

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



please ask for Leslie Manning
direct line 0300 300 5132
date 22 March 2012

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 2 April 2012 9.30 a.m.

Venue at

Room 15, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Clrs 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 23 January 2012 (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	Certification of Claims and Returns - Annual Report 2010/11	* 13 - 30

To receive the Audit Commission's annual Certification of Claims and Returns report for 2010/11.

8	Audit Committee Update	* 31 - 50
	To receive a report by the Audit Commission on the progress made in its role as the Council's external auditor, any emerging national issues and the current position on the outsourcing of the Audit Practice.	
9	Annual Governance Statement	+ To Follow
	To consider the draft Annual Governance Statement.	
10	Internal Audit Progress Report	* 51 - 60
	To receive an update on the progress of work by Internal Audit for 2011/12.	
11	2012/13 Internal Audit Charter	* 61 - 80
	To consider and endorse the Internal Audit Charter for 2012/13.	
12	Internal Audit Strategy and Annual Audit Plan for 2012/13	* 81 - 96
	To consider the Internal Audit Strategy and Annual Audit Plan 2012/13.	
13	Risk Update Report	* 97 - 118
	To receive an update on the Council's risk position as at March 2012 and consider the proposed Risk Management Strategy for 2012/13.	
14	Tracking of Audit Recommendations	* 119 - 140
	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.	

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 23 January 2012

PRESENT

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

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit and Risk
Mr C Warboys Chief Finance Officer & Section
151 Officer

Others In Attendance: Mr P King Audit Commission
Ms C O'Carroll Audit Commission

A/11/30 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 26 September 2011 be confirmed and signed by the Chairman as a correct record.

A/11/31 **Members' Interests**

(a) **Personal Interests:-**

None.

(b) **Personal and Prejudicial Interests:-**

None.

A/11/32 **Chairman's Announcements and Communications**

The Chairman stated that the running order of the agenda items had been changed and the Audit Commission items would now be considered last. He explained that this was because the District Auditor (Audit Commission) had attended an earlier meeting elsewhere and had not yet arrived at the Council

offices. In addition the Chief Finance Officer had to leave the Committee early in order to attend another meeting.

The Chairman next informed Members that, with the assistance of the Head of Internal Audit and Risk and as required under paragraph 5.2.2 of the Committee's terms of reference, he had prepared a report for Council on the Committee's activities. The meeting noted that the report could not be submitted to the Council's budget meeting in February so it would be received at the AGM on 19 April.

A/11/33 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

A/11/34 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/11/35 Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer which provided Members with an update on the status of the Internal Audit work for 2011/12 as at 31 December 2011.

The report covered the following matters:

- Updated internal audit plan
- Progress on the 2011/12 internal audit plan including:
 - managed audits
 - other audit work
 - National Fraud Initiative
 - fraud and special investigations
 - schools
 - performance management.

The Head of Internal Audit and Risk introduced the report and drew Member's attention to various points as she did so. It was noted that, as a result of reduced staffing resources due to the extended secondment of an Audit Team member to Finance and the need to deliver in-year budget savings, the Plan had been reassessed and, in consultation with Directors, several reviews had been removed or deferred until next year. It was further noted that, of the reviews that had been removed, it was possible that some audits might be undertaken in the future.

RESOLVED

that the proposed revisions to the 2011/12 Internal Audit Plan with regard to the removal or deferral of reviews regarding those matters listed in Appendix A to the Chief Finance Officer's report be approved.

NOTED

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

A/11/36

Revised Anti-Fraud and Confidential Reporting Policies

The Committee considered a report by the Chief Finance Officer which sought Members' approval of proposed changes to the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy. The meeting noted that the Strategy now included an appendix on anti-bribery in order to meet the requirements of the Bribery Act 2010. Members were reminded that a training session on the Act, which had come into force on 1 July 2011, had been held in October 2011.

Revised officer recommendations were circulated at the meeting which, if adopted, would enable the Monitoring Officer to amend the Strategy as a result of changes to the role of the Standards Committee introduced by the Localism Act and to amend the contact officers listed in both the Strategy and Policy. It was also recommended that the Monitoring Officer report on any changes he introduced to the Audit Committee's next meeting.

The meeting noted that the new Strategy and Policy would replace those already on the Council's website. In addition the revised documents would be promoted more intensively within the Council itself than the previous versions.

In response to a Member's query the Head of Internal Audit and Risk stated that there were mechanisms in place for reporting and recording gifts and hospitality received by employees.

Discussion took place on ethical standards provision and the meeting noted that this issue was being examined by both the General Purposes Committee's Ethical Standards Task Force and the Constitution Advisory Group.

RESOLVED

- 1 that the proposed revisions to the Anti-Fraud and Corruption Strategy (including anti-bribery) and the Confidential Reporting Policy be approved;**
- 2 that the Monitoring Officer be authorised to:**
 - a) amend the Anti-Fraud and Corruption Strategy to reflect any changes in the role of the Standards Committee;**

- b) **amend the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy to reflect any changes to the contact officers that are listed.**
- 3 **that the Monitoring Officer report to the next scheduled meeting of the Audit Committee setting out any amendments made under resolution 2 above.**

A/11/37

Risk Update Report

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at the end of November 2011. A risk summary dashboard, covering both strategic and operational risks, was attached at Appendix A to the report.

The meeting noted that financial pressures and staffing issues continued to be the two strategic risks with the highest residual score. It was also noted that the reference to changes to terms and conditions within the Staffing Strategic Risk (reference STR0004) had been removed as these changes had now been put into effect.

In response to a Member's query the Head of Internal Audit and Risk explained changes to the definition of Contract Strategic Risk (reference STR0007).

Turning next to operational risks the meeting noted that six of the top ten risks were new entries.

In connection with the Payroll Contract Operational Risk (reference CSS020002) the Executive Member for Corporate Resources informed the meeting that negotiations were underway with Serco, the current payroll contractor, to end the contract and bring the service back in-house as from 1 April 2012.

The Vice-Chairman commented that, when individual risks dropped out of the strategic and operational risk matrices, it would be useful to receive an explanation as to why their status had changed. In response the Chief Finance Officer undertook to identify in future reports why individual risks rose or fell within the matrices.

The Chairman suggested that it would of greater benefit to focus on the impact of individual risks rather than the likelihood of them occurring.

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 Chief Finance Officer.

A/11/38 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 December 2011.

The Head of Internal Audit and Risk introduced the report and highlighted particular items for Members' attention. Arising from this the Chairman expressed concern that the Council was having to undertake remedial works to repairs carried out by utility companies yet appeared to be taking insufficient action to recharge for these works. A Member commented that poor quality repairs by utility companies were a national problem and he suggested that, as Central Bedfordshire would not be able to take effective action alone, the Local Government Association be approached to do so. However, following further consideration, it was felt that the issue should be raised through the Executive and a local Member of Parliament.

RESOLVED

that the Executive Member for Corporate Resources be requested to raise the issue of the Council having to undertake remedial works to poor quality repairs carried out by utility companies, and then having to recharge the latter, with the Executive and that this issue also be brought to the attention of Andrew Selous MP (South West Bedfordshire).

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 December 2011.

A/11/39 Annual Audit Letter 2010/11

The Committee received the Audit Commission's Annual Audit Letter for 2010/11. The District Auditor (Audit Commission) reminded Members that much of the information in the Audit Letter had been considered previously by the Committee at its meeting on 26 September 2011 (minute A/11/23 refers). Members were also aware that a copy of the Audit Letter had been sent to them on 23 November 2011.

The District Auditor drew Members' attention to the following matters within the Audit Letter:

- Key messages
- Current and future challenges
- Financial statements and annual governance statement
- Value for money

- Closing remarks
- Appendices 1 and 2

A Member referred to the questions (set out within the Key Messages section of the Letter) which had been raised by a member of the public on the Council's management and use of section 106 funds. He used the opportunity to express his own concerns regarding what he believed to be the Council's shortcomings in this area and particularly a failure to focus on best value. In response the District Auditor explained that much of what had been raised by the Member fell outside his area of responsibility.

The Chairman commented that the points raised by the Member had been appreciated and that consideration was being given to such issues elsewhere.

NOTED

the Audit Commission's Annual Audit Letter for 2010/11.

A/11/40

Audit Committee Update

The Committee received a report which provided an update on the progress made by the Audit Commission in undertaking its work as the Council's external auditors. It also provided information on the externalisation of the Audit Practice and highlighted key emerging national issues and developments. A number of questions were listed which it was felt the Committee might wish to consider in respect of the issues highlighted in the report.

The Audit Manager (Audit Commission) invited Members to contact her or the District Auditor (Audit Commission) should they require any additional information or explanation.

Arising from a query on the externalisation of the Audit Practice the Audit Manager advised that the new external auditor for 2012/13 onwards would be known by the time of the next Audit Committee on 2 April 2012.

With regard to the Commission's questions within in the report, and in response to a query by the Chairman, the Executive Member for Corporate Resources stated that the Chief Finance Officer and Head of Internal Audit and Risk would be preparing cross-directorate responses to the questions for submission to the next meeting of the Audit Committee.

In relation to the question on school governors a Member sought assurance from the Audit Commission representatives that the new external auditor would not regard governance as being restricted to the auditing of accounts. In response the District Auditor explained that all bids to undertake the role of external auditor would be assessed against accepted quality criteria. The new auditors would still be required to carry out their work in accordance with the Audit Commission's Code of Audit Practice as well as professional auditing standards. Governance matters would continue to be part of the external audit role insofar as it fell within the auditor's role and statutory responsibilities. He added that private firms already held approximately 30% of the external audit

appointments made by the Audit Commission and were required to meet the same standards. Furthermore, the Audit Commission's quality monitoring regime would continue to ensure that such standards were maintained by all firms in the future.

A Member referred to the Commission's question relating to the circulation of the DCLG's plain English guide to the Localism Act to all Members. In response the Executive Member for Corporate Resources stated that the guide would be circulated in full to Members and to officers as required.

NOTED

the Audit Commission's Audit Committee update.

A/11/41

Audit Plan 2011/12

The Committee received the Audit Commission's Audit Plan which set out the Commission's work for the 2011/12 audit. The Audit Manager (Audit Commission) introduced the Plan, drawing Members' attention to the significant risks which had been identified for the valuation of property, plant and equipment (PPE), schools and Housing Revenue Account (HRA) reform. She emphasised that this did not indicate that a problem existed in the areas identified but that they would require special audit consideration on the grounds that the risk could result in a material misstatement in the financial statements.

Turning to the identification of specific risks the meeting noted that a specific risk was a specific issue related to a particular item in the financial statements. Whilst it might not lead to a material misstatement it required the Commission to carry out focused audit work. Only one specific risk had been identified by the Audit Commission and this referred to section 106 agreements and their management. The Audit Manager advised that work in this area would be carried out over the next few months and that it was intended to present an update on this to the next meeting of the Committee in April.

A Member raised a query with regard to the value and liability of roads and their maintenance. In response the District Auditor (Audit Commission) explained that he would not expect to see the recognition of liability for future road maintenance in the accounts as this would be dealt with as it fell due. He explained that road maintenance was not recognised as a liability even at the point of adoption and that a road's recognised value was the same as any other infrastructure asset with the valuation supplied by experts in that particular area. The District Auditor added that the presentation of assets on the Council's balance sheet complied with the required accounting standards.

NOTED

the Audit Commission's Audit Pan for the 2011/12 audit.

(Note: The meeting commenced at 2.00 p.m. and concluded at 3.29 p.m.)

Chairman

Dated

Certification of claims and returns - annual report

Central Bedfordshire Council

Audit 2010/11

Agenda
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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

I audited nine claims and returns in 2010/11 with a total value of £175,505 million. Five claims were amended to correct errors prior to certification. For three claims (Housing Benefits, Teachers Pensions and Sure Start) I was unable to fully certify the claim and issued a qualification letter to the grant paying body. A qualification letter is issued where there is a disagreement or uncertainty either over the content of the claim, or whether the scheme terms and conditions have not been complied with.

Table 1: **Summary of 2010/11 certification work**

	2010/11	2009/10
Number of claims and returns certified		
Total value of claims and returns certified	£175,505	£175,047
Total number of claims and returns certified	9	9
Number of claims and returns amended due to errors	5	5
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	3	3
Total cost of certification work (to date)	£84,246	£91,150

I have charged the Authority a fee of £84,246 for grant certification work in 2010/11. I expect to have to carry out further work on the 2010/11 Housing and Council Tax benefits claim and I estimate that this additional work will cost £4,000, bringing the total charge for 2010/11 to £88,246.

The main area of grant certification work in terms of time and fee is the audit of the Housing and Council Tax benefit claim. Due to the number of errors found in previous years a large volume of additional testing is required on this on this claim. In addition to my testing of 20 cases in each of the three headline cells, your officers carry out additional testing, of 40 cases ('40+ testing') for each cell where errors were found last year. This year there were 21 cells on which 40+ testing was required.

This year the Housing and Council Tax Benefits claim was certified by the due date of 30 November 2011, a significant improvement on the 2009/10 claim which was not certified until 12 January 2011. This improvement was achieved through good planning and a positive working relationship with your officers, which ensured that the testing carried out by the Authority as completed in good time for my team to re-perform the work.

While there have been improvements in the process to ensure that this claim is signed off on a timely basis there are still a large number of errors being found in this claim. As in previous years a number of the errors reported were in respect of misclassifications of over payments there were also a number of cases where benefit had been incorrectly assessed. As the 2009/10 claim was not certified until 12 January 2010, the internal controls introduced to address previous issues have had minimal impact in 2010/11 claim and similar errors have occurred. Staff training and quality control continue to be key areas which must be addressed to reduce the level of errors in this claim.

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

For claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns above £500,000 in 2010/11 are set out in table 2 below.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	70,129	The Housing and Council Tax benefit claim is inherently high risk and complex. For this reason I am required to carry out detailed testing specified by the Audit Commission and the Department for Work and Pensions (DWP).	-£343,670	Yes

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Pooling of housing capital receipts	621	Yes	nil	No
Housing Revenue Account (HRA) subsidy	8,810	Yes	nil	No
Housing finance base data return	n/a	Additional testing carried out as this return to inform HRA self financing settlement determination.	Two amendments made	No
National non-domestic rates return	69,057	No – complex claim, the value of which was above my materiality level for opinion purposes and therefore detailed testing was carried out.	-£881,999	No
Teachers' pensions return	16,812	No	+ £177	Yes
Sure start, early years and childcare grant and aiming high for disabled children grant	9,124	No – the value of this claim was above my materiality level for opinion purposes and therefore detailed testing was carried out.	-£25,842	Yes
Disabled facilities	588	Additional testing carried out to update my risk assessment.	nil	No

Housing and Council Tax benefit Scheme

The Housing and Council Tax benefit claim is inherently high risk and complex. For this reason I am required to carry out detailed testing specified by the Audit Commission and the DWP. I am required to test a sample of cases to check that benefits have been awarded in accordance with the benefit regulations and to check that subsidy has been properly claimed. Any errors found have a significant impact on the extent of testing required under certification requirements. As a result of errors found in previous years 40+ testing had to be carried out on 21 cells, giving a total of 840 cases to be

tested. This additional testing was carried out by your officers. I am required to re-perform a sample of these cases to confirm that I agree with the findings. I carried out testing of a further 60 cases, 20 in each of the three headline cells, Rent Rebates, Rent Allowances and Council Tax. This year the claim was certified by the due date of 30 November 2011, a significant improvement on the 2009/10 claim which was not certified until 12 January 2011. This year the 40+ testing was completed in time for me to re perform the work, conclude on the findings and include in my qualification letter to the DWP.

Where the results of the testing allowed me to conclude that an adjustment to a cell would result in it being fairly stated, the claim was amended. The claim was amended by £343,670. Of the total £56,753 related to an amendment made as a result of an update from the software provider, Civica, which was run after the first claim was submitted to DWP.

In all other cases, I reported my results in a qualification letter. I am required to report the nature of the errors found and extrapolate the value across the cell population. The DWP then decides whether to ask the Authority to carry out further work to quantify the error or to claw back the benefit paid. The qualification letter reported that errors had been found in 18 cells in the claim. The most common errors reported were misclassifications of overpayments and cases where the Authority had used incorrect income assessments to calculate benefit. I expect the DWP to ask both the Authority and I to carry out additional work in respect of some of the issues raised.

As noted above the 2009/10 was not certified until 12 January 2010, with the Authority having been granted an extension by DWP. As a result, the internal controls introduced to address previous issues have had minimal impact in 2010/11 claim and similar errors have occurred. Staff training and quality control continue to be key areas which must be addressed to reduce the level of errors in this claim.

Recommendation

R1 Continue to prioritise staff training and quality control in the Revenues and Benefits team to reduce the number of errors in the Housing Benefit and Council Tax benefit claim.

Sure Start

Sure Start, Early Years and Childcare grant supports the delivery of the government's Ten-Year Strategy for Childcare. The Department for Education allocates funding to authorities and monitors the use of the grant.

The claim was amended to exclude expenditure of £25,842. The claim had incorrectly included an accrual for two vans for which the order had been cancelled.

My qualification letter reported that one of the items of expenditure that I tested was £60,000 used to fund part of the costs of the Council's Area Special Educational Needs Coordinators (Sencos). This contribution was an estimate made without any supporting calculations of hours actually spent by Area Sencos on Sure Start activities. Therefore I had no basis on which to assess whether this contribution was reasonable. I have not received any further communication from the grant paying department on the issue reported.

Recommendation

R2 Strengthen the arrangements in place to ensure that adequate supporting documentation is retained to support the expenditure included in grant claims.

Teachers Pensions

The Teachers Pensions Scheme is a contributory pension scheme administered by the Teachers Pensions Agency (TPA) on behalf of the Department for Education. The Teachers Pensions Regulations 2010 require employers to deduct contributions from teachers' salaries and remit them to TPA together with the employers' contributions. Form TR17, the return that I audit, is an annual summary statement showing teachers' pension contributions deducted and remitted in the year.

The audit of this claim took significantly longer than in previous years. A lot of the time charged was spent on agreeing the figures in the return to supporting payroll records.

My work on the audit of the claim found that for one of the 12 monthly payments made by the Council to the TPA, the authorising officers had approved an incorrect payment. The CHAPS payment form, which was authorised, did not agree to the supporting payroll reports. The amount was not material (£5,547) but the key issue is that the control was not operating. The claim was amended and this issue was reported in my Annual Governance Report to the Audit Committee in September 2011.

The procedures in relation to completion of the Teachers' Pension contributions claim are subject to ongoing review between all parties concerned. The cause of the error has been identified and measures agreed to avoid further recurrences.

My qualification letter to TPA also reported that there were no arrangements in place to verify the adequacy of the data in the payroll reports provided by schools that do not use the Authority's payroll system. The certification instructions agreed with TPA requires that where any part of the payroll administration has been outsourced authorities should have adequate arrangements in place to satisfy themselves that contributions have been correctly deducted and remitted to TPA.

As reported last year the Authority's payroll system does not enable separate disclosure, as required by the TPA, of some elements of the contributions deducted from teachers salaries (additional contributions and elective). This has been reported in previous years I am not aware that TPA has requested any further information from the Authority in respect of this issue.

Recommendations

- R3** Ensure that authorising officers are reminded of the importance of agreeing CHAPS payments to supporting payroll reports prior to authorisation.
- R4** Introduce arrangements to confirm the adequacy of the data provided for the Teachers Pensions return by schools that do not use the Authority's payroll system. In particular to confirm that contributions have been correctly deducted and remitted to Teachers Pensions.

NDR

Authorities contribute to and subsequently receive payments from a national non-domestic rates pool. The Department for Communities and Local Government (CLG) makes an interim settlement for the year which is based on a calculations provided by the Authority. CLG then uses the auditor certified NDR 3 claim, the Authority's final calculation of its contribution to the pool, to make any final settlement.

Two amendments were made to this claim which reduced the Authority's contribution to the pool by £881,999. The amendments were due to the following two errors made in compiling the claim:

- a reduction of £881,819 due to a correction to the bad debt provision used in the losses in collection calculation; and
- a reduction of £180 due to the correction of a transposition error.

Housing Finance Base Data Return

As part of the Localism Bill a self financing Housing Revenue Account (HRA) will replace the HRA subsidy system from 1 April 2012. CLG will have used the information contained in the audited base data return to issue to Central Bedfordshire with a draft determinations in November 2011 setting out how much the Authority will be required to pay to CLG in a one off settlement.

Two amendments were made to the Housing Base Data Return, as follows.

- The number of tenancies terminated during 2010/11, reported as 381, was overstated by 5. This was due to LIBRA, the housing rents system, including 'new properties' in the termination report in error.
- The value of properties brought back in to the HRA during 2010/11 was understated by £68,912, due to the omission of one property.

Recommendation

R5 Strengthen the arrangements in place to review claims prior to submission for audit to ensure that they have been completed correctly and agree to supporting documentation.

For claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure. One claim fell in this category in 2010/11, the Economic Participation Programme End of Year Statement of Grant Usage to 31 March 2011. This return was certified without amendment or a qualification letter.

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Single programme	364	nil	No

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Complete all claims in accordance with the relevant guidelines set by the grant paying department.	H	1 April 2012	John Hays Head of Financial Control	Partially implemented	
Ensure that recommendations arising from the Customer and Shared Services Recovery Board's review of training and quality control in Revenues and Benefits are implemented as soon as practicable to have an impact on the 2011/12 Housing Benefits claim.	H	Completed	Gary Muskett Head of Revenues	Implemented	

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Continue to prioritise staff training and quality control in the Revenues and Benefits team to reduce the number of errors in the Housing Benefit and Council Tax benefit claim.	High	All Benefits staff receive training and supporting training documents in respect of specific areas of claim processing. There are extensive internal quality control measures in place to address the issues arising from the 2010/11 claim.	Already completed	Gary Muskett Head of Revenues
Strengthen the arrangements in place to ensure that adequate supporting documentation is retained to support the expenditure included in grant claims.	High	Financial processes have been amended to include a requirement to ask specifically if any of the figures provided for grant claim submission are estimates, and if so on what basis the estimate is made. Financial Control will be responsible for ensuring that any estimated figures have a reasonable basis for calculation.	1/4/2012	John Hays Head of Financial Control

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
<p>Ensure that authorising officers are reminded of the importance of agreeing CHAPS payments to supporting payroll reports prior to authorisation.</p>	<p>High</p>	<p>A reminder that it is essential that documentation which fully supports the amount of funds requested for any CHAPS payment is essential before authorisation is to be sent to all CHAPS authorisers.</p>	<p>1/4/2012</p>	<p>John Hays Head of Financial Control</p>
<p>Introduce arrangements to confirm the adequacy of the data provided for the Teachers Pensions return by schools that do not use the Authority's payroll system. In particular to confirm that contributions have been correctly deducted and remitted to Teachers Pensions.</p>	<p>High</p>	<p>A monthly reconciliation has been introduced to ensure the adequacy of data provided, conducted by Financial Control.</p>	<p>Already completed</p>	<p>John Hays Head of Financial Control</p>
<p>Strengthen the arrangements in place to review claims prior to submission for audit to ensure that they have been completed correctly and agree to supporting documentation.</p>	<p>Medium</p>	<p>There is considerable effort put into staff training around grant claims and there are significant checks in place to review claims at various levels in the organisation prior to submission to grant authorities and subsequently for audit. These arrangements have been refined and improved considerably over the past two years, which has been reflected in the improvement in the time taken to certify the claims, particularly the Housing and Council Tax benefit claim.</p>	<p>Already completed</p>	<p>John Hays Head of Financial Control Gary Muskett Head of Revenues</p>

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 6: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	65751	68,640	
Pooling of housing capital receipts	901	1528	Additional testing carried out in 2009/10 to update my risk assessment.
HRA subsidy	1091	966	n/a
Housing finance base data return	2751	4890	2009/10 claim amended and qualification letter issued. 2010/11 claim amended but no qualification.
National non-domestic rates return	3477	3700	n/a
Teachers' pensions return	8283	3792	The audit of this claim took significantly longer than in previous years. A lot of the time charged was spent on agreeing the figures in the return to supporting payroll records.
Sure start, early years and childcare grant and aiming high for disabled children grant	3545	3028	Amended and qualification letter issued in 2010/11, none in 2009/10.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Disabled facilities	1545	792	Additional testing carried out in 2010/11 to update my risk assessment.
Single programme	901	3941	2009/10 was the first year of this claim therefore additional testing carried out to assess control environment. Value of claim in 2009/10 was £1,076,000; fell to £364,000 in 2010/11.
Total	88,245	91,150	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



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February 2012

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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.

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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

March 2012

Progress report

Financial statements

- 5** The interim audit visit is largely complete and has included:
- documenting the Council's material financial systems and identified the controls you have in place to detect material errors or misstatements.
 - carrying out walk-through tests to confirm the operation of the controls that have been identified.
 - controls testing on the main accounting system; and
 - an IT risk assessment to assess the IT control environment.
- 6** In doing this work I have placed reliance on the work of Internal Audit (IA) in particular their work on the managed audits.
- 7** There are no issues resulting from this work, to date, that require reporting to members.
- 8** Over recent years, the Commission has run Final Accounts Workshops across the country to assist audited bodies in their financial closedown. The workshops are a forum to discuss problem areas from the previous year and the legislative and accounting changes for the current year. Two members of your staff, including the interim Chief Accountant, have attended these events. Subsequent to the workshop, discussions have taken place with your staff in respect of the issues and changes identified at the event.

VFM conclusion

- 9** My conclusion on the Council'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 Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.
- 10** A key element of my conclusion this year will be the way in which the Authority has approached the issue of Housing Revenue Account self financing.

11 My work on the value for money conclusion cannot be completed until the financial outturn for 2011/12 is known and the statement of accounts prepared in June 2012. However, there are no issues to date that I need to bring to your attention.

12 I will present a Pre Statements memorandum to the June Audit Committee setting out the detailed findings from my interim visit including the value for money conclusion.

Other areas of work

Section 106

13 I have also been reviewing the arrangements in place for recording and monitoring Section 106 receipts and expenditure. This work is still in progress and I will report back on my findings to the next Audit Committee.

Grants certification

14 I have reported the findings from my audit of 2010/11 claims in my Certification of Claims Annual Report, which is on the agenda for this Audit Committee meeting.

15 As I reported to you in my last progress report the Housing Benefits and Council Tax benefits return was certified by the 30 November 2011 deadline. At that time I also wrote to the DWP responding to a number of issues raised by them in respect of my Qualification Letter on the 2009/10 claim. The DWP had also raised a number of queries which required your officers to carry out additional work. This additional work is substantially complete and I am currently reviewing the findings so that I can report back to the DWP.

Government response to consultation on the future of local public audit

16 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011, the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

17 The Audit Commission has recently awarded contracts for the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

18 Thereafter, the government proposes that a new local public audit regime will apply. The key features of that regime are as follows.

- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- Mirroring the Companies Act provisions, auditors will be subject to the overall regulation of the Financial Reporting Council (the FRC). The FRC will authorise one or more Recognised Supervisory Bodies (in practice, the professional institutes) to register and supervise audit firms and engagement leads.
- directly-elected local government bodies will appoint their own auditor on the advice of an independent audit appointment panel with a majority of independent members. Such panels may be shared between audited bodies;
- Audited bodies must run a procurement exercise for their external audit appointment at least every five years, although there would be no bar on the reappointment of the incumbent audit firm (for a maximum of one further five-year term);
- Audited bodies will be able to remove their auditor, but only after due process, involving the independent audit appointment panel and culminating in a public statement of the reasons for the decision.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing

further burdens on audited bodies. There will be further consultation on the approach to value for money.

- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The right to object would be retained, but the auditor will be given the power to reject vexatious, repeated or frivolous objections.
- Grant certification will be subject to separate arrangements between grant paying bodies, audited bodies and reporting accountants (who could be the external auditors).
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

19 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The Regional Improvement and Efficiency Partnerships organised events in January and February 2012 to which audited bodies were invited. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

20 In previous verbal updates I have set out the key points of the externalisation programme and that:

- contracts were to be let from 2012/13 on a three- or five-year basis. The earliest you would be able to appoint your own auditors is therefore the 2015/16 audit.
- the work was split into four regions, comprising ten 'lots'. Each lot would be awarded separately, but any individual bidder can only win a maximum of one lot in each region (i.e. four lots in total).
- thirteen potential providers were invited to tender following the initial pre-qualification stage and bids were submitted by mid-December 2011, with the announcement of the successful bidders to take place on 6 March 2012, with formal Commission approval planned for late July 2012 following consultation.
- appointments will start on 1 September 2012. As such, the Commission has extended 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.

21 On 6 March the Audit Commission announced that Ernst and Young was the successful bidder in the Eastern lot with a contract term of 5 years.

22 Across the country the 10 lots were awarded to the following firms/consortia:

- Grant Thornton - 4 lots;
- KPMG – 3 lots;
- Ernst and Young - 2 lots; and
- DA Partnership – 1 lot

23 The consultation process on the final appointment of auditors to individual audits is set out in "Strategy for making auditor appointments for 2012/13 and future years" which the Audit Commission published in January 2012. This process will commence in April 2012. The document recognises that there could be "good reasons" why an audited body would seek a different auditor than that proposed and sets out examples that meet that criterion.

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

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

- fulfilling the remaining responsibilities – completing audit 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.

Other matters of interest

2010/11 Accounts

26 In December 2011 the Audit Commission published a report - Auditing the Accounts 2010/11 - which summarises its findings of the accounts audits in 2010/11.

27 The report covers the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local public bodies. In addition to auditors' work on the 2010/11 financial statements, the report also covers:

- the results of the first year of International Financial Reporting Standards (IFRS) implementation;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2010; and
- the key challenges facing bodies for 2011/12.

28 Auditors were able to give opinions on the accounts by the target date of 30 September 2011 at most organisations and this performance compares well with the previous year.

29 However, the challenges presented by the transition to IFRS are demonstrated by an increase in the number of bodies, from seven last year to eighteen this year, where the auditor's opinion was still outstanding after 31 October. There was also a significant increase in the number of bodies needing to make material adjustments to their accounts following the audit.

30 On 18 January 2012, the Audit Commission published 'Let's be clear: Making local authority IFRS accounts more accessible and understandable'.

31 This briefing supplements the report on the 2010/11 accounts referred to above and focuses on a long-running debate of how to make local government accounts easier to understand.

32 While the statutory accounts give comprehensive information on each local authority's financial position and performance, reflecting the range of activities which they cover, they are a poor way of communicating the key information to lay readers.

33 The briefing notes that:

- elected members and local people would benefit from having access to well-presented extracts from the accounts, which

would provide the key information on each authority's financial position and performance;

- the accounting profession and the Audit Commission could do more to encourage auditors and preparers of accounts to reduce clutter in statutory accounts; and
- each authority could do more to ensure their accounts are shorter and more accessible. Those preparing accounts need to look critically at the previous year's accounts. They should identify how these accounts could be sharper and more focused before starting work on the next set.

34 The briefing concludes by identifying possible steps to make local authority accounts more accessible and easier to understand, and the implications of doing so.

Managing Workforce Costs

35 The Audit Commission and Local Government Association have jointly launched 'Work in progress: Meeting local needs with lower workforce costs'.

36 The joint report - which can be found on the Audit Commission's website - is aimed at councils as employers and shows how local authorities across England are reducing their workforce costs, with some finding creative solutions.

37 As government funding for councils shrinks by over a quarter between 2011/12 and 2014/15, councils need to reduce their workforce costs substantially while still providing much needed services. Not all councils face the same financial challenges, but the message is that all must reassess what they do, how they do it, and what their priorities are. Those opting for major restructuring will take more time to realise savings.

38 Councils are finding ways to cut their pay bills without losing jobs, but the report says that redundancies are inevitable. Local government was already reducing posts before the cuts in government funding. In the past year an estimated 145,000 jobs have gone and this figure will increase in the future. So far many redundancies have been voluntary, but the report warns that compulsory ones are set to rise.

39 The report is supported by a number of resources including:

- an agency workers expenditure tool which shows councils how much they spend on agency workers, compared with groups of similar councils;
- a workforce expenditure tool which shows councils how much they spend on staff as a proportion of their net current expenditure, and how this has changed over time;

- five case studies which provide examples of the different approaches councils are taking to reduce the costs of employing people while protecting valuable services. The case studies show what the councils did and why - and the benefits achieved; and
 - a practical guide on how to undertake effective pay benchmarking, providing a series of steps to follow when starting a pay benchmarking process and highlighting the main issues that should be considered.
- 40** The report is supplemented with a briefing for elected members that includes a number of questions designed to help members assess how well their council decides the size, shape and cost of its workforce and how these decisions will affect services and communities.
- 41** The questions are in two parts:
- the information that should be available to members about the workforce; and
 - the savings strategies councils could follow in the light of that information.
 - considered.

Joining up health and social care

42 On 1 December 2011 the Audit Commission published the second in a series of briefings looking at adult social care.

43 'Joining Up Health and Social Care - Improving Value for Money Across the Interface' shows significant variations in indicators such as the levels of emergency admissions to hospital. This raises questions about how well services are being integrated to meet the preferences of older people. Despite the focus for many years on improving joint working across the NHS and social care, progress remains patchy.

44 At a time when the whole of the public sector must find significant savings, the report says that integrated working offers opportunities for efficiencies and improvements to services. Without it, there is a risk of duplication and 'cost-shunting' - where savings made by one organisation or sector simply create costs for others.

45 The briefing offers guidance to local partnerships, setting out a list of questions to consider and suggestions for interventions that might help. The briefing also includes a number of case studies which show how some areas have embraced partnership working and used local data and benchmarking to establish how and where to make improvements.

46 The Audit Commission has developed a tool to accompany the briefing that allows NHS and social care partnerships to benchmark their performance against others.

CIPFA's Prudential Code for Capital Finance

47 CIPFA has recently updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required:

- PFI schemes to be included on organisations' balance sheets; and
- The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.

48 The code also includes guidance on the treasury management implications of the housing self-financing reforms.

49 Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.

50 To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.

51 The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.

52 The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both are designed to support and record local decision making and are not designed to be comparative performance indicators.

2011/12 Accounts: CIPFA Guidance Notes for Practitioners

53 CIPFA has recently published a set of guidance notes to provide support in preparing the 2011/12 year-end accounts. These offer constructive advice on all aspects of the requirements for 2011/12 and provide detailed guidance on the key changes, including accounting for:

- heritage assets;
- business rate supplements;
- community infrastructure levies;
- related party disclosures;
- exit packages;
- trust funds;
- financial instruments; and
- interests in joint ventures.

54 The key changes to your financial statements in 2011/12 were covered by our final accounts workshops.

For information: Board Governance Essentials

55 The Public Chairs' Forum and CIPFA have recently published a joint 'how to' guide for Chairs and Boards of public bodies.

56 'Board Governance Essentials: A Guide for Chairs and Boards of Public Bodies' offers advice across four key areas.

- Good corporate governance.
- Roles, responsibilities and relationships.
- Standards of behaviour in public life.
- Effective financial management and transparency.

57 This guide may provide interesting reading for all members.

Local Government Finance Bill

58 In December 2011 the government introduced proposals to devolve greater financial powers and freedoms to councils. The Local Government Finance Bill sets out the legislative foundations to implement the changes from April 2013. The most significant proposals relate to non-domestic rates, which are currently pooled and redistributed nationally.

59 The Bill provides for councils to:

- retain a portion of their business rate growth;
- borrow against future income from business rates to pay for roads and transport projects alongside other local priorities;
- ensure a stable starting point for all authorities. No authority will be worse off as a result of their business rates base at the start of the scheme;
- establish a national baseline alongside a system of top ups and tariffs. Councils with business rates in excess of a set baseline would pay a tariff to government whilst those below would get an individually assessed top up from government; and
- create a levy to take back a share of growth from those councils that gain disproportionately from the changes. This money would be used to fund a safety net providing financial help to those authorities which experience significant drops in business rates, for example caused by the closure or relocation of a major business.

60 The Bill provides for much of the detail of the arrangements, including the sharing of business rate growth between billing and precepting authorities, to be left to secondary legislation.

Guide to HRA Self Financing

61 The introduction of self-financing to the housing revenue account (HRA) in April 2012 will fundamentally change the way that local authority housing is funded.

62 CIPFA has therefore recently produced a publication which brings together the latest guidance to assist those working in the sector to understand the changes and help with their implementation.

Key considerations

63 The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper. Has the Council* reviewed the Audit Commission's report on the 2010/11 accounts and, in particular, considered the key challenges facing bodies for 2011/12?

- Has the Council reviewed its 2010/11 accounts and identified ways in which these could be streamlined or clarified?
- Has the Council reviewed the Audit Commission / Local Government Association joint report on managing workforce costs and is the Audit Committee satisfied that appropriate use has been made of the supporting materials?
- Has the Council circulated the briefing for elected members on the Audit Commission's workforce report to Members? Is the Audit Committee satisfied that the questions within the briefing have been properly considered by the Council?
- Has the Council reviewed the questions included in the Audit Commission's briefing paper on joining up health and social care?
- Has the Council used the Audit Commission's tool to benchmark the performance of its NHS and social care partnership?
- Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?
- Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?
- Has the Council reviewed CIPFA's guidance on HRA self-financing and made satisfactory progress for its implementation?

Response to key considerations from January Audit Committee Update

The following update has been provided by the Head of Internal
Audit and Risk

Key Consideration	Response
Has the Council considered the Tough Times report and made appropriate use of the Audit Commission's VFM profiles?	<p>The Council;</p> <ul style="list-style-type: none"> • Is aware of the issues raised in the report • Complies with the indicators of good financial management • Complies with the indicators of a sound approach to delivering efficiencies and has a good track record on this to date • Has a robust MTFP in place and plans to develop this further in the coming year • Is preparing for known changes in funding eg. localisation of CTB and NNDR • Has a plan to develop benchmarking work through EIG and this will make use of the vfm profiles as appropriate
Has the Council completed the fraud prevention checklist and, where appropriate, developed an action plan to address any weaknesses?	<p>The Council has reviewed the checklist contained within the Protecting the Public Purse 2011</p> <p>The Anti Fraud and Corruption Policy and Confidential Reporting Policies outline the basis of the Council's approach to fraud, and cover the key issues contained within the checklist.</p> <p>The Council will continue to consider fraud risks.</p>
Has the Council circulated the fraud briefing to all school governors?	<p>Arrangements are in place to circulate the fraud briefing for school governors to both schools and governors through the Central Essentials and Governors Essentials publications.</p>
Has the Council circulated the DCLG's plain English guide to the Localism Act to all members?	<p>Members were provided with a hard copy of this in February and reference to this, along with a link, was included in the Members Information Bulletin in February.</p>
Has the Council responded to the DCLG's consultation exercise on the Housing Revenue Account self-financing determinations?	<p>The Council responded to the government's initial consultation on self-financing in March 2011. As there were no changes to the principles established in this consultation when the draft subsidy determinations were released for consultation in November, a decision was taken not to make a further response.</p>

Contact details

64 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.

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

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



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Meeting: Audit Committee
Date: 2 April 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 notes the progress made to date.

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 29 February 2012.

Progress on the 2011/12 Internal Audit Plan

Managed Audits

11. Work is progressing on the 2011/12 Managed audit reviews and the progress made to date is summarised in Appendix A. Final Phase 1 reports have been issued for the majority of the key systems. Work is in progress for Asset Management and SWIFT Financials.
12. Phase 1 work included documenting 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 2011.
13. Phase 2 substantive testing, covering the period November – March 2012 is currently ongoing and the outcome of this work will be reported to the June Committee.
14. The audit opinions given are set out in Appendix A. Each review has received an adequate assurance opinion, with the exception of Payroll, which has continued to receive a limited assurance opinion.

Other Audit Work

15. The Section 106 audit review has also been finalised since the last Committee. An audit opinion of limited assurance was given because of concerns identified relating to the reconciliation of financial balances held on the planning system (Accolaid) and SAP. An action plan was agreed with management, and a follow up audit review is currently in progress to obtain assurance that the agreed actions have been addressed. This review has confirmed that significant progress has been made to address this issue.

16. A number of other reviews are currently progressing, and these are also shown within Appendix A. A number of these reviews are substantially completed and the outcome will be reported to a future committee.

National Fraud Initiative (NFI)

17. 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

18. No investigations have been concluded since the last Committee. There are two investigations ongoing.

Schools

19. The rolling programme of school audit visits has continued. To date this year 17 school reports have been finalised and 4 reports have been issued as drafts. 6 further site visits have been undertaken with reports still to be prepared and one further site visit is planned prior to the year end.

Performance Management

20. 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.

21. **Activities for 1 April 2011 – 29th February 2012**

KPI	Definition	Current Year		Previous Year		Annual target
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	78.6%	73%	84%	73%	80%
KPI02	Percentage of the number of planned reviews completed.	66%	66%	57%	66%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	60%	80%	60%	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.	61%	80%	43%	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%	93.3%	80%	80%
KPI06	Overall customer satisfaction.	83%	80%	85%	80%	80%

22. Analysis of indicators:

KPI01 – As at the end of February Internal Audit has delivered a total of 1,179 productive audit days against a total of 1,500 planned days for the year. This is above the target of 73%

KPI02 – This KPI measures final reports issued to date. 66% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is on target. Work is in progress on the Managed Audits, school visits, and a number of other reviews within the plan. This 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 reports is still ongoing.

KPI03 – 60% of planned reviews have been completed within the planned time budgets. This is below target but is consistent with 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 February 61% of draft reports were responded to within the target set. This represents a significant improvement over last year, and demonstrates that a prompt response was received to most of the draft managed audit reports issued.

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 61 questionnaires sent out, 23 have been returned to date, giving a response rate of 38%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 83%.

Conclusion and Next Steps

23. 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.

24. An update on audit progress will be presented to the next Audit Committee.

Appendices:

Appendix A – Progress on Audit Activity

Background Papers: None

Location of papers: N/A

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APPENDIX A

2011/12 Internal Audit
Plan

Summary of Progress as at end February 2012.

<u>Audit Title</u>	2011/12	Position as at end February 2012	Opinion
	Days		
Managed Audits (Key Financial Systems)			
Accounts Payable/Purchase Ledger	20	Final Phase 1 report issued	Adequate
Accounts Receivable/Sales Ledger	20	Final Phase 1 report issued	Adequate
Asset Management (incl. Asset Register)/Capital Accounting	25	Work in Progress	
Council Tax	30	Final Phase 1 report issued	Adequate
Housing Benefits	45	Final Phase 1 report issued.	Adequate
Main Accounting Systems (MAS)	30	Final Phase 1 report issued	Adequate
National Non Domestic Rates (NNDR)	30	Final Phase 1 report issued.	Adequate
Payroll	35	Final Phase 1 report issued.	Limited
SWIFT Financials	15	Work in Progress	
Treasury Management	20	Final Phase 1 report issued.	Adequate
Housing Rents	35	Draft Phase 1 report issued.	Adequate
Cash And Banking (Income)	20	Final Phase 1 report issued.	Adequate
Total - Managed Audits	325		
Assurance Audits - Former Office of Chief Executive and Customer and Shared Services			
<i>Partnership Agreements and Joint Working</i>	20	<i>Defered to next year at request of Director.*</i>	
Performance Management (i.e. Data Quality Management & BVPIs)	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	Draft report issued.	<i>n/a</i>
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. 20 FMSiS assessments finalised. 17 school reports finalised. 4 further school reports issued as drafts.	Various
Total - Children's Services	240		

* indicates revision to plan, as reported to January Committee

Summary of Progress as at end February 2012.

<u>Audit Title</u>	2011/12	Position as at end February 2012	Opinion
	Days		
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	Work in progress	
Learning Disabilities Grant - Follow up	10	Section 256 Reablement Funding and Section 256 Winter Pressures Funding audited.	<i>n/a</i>
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	Field work complete. Report currently being drafted.	
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	Work in progress.	
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	Work in progress.	
SAP Systems	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	Work ongoing.	
Total - Special Investigations	140		

* indicates revision to plan, as reported to January Committee

APPENDIX A

2011/12 Internal Audit
Plan

Summary of Progress as at end February 2012.

<u>Audit Title</u>	2011/12 Days	Position as at end February 2012	Opinion
Ad Hoc Consultancy etc.			
Annual Governance Statement	5	Work in progress.	
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		Final report issued. Follow up currently in progress.	Limited
Declaration of Interests		Final report issued.	Limited
Contracts Management - Amey		Final report issued.	Adequate
TOTAL CHARGEABLE DAYS REQUIRED	1500		

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Meeting: Audit Committee
Date: 2 April 2012
Subject: 2012/13 Internal Audit Charter
Report of: Chief Finance Officer
Summary: This report presents the Internal Audit Charter 2012/13.

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 the Audit Charter and Audit Plan is for the Council to 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 consider and endorse the 2012/13 Internal Audit Charter.

Background

8. Under the Accounts and Audit Regulations 1996 (revised in 2011), the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.
9. Clearly the responsibility for internal control rests with the management of CBC and that role includes ensuring that key risks are identified and mitigating controls are in place to remove the impact or probability of these risks occurring.
10. The role of the internal audit function is to determine how effective the control systems are and to measure the degree of reliance that can be placed upon these controls.

Internal Audit Charter

11. To help management, employees, Members and contractors understand how Internal audit will interact with the organisation when carrying out its work an Internal Audit Charter has been produced and is attached at Appendix A.
12. This document contains no significant changes from the 2011/12 Charter presented to the committee in April 2011; however, it required updating to reflect recent changes in the senior management structure.
13. The Charter is modelled upon the standards as set out in the CIPFA Code of Practice for Internal Audit in Local Government 2006.
14. The charter describes:
 - (i) how the brief of each of these audits will be completed,
 - (ii) how the audits will be carried out,
 - (iii) the mechanism for communicating feedback from the audits
 - (iv) an assurance rating and any recommendations arising from the audit.
 - (v) follow-up arrangements of the audits and
 - (vi) the escalation procedures where recommendations or reporting processes are not completed.
15. Also contained within the document are details of the responsibilities around fraud and investigations, the use of internal audit for consultancy purposes and the performance management framework that internal audit will work under setting out the key performance indicators for the function.

16. The final sections of the charter include the relationships that Internal Audit has with the Audit Committee, contractors and External Audit.

Conclusion and Next Steps

17. Adherence to the Internal Audit Charter by Managers, Officers and Auditors will help ensure that Internal Audit can successfully deliver the audit plan.

Appendices:

Appendix A - Internal Audit Charter 2012/13.

Background Papers:

None

Location of papers: N/A

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Appendix A



CENTRAL BEDFORDSHIRE
INTERNAL AUDIT CHARTER

Internal Audit and Risk
Central Bedfordshire Council

April 2012

INTERNAL AUDIT - CHARTER

Contents

1. Introduction
2. Management responsibility for internal control
3. Audit Strategy and Annual Plan
4. Audit brief
5. Fieldwork
6. Feedback of issue
7. Draft report
8. Final draft report
9. Final report
10. Audit 'Opinions'
11. Implementation of audit recommendations
12. Follow-up arrangements
13. Fraud and Investigations
14. Consultancy work
15. Escalation procedure
 - a) Stage 1
 - b) Stage 2
 - c) Stage 3
 - d) Stage 4
 - e) Stage 5
16. Performance Management
17. Risk Management
18. Audit Committee
19. Relationship with Partners/Contractors
20. Relationship with External Agencies

Appendix A – Flowchart of Audit Process

1. Introduction

- 1.1 This charter establishes the arrangements for the working relationship between Internal Audit and officers and members of Central Bedfordshire Council (CBC). It clarifies the arrangements for Internal Audit in CBC by setting out the responsibilities of the parties involved, namely Internal Audit, Officers of the Council, Members, and Partners and External Agencies.
- 1.2 Section 151 of the 1972 Local Government Act requires every Local Authority to make arrangements for the “proper administration of the financial affairs of the Authority.” Under the Accounts and Audit Regulations 2011, the Council is required to maintain an adequate and effective internal audit of its accounting records and control systems. This responsibility is currently with the Chief Finance Officer, who has sought to achieve this through the establishment of an efficient and effective Internal Audit Service. Internal Audit will seek to fulfil its role following the CIPFA Code of Practice for Internal Audit in Local Government (2006).

2. Management responsibility for internal control

- 2.1 Management is responsible for the internal control systems that enable the Council to meet its objectives and deliver services efficiently and effectively. Its role is to identify risks to the service and to maintain an adequate and effective system of internal control to mitigate these risks. Management is also responsible for ensuring that staff are aware of the processes and procedures required to operate the control systems. It should be ensured that these controls are operating properly by periodic checking and supervision.
- 2.2 The role of the Internal Audit service is to determine the effectiveness of the controls and the degree of reliance that may be placed on the accounting and other records. The role is set out in the Council’s constitution and is summarised in Section 5.4 of the Code of Financial Governance.

3. Audit Strategy & Annual Plan

- 3.1 Internal Audit has adopted a risk based approach to audit planning. The Head of Internal Audit and Risk and the Chief Finance Officer will agree a one-year risk based audit plan of general systems reviews (including follow-ups of high risk reviews). The plan will also have a provision for fraud investigation works, information computer technology audits, contract audits, follow-ups, and ad-hoc consultancy work.
- 3.2 The annual plan will present the total number of audit days and how they are allocated to various reviews and Directorates. The Head of Internal Audit and Risk will be responsible for discussing and updating the annual plan with Assistant Directors or Chief Officers, Directors and Senior Managers. The plan will be presented to senior managers and the Audit Committee for consideration and approval.

4. Audit Brief

- 4.1 The Auditor will discuss the scope of the audit and issue a consultation audit brief to the Principal Auditee (Service Manager/Assistant Director with the most responsibility in area under review) and/or the relevant Head of Service. A brief would include the following:

- Introduction
- Scope
- Objectives
- Risk Assessment
- Methodology
- Reporting
- Key contacts
- Budgeting (audit days allocated to review)
- Approval of brief

- 4.2 The Principal Auditee should promptly respond to a consultation draft brief. Following discussions and agreement on the brief, the Auditor will issue a final draft.

4.3 The Principal Auditee has the following responsibilities to facilitate the review:

- a. Approve the brief to confirm their understanding and agreement of the scope and nature of the review.**
- b. Identify controls which should be in place to address risks identified within the brief.**
- c. Inform appropriate staff and officers associated with the process under review about the nature of the review and what is required of them.**
- d. Provide suitable work space for the Auditor if on-site review is required.**
- e. Complete the action plan in the draft report and return to the Auditor within ten (10) working days.**
- f. Complete the Management Satisfaction Survey at the end of the review and return to the Head of Internal Audit within five (5) working days.**

- 4.4 One week's notice will be provided to the Principal Auditee before the start of audit work. There is an exception in situations where fraud is involved or Internal Audit is requested to undertake urgent work.

5. Fieldwork

- 5.1 Internal Audit will undertake the fieldwork in accordance with agreed audit procedures and the final audit brief. Any changes in the scope of the audit must be agreed with the Principal Auditee.
- 5.2 During the course of the fieldwork, service departments will be required to make themselves and the appropriate records available to the Auditor within reasonable timeframes agreed between both parties. These timeframes should be appropriate for the information being requested and take into account the need for the Auditor to complete the review within the agreed budget. Officers need to ensure that a deputy (identified at the time of the brief) is informed of the audit should they need to progress the audit work.

6. Feedback of issues

- 6.1 At the end of the fieldwork:
- The Auditor will present their findings and recommendations for an internal quality review process.
 - The Auditor will arrange the first exit meeting with the Principal Auditee (the Auditor will also invite key staff in the process to attend), to discuss the key findings and recommendations of the review and to obtain initial management actions to be taken to address the recommendations made.
 - During the meeting, the Auditor and the Principal Auditee should discuss the findings and agree on the recommendations.

7. First draft report

- 7.1 Within 10 working days of the first exit meeting, a draft report will be electronically distributed to the:
- Principal Auditee
- 7.2 The Auditor will discuss the draft report in detail with the Principal Auditee and associated officers at a second exit meeting, where necessary.
- 7.3 To support the agreement of recommendations, a management action plan template will accompany the draft report. The Principal Auditee should complete this plan after the second exit meeting (in consultation with appropriate colleagues), setting out the names of staff responsible for implementing recommendations together with implementation dates. The Principal Auditee should return the completed action plan to the Auditor by the tenth (10) working day, after the second exit interview.
- 7.4 The Principal Auditee should ensure that officers with responsibilities in the action plan receive copies of the draft report and subsequent reports, are aware of the recommendations, and agree with the management actions.

7.5 To maintain confidentiality, Auditors will only issue reports to designated recipients, as agreed in the brief. Report recipients can distribute and discuss audit reviews with others at their discretion.

8. **Final draft report**

8.1 Following the second exit interview and agreement of the management action plan, the Auditor will produce an amended draft. When the final draft report is issued it should contain nothing unexpected. The Principal Auditee, and Assistant Director or Chief Officer will receive the Final draft report. A completed management action plan to address the recommendations will be included in the report. The cover note to the final draft report should:

- Clearly explain that a formal response is expected within 10 days (end date provided)
- State that report will become final once accepted or at the end of the 10 days
- Explain that the key issues may be reported to senior management and the Audit Committee.

8.2 The Principal Auditee should use this opportunity to consult managers, officers and applicable cross-departmental colleagues to ensure their awareness and agreement of report details. A final draft report may not be necessary if the Principal Auditee accepts the draft report with minor exceptions. The draft report can then be issued as a final report.

9. **Final Report**

9.1 The final audit report containing all agreed recommendations and actions will be distributed within 10 days of receiving agreement to the final draft report to:

- the Principal Auditee (should ensure officers with responsibility for implementing any actions are appropriately notified)
- the relevant Assistant Director or Chief Officer, Directorate Representative and Director
- and copied to the Chief Finance Officer.

9.2 A summary of all significant final reports may be included in the progress reports presented to senior management and the Audit Committee. Where appropriate, sensitive information will be protected and/or reported in the confidential section to the Committee.

9.3 Internal Audit will issue a quality control questionnaire with the final report for the Principal Auditee to complete. The Principal Auditee should return the questionnaire to the Head of Internal Audit and Risk within 5 working days from receipt of the final report. Internal Audit will analyse the survey returns and discuss expressed concerns with appropriate officers and the Chief Finance Officer.

- 9.4 The survey will be tracked and comments may be reported to the Audit Committee, as part of Internal Audit’s performance management system.
- 9.5 The Head of Internal Audit and Risk will escalate unresolved issues raised in surveys and non-returned surveys with applicable officers, Assistant Directors or Chief Officers and Directors and these will be reported to the Audit Committee.
- 9.6 The audit process is documented as a flowchart at Appendix A.

10. Audit ‘Opinions’

10.1 Reports will include an ‘opinion’ on the adequacy of controls in the audited area. There are four opinions in use:

<u>Opinion</u>	<u>Level of Assurance</u>	<u>Implications on systems of internal control</u>
Full Assurance	High	<ul style="list-style-type: none"> • Good controls • Low risk of not meeting objectives • Low risk of fraud, negligence, loss, damage to reputation
Adequate Assurance	Medium	<ul style="list-style-type: none"> • Adequate controls • Medium/Low risk of not meeting objectives • Medium/Low risk of fraud, negligence, loss, damage to reputation
Limited Assurance	Medium/Low	<ul style="list-style-type: none"> • Limited controls • Medium risk of not meeting objectives • Medium risk of fraud, negligence, loss, damage to reputation
No Assurance	Low	<ul style="list-style-type: none"> • Inadequate controls • High risk of not meeting objectives • High risk of fraud, negligence, loss, damage to reputation

The ‘opinion’ will impact upon the circulation of the report and what, if any follow-up work is necessary. ‘Limited & No Assurance’ reviews that exhibit significant control risks will be distributed to the appropriate level of management to ensure immediate action to address recommendations. The

Audit Committee may request responsible officers to update them on implementation of actions within committed timescales.

11. Implementation of recommendations

11.1 All managers have the responsibility to implement internal and external audit agreed recommendations within timescales, hence the importance of agreeing practical and realistic recommendations. **It is the responsibility of the manager to inform Internal Audit of completed actions. Internal Audit will then undertake a follow-up as and when necessary.**

11.2 Audit reports will contain a management action plan with recommendations prioritised as:

- High risk (1 – 3 months implementation period)
- Medium risk (1 – 6 months implementation period)
- Low risk (1 – 12 months implementation period)

The Principal Auditee should return the completed action plan within ten days of receiving the draft report.

11.3 Internal Audit will track the implementation of recommendations and will use the information as part of their follow-up work and audit planning. Senior management and the Audit Committee will receive reports on outstanding recommendations, as part of a progress report.

12. Follow-up arrangements

12.1 Follow-up review involves Internal Audit ensuring management have given proper consideration to audit reports, and recommendations have been implemented within appropriate timescales. Internal Audit will undertake follow-ups for high-risk, limited assurance or no assurance reviews, and reviews that warrant follow-ups. These follow-ups may be undertaken as part of a full audit. The report will be brief, focusing on the progress on audit recommendations, and providing one of the following opinions:

- ‘Good’ Progress has been made (all recommendations are fully implemented) – Level of assurance is high as risk to controls is minimal.
- ‘Satisfactory’ Progress has been made (most recommendations implemented) – Level of assurance is medium as risk to controls is low.
- ‘Unsatisfactory’ Progress has been made (most recommendations have not been implemented or limited progress) – Level of Assurance is low as risk to controls is high

12.2 Draft follow-up reports will be issued and exit interviews offered to the Principal Auditee, who will have 10 working days to respond before the report is finalised and issued.

12.3 Internal Audit will report key issues arising from follow-up reviews to senior management and the Audit Committee, as part of its progress report.

12.4 A brief is not required for a follow-up review. However; the Auditor should make appropriate arrangements with the Principal Auditee before the start of the review.

13. Fraud and Investigations

13.1 Management is responsible for managing the risks associated with fraud and corruption, including the introduction and implementation of effective control arrangements to help prevent and detect fraud and corruption.

13.2 Senior Officers, managers, staff, members and the public are encouraged to report attempts to defraud the Council. The Council's Confidential Reporting (Whistle Blowing) Policy details the rights afforded to individuals who suspect and report fraudsters. The Council's Anti Fraud and Corruption Strategy clarifies the role of Internal Audit, managers and staff in responding to fraud matters.

13.3 Fraud investigations (excluding those arising from Housing Benefit fraud) may start with the submission of a brief from Internal Audit to the appropriate manager. The brief will state the objectives, scope of the investigation, and audit resource requirement. The impact of the Regulation of Investigatory Powers Act (RIPA) and the Human Rights Act will be taken into account. Field work will be undertaken in accordance with the brief and the reporting framework identified in the brief.

13.4 Proactive fraud work will be undertaken on assessed risks. It is likely that officers may not be aware that a proactive investigation is in progress.

13.5 Reports will be confidentially delivered to the following officers, depending on the level of investigation and degree of involvement:

- Officer(s) commissioning the work – First draft, Final draft and Final reports
- Appropriate officer(s) who may need the information in areas like Legal, and Human Resources – Final draft & Final report (as appropriate).
- Assistant Director – First draft, Final draft and Final report (as appropriate)
- Responsible Director and Chief Finance Officer – First draft, Final draft and Final report (as appropriate)

13.6 Internal Audit maintains a special investigations log for quality assurance and monitoring purposes. The Head of Internal Audit and Risk will review the log and report activities to the Chief Finance Officer. The Audit Committee will receive appropriate progress reports on the fraud activities.

14. Consultancy work

- 14.1 Managers and staff can make brief enquiries about audit matters through Internal Audit as ad-hoc advice. Enquiries that require more audit time will be classified as ad-hoc consultancy.
- 14.2 The Head of Internal Audit and Risk approves ad-hoc consultancy work. It is possible for an advice or consultancy to turn into an audit review, if the Auditor and the Head of Internal Audit and Risk feel that internal controls are compromised.
- 14.3 Although Auditors will provide consultancy advice, they must remain independent of operational activities. Objectivity is presumed impaired, if Auditors review activities for which they have operational responsibilities.

15. Escalation procedure

- 15.1 Where disagreements, deadlines and timescales on processes and reporting arrangements are not met, and agreement on alternative processes cannot be reached, the following escalation procedures will be adopted:

- a. **Stage 1:**

Reminder telephone call (or email) to be made to Auditee highlighting the fact that escalation procedures will be used if an appropriate response is not received 10 working days from this notification (follow up with e-mail to be sent for audit trail).

- b. **Stage 2:**

If the matter is not resolved in Stage 1, the Auditor will send an e-mail/telephone call to the Auditee highlighting the information/appointment requested and copied to the relevant Manager/Directorate Representative. The Auditee has 10 days to respond to Audit's request.

- c. **Stage 3:**

If there is no response to Stage 2, Internal Audit will inform the Assistant Director or Chief Officer (Auditee copied) via e-mail and/or telephone call after 10 working days following Stage 2 notification.

- d. **Stage 4:**

If requested information/appointment is not received 10 working days following notification at Stage 3, Internal Audit will inform the applicable Director via e-mail (applicable Assistant Director or Chief Officer and Chief Finance Officer copied).

- e. **Stage 5:**

The Chief Finance Officer /Head of Internal Audit and Risk will progress disagreements that have gone through Stages 1 – 4 without a resolution to the Chief Executive.

- 15.2 At any stage, reasonable extension of deadline dates and resolutions to issues can be agreed where possible and where valid reasons exist. However, any significant delays may be noted in the final report (with summaries reported to senior management and the Audit Committee).
- 15.3 If Auditees are concerned that Internal Audit has not followed the procedures or met the deadlines outlined in this protocol, they should initially raise their concerns with their Directorate Representative and the Head of Internal Audit and Risk, to try and reach an agreement on the way forward.

16. Performance Management

- 16.1 Internal Audit, in addition to its quality assurance process, will use a set of agreed Key Performance Indicators to assess the effectiveness and efficiency of audit services. The Chief Finance Officer and the Audit Committee will receive progress reports on the indicators. This ensures that Internal Audit meets its first priority : Audit plan completed in accordance with CIPFA codes of practice

Table 1: Key Performance Indicators

<u>KPI</u>	<u>Definition</u>	<u>Target</u>
KPI 01	Percentage of total audit days completed. Compute, Total number of audit days completed to final stage plus days spent on fraud work/Total number of planned audit days	80%
KPI 02	Percentage of the total number of planned reviews completed. Compute, Total number of audit reviews completed to final stage or milestones met for managed audits/Total number of planned reviews	80%
KPI 03	Time taken to complete an audit within the planned time budget Compute, Total number of audit reviews completed within budget/ Total number of planned reviews completed	80%
KPI 04	Time taken to return draft reports: Percentage of reviews where the first draft report was returned within 10 available working days of receipt of the report from the Auditor. Compute, number of days between the conclusion of the second exit interview and receipt of report from Principal Auditee, with completed management action plan.	80%
KPI 05	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. Compute, number of days between response to the final draft report and distribution of a final report.	80%
KPI 06	Overall customer satisfaction - Survey Forms Assessed. Compute, the total number of survey forms collected to total number of survey forms distributed, and results analysed.	80%

17. Risk Management

- 17.1 Internal Audit and Risk are responsible for the co-ordination of corporate risk management within CBC. This includes assisting services in risk management and championing risk management at strategic and operational levels.
- 17.2 Internal Audit and Risk works with the Risk Coordinators in service areas to ensure a consistent approach to risk management is adopted.

18. Audit Committee

- 18.1 Internal Audit must report to those charged with governance. The Audit Committee is the member body with responsibility of monitoring the work of internal and external audit. Its purpose as stated in its terms of reference is:

“The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process. Where the Authority risk is extended into partnerships with other Authorities and contracts with suppliers, then the Committee will be empowered to request the attendance of the third parties to provide an entire picture of both audit and risk.”

- 18.2 Progress reports on the work of Internal Audit will be regularly provided to the Audit Committee. Directorates should send representatives to Audit Committee meetings to respond to Members concerns pertaining to their service area.
- 18.3 The Head of Internal Audit will maintain a positive and professional working relationship with the Audit Committee to ensure the right balance in:
- meeting its terms of reference
 - the Committee’s role in reviewing the performance of Internal Audit and Risk Management
 - the Committee’s role in handling the results of Internal Audit work
 - the provision of appropriate support and adequate training for members
 - using their skill and knowledge to shape the Committee’s work programme.

19. Relationship with Partners/Contractors

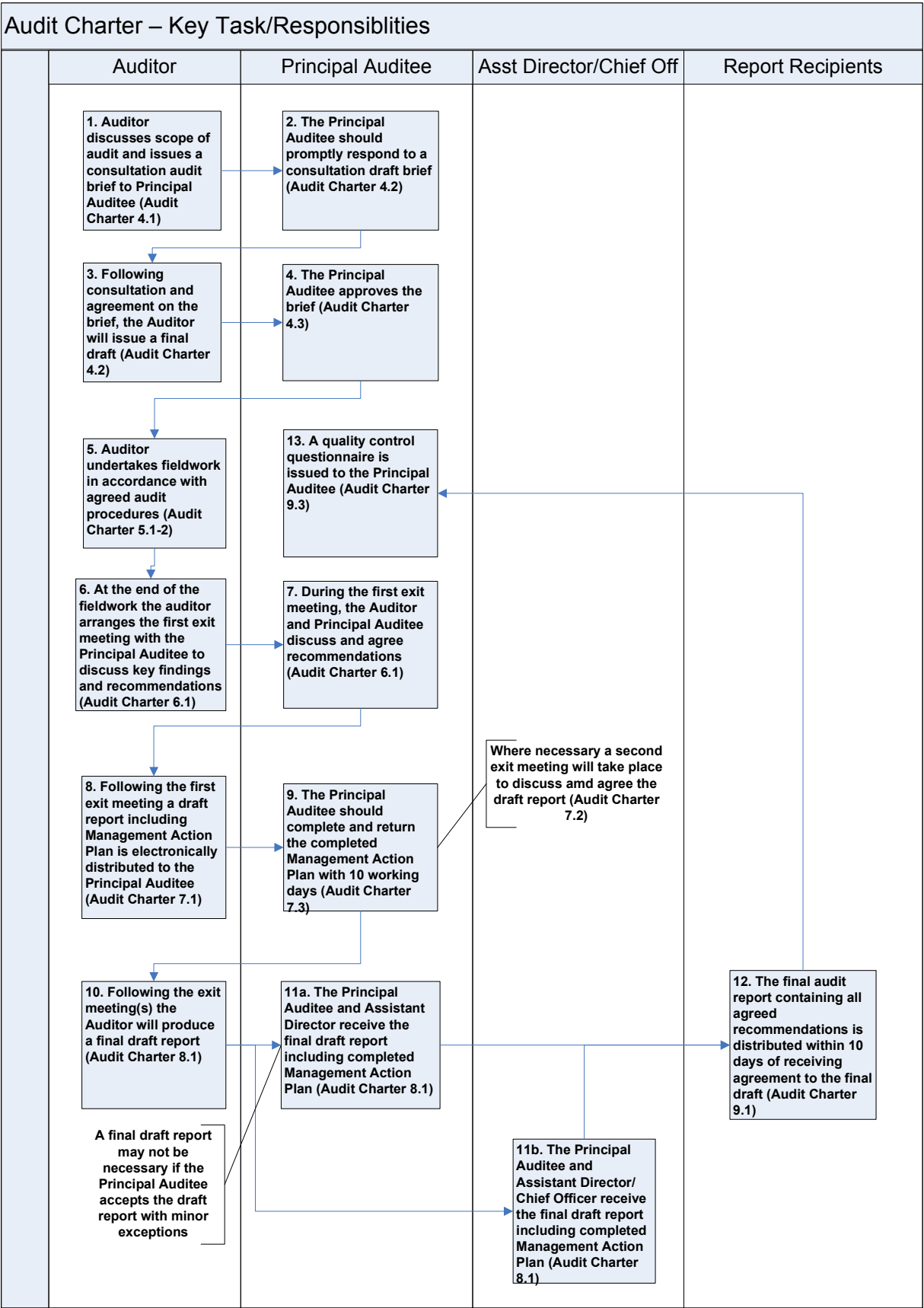
- 19.1 A portion of the processes which deliver key services or generate fundamental information for the Council are operated through or by contractors or partners, as independent, external parties. To form an opinion upon the adequacy of both control arrangements and quality/integrity of data for those areas delivered under the contract or Partnership, the Councils Auditors (Internal and External) must seek and obtain adequate assurance.

- 19.2 The Head of Internal Audit must review the processes that are in place to ensure that the governance arrangements of contracts or partnerships are sound and provide for a clear definition of responsibilities. They must also be satisfied that clear arrangements have been established to determine, irrespective of which organisation provides the Internal Audit service, rights of access to the staff, systems and information of the governing body of partnerships. Partnerships should adhere to the Constitution and Financial Procedures of the Accountable Body.
- 19.3 Internal Audit can derive assurance in a number of ways:
- by audit of the contract management, monitoring and performance measurement processes
 - by audit of inputs to outputs i.e. treating the contracted area like a “black box” and auditing both ends of the process
 - through audit of the systems and processes operated by the Contractor. This may involve interviews, obtaining of documents and examination of systems or records and is more akin to an in-house audit.
 - from reliance placed upon Contractor’s own review and assurance mechanisms and processes where they exist (for example where there are audit or other internal risk assessment processes in place)
- 19.4 Internal Audit will seek to use all the four options identified in 19.3 to discharge their responsibilities. In addition, it will use the audit process outlined for CBC services to undertake reviews with Contractors however; it will agree briefs and distribute reports only with CBC Contract Managers. Internal Audit advocates CBC Contract Managers share audit findings and recommendations with Contractors, to foster service improvement and strengthen controls.
- 19.5 Guiding principles for partnerships:
- The partners are committed to an open and constructive working relationship
 - Information will be treated as confidential within the partnership and will not be withheld unreasonably
 - The partners have a common goal of ensuring that unnecessary and unproductive elements of process are eliminated whilst maintaining adequate and visible control mechanisms
 - Developments should be jointly owned and adequately discussed with all relevant parties and understood prior to implementation
- 19.6 The detailed audit arrangements around the Service Level Agreements with Bedford Borough Council have been agreed and are reflected in the Internal Audit Protocol between Central Bedfordshire and Bedford Borough Councils.

20. Relationship with External Agencies

- 20.1 The Audit Commission (The Commission) as the Council's External Auditors need to place reliance on the work of internal audit. The Commission reviews the adequacy and work of internal audit on an annual basis. The Commission and Internal Audit have agreed a 'managed audit' protocol that establishes audit arrangement between CBC's Internal Audit Service and the Audit Commission.
- 20.2 Although Internal and External Audit have different roles and priorities there can be common objectives. Good co-operation is essential in order to minimise duplication of effort and maximise the benefits of working together. Effective co-operation should enable both parties to devote more time to the key issues facing the authority and ensure that the Council gets maximum value for its total audit resource.
- 20.3 The protocol includes regular liaison meetings between senior officers in CBC and the Commission. CBC managers should forward any concerns to their Directorate Representative or the Head of Internal Audit for discussion at liaison meetings.
- 20.4 Internal Audit will liaise with other internal review functions and obtain their reports for information, for review and for comment where proposals may affect internal control arrangements and the risks facing CBC.
- 20.5 Internal Audit will liaise with other external review agencies (such as the Police, DWP and Inland Revenue) where activities may affect internal control arrangements and the risks facing CBC. Internal Audit will start considering the work of external inspection bodies. The Head of Internal Audit and Risk will seek to foster constructive working relationships with such inspection bodies, particularly where Internal Audit reviews are undertaken on, or may be relevant to, the area under inspection, and vice versa. Internal Audit should receive copies of all reports issued to the authority and take these reports into account when considering the risk assessment and audit work as part of the audit planning process, with a view to avoiding duplication of work while ensuring relevant risks are considered.

APPENDIX A



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Meeting: Audit Committee
Date: 2 April 2012
Subject: Internal Audit Strategy and Annual Audit Plan for 2012/13
Report of: Chief Finance Officer
Summary: This report presents the Internal Audit Strategy and the 2012/13 Annual Audit Plan for approval.

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 Internal Audit Strategy, and 2012/13 Annual Audit Plan will support all the Council Priorities.

Financial:

1. Although there are no additional financial implications from the issues identified in the report, the outcome of implementing the Internal Audit Strategy, and the 2012/13 Annual Audit Plan is for the Council to better manage its risk thereby increasing protection from adverse events.

Legal:

2. None.

Risk Management:

3. None specifically. The Audit Plan has been developed from an Audit Needs Assessment using a risk based approach alongside the production of the Strategic, Directorate and Service risk registers.

Staffing (including Trades Unions):

4. None.

Equalities/Human Rights:

5. None.

Community Safety:

6. None.

Sustainability:

7. None.

RECOMMENDATION:

that the Audit Committee approves:

- (a) the Internal Audit Strategy**
- (b) the 2012/13 Annual Audit Plan**

Background

8. The Local Government Act 1972 requires that local authorities have arrangements in place for the proper administration of their financial affairs. More specifically the Accounts and Audit Regulations 2011 requires that a relevant body shall maintain an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper audit practices.

Internal Audit Strategy

9. The Internal Audit Strategy is a high level statement of how the Internal Audit service will be delivered to meet these requirements. A Strategy covering the period 2010/2013 was produced in April 2010 and presented to the Committee. This has been refreshed each year to reflect changes in roles and responsibilities since then. There have been no fundamental changes to the Strategy.
10. The strategy sets out the approach for the period 2012/2013 and gives details of the:
- aims and objectives
 - approach to the risk based planning
 - focus of the key areas of work
 - lines of communication with Members
 - reporting and assurance statement
 - links with risk management
 - quality assurance and performance
 - resources to deliver the strategy
11. The Internal Audit Strategy is attached at Appendix A.

Strategic Audit Plan

12. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that a risk based plan designed to implement the audit strategy should be produced. The detailed plan should be fixed for a period of no longer than one year. However, a comprehensive Audit Needs Assessment should inform audit planning for future years.

13. Following the creation of Central Bedfordshire Council a detailed Audit Needs Assessment was undertaken. From this a three year strategic plan was developed which was presented to the Audit Committee in April 2010. The auditable environment is derived from consultation with Directors, Assistant Directors and Senior Officers of all the service areas, by reference to the Strategic Risk Register, and Internal Audit's analysis of the risk areas.
14. 2012/13 represents the third year of the strategic plan. The plan has been refreshed to reflect changes that have occurred since the original compilation. These changes include:
 - Revisions to Strategic Risk Register
 - Abolition by the Government of the Financial Management Standard in Schools (FMSiS)
 - Introduction of the Children's Services Case Management System.
15. The plan recognises that there is a continued need to ensure that the basic controls are in place across the organisation's systems and establishments, in addition to the following key risk areas:
 - Safeguarding Children
 - Adult Social Care
 - Financial risks, including budgetary constraints, the recession, financial pressures faced by the Council, and fraud
 - Partnerships/programmes and projects
 - Contracts and Commissioning
 - Environmental and sustainability risks
 - Technological /IT
 - Fundamental systems (e.g. payroll, accounts payable, NNDR)
 - Schools
16. There is a continued emphasis in 2012/13 on fundamental system controls. The specific work to be carried out will be considered when scoping the audit work. This will be undertaken following more detailed discussion with senior management to determine the focus of our audit work.
17. Following a discussion with the Audit Commission, an approach to rationalise the level of testing on the fundamental systems was agreed for 2011/12 onwards with the substantive testing being undertaken on a rolling programme. The audit focus in 2012/13 will be on systems that have received a limited assurance opinion in 2011/12 or systems and processes that are likely to change during 2012/13. The walkthrough testing and follow up work will continue to be undertaken each year for each system. It is likely that there will be changes in processes arising from the implementation of the SAP Optimisation project.

18. It is important to recognise the need for flexibility in the approach to our audit work. The approach adopted recognises the continued organisational and business transformation changes that are in progress within Central Bedfordshire and acknowledges that the internal control environment is still developing. Central Bedfordshire Council remains a relatively new authority and some risks may still be emerging. The current economic climate and changes in service delivery may also affect the control environment in the future. A contingency has been included within the 2012-13 plan to ensure that Internal Audit can respond accordingly.
19. The plan presented to the Audit Committee reflects the final year of the Strategic Plan. This will be revisited and refreshed during the year at which stage a further strategic plan will be developed, following a detailed revised audit needs assessment.
20. The Internal Audit Plan for the 2012/13 is attached at Appendix B.

Available Resources

21. It is estimated that there will be 1,300 productive audit days available for 2012/13, a reduction of 270 days over the original plan. The reduced number of days reflects the reduction in available audit resources due to removal of one post within Internal Audit and the temporary secondment of audit staff to support finance with other areas. This is consistent with an assessment of the relative risks and priorities.

Conclusion and Next Steps

22. Approval by the Audit Committee of the Internal Audit Strategy, and the 2012/13 Audit Plan will ensure that Internal Audit can progress its work in line with an agreed approach.
23. The Audit Committee can then use the final plan to monitor the work of internal audit to ensure that appropriate assurance is provided on the Council's systems.

Appendices:

Appendix A – Internal Audit Strategy

Appendix B – Internal Audit Plan 2012/2013

Background Papers: None

Location of papers: N/A



CENTRAL BEDFORDSHIRE COUNCIL

INTERNAL AUDIT STRATEGY

2012 - 2013

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1. Statutory Role

- 1.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”.
- 1.2 Regulation 6 of the Accounts and Audit Regulations 2011 more specifically requires that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices”.
- 1.3 The Council recognises that all officers of internal audit shall, in relation to the activities of the Council and as required by the Council’s Financial Regulations
 - Have access to all Council properties
 - Be supplied with any documentation, records or explanations of transactions requested by them.

2. Strategic Aims and Objectives

- 2.1 Internal Audit supports the Council in its vision and strategic priorities, which sets the Council’s focus over the coming years.
- 2.2 Internal Audit strives to provide a high quality service that gives management reasonable assurance on the effectiveness of the Council’s internal control environment and acts as an agent for change by making recommendations for continual improvement. The service aims to be flexible, pragmatic and deliver service in collaboration with management to suit organisational needs. Through a risk based approach, the service will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk. Within the team, it is intended to provide a work environment that is both supportive and challenging to facilitate the development and retention of high calibre staff.
- 2.3 The Terms of Reference of Internal Audit are summarised within the Code of Financial Governance (Section 5.4).

3. Reporting Lines and Communication with Members

- 3.1 The Chief Finance Officer is the lead officer responsible to the Audit Committee.
- 3.2 The Head of Internal Audit and Risk reports on an administrative basis directly to the Chief Finance Officer (Section 151 Officer).
- 3.3 The Head of Internal Audit and Risk regularly reports to the Audit Committee and provides an annual report. The report includes an assessment on the standard of internal control within the Council and contributes to the production of the Annual Governance Statement.
- 3.4 The Audit Committee is responsible for agreeing and monitoring the Internal Audit plan, as stated in its terms of reference. The Audit Committee receives progress reports on internal audit and risk management activities. Where there is a need for changes to the

audit plan, revisions will be submitted to the Chief Finance Officer for approval. These will also be reported to the Audit Committee.

- 3.5 The Head of Internal Audit and Risk has access to Members, the Chief Executive and Directors.

4. Internal Audit Standards

4.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations 2003 makes it clear that 'the Standards' are those specified in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

4.2 The Internal Audit unit will adopt these standards in its operations. The refreshed audit manual and charter reflect these standards. The Head of Internal Audit and Risk will review and update, on an annual basis, the internal audit manual, charter and strategy. The Chief Finance Officer will approve these and any changes during the year. Significant changes will be brought to the attention of the Audit Committee.

5. Internal Audit Scope

5.1 The scope of Internal Audit's work is determined by a risk based audit universe maintained by Internal Audit. Account is also taken of the Council's risk management processes in terms of identifying significant risks to the achievement of the Council's objectives.

5.2 To form the risk based audit universe, an audit needs assessment is completed which will prioritise all of the audit entities. This is carried out by completing a risk assessment for each entity to deliver the prioritisation. The risk assessments contain the following weighted measures:

Inherent Risk

- Statutory nature of the service
- Contribution to the achievement of Council Objectives
- Gross income and expenditure
- Critical data / data protection
- Assets

Control Risk

- System and staff stability
- Complexity of Systems
- Reporting Structure
- Existence of Formal Management Control / Operating Procedures
- Fraud Susceptibility
- System Continuity
- Sensitivity
- Partnership Working / Service Level Agreements

The Head of Internal Audit and Risk then agrees a three year internal audit plan based on these risk priorities and available resources with the Chief Finance Officer and senior management and presents it to the Audit Committee for approval.

5.3 The overall Strategy of Internal Audit is:

“To deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to **improve** it, that are proportionate and demonstrably add value.”

When preparing the audit plan, the following list represents the classification within which audits are considered:

- Audits in progress from previous year
- Key Controls Assurance Work
- Follow-up of “Unsatisfactory” audits or audits where ongoing risks have been identified
- Audits to mitigate the key control weaknesses identified in the risk registers
- Audits drawn from the Audit Universe based upon risk rankings
- New Developments
- Unplanned work (contingency)

5.4 Internal Audit work will focus on the following key areas:

- Reviews that contribute towards the mitigation of the strategic risks
- Managed audits (those reviews on key systems) that we must undertake to provide assurance to the Council (Members) and the S151 Officer that key systems controls are working well and can be relied upon to provide robust and accurate information.
- Systems reviews of the various service areas and processes (including governance arrangements)
- Reviews of the key contracts and partnership arrangements to ensure compliance to the Councils Financial Regulations and Contract Procedures
- Information Communication and Technology reviews across the whole Council
- Special Investigations (including fraud work) to ensure that the Council’s anti-fraud and corruption policies are enforced, and the prevention, detection, and investigation of fraud is proactive
- Follow-up work that ensures implementation of the internal audit and external agencies recommendations
- Consultancy work that utilises Auditor’s skills in providing advice to various officers and projects within the Council without necessarily undertaking an audit and/or issuing a formal report, and without compromising their independence

5.5 Audit work is not just limited to implementing the audit plan. Internal Audit staff are actively involved in other areas supporting projects, using their skills to provide valuable advice to services, and delivering training.

6. Independence and Accountability

- 6.1 Internal Audit will remain independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.
- 6.2 The Head of Internal Audit and Risk has direct access and freedom to report in her/his own name and without fear or favour to all officers and members, and particularly to those charged with governance. Accountability for the response to the advice and recommendation of Internal Audit lies with management to either accept and implement the advice or formally reject it. Reviews will be assigned to Auditors and rotated within the various Audit Managers, in order to ensure independence in their reviews, and maximisation of skills.

7. The Annual Governance Statement (AGS)

- 7.1 The Accounts and Audit Regulations (Amendments) (England) 2006 (Reg. 4) requires from 2007/2008 the presentation of an Annual Governance Statement (AGS). In June 2007, CIPFA in association with SOLACE and with the support from key local government organisations from across the UK published a document called "Delivering Good Governance in Local Government Framework". The document provides guidance on the preparation of the AGS, and Internal Audit has an important role in that process.
- 7.2 In order to support the Council in its vision and to support the preparation of the AGS, Internal Audit's roles include reviewing and commenting on the whole corporate governance arrangements of the Council, and on the specific areas of the effectiveness of internal audit and internal controls. The results of Internal Audit's reviews of any of these areas will form part of the Annual Governance Statement, alongside other assurance sources.

8. Internal Audit's link with Risk Management

- 8.1 Internal Audit and Risk are responsible for the co-ordination of corporate risk management within CBC. This includes assisting services in risk management and championing risk management at strategic and operational levels.
- 8.2 Internal Audit and Risk works with the Risk Coordinators in service areas to ensure a consistent approach to risk management is adopted.
- 8.3 Ensuring strong internal controls and an effective risk management strategy remains the responsibility of senior management.

9. Fraud and Corruption

- 9.1 Audit procedures alone, even when performed with due professional care, cannot guarantee the detection of fraud or corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. The Internal Audit unit will include Auditors with fraud investigation skills, and will continue to actively participate in the National Fraud Initiative (NFI). Management may request internal audit to undertake fraud and special investigations.
- 9.2 In accordance with the Council's Anti-Fraud and Corruption strategy, members, officers, and staff must report any allegations of fraud to Internal Audit or other appropriate officer, such as the Chief Executive, Chief Finance officer, or Monitoring Officer.

9.3 Internal Audit is proactively raising awareness on anti-fraud matters. The unit is tasked with ensuring that appropriate counter fraud and corruption actions are taken in line with CIPFA's 2006 publication on "Managing the risk of fraud".

10. Reporting & Assurance Statement

10.1 For every internal audit assignment, the Auditor will prepare a written report. The Head of Internal Audit and Risk will review the reports before distribution to the appropriate responsible officer.

10.2 Reports will include an 'opinion' on the adequacy of controls in the audited area. There are four opinions in use.

<u>Opinion</u>	<u>Level of Assurance</u>	<u>Implications on systems of internal control</u>
Full Assurance	High	<ul style="list-style-type: none"> • Good controls • Low risk of not meeting objectives • Low risk of fraud, negligence, loss, damage to reputation
Adequate Assurance	Medium	<ul style="list-style-type: none"> • Adequate controls • Medium/Low risk of not meeting objectives • Medium/Low risk of fraud, negligence, loss, damage to reputation
Limited Assurance	Medium/Low	<ul style="list-style-type: none"> • Limited controls • Medium risk of not meeting objectives • Medium risk of fraud, negligence, loss, damage to reputation
No Assurance	Low	<ul style="list-style-type: none"> • Inadequate controls • High risk of not meeting objectives • High risk of fraud, negligence, loss, damage to reputation

The 'opinion' will impact upon the circulation of the report and what, if any follow-up work is necessary.

10.3 Management's response will show actions, responsible officers and milestones in relation to each recommendation. Managers must state reasons for not accepting internal audit recommendations. The Head of Internal Audit and Risk is responsible for assessing whether the managers response is adequate. Internal Audit will monitor the implementation of the recommendations and will report progress to senior management and the Audit Committee.

11. Quality Assurance & Performance Management

11.1 The audit manual establishes a robust internal review process that addresses the following:

- (a) the quality of audit work
 - (b) the quality of supervision
 - (c) compliance with CIPFA standards
 - (d) compliance with the local audit manual
 - (e) key performance indicators.
- 11.2 The Internal Audit charter contains a set of key performance indicators that will aid in monitoring internal audits performance. The realistic targets will be set and reviewed on an annual basis. The Head of Internal Audit and Risk will monitor the targets on a regular basis and then report to the Chief Finance Officer and frequently to the Audit Committee.

12. Internal Audit Resources

- 12.1 Internal Audit will be appropriately staffed in terms of numbers, qualifications and experience, having regard to its objectives and to the standards within which it is required to operate.
- 12.2 The Head of Internal Audit and Risk is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. They will also ensure that the appropriate mix of qualifications, experience and audit skills exist within the unit
- 12.3 If a situation arose whereby internal audit resources were insufficient, the Head of Internal Audit will discuss this with the Chief Finance Officer.
- 12.4 Internal Auditors will maintain their professional competence through an appropriate ongoing development programme. Auditors will not only be of a suitable quality but also will maintain their independence.
- 12.5 It may be necessary from time to time to buy-in either agency staff or sub-contractors, of a suitable quality.

13. Protocols & Relationship with other review bodies and partners

- 13.1 To ensure a professional working relationship with managers, partners and stakeholders, Internal Audit has adopted a charter with the Chief Finance Officer. The charter has been approved by the Audit Committee, following consultation with senior management. In addition to detailing how Internal Audit will be working with Auditees (CBC, Partners & Stakeholders), the charter contains key performance indicators internal audit will be expected to meet.
- 13.2 In addition to the charter with the Chief Finance Officer, Internal Audit has agreed a protocol with the Audit Commission to support the managed audit obligations.
- 13.3 The Head of Internal Audit and Risk is aware of the existence of all key partnerships, controlled and associated companies and other similar arrangements, for audit planning purposes, as this has implications for the risks faced by the authority.
- 13.4 The Head of Internal Audit and Risk must review the processes that are in place to ensure that the governance arrangements of partnerships are sound and provide for a clear definition of responsibilities, and must be satisfied that clear arrangements have been established to determine, rights of access to the staff, systems and information of the governing body of partnerships.

14. National Networks

14.1 In looking to ensure that Internal Audit operates to high standards and ensures currency of knowledge regarding national issues, the Head of Internal Audit and Risk and other senior officers regularly liaise with their relevant peers in neighbouring Councils.

These networks currently include:

- CCAN County Chief Auditors Network
- MCCIAG Midland Counties Chief Internal Auditors Group
- MCCAPG Midland Counties Computer Audit Practitioners Group
- CIPFA - BGF Better Governance Forum (Chartered Institute of Public Finance and Accountancy)
- CIPFA Counter Fraud Advisory Network

15. Related Documents

15.1 The other related documents that should be read in conjunction with this strategy are as follows:

- Financial Code of Governance which forms part of the Financial Regulations for Central Bedfordshire Council
- Anti-Fraud and Corruption Strategy
- Confidential Reporting Policy (otherwise known as 'the whistleblowing policy')
- CBC Internal Audit Charter
- CBC Internal Audit Manual
- Audit Commission / Internal Audit Protocol
- Audit protocol between Bedford Borough Council and Central Bedfordshire Council

16. Outcomes

16.1 Following the annual review and continuous implementation of this strategy, and commitment from managers in implementing audit recommendations, the Council should see the following:

- Improved secured systems
- Optimum protection of public funds
- Good value for money
- Transparent and effective identification and management of risks
- Continued service improvement

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<u>Audit Title</u>	2012/13	2012/13
	Updated Plan	Original
Managed Audits (Key Financial Systems)		
Accounts Payable/Purchase Ledger	30	30
Accounts Receivable/Sales Ledger	30	30
Asset Management (incl. Asset Register)/Capital Accounting	30	30
Council Tax	40	40
Housing Benefits	45	45
Main Accounting Systems (MAS)	25	25
National Non Domestic Rates NNDR	40	40
Payroll	35	25
SWIFT Financials	15	15
Framework i (Childrens Services Case Management System)	15	0
Treasury Management	25	30
Housing Rents	25	25
Cash And Banking (Income)	20	25
Total - Managed Audits	375	360
Assurance Audits - Corporate Services		
Partnership Agreements and Joint Working	20	20
Performance Management (i.e. Data Quality Management & BVPs)	20	20
Risk Management Arrangements	0	20
Major Projects	20	20
Budgeting & Budgetary Controls	0	20
Total - Corporate Services	60	40
Assurance Audits - Childrens' Services		
Safeguarding Vulnerable Children	20	20
Commissioning/Out of County	20	20
Schools General - School Improvement	120	200
Child Poverty Plan Assurance	0	15
Impact of Schools becoming Academies	0	15
Total - Childrens' Services	160	270
Assurance Audits - Social Care, Health and Housing		
<i>Personalisation/individual Budgets</i>	20	20
<i>Safeguarding Vulnerable Adults</i>	0	20
Commissioning/Contracting	20	20
Local Management of establishments (including Day Centres)	20	0
<i>Financial Management</i>	20	0
Total - Social Care, Health and Housing	80	60
Assurance Audits - Sustainable Communities		
<i>Carbon Reduction Commitment (Sustainability)</i>	15	15
Total - Sustainable Communities	15	15

Assurance Audits - Governance		
Ethical Governance	5	5
Total - Governance	5	5
Assurance Audits - Contracts and Partnerships		
Service Level Agreements	15	15
Contracts Management	20	20
Total - Contracts and Partnerships	35	35
Assurance Audits - ICT		
Information Security (hosted services)	10	10
SAP Access & Authorisations	15	10
SAP Basis	0	15
SAP Development	0	15
Information Governance	10	0
SAP Access and Security (incl IT DR)	15	0
Total - ICT	50	50
Special Investigations		
National Fraud Initiative (NFI)	40	40
Special Investigations	80	80
Pro Active Anti Fraud	20	20
Total - Special Investigations	140	140
Ad Hoc Consultancy etc.		
Annual Governance Statement	5	5
Audit of Individual Grants	40	40
General Advice	20	20
Contingency	92	243
Professional Groups	12	14
Head of Audit Chargeable Against Plan	58	58
Risk Management Activities	18	0
Benchmarking Exercise	5	5
Total - Ad Hoc Consultancy etc.	250	385
Completion of reviews in progress as at 31st March	130	150
TOTAL CHARGEABLE DAYS REQUIRED	1300	1570

Meeting: Audit Committee

Date: 2 April 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 March 2012. 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.

RECOMMENDATIONS:

That the Audit Committee:

- a) notes the risks facing Central Bedfordshire Council, as contained in the risk summary dashboard attached at Appendix A.
- b) approves the 2012/13 Risk Management Strategy.

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 March 2012, and to seek approval for the 2012/13 Risk Management Strategy.

Strategic Risks

10. Since the last meeting of the Committee the strategic risks have been reviewed and updated in consultation with the Directorate risk Co-ordinators. The March risk report is attached at Appendix A. The report contains 13 strategic risks. The key issues identified are summarised in this report.
11. The Financial Pressures Strategic Risk (STR0001) has been reviewed and the residual score has decreased from 16 to 12.
12. The Health and Safety Strategic Risk (STR0006) has been revised. The residual score has reduced from 16 to 12. This is as a result of a review of strategic health and safety which has recently been undertaken, aimed at improving the health and safety standards across Central Bedfordshire.

13. The report to the January 2012 Audit Committee recognised that the Medium Term Plan identified a number of drivers for change with implications on service delivery and a strategic risk has been developed in conjunction with the Head of Partnerships & Community Engagement. (STR0015). The inherent risk has been assessed as 12, but the Council is considering and implementing mechanisms to address this and the residual score is currently 9.
14. A further additional strategic risk has been identified relating to ICT. (STR0016).
This concerns Storage Area Network (SAN) replication. Replication is currently restricted and could impact on timely recovery in the event of a disaster. Both the inherent and the residual risk scores are currently assessed at 16, and this represents the risk with the highest residual exposure.
15. The Staffing Strategic Risk (STR0004) has been removed. This risk related to the changes in terms and conditions, which were implemented during the Autumn.
16. There are no revisions to the remaining strategic risks.

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. Since the last report, work has been ongoing to further develop the risk registers for Corporate Services and input the registers onto JCAD (the risk management software). The outcome of this work is reflected in the dashboard, which demonstrates a movement in the key operational risks as a result.
19. The highest rated operational risk relates to the potential loss of revenue/income generation within the Assets Disposals Programme. (RES060008). Four risks appear in the Top Ten Operational Risk tracker for the first time. These relate to the potential loss of revenue/income generation arising from the Assets Disposal Programme (RES060008), failure to develop a social care market to deliver positive outcomes and choices for people (SCH0005), failure to obtain value for money through inadequate compliance with procurement processes (RES020005), and insufficient staff/ capacity to deal with unforeseen projects within Revenues and Benefits (RES030003).
20. Health and Safety has been recognised as a strategic risk and is also reflected in directorate risk registers. The Interim Health and Safety Manager has agreed to attend the next meeting of the Risk Matters Group to discuss Health and Safety risks, in order to ensure that risks are adequately captured at an operational level.
21. As assessment of the management of insurable risks was undertaken by Travelers, covering key areas where losses are known (by insurers) to occur. Work is ongoing to ensure that the outcomes of this work, with appropriate mitigating actions, are reflected within the Directorate risk registers.

22. The payroll contract was previously reported as the top operational risk. However, as a result of work undertaken relating to bringing the service back in house, this risk no longer appears within the Top Ten Risks. The following risks within Children's Services have also previously featured:
CHS0001 – ICT changes in Children's Services (current residual score 9)
CHS0004 – Children's Services Business Continuity Plan (current residual score 6)
CHS0005 – Children's Services – Failure to retain and recruit staff. (current residual score 12)

Emerging Strategic Risks

23. The transition of Public Health functions from NHS Bedfordshire to Central Bedfordshire Council by 1 April 2013 will result in additional risks being borne by the Council. It is recognised that there are health and well being risks beyond just public health transition.
24. Consideration is currently being given to risks associated with this area and will be reflected in the Strategic and Directorate risk registers accordingly.

2012/13 Risk Management Strategy

25. The Audit Committee, at its meeting on 4th April 2011, approved the 2011/12 Risk Management Strategy.
26. The strategy has been refreshed for 2012/13 to reflect the transfer of the responsibility for monitoring strategic risk to Internal Audit. There are no other significant changes. The strategy reflects the aim of further embedding risk management during the year and ensuring a consistent approach to managing risk is adopted throughout the Council.
27. The 2012/13 Risk Management Strategy is attached to this report at Appendix B.

Appendices:

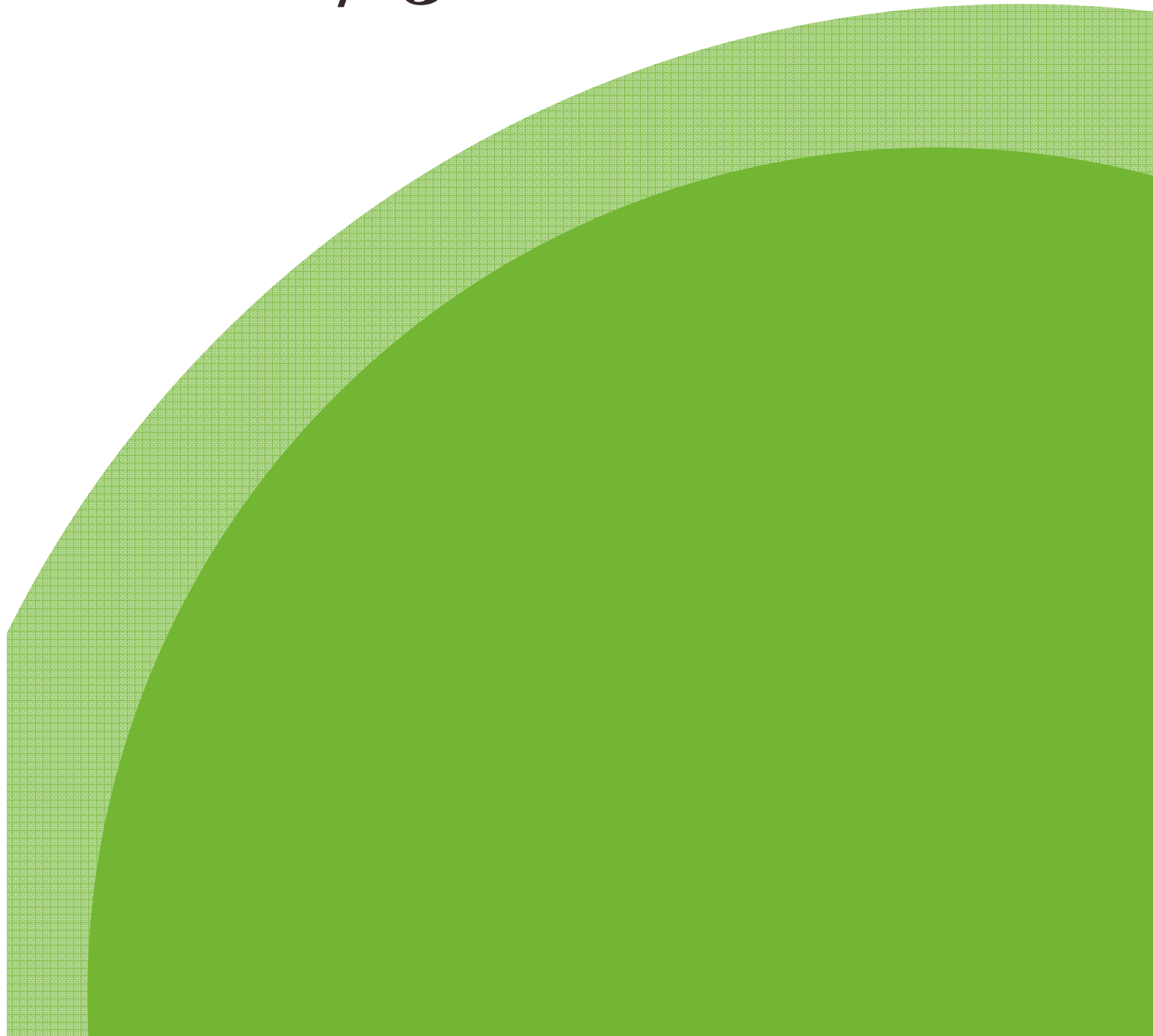
Appendix A – March Risk Summary Dashboard
Appendix B – 2012/13 Risk Management Strategy

Background Papers: None

Location of papers: N/A

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Corporate Risk Management Strategy 2012/13



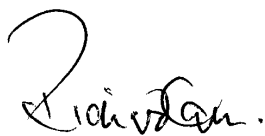
Corporate Risk Management Policy Statement

In the coming year Central Bedfordshire Council will face considerable challenges as a result of having to provide effective services to our communities and citizens, with significantly less resource. In order to achieve its objectives the Council will need a strong focus on risk management – to mitigate the threats and make the most of the opportunities that we face.

The Council believes that risk is an inherent feature in all areas of our organisation. Some risks will always exist and can never be eliminated: they therefore need to be appropriately managed. Effective management of risk is therefore at the heart of the Council's approach to delivering cost effective and valued services to the public as well as adhering to corporate governance requirements. Consequently, all Officers and Members are required to understand their risk management responsibilities, as defined in the Risk Management Strategy.

The Council's objectives will be achieved by:

- establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- incorporating risk management into the Council's decision making processes;
- embedding a consistent, best practice approach to risk management across the Council; and
- monitoring risk management arrangements on a regular basis.



Richard Carr
Chief Executive

David Bowater
Chair of Audit Committee

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Introduction

Risk management is important. It ensures that we successfully deliver our services whilst protecting the interests of our stakeholders. However, the resources that we have with which to manage risk are finite. Therefore the aim of this strategy is to identify how Central Bedfordshire Council (CBC) will manage risk in a way that helps us meet our objectives, is in line with best practice and satisfies internal control requirements whilst remaining as 'light touch' as possible.

The purpose of the Central Bedfordshire Council Risk Management Strategy is to:

- describe our approach to risk management;
- define how risk should be managed across all areas of the Council in order to help us meet our strategic objectives; and
- explain how we intend to improve our risk management processes throughout 2012/13.

This Risk Management Strategy has been produced using Institute of Risk Management and HM Treasury guidance. Local and Central Government organisations have been benchmarked against.

Vision

The Council recognises that we live in an uncertain world, where the people, environment and communities of Central Bedfordshire may be at risk. Risk management is a framework by which the Council can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way.

The vision for risk management within CBC is to underpin our self-confidence and pride in our services by ensuring that management of risk is inherent within our work practices and culture to help successfully deliver current and future strategic objectives.

Culture

We expect successful risk management to facilitate the following outcomes:

- Delivery of our strategic objectives
- Meeting planned financial outcomes
- Maintenance and improvement of our reputation as a Council and leader of the community

In order to achieve this, it is important that a culture of openness and honesty is encouraged when looking at what could potentially go wrong. Risk owners

need to set out to construct proportionate responses to the risks that we face. In order to do this they will need to be aware of all internal and external factors that might affect each risk. With this in mind all risks should be managed within the following context:

- An open, 'no surprises' culture where well managed risk taking is encouraged.
- It is the responsibility of all staff to identify and raise risks, not just risk managers or senior staff.
- Managers at all levels will lead by example to encourage the right behaviours and will ensure their staff have a clear understanding of how to assess risks, when they should escalate risks and how risk management is embedded into existing management processes.
- Risks will be recorded and managed using transparent and stable processes.
- Risk management action should also be embedded into other aspects of the Council including delivery of objectives, service design, policy making, project/programme management, protecting the council against fraud, business continuity and health and safety.

What is Risk Management?

A 'risk' can be defined as an uncertain event that, should it occur, will have an effect on the achievement of objectives. A risk is measured in terms of a combination of likelihood and the magnitude of its impact on objectives. In all types of undertaking there is the potential for events and consequences that constitute threats to success (negative impact) or opportunities for benefit (positive impact). Therefore 'risk management' can be defined as the way in which we identify and manage the threats and opportunities that face the organisation. The focus of good risk management is the identification and treatment of these risks, with the objective to add maximum sustainable value to all of our activities.

Risk management is also a set of attitudes and skills to help staff, councillors and our partnerships make full use of opportunities by mitigating the uncertainty factor. It is a continuous process, because the environment and the context in which we operate are always evolving. Consequently, the decision making process that addresses the risks and opportunities that surround us needs to be continuously informed. Risk management should work quietly in the background – nobody external to the process needs to know it's there, because anything that might go wrong is effectively identified and mitigated.

Effective risk management ensures that the organisation, its governance and its services are resilient in adversity. By considering the 'what ifs' we can ensure that, if something does go wrong, we are prepared and able to deal with it in the most appropriate manner. Good risk management can help the Council to:

- Have increased confidence in achieving our desired outcomes
- Effectively contain threats to acceptable levels
- Take informed decisions about exploiting opportunities
- Give our stakeholders increased confidence in the fact that we are successfully managing the delivery of our objectives

Why Manage Risk?

There are a number of reasons why the Council encourages good management of risk. These fall broadly into three categories:

Because it helps us to improve the work we do and the services we deliver

Risk management is an indispensable element of good practice. Its implementation improves our ability to deliver services to the highest quality, to make effective decisions, to improve organisational learning and to safeguard our customers.

A well presented, well managed risk register is a useful way of drawing together, in one document, the potential obstacles to delivering our services across the whole organisation. It also identifies the relative importance of these obstacles and assigns responsibilities for reducing the likelihood/impact if they do occur.

Because it helps us manage the Council

Embedding a culture of risk awareness within the Council helps us to identify, understand and manage the threats and opportunities that we face on a day to day basis. The benefits to be gained from good risk management include:

- Improved strategic and operational management
- Better management of our finances
- More effective business planning
- Prevention of fraud
- Lower insurance premiums
- Improved statutory compliance
- Increased organisational learning

In addition, the strategic Risk Register helps inform the Strategic Audit Plan.

Because we have to

The Council has adopted a Corporate Governance Framework. The framework, which is signed by the Chief Executive and Leader of the Council,

is made up of the systems, processes, culture and values by which the Council accounts to, engages with and leads the community. Good risk management is an integral part of this. The framework lays out our responsibility to ensure that risk management is embedded into the culture of CBC. When the Annual Governance Statement is signed at the end of the year evidence must be provided to show that the Council actively engages in risk management.

The Audit Committee requires us to manage risk effectively. The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment. Without adequate risk management processes in place the Committee will be unable to discharge its responsibilities. The Audit Committee is also required to approve the Risk Management Policy Statement.

Who Manages Risk?

Everybody carrying out work on behalf of CBC has a responsibility to manage risk. The table below details roles and responsibilities for risk management for all individuals.

Role	Responsibility
Leader of the Council and the Executive	The Leader has responsibility to ensure the work of the Executive and Full Council is conducted in accordance with Council's approach to management of risk.
Chief Executive	The Chief Executive takes overall responsibility for the Council's risk management performance and in particular is required to ensure that: <ul style="list-style-type: none"> • Decision making is in line with Council policy for management of risk • Adequate resources are made available for the management of risk • Management of risk performance is continually reviewed • There is an understanding of the risks facing Central Bedfordshire Council
Members	Members should take reasonable steps to consider the risks involved in the decisions taken by them, and have an understanding of the risks facing Central Bedfordshire Council. They should be confident that the levels of risk tolerated are appropriate and proportionate to the costs involved their mitigation.
Audit Committee	The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment. The committee should agree and endorse the Corporate Risk Management Strategy, and review and scrutinise its implementation and effectiveness.
Corporate Management Team (CMT)	CMT has the responsibility for creating the environment and structure for risk management. Therefore they

Role	Responsibility
	<p>should:</p> <ul style="list-style-type: none"> • Approve the Corporate Risk Management Strategy and related policies • Have an understanding of the risks facing Central Bedfordshire Council • Identify strategic risks and manage the Strategic Risk Register on a periodic basis • Maintain an understanding of the management of risks and its benefits • Promote and oversee the implementation of the Corporate Risk Management Strategy
Directors	<p>Directors have primary responsibility for managing risk on a day to day basis. They should:</p> <ul style="list-style-type: none"> • Promote risk awareness • Ensure Directorate risk registers are maintained and allocate resources to control/minimise risk • Ensure that risk management roles and responsibilities are included within appropriate job descriptions • Understand the risks facing CBC
Chief Finance Officer	<p>The post of CFO, as defined by the constitution, has statutory duties in relation to the financial administration and stewardship of the Authority. The CFO has the responsibility to report breaches of financial governance (including risks) to the Audit Committee.</p>
Assistant Directors/Heads of Service/Chief Officers	<p>Assistant Directors/Heads of Service/Chief Officers should:</p> <ul style="list-style-type: none"> • Promote risk management and ensure that the strategy is implemented effectively across services • Establish training requirements • Understand the risks facing CBC • Ensure that all employees are aware of the risk assessments appropriate to their activity
All Staff	<p>Put quite simply, management of risk is the responsibility of every employee. All staff should:</p> <ul style="list-style-type: none"> • Understand that risk management and risk awareness are a key part of the organisation's culture. • Read, understand and follow the Risk Management Strategy • Identify risks and report to line managers and/or risk coordinators as appropriate
Risk Coordinators (Directorate Representatives)	<p>The Risk Coordinators (Directorate Representatives) will bring together risk management across the council, disseminate best practice and ensure a consistent approach to risk management is taken.</p>
Partners and Contractors	<p>The Council expects third parties upon which it relies (including contractors, consultants, partners and</p>

Role	Responsibility
	<p>associates) to comply with the risk management policies and procedures and to have their own systems in place to mitigate risk.</p>
<p>Internal Audit and Risk</p>	<p>Internal Audit and Risk will provide assurance on the implementation of the Corporate Risk Management Strategy and the robustness of the Council's management of risks.</p> <p>In addition, Internal Audit and Risk is responsible for coordination of corporate risk management within CBC. This will include:</p> <ul style="list-style-type: none"> • Development and implementation of an effective framework for managing risk • Development of the Corporate Risk Management Strategy • Promoting, supporting and overseeing its implementation • Monitoring and reviewing the effectiveness of the Corporate Risk Management Strategy • Identifying and communicating risk management issues • Assisting services in risk management activity through training and/or direct support • Championing risk management at strategic and operational levels.

How we Manage Risk

This section of the strategy lays out the processes that are in place to ensure that risk is managed properly. It is important to note that the approach taken has been identified as proportionate to the organisation. In managing risk it is essential that we respond to the challenges we face, and not create any overly bureaucratic processes.

It is the responsibility of Directors to ensure that risk is effectively managed within their business units. This strategy suggests a flexible approach to the management of risk, and Directors should set the direction within their areas of responsibility. However, because of the requirements identified in the 'Why Manage Risk - Because we have to' section above, there are some parameters to this flexibility. These are as follows:

Directors and their staff should use Risk Registers and the JCAD Risk Management System

When used badly risk registers are bureaucratic and burdensome, but when used correctly they are an extremely useful management tool that can really drive good decision making. We will use the JCAD Risk Management System

to record scores and mitigating actions. This is important for a number of reasons:

- JCAD RISK is an easy to use online system. It will help ensure that we can easily record and share knowledge and understanding of risks around the organisation without putting bureaucratic processes in place.
- It will help us with corporate reporting. The Corporate Management Team (CMT) will review major operational risks facing the organisation on a quarterly basis.
- It is open and transparent. CMT, as stewards of the Council, need to have confidence in our risk management processes.
- It will help us ensure that there is some consistency in our approach to risk.
- Effective use of JCAD will help us ensure that (and provide assurance on) the required mitigating activity is being undertaken.

Each Director should give a suitably placed member of staff the responsibility of being 'risk coordinator'. One of the responsibilities of the risk coordinator will be to ensure that risks are recorded and updated as necessary on JCAD.

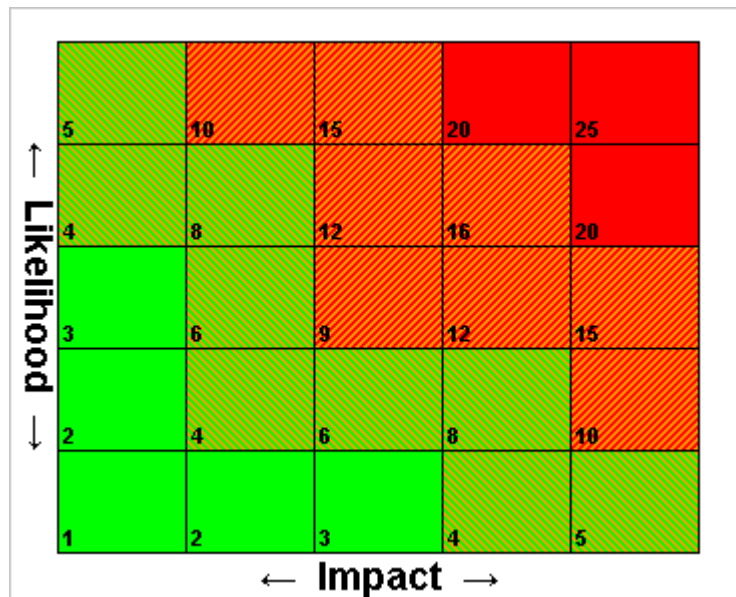
Directors and their staff should follow Risk Scoring Guidance

Consistency is an important element of risk management – especially for those such as CMT who need a holistic view of the risks that we face as an organisation. The CBC risk scoring guidance is contained at Annex 1 of this document. It is the responsibility of risk coordinators to ensure that the risks faced by each Director are entered into JCAD and scored appropriately using the guidance.

Assessment of the risk using the scoring guidance should be the first step in understanding what mitigation is required. The higher the score the more urgency should be placed on getting mitigating actions in place.

The matrix below shows the actions that should be taken by Directors and their staff depending on the residual scoring (i.e. post control) of their risks. The dotted line through the middle shows our tolerance to risk. As a general rule any risks that fall into the green or amber/green squares are acceptable. No further mitigating action is required – anything that falls in here is at an acceptable level of risk. Having said this, some thought should be given to the cost of the control measures that keep the risk at such a low level. Do we have to be so risk adverse? Would it be acceptable to have a higher risk exposure if it meant cost savings?

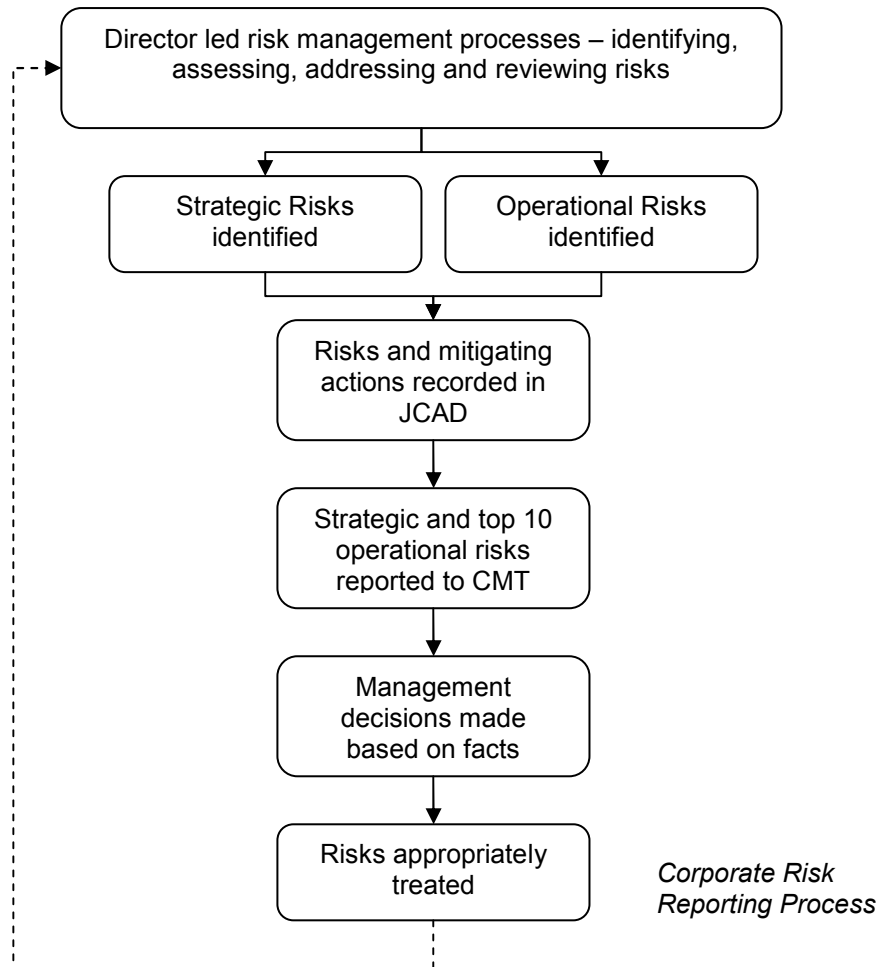
Any risks that fall to the right of the tolerance line reflect an unacceptable level of risk and further mitigating action is required in order to reduce the level of residual risk. Any risks that fall into the red sectors of the matrix represent the highest level of risk facing CBC, and immediate action is required to reduce the residual score to a more appropriate level.



Directors and their staff should comply with corporate reporting requirements

The reporting of risk to CMT on a quarterly basis is important. An assessment of identified risks needs to be fully integrated into the strategic and key operational decision making processes of CBC. For example, when planning fundamental changes to service provision or large capital investment programmes, CMT need to be confident that they understand the full impact. This will minimise the chance of investing unwisely, incurring unacceptable organisational costs, damaging our reputation, or failing to provide the required services.

An effective risk management process helps us achieve this. In line with the aim of maintaining a 'light touch' risk management process, the additional requirement on Directors and their staff for corporate risk reporting will be minimal. Directors and their staff will be using the JCAD system to manage their risks. The top Council wide risks with the highest residual exposure will be taken from JCAD to form part of the quarterly risk report. The strategic risk register (which is maintained by Internal Audit and Risk) will form the second part of the report, which will be sent to CMT on a quarterly basis. This process is highlighted in the diagram below.



The Audit Committee will also receive a quarterly risk report. This will ensure that the Committee has an overview of the way in which risk is managed within the Council, and enable Committee Members to discharge their risk management responsibilities.

Directors should ensure that risk training is provided to appropriate staff

All members of staff are required to have a good understand the processes involved in managing risk. Therefore each Director will need to ensure that their staff have an appropriate level of risk management training. The level of training required will vary from post to post, and it will be for Directors to define which employees require more advanced training. As a minimum each Directorate should ensure that:

- induction training includes staff responsibility in risk management;
- risk coordinators have a fuller understanding of risk management, and are able to use the JCAD system; and
- appropriate responsibility for risk management is defined in job descriptions.

Some limited support and advice on training is available from Internal Audit and Risk.

How we will Improve Risk Management in 2012/13

In 2012/13 the Council has the following risk improvement objectives:

- Corporate risk reports will continue to be submitted CMT on a quarterly basis
- JCAD will be further developed as a risk management tool.
- Risk Management will continue to be further embedded within CBC through the Risk Coordinators (Directorate Representatives) who will also continue to meet as a group to bring together risk management across the council, disseminate best practice and ensure a consistent approach to risk management is taken

Support & Further Guidance

Some support and guidance is available from Internal Audit and Risk. If you need any assistance you can contact us:

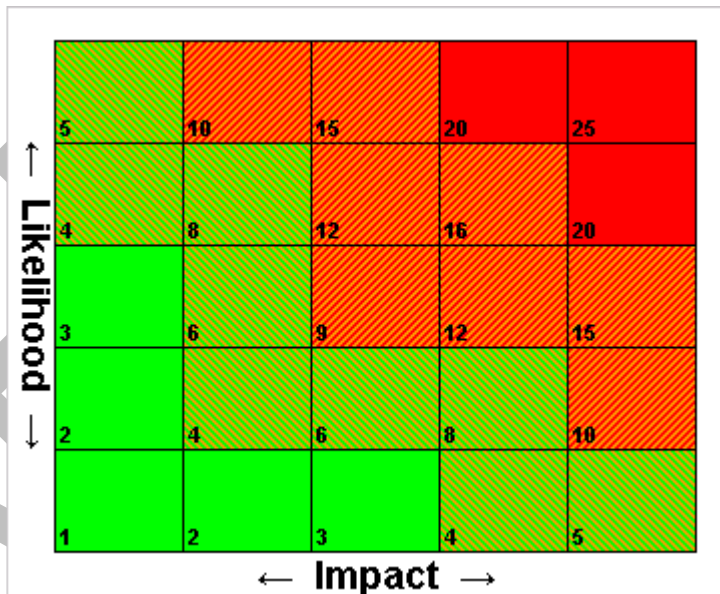
by telephone: 0300 300 6155;

or by email: kathy.riches@centralbedfordshire.gov.uk

Annex 1 – Risk Scoring Guidance

Assessing Impact

	Impact Title	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse 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 absence for more than 5 people (single event)
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 20 days absence for more than 5 people (single event),
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, Minor adverse publicity in local media, short term absence for up to 5 people (single event)



Assessing Likelihood

	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

Very Severe	Unacceptable level of risk. Immediate further action required. Flagged to CMT
Severe	Level of risks not tolerable. Further mitigating action required. Represents a high level of risk to CBC
Tolerate	Risk tolerable. Risks can be controlled through existing measures
Managed	Tolerable level of risk. Consideration should be given to the cost of control measures, and whether they are all necessary



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Meeting: Audit Committee

Date: 2 April 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 comment 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 February 2012. 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	56	3	5	5	1	70	93
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	5	0	0	0	0	5	7
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 7% are ongoing with target missed within the agreed timescales.

13. Appendix C provides details of the 5 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 April 2011 Audit Committee**

	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	12	0	1	2	1	16	
Recs:							
Completed GREEN	25	0	14	4	1	44	90
Ongoing- On schedule for completion within timescales GREEN	2	0	0	0	0	2	4
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	2	0	0	1	0	3	6
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	29	0	14	5	1	49	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

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Details of Monitoring of High Risk Internal Audit recommendations as at End February 2012 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	5	0	0	0	0	
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R2
SWIFT Financials 2009-10	23/08/10	30/09/10	4	3	0	1	0	0	See R3
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 R4
SAP Access and Security (incl IT DTR) 2009/10	11/10/10	31/12/10	3	2	0	1	0	0	See R5
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	56	0	5	0	0	
				92%	0%	8%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End February 2012
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	3	0	0	0	0	
Total			5	5	0	0	0	0	
				100%	0%	0%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End February 2012 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 February 2012
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 February 2012 - 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	
NNDR System Documentation and Walkthrough Testing and 2010/11 Follow Up	22/11/11	31/03/12	2	2	0	0	0	0	
Procurement of Services - Children's Services Commissioning	03/01/12	31/12/11	2	2	0	0	0	0	
Main Accounting System 2011-12 Ph 1	09/01/12	31/01/12	1	0	0	1	0	0	See R2
Total			29	25	2	2	0	0	
				86%	7%	7%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End February 2012 - 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	14	0	0	0	0	
Total			14	14	0	1	0	0	
				100%	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 February 2012 - 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	4	0	0	0	0	
Monitoring Section 106 Agreements	16/01/12	31/12/11	1	0	0	1	0	0	See R3
Total			5	4	0	1	0	0	
				80%	0%	20%	0%	0%	

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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 June 2012 (revised).</p>
<p>Current Position and Explanation for Slippage: The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors. Some of these have an impact on the Financial Scheme of Delegation. Financial Control are communicating any changes on an ad-hoc basis to those who may be affected and will be updating the version on the intranet once all of the changes are understood and agreed. The reason for slippage is the need to consult and gain agreement in certain areas, particularly where arrangements are changing (c.f. Capital procedures, review of the Constitution, CBC reorganisation, etc).</p> <p>The revised target date is June 2012. By then the updated intranet version will be published with the known agreed changes.</p>

Payroll 2009/10

Recommendation R2:

It should be ensured that timesheets and travel claims are appropriately approved prior to payment.

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.

Target Dates:

August 2010.

September 2011.(revised)

March 2012.(revised)

June 2012 (revised)

Current Position and Explanation for Slippage:

This action has been updated to incorporate anticipated actions in the SAP Optimisation project which may impact on the control mechanism for use of authorised signatories. These have been agreed as part of the Payroll audit for 2011/12.

a) Finance action - Review possibilities and timescales for the electronic approval system included in the SAP optimisation programme.

b) Finance actions - Based on results of this review, determine if interim signature approval list will need to be reinstated.

c) HR action - When an authorised signatory list is made available, this practice will be developed and maintained.

SWIFT Financials 2009/10

<p>Recommendation R3: 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) End March 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. The only task outstanding is to identify the recipients through interrogation of the system and then they will be notified.</p>

Teachers' Pensions

<p>Recommendation R4: 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. Further work is ongoing as part of the work 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

<p>Recommendation R5: A Disaster Recovery Plan should be developed and approved. As a minimum, this should include;</p> <ul style="list-style-type: none"> • 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
<p>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.</p>
<p>Target Dates: December 2010. December 2011 (revised). September 2012 (revised)</p>
<p>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.</p>

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

<p>Recommendation R1: The Financial Scheme of Delegation should be updated and maintained in a timely and appropriate manner.</p>
<p>Rationale for Recommendation:</p> <p>The Financial Scheme of Delegation available to staff was not up to date. Additionally, the financial limits relevant to the Purchasing Cards are not set out, the approval limits set out were not in line with those within SRM and two different versions of the Financial Scheme of Management were identified during the audit as being in circulation.</p> <p>The July 2009 version on the Intranet was found to be considerably out of date, whilst the Income Manager held a different version which had not been formally adopted or shared with CBC staff. This was understood to have been agreed by the former Assistant Director – Financial Services.</p>
<p>Target Dates: April 2011. September 2011(revised). March 2012 (revised). June 2012 (revised).</p>
<p>Current Position and Explanation for Slippage:</p> <p>The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors. Some of these have an impact on the Financial Scheme of Delegation. Financial Control are communicating any changes on an ad-hoc basis to those who may be affected and will be updating the version on the intranet once all of the changes are understood and agreed. The reason for slippage is the need to consult and gain agreement in certain areas, particularly where arrangements are changing (c.f. Capital procedures, review of the Constitution, CBC reorganisation, etc).</p> <p>The revised target date is June 2012. By then the updated intranet version will be published with the known agreed changes.</p>

Main Accounting System 2011/12 Phase 1

<p>Recommendation R2: Bank Reconciliations should be carried out in accordance with CBC policies and procedures.</p>
<p>Rationale for Recommendation:</p> <p>There are 2 rationales:</p> <p>1) The Payment Bank Accounts reconciliation was prepared 24 working days after the month end instead of the 15 days deadline for September 2011. Following discussions with the Senior Financial Advisor - Treasury, it was understood that the officer in charge was on annual leave and that there is an ongoing procedure to ensure bank reconciliations are prepared in a timely manner.</p> <p>2) The quarterly reconciliations were also not presented for the Chief Finance Officer's review. It was noted that due to the recent restructure, the Chief Finance Officer has agreed that the independent check of the reconciliation should be undertaken by the Head of Financial Control and that the procedure will be reviewed to reflect this.</p>
<p>Target Dates: 31st January 2012. 30th June 2012 (Revised)</p>
<p>Current Position and Explanation for Slippage:</p> <p>1) This is a work in progress. Annual leave commitments and need for cover means procedures have not been finalised.</p> <p>2) The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors. Some of these have an impact on the Financial Scheme of Delegation. Financial Control are communicating any changes on an ad-hoc basis to those who may be affected and will be updating the version on the intranet once all of the changes are understood and agreed. The reason for slippage is the need to consult and gain agreement in certain areas, particularly where arrangements are changing (c.f. Capital procedures, review of the Constitution, CBC reorganisation, etc).</p> <p>The revised target date is June 2012. By then the updated intranet version will be published with the known agreed changes.</p>

Sustainable Communities

Monitoring Section 106 Agreements

<p>Recommendation R3 : It should be ensured that Acolaid, SAP and the published quarterly reports are reconciled.</p>
<p>Rationale for Recommendation: Differences were noted in comparing the 3 sets of financial balances held on the Planning system (Acolaid), the Financial System (SAP) and the Section 106 quarterly reports available on the Council's website.</p> <p>Financial balances were close in value in only 2 out of the 20 instances tested. The discrepancies are due to the incomplete records inherited from the legacy councils.</p>
<p>Target Dates: January 2012 April 2012 (Revised).</p>
<p>Current Position and Explanation for Slippage: A reconciliation of Acolaid records and finance records is being carried out by finance and planning staff as a result of the audit. The reconciliation is an integral part of the monitoring process. Differences of £81k between the Acolaid and finance systems have been shown up by the reconciliation exercise and are being investigated. That level of difference needs to be seen in the context of some £19.48m of unapplied capital receipts in relation to Section 106 agreements at the present time.</p>

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