1	1	1	13	
Recs:							
Completed GREEN	21	0	13	2	1	37	84
Ongoing-On schedule for completion within timescales GREEN	3	0	0	1	0	4	9
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	1	0	1	1	0	3	7
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	25	0	14	4	1	44	100

16. Appendix D provides the details of the 3 recommendations contained in Table 2 where implementation of the recommendation is running behind planned completion dates.
17. Wherever possible evidence has been obtained to support the implementation of recommendations. However, in some instances, verbal assurance has been obtained. Where this is the case, further evidence will be obtained to support the assurances given.
18. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

Future Monitoring

19. Officers responsible for the implementation of recommendations will be contacted regularly to provide updates on progress made. Evidence will be required to support progress made. Where recommendations are ongoing these will continue to be monitored.

Conclusion

20. Internal Audit recommendations are designed to introduce new controls and procedures or to enhance and strengthen existing controls. This tracking report has demonstrated that action is being taken to implement these recommendations, thus improving the overall control environment.
21. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
22. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee will ensure that the Committee has the means to monitor how effectively the high risk recommendations have been implemented.

Appendices:

Appendix A – Details of monitoring of High Priority Internal Audit recommendations (2010/11)

Appendix B - Details of monitoring of High Priority Internal Audit recommendations- Reports issued since April Audit Committee

Appendix C - Details on those recommendations that are outstanding 2010/11

Appendix D - Details on those recommendations that are outstanding – Reports issued since April Audit Committee

Background Papers: None

Location of papers: N/A

This page is intentionally left blank

Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011 Reports issued during 2010/11 and earlier

CUSTOMER AND SHARED SERVICES

Name	Date of Report	Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Council Tax 2009-10	26/07/10	01/10/10	6	6	0	0	0	0	
Accounts Receivable 2009-10	10/08/10	31/05/10	3	3	0	0	0	0	
Housing and Council Tax Benefits 2009-10	26/07/10	31/03/11	6	6	0	0	0	0	
Main Accounting System 2009-10	22/07/10	30/04/10	5	4	0	1	0	0	See R1
National Non Domestic Rates 2009-10	26/07/10	31/12/10	5	4	0	1	0	0	See R2
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R3
SWIFT Financials 2009-10	23/08/10	30/09/10	4	3	0	1	0	0	See R4
Treasury Management 2009-10	31/08/10	31/08/10	6	6	0	0	0	0	
Cash and Banking 2009-10	11/08/10	30/09/10	2	2	0	0	0	0	
ContactPoint 2009-10	29/04/10	31/05/10	3	3	0	0	0	0	
Hospitality and Gifts 2009-10	26/01/10	28/02/10	3	3	0	0	0	0	
Teachers Pensions'	20/08/10	30/03/11	2	1	0	1	0	0	See R5
SAP Access and Security (incl IT DTR) 2009/10	11/10/10	31/12/10	3	2	0	1	0	0	See R6
Asset Management 2009/10	19/10/10	31/12/10	2	2	0	0	0	0	
Accounts Receivable 2009-10	21/02/11	30/04/11	1	1	0	0	0	0	
Total			61	55	0	6	0	0	
				90%	0%	10%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011
Reports issued during 2010/11 and earlier**

SUSTAINABLE COMMUNITIES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
EEDA 2009-10	23/08/10	31/08/10	2	2	0	0	0	0	
Leighton Buzzard Theatre	18/11/10	30/12/10	3	2	0	1	0	0	See R7
Total			5	4	0	1	0	0	
				80%	0%	20%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011 Reports issued during 2010/11 and earlier

CHILDRENS' SERVICES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Youth Foster Care 2009-10	06/05/10	30/05/10	5	5	0	0	0	0	
Total			5	5	0	0	0	0	
				100%	0%	0%	0%	0%	

SOCIAL CARE, HEALTH AND HOUSING

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Housing Rents - Arrears 2009-10	21/07/10	31/01/11	1	1	0	0	0	0	
Total			1	1	0	0	0	0	
				100%	0%	0%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011
Reports issued during 2010/11 and earlier**

OFFICE OF THE CHIEF EXECUTIVE

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Data Quality Management 2009/10	22/10/10	30/04/11	3	3	0	0	0	0	
Total			3	3	0	0	0	0	
				100%	0%	0%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011 - Reports issued since April 2011 Audit Committee

**ACE- RESOURCES/ACE-PEOPLE/
CUSTOMER AND SHARED SERVICES**

Name	Date of Report	Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Housing and Council Tax Benefits 2010-11	07/06/11	31/07/11	4	4	0	0	0	0	
Service Level Agreements	13/04/11	31/07/11	4	4	0	0	0	0	
Accounts Receivable P1	21/02/11	30/04/11	1	1	0	0	0	0	
Main Accounting System 2010-11 Ph 1	10/03/11	31/03/11	2	2	0	0	0	0	
Payroll 201-11 Ph 1	11/03/10	30/09/10	6	6	0	0	0	0	
Accounts Payable 2010-11 Ph 1	11/03/11	30/04/11	1	0	0	1	0	0	See R1
IT Governance	02/06/11	31/07/11	4	2	2	0	0	0	
SAP Access and Security (incl ITDR) 2010/11	19/08/11	31/12/11	1	1	0	0	0	0	
Council Tax - System Documentation and Walkthrough Testing and 2010/11 Follow Up	09/11/11	31/12/11	1	1	0	0	0	0	
NINDR System Documentation and Walkthrough Testing and 2010/11 Follow Up	22/11/11	31/03/12	1	0	1	0	0	0	
Total			25	21	3	1	0	0	
				84%	12%	4%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011 - Reports issued since April 2011 Audit Committee

CHILDRENS' SERVICES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Bedfordshire Music Service	15/03/11	30/09/11	14	13	0	1	0	0	See R2
Total			14	13	0	1	0	0	
				93%	0%	7%	0%	0%	

SOCIAL CARE, HEALTH AND HOUSING

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Housing Rents - Arrears 2009-10	21/07/10	31/01/11	1	1	0	0	0	0	
Total			1	1	0	0	0	0	
				100%	0%	0%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End December 2011 - Reports issued since April 2011 Audit Committee

SUSTAINABLE COMMUNITIES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Amey Contract - Highways Services	02/11/11	31/12/11	4	2	1	1	0	0	See R3
Total			4	3	1	0	0	0	
				75%	25%	0%	0%	0%	

This page is intentionally left blank

Appendix C

**Details on those recommendations outstanding
Status – all Amber (Ongoing with deadline missed)**

Former Customer and Shared Services

Main Accounting System 2009/10

<p>Recommendation R1 : The financial procedures for asset management, debt recovery, leasing, insurance and risk management should be documented if not already done so, published on the Intranet, and regularly reviewed and maintained on the Intranet thereafter.</p>
<p>Rationale for Recommendation: The Systems Documentation and Walkthrough Testing review 2009/10 identified that the financial procedures for asset management, debt recovery, leasing, insurance and risk management had not been documented and published on the intranet.</p>
<p>Target Dates: End August 2010. End July 2011 (revised) October 2011 (revised) March 2012 – publish omitted procedures on Intranet December 2012 – review and update all procedures</p>
<p>Current Position and Explanation for Slippage: There is an ongoing process to review all financial procedures. There was a planned deferral of this work in order to focus on closure of accounts, which was the key priority. The omitted Financial Procedures will be produced and published (March 2012). All Financial Procedures will be reviewed by December 2012. Thereafter, a rolling process of review and update will be put in place.</p>

National Non Domestic Rates (NNDR) Managed Audit

<p>Recommendation R2 : The Head of Revenues should continue to liaise with the Head of Financial Management to ensure that the allocation of the outstanding internal NNDR debt is expedited by Finance and that the required journal vouchers are raised and actioned.</p>
<p>Rationale for Recommendation: The unrecovered NNDR to date may be overstated, and there may be a risk to budget monitoring using SAP for individual cost centres.</p>
<p>Target Dates: End April 2010 End of March 2011 (revised) End of July 2011(revised) End of December 2011 March 2012.</p>
<p>Current Position and Explanation for Slippage: Significant progress has been made. The outstanding CBC NNDR internal debt has now reduced to £54,000 from the £225,000 reported in September, and work is ongoing with colleagues in the Assets Section to address this.</p>

Payroll 2009/10

<p>Recommendation R3: It should be ensured that timesheets and travel claims are appropriately approved prior to payment.</p>
<p>Rationale for Recommendation: The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.</p>
<p>Target Dates: August 2010. September 2011.(revised) March 2012.(revised)</p>
<p>Current Position and Explanation for Slippage: A master data review is currently being undertaken, to ensure this remains up to date following organisational restructuring and changes. This forms part of the Finance Recovery Programme which includes SAP Optimisation and has an expected completion date of March 2012.</p> <p>Once this exercise has been completed HR will enforce the process of checking signatures through SERCO contract management. Further SAP optimisation may reduce the reliance on manual checking of signatory lists.</p>

SWIFT Financials 2009/10

<p>Recommendation R4: The SWIFT IT team should provide reports of users who have not changed their passwords within the past 45 days to local management to confirm that access rights are still appropriate for the nominated users. Unused accounts should be disabled or removed.</p>
<p>Rationale for Recommendation: The procedures for advising of leavers do not always take account of temporary staff. There were 1220 users on the SWIFT database but there is no assurance that they were all current and bona fide employees. The report of users who have not changed their passwords within the past 45 days is not used to establish whether access rights for those users are still appropriate.</p>
<p>Target Dates: August 2010. November 2011(revised) End January 2012 (revised)</p>
<p>Current Position and Explanation for Slippage: This relates to the information as extracted by the Swipe Admin Report 54. The report is now available to use, and a reminder email to Team Leaders requesting them to access the report on a monthly basis is needed.</p>

Teachers' Pensions

<p>Recommendation R5: Monthly Return Summaries submitted by schools should be retained by HR and filed in date order with the TP2 and TP3 forms. Any non returns could then be identified and pursued with the schools.</p>
<p>Rationale for Recommendation: The extent of non- returns and the ability to 'chase' these with schools has an impact on the completeness of LA records and CBC still has statutory responsibility for content of annual returns for Teachers Pensions.</p>
<p>Target Dates: 31 March 2011 1 October 2011(revised) 30 September 2012 (revised)</p>
<p>Current Position and Explanation for Slippage: This recommendation is not now considered a practical way of meeting TP requirements due to the changing educational environment e.g. movement towards academies. A yearly reconciliation as part of the Annual Service Return compensates, to some extent, for any missing data.</p> <p>Further work is ongoing as part of the consultation with schools on traded services and accommodating the impact of the trading position on the methods of obtaining the information necessary for CBC to discharge its statutory responsibilities.</p>

SAP Access and Security (incl. IT DR) Managed Audit

Recommendation R6:

A Disaster Recovery Plan should be developed and approved. As a minimum, this should include;

- the identification and prioritisation of key IT systems
- the roles and responsibilities of relevant officers and third party suppliers
- a set of IT procedures which should be executed initially to react to crises/disaster
- escalation procedures
- salvage procedures that deal with retrieval of items from affected sites
- the recovery and reconfiguration of all IT and communication systems
- details of additional accounts where monies may be sourced to aid recovery efforts
- a schedule in respect of the testing of the plan

Rationale for Recommendation:

During 2009/10, there was no Disaster Recovery Plan. Recovery from the server failures in February 2010 gave highest priority to restoration of the IT infrastructure. Meetings and telephone conversations with Heads of Services and Directors were held to agree the recovery plan / priorities and time scales. No IT Disaster Recovery Strategy was found to be documented to describe the role and development of a Disaster Recovery Plan and to improve the recovery options of IT systems.

Target Dates:

December 2010.
December 2011 (revised).
September 2012 (revised)

Current Position and Explanation for Slippage:

Work has not yet commenced. The primary focus of the ICT Infrastructure work since Dec 10 has been the rectification of instabilities in the core technologies. The development of the DR Plan (outline and full) will be completed as part of the ICT Stability Project. The inclusion of this work within the ICT Stability Project reflects the dependency on a number of pre-requisites that will be deliverable by the project including standard operating procedures for design definition and implementation. The outline DR plan was due for completion during Dec 2011. Due to a re-sequencing of activities to address urgent and immediate corporate priorities this work will be undertaken in the second quarter of 2012 (once the core platforms are stable and future architecture has been defined) with the full DR Plan due by September 2012.

Sustainable Communities

Leighton Buzzard Theatre

<p>Recommendation R7: A suite of clearly defined targets should be established and regularly monitored for the theatre that align with the Council's theatre policy, Council's strategic objectives, and budgetary control objectives.</p>
<p>Rationale for Recommendation: No targets, both financial and non-financial, have been established for theatre activities.</p>
<p>Target Dates: December 2010. September 2011.(revised) March 2012.</p>
<p>Current Position and Explanation for Slippage:</p> <p>As part of the Arts Service Review it was identified that the two services in the building (Libraries and Theatre) would work more closely together with the addition of a new partner ACL. There will therefore be changes with the current direction of the theatre as part of a whole building solution.</p> <p>The current monthly financial reporting that is now happening means that clearly defined targets for the theatre will be established (and regularly reviewed) prior to April and will then be part of a wider building programme to be agreed with managers of each service.</p>

This page is intentionally left blank

Appendix D

Details on those recommendations outstanding since April Audit Committee Status – All Amber – Ongoing with target missed.

Customer & Shared Services/ ACE – Resources

Accounts Payable 2010/11 Phase 1

Recommendation R1:

The Financial Scheme of Delegation should be updated and maintained in a timely and appropriate manner.

Rationale for Recommendation:

The Financial Scheme of Delegation available within the Chief Accountant's team was not up to date as the names of 9 signatories including an Assistant Director were not on the list.

Target Dates:

April 2011.
September 2011(revised).
March 2012(revised).

Current Position and Explanation for Slippage:

Since the last committee a master data review has been successfully undertaken. A review to update authorised signatories has commenced and is ongoing.

Children's Services

Bedfordshire Music Service

<p>Recommendation R2: Future KPIs should be reviewed to consider the qualitative aspects of the service, and should be linked to the Council's priorities and the Children and Young People's Plan. Any critical KPIs should be highlighted.</p>
<p>Rationale for Recommendation: There is a risk that the direction and qualitative aspects of the service are not clearly defined.</p>
<p>Target Dates: 1st September 2011 31st October 2011 (revised) 31st January 2012. (revised)</p>
<p>Current Position and Explanation for Slippage: Central government guidance through a National Music Plan was expected in July but delayed until December 2011. An update on future performance targets will be reported to the next Project Board in January 2012.</p>

Sustainable Communities

Amey Contract – Highways Services

<p>Recommendation R3 : Amey should ensure that complaints are responded to in accordance with the timescales included in the Customer Feedback Procedure.</p>
<p>Rationale for Recommendation: Poor public perception of the Council.</p>
<p>Target Dates: December 2011. Revised Target Date January 2012</p>
<p>Current Position and Explanation for Slippage: A system of monitoring is being developed and problems will be reported to the new Head of Highways Contract. There has been a minor delay due to the withdrawal of a proposed Council wide monitoring system.</p>