

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



**please ask for** Leslie Manning  
**direct line** 0300 300 5132  
**date** 20 December 2012

## **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

Date & Time

**Monday, 7 January 2013 10.00 a.m.**

Venue at

**Room 15, Priory House, Chicksands, Shefford**

Richard Carr  
**Chief Executive**

## **PLEASE NOTE THE START TIME**

To: The Chairman and Members of the AUDIT COMMITTEE:

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

[Named Substitutes:

R D Berry, I Shingler 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 24 September 2012 (copy attached).

3. **Members' Interests**

To receive from Members any declarations of interest.

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	<b>Annual Certification Report (2011/12)</b>  To receive the annual certification report from Ernst & Young LLP which summarises the results of certification work undertaken by Audit Commission staff (until 31 October 2012) and Ernest & Young (completing the work on the Housing Benefit and Council Tax claim) at Central Bedfordshire Council on 2011/12 claims and returns.	* 13 - 26
8	<b>Annual Audit Fee 2012/13</b>  To receive the annual audit fee letter for the 2012/13 financial year from Ernst & Young LLP.	* 27 - 30

- |    |  |           |
|----|--|-----------|
| 9  | <b>Audit Committee Briefing</b>  | * 31 - 36 |
|    | To receive a briefing from Ernst & Young LLP which highlights matters of interest for Members' consideration.  |           |
| 10 | <b>2011/12 Annual Audit Letter</b>   | * 37 - 40 |
|    | To consider the Audit Commission's Annual Audit Letter for 2011/12 and approve its publication.  |           |
| 11 | <b>Final Accounts Process 2012/13</b>  | * 41 - 44 |
|    | To consider a summary of key changes in the Statement of Accounts for 2012/13, a review of the internal procedures for the production of the Statement and a suggested alternative method of presenting the draft accounts to Members. |           |
| 12 | <b>Approach to the Development of 2013-2016 Strategic Audit Plan</b>   | * 45 - 52 |
|    | To consider an outline of the proposed approach to the development of the 2013-2016 Strategic Audit Plan.  |           |
| 13 | <b>Internal Audit Progress Report</b>  | * 53 - 66 |
|    | To consider an update on the progress of work by Internal Audit for 2012/13.   |           |
| 14 | <b>Risk Update Report</b>  | * 67 - 72 |
|    | To consider an overview of the Council's risk position as at the end of November 2012.   |           |
| 15 | <b>Tracking of Audit Recommendations</b>   | * 73 - 90 |
|    | To consider a summary of the high risk recommendations arising from the Internal Audit reports together with the progress made in their implementation.  |           |

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**CENTRAL BEDFORDSHIRE COUNCIL**

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 24 September 2012

**PRESENT**

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

Cllrs N B Costin  
Mrs D B Green

Cllrs D J Lawrence  
A Zerny

Apologies for Absence: Cllr A Shadbolt

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr R Gould Head of Financial Control  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr N Visram Financial Controller  
Mr C Warboys Chief Finance Officer & Section 151 Officer

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

The Committee stood in silence in memory of Councillor P F Vickers who had died in August.

A/12/12 **Minutes**

**RESOLVED**

**that the minutes of the meeting of the Audit Committee held on 25 June 2012 be confirmed and signed by the Chairman as a correct record.**

**A/12/13 Members' Interests**

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D J Lawrence	9	Is a member of Bedford Borough Council's Pension Fund Panel (which acts on behalf of Central Bedfordshire Council's pension fund).	Present

**A/12/14 Chairman's Announcements and Communications**

The Chairman welcomed Councillor Costin to his first meeting as a member of the Audit Committee, having previously been a substitute. The Chairman also welcomed Mr Gould to the meeting as the Council's new Head of Financial Control.

**A/12/15 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/12/16 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/12/17 Annual Governance Report 2011/12**

The Committee received the Audit Commission's Annual Governance Report for 2011/12. The report summarised the findings from the 2011/12 audit and included the messages arising from the Commission's audit of the Council's financial statements together with the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of its resources.

The District Auditor (Audit Commission) worked through the report, drawing Members' attention to various points as he did so. Under Key Messages, and with regard to the financial statements, he stated that he expected to issue an unqualified audit opinion by 30 September 2012. He commented on the helpful and quick manner of Central Bedfordshire officers in responding to queries and

to the good quality of the working papers supplied, all of which had contributed to the audit being delivered in a timely way. The meeting noted that the officers had agreed to amend the accounts with regard to all but two of the errors identified during the audit.

Under Table 2 of the report headed 'Risks and Findings', and with specific reference to the risk and finding relating to schools, a Member sought the Audit Commission's view on the Council's practice of including voluntary controlled school buildings in its balance sheet at nil value on the basis that they were owned by the Diocese. In response the District Auditor stated that the Commission had accepted the Council's position though it would expect the Council to review its stance in the light of any relevant changes to CIPFA's Accounting Code of Practice. He also commented on the possibility that Ernst & Young, as the Council's new external auditor, could take its own view on this matter.

Moving next to the risk and associated finding relating to Section 106 Agreements the District Auditor referred to an issue raised with him claiming that the Council had spent section 106 monies on an unadopted road. He stated that, whilst the relevant documents confirming the adoption of the road by the legacy authority, Bedfordshire County Council, could not be found, those for the adoption of the adjacent footpath had been. The District Auditor had decided that it was therefore reasonable to assume that the County Council had adopted the road and this stance reflected a legal 'presumption of regularity' in that it was presumed that, in certain circumstances, a public authority had acted lawfully unless it could be shown that it had not. On the basis that there was no evidence that the County Council had not adopted the road and some evidence to suggest it had he had determined that the money spent on the road had been spent lawfully.

Turning to the qualitative aspects of the Council's accounting practices set out under 'Other Matters' the District Auditor drew the Committee's attention to the work undertaken by both Central Bedfordshire and Bedford Borough Councils on resolving the differences on the balances for debtors and creditors between the two authorities. The meeting noted that the debtor balance between in the Central Bedfordshire Council financial statements with Bedford Borough Council had been agreed and that there was a difference of less than £100,000 on the creditor balance that Central Bedfordshire Council had with Bedford Borough Council.

The meeting expressed its appreciation of the efforts made by the officers in preparing the financial statements.

## **NOTED**

- 1 the Audit Commission's Annual Governance Report on its findings on Central Bedfordshire's audit for 2011/12 and the issue of an audit report by the Commission containing an unqualified opinion on the financial statements and an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources (value for money);**

- 2 the adjustments to the financial statements as set out at Appendix 3 to the Annual Governance Report.**

**RESOLVED**

- 1 that the District Auditor's recommendations within the Annual Governance Report, as set out at Appendix 6 (Action Plan), be approved and adopted;**
- 2 that, in recognition of the work undertaken by the officers in the preparation of the financial statements, the Audit Committee formally records its appreciation of their efforts;**
- 3 that, in recognition of the work undertaken by the officers in connection with the Pension Fund Panel, the Audit Committee formally records its appreciation of their efforts;**
- 4 that, further to resolutions 2 and 3 above, the Executive Member for Corporate Services be requested to formally thank the officers for their efforts at the next meeting of the Executive.**

A/12/18

**Audit Committee Update**

The Committee received a report from the Audit Commission on a number of issues including:

- Progress on financial statements, the VFM conclusion and other areas of work
- An update on outsourcing the work of the Audit Practice
- An update on the residual Audit Commission
- Key considerations
- A response to key considerations from the June Audit Committee Update

The Audit Manager (Audit Commission) drew Members' attention to the recent report by the Audit Commission which summarised the results of its certification work in 2010/11. She referred to the high national levels of amendments and qualification letters for the housing and council tax benefit subsidy scheme and that, for the 2010/11 subsidy schemes, 72% of claims were amended and 73% of local authorities had received qualification letters, including Central Bedfordshire. The Audit Manager stated that the DWP had advised the Audit Commission of the additional work required as a result of the qualification letter for Central Bedfordshire and discussions on this matter were taking place with the Council's officers. She explained that the aim was to finish the work by the end of November 2012 before the transfer of Audit Commission staff to Ernst & Young took place.

In response to a Member's concern regarding the above both the Audit Manager and Chief Finance Officer outlined the methodology followed by the DWP. The meeting noted how the errors found in a relatively small number of



test claims were extrapolated across the population in general and which gave rise to the high percentage figure reported. The Chief Finance Officer stressed that the Council processed 16,000 applications annually but this did mean that all of them contained the same, if any, errors. He also referred to the 91% increase in workload over a two year period and the increase in proportion of self employed persons submitting claims which, by their nature, were more complex.

In conclusion both the District Auditor (Audit Commission) and the Chief Financial Officer expressed frustration at the major delay experienced before the DWP responded to the returns submitted by the Audit Commission and required any follow up work to be completed within a relatively short space of time when other tasks required attention.

With reference to an issue referred to under 'Key Considerations' the Executive Member for Corporate Resources advised the Committee that the Council had responded to the Government's consultation on the draft Local Audit Bill.

## **NOTED**

### **the Audit Commission's Audit Committee update.**

A/12/19

### **2011/12 Statement of Accounts**

The Committee considered a report by the Chief Finance Officer which presented the 2011/12 Statement of Accounts for approval. In addition approval was sought for the draft letter of representation to the Audit Commission, which dealt with the financial statements and governance arrangements.

A copy of the annual accounts was attached at Appendix A to the report and a copy of the draft letter of representation at Appendix B.

Members were reminded that the certified version of the accounts had been presented to the Audit Committee on 25 June 2012 (minute A/12/6 refers) for note. Public inspection of the accounts had followed and this had concluded on 3 August 2012. External audit validation had been undertaken from July to September and the Audit Commission's Annual Governance Report (minute A/12/17 above refers) outlined any major adjustments to the original version of the accounts.

## **RESOLVED**

- 1 that the 2011/12 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved;**
- 2 that the draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission to the Audit Commission.**

A/12/20 **Internal Audit Progress Report**

The Committee considered a report by the Chief Finance Officer which provided a progress update on the status of Internal Audit work for 2012/13 up to 31 August 2012.

The report set out progress on the following matters:

- a) Updated Annual Audit Plan
- b) 2012/13 Internal Audit Plan including:
  - Managed Audits
  - Other audit work
  - National Fraud Initiative (NFI)
  - Fraud and special investigations
  - Schools
  - Public sector internal audit standards
  - Performance management

A Member referred to the need to determine the ownership of certain assets in Biggleswade, which had previously been the responsibility of the former Biggleswade Rural District Council, before the further delegation of responsibilities to the current Biggleswade Joint Committee. Discussion took place on the way forward on this matter given the length of time which had passed following the demise of the Rural District Council in 1974 and that Central Bedfordshire Council, on its formation in 2009, had inherited all the known rights and liabilities of Mid Bedfordshire District Council as the relevant legacy authority. The District Auditor (Audit Commission) stated that he was unaware of any specific dispute regarding property ownership or of any outstanding litigation. Given the absence of further information the Head of Legal and Democratic Services undertook to further investigate the Member's comments outside the meeting.

**RESOLVED**

**that the proposed revisions to the 2012/13 Annual Audit Plan, as set out in the report of the Chief Finance Officer, be approved.**

**NOTED**

**the progress made against the 2012/13 Internal Audit Plan.**

A/12/21 **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 August 2012.

For Members' benefit the Head of Internal Audit and Risk highlighted changes in the position of both strategic and operational risks and the introduction of a

new strategic risk relating to the failure to deliver effective and cohesive Health and Social Care to local residents (STR0019).

The meeting was advised that a new strategic risk on Protecting Vulnerable Adults was being developed and would be included in the report to the next meeting of the Committee.

#### **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/12/22

#### **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. The Chief Finance Officer's report also outlined how the recommendations would be monitored and the progress made in implementing them as at the end of August 2012.

The Head of Internal Audit and Risk drew Members' attention to there being only seven recommendations in total that were amber (ongoing with deadline missed) and that two of these had added since the Committee's meeting on 2 April 2012. She stated that the falling number of high priority recommendations being made reflected the embedding of controls within the key financial systems as the Authority had developed.

With regard to Recommendation R4, and the development and approval of a Disaster Recovery Plan, the Chairman reported that he had met with the ICT Head of Service during the previous week and the Committee was advised of the discussion which had taken place with particular reference to upgrading the Council's IT server infrastructure. Arising from this the Chairman expressed satisfaction at the progress being made. Members noted that SunGard Capita had been commissioned to put a fully resilient Disaster Recovery Plan in place by 31 October 2012.

At Members' request a copy of the Chairman's note of the information arising from his meeting with the ICT Head of Service is attached at Appendix A to these minutes.

A Member commented on the difficulty he had experienced in connecting the topics detailed in the current report with the corresponding items in the Chief Finance Officer's Risk Update Report (minute A/12/21 above refers) and asked that links be provided in future.

In response to a query on the absence of any reference to cost in the report the Executive Member for Corporate Resources reminded Members that this would be included in the Capital Programme; further, in the context of the report, it was the Committee's task to examine risk not cost.

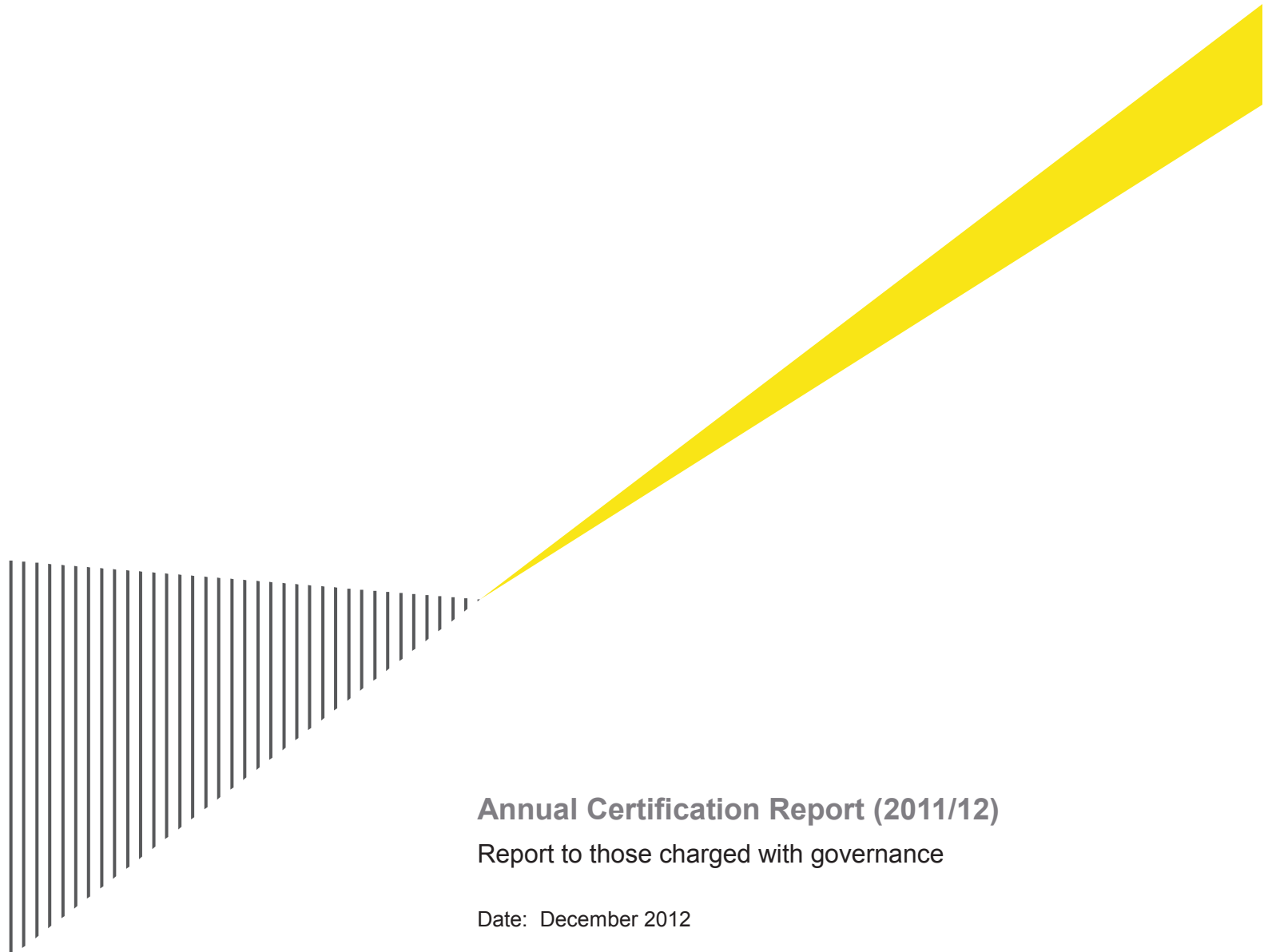
**NOTED**

**the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of August 2012.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.55 a.m.)

Chairman .....

Dated .....



**Annual Certification Report (2011/12)**

Report to those charged with governance

Date: December 2012

Ernst & Young LLP

**The Members of the Audit Committee**

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

December 2012

Dear Members

**Annual Certification Report (2011/12)**

We are pleased to attach the annual certification report for the forthcoming meeting of the Audit Committee. This report summarises the results of certification work that has been undertaken by Audit Commission staff (until 31 October 2012) and Ernst & Young (completing the work on the Housing Benefit and Council Tax claim) at Central Bedfordshire Council on 2011/12 claims and returns.

**Scope of work**

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. Often these bodies require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

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. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors set out the work the auditor must undertake before issuing a certificate. Auditors will certify grants and claims as they arise throughout the year to meet submission deadlines set by the grant-paying bodies.

**Statement of Responsibilities of Auditors and Audited Bodies**

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This Annual Certification Report is prepared in the context of the statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. Following the

appointment of Ernst & Young as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification Report in respect of the year 2011/12. However most of the certification work reported on herein was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young. Accordingly, we take no responsibility to the Council nor to any third party for the work undertaken. The Housing Benefit and Council Tax Benefit claim certificate and qualification letter were issued, on 29 November 2012, by Ernst & Young.

### **Results of certification work**

During the period June 2012 to October 2012 the Audit Commission's Audit Practice certified 4 claims and returns with a total value of £96,592,407. This work was completed prior to Ernst & Young being appointed auditor. The Housing Benefit and Council Tax Benefit claim (benefits claim), with a value of £75,050,841, was certified by Ernst & Young on 29<sup>th</sup> November 2012.

Of the claims and returns certified, the Teachers Pensions return and the benefits claim were amended and qualified. The amendments to the Teachers Pensions return increased the total value of contributions paid to the Teachers Pensions Authority by £270. Details of the qualification matters are included in section 2.

As in previous years the main area of grant certification work in terms of time and fees was on the benefits claim. Due to the number of errors found in previous years a large volume of additional testing was required. In addition to our initial testing of sixty cases, covering Rent Allowances, Rent Rebates and Council Tax Benefit, benefits staff carried out additional testing of 40 cases (40+ testing) for each cell where errors were found last year and where errors were found in this year's testing of the headline cells. This year there were 19 cells on which 40+ testing was required, this is a reduction on 2010/11 when additional testing was required on 21 cells.

The audit of the 2011/12 benefits claim again found a number of errors. However the errors found, as a proportion of cases tested, fell from 23.6% in 2010/11 to 18.6% in 2011/12. In accordance with the methodology agreed between the Department of Works and Pensions (DWP) and the Audit Commission the errors have been extrapolated and reported in a qualification letter to DWP. The Council is carrying out additional testing on the cells where errors were found to try and reduce the extrapolated errors as the DWP will seek to claw back subsidy paid to the Council based on these extrapolations.

The 2010/11 benefits claim was also subject to a lengthy qualification letter. In response to this qualification letter, and further work carried out by the Council, the DWP wrote to Central Bedfordshire in August 2012 requesting that the Council and the auditor carry out additional work and provide additional assurances with a view to reducing the potential value of benefit to be clawed back. This additional work was completed and a response sent to DWP on 19<sup>th</sup> October 2012. The fee for this additional work was £9,400.

The actual fee for certification work of £89,206 (including the 2010/11 follow up fee) compares to the indicative fee of £85,253. The Council has received another DWP letter, dated 30 November 2012, on the 2010/11 claim requiring further information on extrapolations reported in the qualification letter. We expect to be able to complete this work and respond by 31 December at an additional fee of £2000.

Last year we recommended that the Council should continue to prioritise staff training and quality control in the Revenues and Benefits team to reduce the number of errors in the benefits claim. While the number of errors found has fallen our testing and the testing carried out by benefits staff has continued to find a large number of errors in the misclassification of over payments and cases where benefit had been assessed incorrectly. The volume of errors has a significant impact on the Council both in terms of

the potential claw back from the DWP and on the service provided to claimants. The Council should revisit the actions that it has already taken to reduce errors in benefit assessment and classification and where necessary strengthen the quality control processes that have been implemented. .

Deadlines for submission of certified claims and returns were met. However the benefits claim originally submitted for certification work by the deadline of 30<sup>th</sup> April had to be amended before certification work on the claim could start. Problems with the CIVICA software meant that detailed cell listings which agreed to the claim could not be provided to enable us to select our samples for testing. A revised claim was submitted for certification on 31 July 2012.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting scheduled on 7<sup>th</sup> January 2013.

Yours faithfully  
For and on behalf of Ernst & Young LLP

Mick West Director  
Ernst & Young LLP  
United Kingdom  
Enc.



## Contents

<b>1. Summary of 2011/12 certification work.....</b>	<b>1</b>
<b>2. Qualifications in respect of 2011/12 certification work .....</b>	<b>3</b>
<b>3. Progress on previous auditor recommendations .....</b>	<b>5</b>
<b>Appendix A Certification Fees .....</b>	<b>7</b>

## 1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing Benefit and Council Tax Benefit scheme	BEN01	75,050,841	Q A	Where results of the testing allowed us to conclude that an adjustment to a cell would result in it being fairly stated the claim was amended. The amendments increased the amount payable to the Council by £14,165  In accordance with the methodology agreed between the Department of Works and Pensions (DWP) and the Audit Commission the errors found in our testing and the 40+ testing carried out by the Council have been extrapolated and reported in a qualification letter to DWP. The Council is carrying out additional testing on these cells to try and reduce the extrapolated errors as the DWP will seek to claw back subsidy paid to the Council based on these extrapolations.
Teachers Pensions	PEN05	13,432,007	Q A	
HRA Subsidy	HOU01	9,831,364	-	
National non-domestic rates return	LA01	72,387,918	-	

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Pooling of housing capital receipts	CFB06	941,118	-
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## 2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim/return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2011/12 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan
Teachers Pensions	<p>As noted in the previous year, there were weaknesses in the arrangements to ensure the completeness and accuracy of information provided to the Council by other payroll providers during 2011/12.</p> <p>No adjustments have been made to the claim in respect of this matter.</p>	<p>The Council drew up an action plan to address the issues raised in the 2010/11 qualification letter and new checks and procedures have been put in place from March 2012. This should ensure that adequate arrangements are in place for 2012/13.</p>
Housing Benefit and Council Tax Benefit	<p>Due to the number of errors found in previous years a large volume of additional testing was required. In addition to our testing of 20 cases in each of the three headline cells for rent rebates, rent allowances and council tax benefit, your officers carried out additional testing of 40 cases (40+ testing) for each cell where errors were found last year (18 cells) and where errors have been found in this year's initial testing. Therefore there were 19 cells on which 40+ testing was required (21 cells in 2010/11).</p> <p>Errors were found in the initial testing and in each of the 19 cells that were subject to 40+ testing. We are required to report the nature of the errors found and</p>	<p>As noted above the Council is carrying out additional testing to try and reduce the extrapolated errors reported to DWP.</p>

extrapolate the value across the cell population. The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit paid.

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### 3. Progress on previous auditor recommendations

This section summarises the progress made in implementing recommendations made in the previous year arising from certification work.

Agreed action	Deadline	Current status
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.	Implemented	All benefits staff have received training and supporting training documents in respect of specific areas of claim processing. The Council has introduced extensive internal quality control measures to address the issues arising from the 2010/11 claim, however these new measure will not have been in place for the first half of the year.
Strengthen the arrangements in place to ensure that adequate supporting documentation is retained to support the expenditure included in grant claims	01/04/12	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. The Financial Control is now responsible for ensuring that any estimated figures have a reasonable basis for calculation.
Ensure that authorising officers are reminded of the importance of agreeing CHAPS payments to supporting payroll reports prior to authorisation.	01/04/12	A reminder that it is essential that documentation which fully supports the amount of funds requested for any CHAPS payment is essential before authorisation has been sent to all CHAPS authorisers.
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.	01/04/12	As noted in section 2 above the Council drew up an action plan to address the issues raised in the 2010/11 qualification letter and new checks and procedures have been put in place from March 2012. This should ensure that adequate arrangements are in place for 2012/13. Where payroll reports are received from external providers a quality assurance (QA) process has been put in place to review the information provided against standard percentages. Any data that fails the QA checks will be queried with the supplier.

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

Implemented

Checks have been put in place to review claims at various levels in the organisation prior to submission to grant authorities and subsequently for certification.

## Appendix A Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Comments
Housing Benefit and Council Tax Benefit scheme	76,765	61,751	The 2011/12 fee includes £9,400 in respect of 2010/11 follow up work.
Teachers Pensions	8,323	8,283	none
HRA Subsidy	1,614	1,091	none
National Non-domestic Rates return	1,546	3,477	Decrease in fee because reliance placed on control environment this year.
Pooling of Housing Capital Receipts return	958	901	none
Sure Start claim	0	3,545	No requirement to certify in 2011/12
Housing Finance Base Data return	0	2,751	No requirement to certify in 2011/12



Certification Fees

Disabled Facilities Grant	0	1,545	No requirement to certify in 2011/12
Single Programme (EEDA) Grant	0	901	No requirement to certify in 2011/12.
<b>Total</b>	<b>89,206</b>	<b>84,245</b>	

The indicative fee for claims work in 2011/12, as set out in the Audit Commission's fee letter issued in April 2011, was £85,232. We have agreed with the Chief Finance Officer that the additional work required on the 2010/11 Housing Benefits and Council tax claim will be funded, where possible, from the indicative fees for 2011/12 certification work which had included estimated fees for work on Sure Start and the other claims noted above that did not require certifying this year.

Ernst & Young LLP

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Richard Carr  
Chief Executive  
Central Bedfordshire Council  
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Bedfordshire SG17 5TQ

13<sup>th</sup> December 2012

Ref: 27504922 2012-13

Direct line: 020 7951 2000

Email: MWest@uk.ey.com

Dear Richard

## **Annual Audit Fee 2012/13**

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Central Bedfordshire Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

### **Indicative audit fee**

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.

	Indicative fee 2012/13 £	Planned fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	184,885	308,142	342,380

### Certification work

As well as audit work under the Code, appointed auditors, as agents of the Commission, must certify grant claims and returns.

For 2012/13, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee for certification work at individual audited bodies is published on the Audit Commission website. The indicative fee is based on actual certification fees for 2010/11 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction. This is based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

The indicative fee for certification work is set out in the following table.

	Indicative fee 2012/13 £	Planned fee 2011/12 £	Actual fee 2010/11 £
Certification of claims and returns	45,350	85,253	84,246

The indicative fee for 2012/13 relates to the certification of grant claims and returns for the year ended 31 March 2013.

The planned fee for 2011/12 covers claims and returns for the year ended 31 March 2012 and £9,400 for additional work on the 2010/11 housing and council tax benefits claim carried out in October 2012.

The 2010/11 actual fee covers claims and returns for the year ended 31 March 2011 excluding the additional benefits work.

We find and report a high number of errors in benefits claims. The Department for Work and Pensions has raised further queries on the 2010/11 claim and is likely to raise queries on the 2011/12 claim. We anticipate there will be variations to the indicative fee for 2012/13 to cover the additional certification work required.

We also need to assess your arrangements for administering benefits which may require an additional Code audit fee.

### Additional Non-Code work

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

## Audit plan

Our audit plan for the audit of the financial statements will be issued in March 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion including further work on your arrangements for administering benefits. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Billing

The indicative audit and certification fees will be billed in 4 instalments of £57,559.

## Audit team

The key members of the audit team for 2012/13 are:

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Mick West  
**Director**

[MWest@uk.ey.com](mailto:MWest@uk.ey.com)

Tel: 01582 643000

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Cathy O'Carroll  
**Manager**

[lcocarroll@uk.ey.com](mailto:lcocarroll@uk.ey.com)

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully

Mick West  
Director  
Ernst & Young LLP  
United Kingdom

cc. Charles Warboys, Chief Finance Officer  
Councillor David Bowater, Chairman of the Audit Committee

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# GPS assurance

Local Government Sector

## Audit committee briefing First issue introduction

### Contents at a glance

#### Introduction

Ernst & Young releases its first briefing for Audit Committees

#### Government Policy and consultations

Draft Local Audit Bill

Local Transparency

Dismissal of officers in key posts

#### Regulation and Inspection

VFM profiles tool

Whole of government accounts

Protecting the public purse

CQC

OFSTED

#### Local Government

Finance

LGPS

Public health

On 1 November 2012, and as part of the wider abolition of the Audit Commission, Audit Practice staff transferred to Ernst & Young, already an established professional service provider to Government and the Public sector.

The transferred public sector audit specialists now form part of Ernst & Young's national Government and Public Sector (GPS) team and their audit expertise is now supported by a rich breadth of wider support services and professional resources.

We recognise the value in strong local relationships alongside our corporate aim of delivering quality in everything we do and so are looking forward to continuing to support our local clients. The provision of regular briefings to our client Audit Committees on issues which may have an impact upon them, the wider public sector and the audits that we undertake is one of the ways that we hope you will find useful in an environment that is constantly changing and evolving.

We hope that you find this briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



## Local Government Sector

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### Government policy

#### Draft Local Audit Bill

On 24 October the Department for Communities and Local Government (DCLG) published the Draft Local Audit Bill: Summary of consultation responses. The document summarises the one hundred and sixty-two responses received to DCLG's consultation on the Draft Local Audit Bill.

The Draft Local Audit Bill ad-hoc Committee has published the uncorrected transcripts from the evidence sessions on 30 October and 6 November. Evidence sessions are continuing and will include representatives from firms, ACCA, CIPFA and the Financial Reporting Council.

#### Improving Local Government Transparency

Following publication of The Code of Recommended Practice for Local Authorities on Data Transparency, the DCLG is consulting on regulations to require local authorities to publish data in accordance with the Code. The regulations will require local authorities to publish specified data within the Code and also to publish the information in the manner and form specified by the Code.

The consultation closes on 20 December 2012. More information is available here <https://www.gov.uk/government/consultations/improving-local-government-transparency>

#### Dismissal of council chief executives and finance directors

Regulation 7 of The Local Authorities (Standing Orders) (England) Regulations 2001 requires an authority to appoint a 'designated independent person' to investigate proposals for disciplinary action against the chief executive, monitoring officer or chief finance officer because of misconduct, disciplinary issues or poor performance. Where appointed, the authority must pay 'reasonable remuneration' to the designated independent person.

On 9 November the Secretary of State for Communities and Local Government announced his intention to remove the requirement for councils to appoint a designated independent person. Instead the Department for Communities and Local Government (DCLG) proposes that a decision by full council is sufficient in such cases.

The DCLG plans to consult on the proposed changes to the regulations before they are made in Parliament.





## Regulation and inspection

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### **VFM profiles tool**

The Audit Commission has published a redeveloped version of its VFM profiles tool, using a new software platform. The new profiles closely resemble the previous version, although users may note some formatting changes.

The councils' version of the profiles tool has been updated with 2012/13 planned expenditure data. This data comes from the revenue account data published by DCLG in July. Much of the other spending data in the VFM profiles is still based on the 2010/11 revenue outturn data. The Audit Commission expects to update the VFM profiles with the 2011/12 expenditure outturn data for local government and fire and rescue authorities in January 2013.

The VFM profile tool is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

### **Whole of Government Accounts – 2010/11 audited accounts published**

On 31 October HM Treasury published the audited Whole of Government Accounts (WGA) for the year ended 31 March 2011. The National Audit Office (NAO) has issued a qualified opinion on the accounts, highlighting a number of limitations with the WGA.

As in 2009/10 the NAO has again raised the following key issues with the WGA:

- ▶ **Definition and application of the account boundary** – although the Bank of England has been included in the 2010/11 WGA, publicly owned banks and Network Rail which, in the opinion of the Comptroller and Auditor General, are owned and controlled by government, continue to be excluded.
- ▶ **Valuation of local authority infrastructure assets** – the NAO has also qualified the accounts due to the inconsistent application of accounting policies such as the valuation basis for infrastructure assets. Infrastructure assets are currently held by local government bodies at historic cost, whereas those held by central government bodies are valued at depreciated replacement cost.
- ▶ **Lack of evidence supporting the completeness of the elimination of intra-government transactions and balances** – the NAO has identified a continuing issue with the completeness of intra-government transactions and also mismatches between the amounts reported.

Additionally for 2010/11, the NAO has qualified the WGA due to a lack of evidence supporting the completeness and valuation of schools' assets, in particular the omission of some local authority maintained schools and academies from the WGA.

CIPFA/LASAAC set out a proposed way forward on accounting for schools assets and transport infrastructure assets in its recent consultation on the 2012/13 Code update and 2013/14 Code.

The proposals for schools were based on the initial conclusions of the CIPFA/LASAAC Working Party – Accounting for Schools in Local Government. The proposed approach adapted the single entity financial statements to include the income, expenditure, asset, liabilities, reserves and cash flows of schools' governing bodies within the control of local authorities. The proposal set out that, as local authorities have the power to govern the financial and operating policies of community and community special schools, these categories of school should always be included within the Council's financial statements. For other categories of school it indicated that this change would require careful consideration on a case by case basis of the nature of control exercised by the Council.

Following responses to the consultation no changes are now proposed, although a further review and discussions with the various stakeholders is ongoing.

CIPFA/ LASACC are also separately proposing changes to transport infrastructure assets which will require Councils to account for them on a depreciated replacement cost basis from 2014/15

**Action:** Those Charged With Governance may wish to ask if officers responsible for preparation of the Council's financial statements are aware of the above CIPFA proposals.

### **Protecting the Public Purse 2012 – Audit Commission publication**

On 8 November 2012, the Audit Commission published Protecting the Public Purse 2012 (PPP).

The key message from the Protecting the Public Purse report is that Local Government bodies are targeting their investigative resources more efficiently and effectively. In 2011/12:

- ▶ They detected more than 124,000 cases of fraud, with a value of £179mn
- ▶ The number and value of detected fraud cases are broadly similar to the figures we reported last year, with only a 2 to 3 per cent variation.
- ▶ Housing and council tax benefit frauds accounted for more than half of the total fraud losses detected, to a value of £117mn.
- ▶ They detected nearly £21mn of false claims for council tax discounts.
- ▶ They detected 187 cases of procurement fraud amounting to more than £8mn.

- ▶ Tenancy fraud accounts for the largest losses from fraud in local government. Research shows that:
  - ▶ An estimated 98,000 social housing homes in England are subject to housing tenancy fraud
  - ▶ Councils recovered nearly 1,800 homes from tenancy fraudsters last year, with a total replacement value of nearly £264mn
  - ▶ Most detected tenancy fraud (69 per cent) is in London, even though the capital accounts for only 27 per cent of all council housing in England
  - ▶ Councils outside London increased tenancy fraud detection by more than a quarter, reflecting their increasing commitment to tackle this fraud.
- ▶ Councils' counter-fraud professionals recognise that more needs to be done to tackle emerging fraud risks, including those relating to:
  - ▶ Business rates
  - ▶ Social Fund payments and Local Welfare Assistance
  - ▶ Right to Buy discounts
  - ▶ Local Council Tax Support
  - ▶ Schools
  - ▶ Grants

**Action:** Those Charged With Governance may wish to use the checklist included in the Audit Commission report to review their counter-fraud arrangements.

### **Care Quality Commission (CQC)**

CQC are consulting on a number of proposals:

- ▶ 2013-16 CQC strategy
- ▶ Fee strategy

The second consultation looks at the long-term strategy for the Care Quality Commission's fees and the changes they propose to make to them from 1 April 2013 to 31 March 2014. Both consultations are available here: <http://www.cqc.org.uk/public/sharing-your-experience/consultations>.

### **OFSTED**

OFSTED, the Care Quality Commission, HMI Probation, HMI Prisons, and HMI Crown Prosecution Service Inspectorate are exploring how they can best use their resources and powers as inspectorates to build an effective joint inspection framework to evaluate the multi-agency arrangements for the help and protection of children.

More information is available here: <http://www.ofsted.gov.uk/resources/development-of-joint-inspection-care-quality-commission-of-services-for-looked-after-children-and-ca>



# Local Government

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## Finance

The Government has recently confirmed key policy decisions relating to business rates retention proposals in the recently enacted Finance Act. The Government's Policy statement can be found here: <https://www.gov.uk/government/publications/business-rates-retention-policy-statement>.

## Council Tax and NNDR

CIPFA has published a useful article that explores the changes to council tax and business rates. It highlights that the changes will increase the level of instability in the forecast of resources and the interaction of both with economic growth will increase the associated risks. Local authorities will need to take all of this into account to estimate potential future business rates growth and demand for council tax support.

It suggests five key steps that every local authority should be undertaking now:

### 1. Understand the changes

Keeping up to date involves accessing the right information from the web and having regular conversation with those around you.

### 2. Finance and revenues working closely together

For example, finance teams will want to know the details held regarding business rates appeals in order to place contingencies within the budget.

### 3. Exploration of options

What are the options available for delivery of the scheme, how can savings be made and how can financial risk be minimised through for example, Pooling.

### 4. Modelling

Modelling will be an essential part of the process of decision making allowing organisations to run various simulations of how changes in funding will impact on their income streams.

### 5. Forecasting

The new scheme brings with it not only increased opportunity for rewards but also increased financial risk should forecasts be inaccurate.

## Local Government Pension Scheme

### Local Government Pension Scheme investment regulations

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) require that Local Government Pension Schemes spread funds and risks across a number of different types of investment, and sets limits on the proportion of funds that can be invested in each type of investment.

On 6 November DCLG published its consultation on proposals to amend the Investment Regulations to provide greater flexibility in partnership investments. This would allow pensions schemes greater freedoms to invest in infrastructure projects. Details can be found here: <https://www.gov.uk/government/consultations/local-government-pension-scheme-investment-in-partnerships>.

### Public health

From April 2013 local authorities will have a key role in improving the health of their local population, working in partnership with clinical commissioning groups, and others, through health and wellbeing boards in their localities.

They will be responsible for commissioning and collaborating on a range of public health services and for advising the commissioners of local NHS services.

The Department of Health has published factsheets on health intelligence requirements for local authorities and the actions local areas may wish to take to support their new public health duties from an information and intelligence perspective.

More information is available here: <http://www.dh.gov.uk/health/2012/09/health-intelligence/>

Ernst & Young LLP

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Creative Services Group Design.

ED None

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**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** 2011/12 Annual Audit Letter  
**Report of:** Charles Warboys – Chief Finance Officer  
**Summary:** The report presents the 2011/12 Annual Audit Letter for Central Bedfordshire Council. The document is attached at Appendix A to the report.

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**Advising Officer:** Charles Warboys – Chief Finance Officer  
**Contact Officer:** Ralph Gould – Head of Financial Control  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Council

<b>CORPORATE IMPLICATIONS</b>
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<b>Council Priorities:</b>
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Not Applicable.

<b>Financial:</b>
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- |   |
|---|
| <ol style="list-style-type: none"><li>1. The Annual Audit Letter summarises the 2011/12 audit of Central Bedfordshire Council by the Audit Commission, following approval of the more detailed Annual Governance Report at Audit Committee on 24<sup>th</sup> September 2012.</li></ol> |
|---|

<b>Legal:</b>
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- |  |
|--|
| <ol style="list-style-type: none"><li>2. The Accounts and Audit Regulations 2011 state that the authority is required to consider and publish the Annual Audit Letter.</li></ol> |
|--|

<b>Risk Management:</b>
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- |  |
|--|
| <ol style="list-style-type: none"><li>3. Not Applicable.</li></ol> |
|--|

<b>Staffing (including Trades Unions):</b>
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- |  |
|--|
| <ol style="list-style-type: none"><li>4. Not Applicable.</li></ol> |
|--|

<b>Equalities/Human Rights:</b>
---------------------------------

- |  |
|--|
| <ol style="list-style-type: none"><li>5. Not Applicable.</li></ol> |
|--|

**Public Health**

6. Not Applicable.

**Community Safety:**

7. Not Applicable.

**Sustainability:**

8. Not Applicable.

**Procurement:**

9. Not Applicable.

**RECOMMENDATION:**

**The Committee is asked to consider the 2011/12 Annual Audit Letter and approve its publication on the Council's website.**

**Background**

10. The 2011/12 Annual Audit Letter issued by the Audit Commission summarises audit findings detailed within the Annual Governance Report, approved by Audit Committee on 24th September 2012.
11. The Annual Audit Letter was circulated to Members on 10th October 2012 and is attached at Appendix A.

**Annual Audit Letter 2011/12**

12. As required by the Accounts and Audit Regulations 2011, the Annual Audit Letter is to be separately considered by Audit Committee. The key points within the letter have been considered previously as part of the Annual Governance Report and the letter has been circulated to Members.
13. The Letter was issued by the Audit Commission, who are no longer the Council's appointed auditors and as result the Letter is presented by the Chief Finance Officer. The Council's newly appointed auditors are Ernst & Young LLP.

**Appendices:**

Appendix A – Annual Audit Letter 2011/12

**Background Papers:** (open to public inspection) None

3 October 2012

Members  
Central Bedfordshire Council  
Priory House  
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0844 798 5811

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paul-king@audit-  
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Dear Member

## **Central Bedfordshire Council Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Central Bedfordshire Council.

### **Financial statements**

On 24<sup>th</sup> September 2012 I presented my Annual Governance Report (AGR) to the Audit Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. I will not replicate those findings in this letter.

Following the Audit Committee on 24<sup>th</sup> September 2012 I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources;
- certified completion of the audit.

### **Grant claims and returns**

I have completed my audit of grants claims and returns with the exception of the Teachers Pensions and Housing and Council Tax Benefits returns. I will certify the Teachers Pensions return by the 30 October 2012 and the Housing Benefits return by 30 November 2012. In addition, the Department of Works and Pensions (DWP) have asked both the Council and I to carry out additional work on some of these issues I reported on the 2010/11 Housing Benefit claim so that they can quantify the error or to claw back the benefit paid. I expect this work to be complete by 30 October 2012.

### Closing remarks

I have discussed and agreed this letter with the Chief Executive and Chief Finance Officer. While this has been another challenging year for the Authority I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

This is my final Annual Audit Letter as District Auditor, as the Authority will have a new appointed auditor for 2012/13 following the outcome of the Audit Commission procurement exercise to outsource the work of the Audit Commission's Audit Practice. I should like to take this opportunity to once again thank the Authority and their staff for the professional approach to the audit during the time that I have been the appointed auditor.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul King'.

Paul King  
*District Auditor*



---

**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** Final Accounts Process 2012/13  
**Report of:** Charles Warboys – Chief Finance Officer  
**Summary:** The report summarises key changes in the Statement of Accounts for 2012/13 and reviews internal procedures for producing the Statement of Accounts.

---

**Advising Officer:** Charles Warboys – Chief Finance Officer  
**Contact Officer:** Ralph Gould – Head of Financial Control  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Council

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

**Not Applicable**

**Financial:**

1. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and are therefore required to incorporate any changes to the CIPFA Code on an annual basis.

**Legal:**

2. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2011. The accounts are to be prepared in line with 'proper accounting practice' and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.

**Risk Management:**

3. Not Applicable.

**Staffing (including Trades Unions):**

4. Not Applicable.

**Equalities/Human Rights:**

5. Not Applicable.

**Public Health**

6. Not Applicable.

**Community Safety:**

7. Not Applicable.

**Sustainability:**

8. Not Applicable.

**Procurement:**

9. Not Applicable.

**RECOMMENDATIONS:**

**The Committee is asked to:**

- 1. Consider the key changes in the account statements and processes;**
- 2. Approve an interactive presentation as an alternative method of presenting the unaudited accounts to Audit Committee and other Members in June 2013.**

**Background**

10. The Accounts and Audit Regulations 2011 require the Chief Finance Officer of the Local Authority to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the Chief Finance Officer, signed by the Chair of the Audit Committee and published by 30 September each year.
11. Until 2011, it had been a requirement for Local Authorities to obtain Audit Committee approval of the statement of accounts prior to 30 June and the completion of the external audit. This requirement was withdrawn in the 2011 Regulations and this change is reflected in the 2012/13 Code of Practice.
12. Under the same regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code as representing proper accounting practices for this purpose. The CIPFA Code is issued annually in November.
13. An annual Local Authority Accounting Panel (LAAP) bulletin is issued by CIPFA at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts.

14. From 2012/13, CIPFA will also issue mid-year updates to the Code of Practice on an exceptional basis. An update is expected before the end of the financial year to detail accounting updates for the Housing Revenue Account (HRA) following the move to self-financing.

### **CIPFA Code of Practice 2012/13**

15. In comparison to recent years, the overall changes in the 2012/13 Code are minimal and will not require any material restatements in the accounts.
16. The 2012/13 Code encourages Local Authorities to review the Explanatory Foreword to the accounts in line with the Government's Financial Reporting Manual (FRoM). It is not envisaged this would result in significant changes and discretion has been emphasised to meet local requirements.
17. The FRoM requirements as outlined in the CIPFA Code of Practice will be considered when drafting the Explanatory Foreword for 2012/13, as outlined in the Code of Practice.
18. Changes made in the Account and Audit Regulations 2011 have been incorporated into the 2012/13 Code. These include:
  - The Statement on Internal Control (SIC) being replaced by the Annual Governance Statement.
  - Approval requirements for the statement of accounts have been revised and the unaudited accounts no longer require audit committee approval in June.
  - Updated definitions on who constitutes a 'Related Party' of the Local Authority for disclosure in the accounts.
19. Accounting for schools assets and whether these should be on the asset register of Local Authorities is not addressed in the Code. A consultation has been issued by CIPFA in this regard and it is anticipated that guidance will be included in the Code of Practice for 2013/14.
20. The Code includes updates to accounting requirements for the Carbon Reduction Commitment (CRC) scheme. It is anticipated that there will be further information on certain aspects of this scheme outlined in the CIPFA Code update.
21. The Code has clarified a number of areas which have proved problematic for Local Authorities last year, including accounting for grants, joint ventures, loans and advances treated as capital and the disclosure of exit packages.

### **Accounts Process**

22. The Accounts and Audit Regulations 2011 removed the requirement for the unaudited Statement of Accounts to be approved by Audit Committee by 30 June each year. This has now been reflected in the 2012/13 CIPFA Code. The Chief Finance Officer is required to certify the unaudited Statement of Accounts by 30 June each year.

23. Requirement for formal Audit Committee approval was removed to enable Councils to have more time in preparing their statements prior to the audit process. It also recognised that Councils are best placed determine the level and method of scrutiny prior to the audit taking place.
24. The requirement for the Chief Finance Officer to sign off the audited accounts and for Audit Committee to approve the audited accounts before 30 September each year is still in place.
25. In 2011/12 the practice of submitting unaudited accounts to Audit Committee was retained at Central Bedfordshire Council, where the accounts were noted but not formally approved. The statement of accounts were consequently prepared two weeks earlier than their statutory deadline and couriered to Audit Committee Members on 14 June 2012.
26. Following changes to the Regulations and the CIPFA Code, the Council is free to employ techniques to enhance scrutiny of the statements at this stage and to be more imaginative in engaging Members in a way which may be more useful and interesting.
27. It is proposed that instead of formally presenting the draft accounts to Audit Committee in June, a separate presentation open to all Members will be held at the end of June. This will enable direct and wider Member engagement with the accounting statements, explain the technical statements in a meaningful way and focus on the most important messages within the accounts. Members will be able to ask direct questions relating to the accounts on the day.
28. Presenting the accounts in this manner would help to enhance wider scrutiny and understanding of the accounting statements. This change would also maximise the amount of time in June for officers to concentrate on quality assurance work thereby minimising the likelihood of any revisions being required following the external audit process.

**Appendices:**

None

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

None

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**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** Approach to the Development of 2013-2016 Strategic Audit Plan  
**Report of:** Chief Finance Officer  
**Summary:** The purpose of this report is to outline the proposed approach to the development of the 2013-2016 Strategic Audit Plan and to seek the Audit Committee's endorsement to this approach.

---

**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. The outcome of developing and implementing the 2013/14 Annual Audit plan and the Strategic Plan is for the Council to better manage its risk, thereby mitigating the impact from adverse events.

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

4. None directly from this report.

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

5. None directly from this report.

### **Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to endorse the approach for the development of the 2013-16 Strategic Audit Plan.**

**Background**

10. During 2009/10, an Internal Audit Strategy and Three Year Plan were developed for Central Bedfordshire Council, covering the period up to March 2013. These were presented to the Audit Committee in September 2009.
11. Prior to the start of each year, the strategy and audit plan have been revised to reflect changing risks and priorities since the plan was first produced. These revisions have been presented to the Audit Committee for approval.
12. 2012-13 represents the final year of the three year plan, and it is therefore timely to consider the approach to be taken in the development of a strategic audit plan to cover the period April 2013 – March 2016.

**PROPOSED APPROACH**

13. The Head of Internal Audit is required to produce an Annual Internal Audit Opinion and report which can be used by the Council to help inform the Annual Governance Statement. This opinion is currently informed by internal audit work undertaken. The Council is also going through a period of significant change, and the reduction in expenditure in service areas does not necessarily mean a commensurate reduction in risk. In some cases, the risks may increase. However, there is a need to target the available audit resources effectively to provide assurance across the organisation that all key risks are being managed.

14. In developing the Strategic Audit Plan it is therefore proposed to undertake some “assurance mapping”. This may be defined as a means of reviewing each key risk and mapping audit coverage against any other available sources of assurance such as independent external reviews. Where other sources of assurance exist, it may be possible to rely upon these and to reduce or eliminate further internal audit work. The aim is to ensure there is a comprehensive risk and assurance process, with no duplicated effort or potential gaps. Appendix A sets out a definition of assurance and a more detailed list of possible sources of assurance.
15. To achieve this, it is proposed to develop and document an assurance model, which will be a record of assurances against critical activities and risks. It is intended to initially focus on the Council’s strategic risks and any key directorate/Medium Term Plan risks.
16. The benefits of this approach will be to:
  - give the Council the opportunity to determine if adequate and reliable assurance is planned and being delivered for key risk areas
  - be a key source of information to help develop and inform the Annual Governance Statement
  - streamline and avoid duplication of effort where assurance can be drawn from a third party or other source.
  - help develop the Internal Audit Plan by identifying where more independent assurance is required
  - support the work of the Audit Committee
  - enable the Head of Internal Audit to produce an informed Annual Audit Opinion.
17. The documented assurance map should provide a transparent overview of the assurance framework supporting the Council’s key strategic risks and will be maintained and refreshed as part of the strategic risk review process.
18. In order to develop the plan it will be necessary to engage with staff across Directorates, including Directors and Risk Co-ordinators with the objective of:
  - Considering strategic risks and key directorate risks and identifying current sources of assurance
  - Considering assurance gaps and whether Internal Audit can provide the required assurance
  - Identifying whether there are any other key service areas that require audit assurance
  - Considering key programmes and projects
  - Considering fraud risks and where pro active fraud work could be targeted
  - Other emerging risksMeetings to secure these objectives are currently in progress.
19. The proposed methodology has been discussed with the External Audit Manager who is supportive of the approach. It also has the support of the Council’s senior management.
20. An illustrative example of how an Assurance Map may be presented is set out at Appendix B.

### **Conclusion and Next Steps**

21. A draft strategic plan will be produced for initial consideration by senior managers. It is proposed to present the finalised plan to the Audit Committee in April 2013.
22. Whilst a detailed audit plan will be developed for 2013/14, the specific audit work to be carried out for future years of the strategic plan will be agreed when the audit reviews are scoped. The strategic plan will also be reviewed and revised periodically to reflect any changes to the Council's risks and priorities.

### **Appendices:**

Appendix A – Definition of assurance and examples of possible sources of assurance.

Appendix B – Illustrative example of Assurance Map

**Background Papers:** None

**Location of papers:** N/A



**Appendix A**

**Assurance Mapping**

Questions aimed at identifying assurance

**What is assurance?** – “A critical review that gives us a reasonable level of confidence on service delivery arrangements, management of controls, and/or performance.”

**First Level of Assurance – Management controls (Service/directorate level):**

This could include:

- Policies and Procedures
- Processes and Controls
- Management actions to ensure compliance
- Governance arrangements
- Risk Registers/issues logs

**Second Level of Assurance - Corporate Functions and Third parties**

This could include;

- Regulatory Authorities/inspections e.g. OFSTED
- Assurance functions of the Council e.g.
  - Audit Committee
  - Scrutiny Committees
  - Health and Safety audits
  - Assurance from Legal
  - Assurance from Procurement
- External audit
- Statistical returns e.g. RO forms, single data set returns
- Benchmarking
- External scrutiny of grant or other claims/assessments
- Professional organisation updates e.g. LGA
- Networking Groups

**Third Level of Assurance – Independent Internal Audit**

- Assurance on service delivery arrangements
- Assurance on management of risks
- Advice on design and operation of controls
- Assurance on performance.

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Risk Ref	Risk Owner	Risk Manager	Description	Management Assurance	Corporate Functions and Third Party Assurance	Internal Audit	Gaps	Comments
STR0001	Charles.Warboys	Charles.Warboys	<p>Financial pressures due to Central Government cuts, or loss of grant or other funding (e.g Council Tax Support, NNDR, New Homes Bonus).</p> <p>CBC has to identify: - £11m worth of savings in 2012/13. However, we may not be able to achieve a breakeven budget.</p>	<p>Monthly budget review process</p> <p>Ensure build up of reserves to act as a short term buffer.- Budget monitoring through SAP</p>	<p>External Audit vfm conclusion</p> <p>External Audit Grant certification work</p> <p>Networking Groups</p> <p>Updates from professional groups e.g LGA</p> <p>Monthly meetings of EIG (Efficiencies Implementation Group) to review progress of proposed savings</p> <p>Statutory responsibility to ensure appropriate levels of reserves maintained.</p> <p>Budget setting process.</p> <p>Quarterly Scrutiny Reports.</p>	<p>Internal Audit Managed Audit reviews.</p> <p>Targeted Internal Audit reviews e.g Budget Management audit</p>	None identified	
STR0002	Julie Ogley	Julie Ogley	<p>Adult Social Care: There is a risk that we fail to improve Adult Social Care performance and fail to improve safeguarding practice.</p>	<p>Case file audit of all investigations</p> <p>Safeguarding policies and procedures in place</p> <p>Monthly Performance Board with DMT.</p> <p>Monthly Performance briefing with Members.</p> <p>Directorate risk register ( reviewed regularly)</p>	<p>Safeguarding Board in place.</p> <p>Development and implementation of improvement plan from peer review.</p> <p>Quarterly Scrutiny Reports.</p> <p>Statistical returns</p> <p>Benchmarking: - Performance -Benchmarking Clubs Peer reviews</p> <p>LGA "Towards Excellence in Adult Social Care" Board.</p> <p>Networking Groups</p> <p>Association of Directors of Adult Social Care (ADAS)</p> <p>Care Quality Commission (CQC)</p> <p>Programme Board Governance.</p>	<p>Internal Audit establishment reviews</p> <p>Targeted Internal Audit reviews e.g. Domiciliary Care Contract Audit</p>	None identified	

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**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** Internal Audit Progress Report  
**Report of:** Charles Warboys, Chief Finance Officer  
**Summary:** This report provides a progress update on the status of Internal Audit work for 2012/13.

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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. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

### **Legal:**

2. None directly from this report.

### **Risk Management:**

3. No risk management implications come directly from this report but 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.

### **Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to:**

1. **Consider and comment on the contents of the report.**
2. **Approve the revisions to the Audit Plan.**

**Background**

10. 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.
11. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
12. The Audit Committee approved the 2012/13 Audit Plan in April 2012. This report provides an update on progress made against the plan up to the end of November 2012.

**Updated Audit Plan**

13. Some further revisions have been made to the 2012/13 audit plan since the last Committee. It has been agreed with the Head of Information Assets and the Project Director that the planned audits of Information Security ( hosted services) and SAP Access and Authorisations are no longer required in the current year, and that internal audit work will focus on IT Governance, SAP Access and Security ( including IT DR) and ICT Contract Management.
14. The audit work programme for Social Care Health and Housing has also been revised, following discussions with Assistant Directors. The planned audit of Financial Management has been deferred to next year and replaced by two additional audits, covering the Village Care Scheme and the Association of Directors of Social Services (ADASS) workbook. These were two areas that it was considered would benefit from an Internal Audit review.

15. Internal Audit will continue to review and reassess risks and will bring any further revisions to the Audit Committee for approval.

### **Progress on the 2012/13 Internal Audit Plan**

#### **Managed Audits**

16. Work is progressing on the 2011/12 Managed audit reviews and the progress made to date is summarised in Appendix A.
17. The primary focus of the work undertaken to date has been to document the systems in detail, identifying the key controls and undertaking walkthrough testing to confirm whether the key controls identified are operating effectively. Where appropriate, substantive testing has been undertaken covering the period April – October (Phase 1 testing) and further testing will be undertaken to cover the complete financial year (Phase 2 testing).
18. Recognising the need to communicate initial findings Phase 1 draft reports have been produced for a number of the reviews setting out draft recommendations and provisional audit opinions. The outcomes of these reports are also set out in Appendix A. It is important to recognise that the opinions given are provisional, based upon audit testing undertaken to date. The opinions may be revised once substantive testing for the whole year has been undertaken.
19. In addition to the draft reports, the Phase 1 reviews for Council tax and National Non Domestic Rates (NNDR) have been finalised. The opinion given to both these reviews is full assurance, as there were no significant issues identified and the key recommendations made in previous years have now been implemented.
20. The Managed Audit work is continuing and any further progress will be reported verbally at the Audit Committee Meeting.

#### **Other Audit Work**

21. In addition to work on managed audits, work has been finalised on the following reviews:  
Children's Services Out of Authority Placements (Adequate)  
Leighton Buzzard Theatre Follow Up (Satisfactory Progress)  
Petty Cash Imprests Pro Active Anti Fraud review (due to the nature of the review, no opinion was given).
22. Internal Audit continues to be engaged in several projects in order to provide advice and guidance on the control environment during project implementation. These projects include SAP optimisation, SWIFT Disaggregation, the Local Welfare Provision Project, and the Payment Card Industry Security Card Spend Scheme (PCIDSS).
23. 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)**

24. We continue to complete work around the National Fraud Initiative (NFI). The required data sets have now been submitted to the Audit Commission and work will commence on analysing resulting matches once they are made available in January 2013.

### **Fraud and Special Investigations**

25. One investigation has been concluded since the last Committee, and this is outlined at Appendix B. There is one investigation underway.
26. We are continuing to review the National Fraud Authority's (NFA) Fighting Fraud Locally campaign, aimed at improving the prevention, detection and recovery of losses in relation to public sector fraud. The outcome of this will help inform the strategic audit plan.

### **Schools**

27. The rolling programme of school audit visits has continued. To date this year 9 school reports have been finalised and a further 5 draft reports have been issued.

### **Performance Management**

28. 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.



29. **Activities for 1<sup>st</sup> April 2012 – 30<sup>th</sup> November 2012**

KPI	Definition	Current Year		Previous Year		Annual target
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	70%	52%	62%	52%	80%
KPI02	Percentage of the number of planned reviews completed.	48%	45%	44%	45%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	60%	80%	63%	80%	80%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	84%	80%	56%	80%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	80%	80%
KPI06	Overall customer satisfaction.	95%	80%	82%	80%	80%

30. Analysis of indicators:

KPI01 – As at the end of November Internal Audit has delivered a total of 913 productive audit days against a total of 1,300 planned days for the year. This is above the target of 52%. Performance earlier in the year had been affected by staff secondments but significant progress has been made since September in delivering the plan. This indicator reflects the use of an audit contractor to deliver three of the audits in the plan. It is anticipated that overall the target of 80% delivery of the plan will be achieved by the year end.

KPI02 – This KPI measures final reports issued to date. 48% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is slightly above target.

KPI03 – 60% of planned reviews have been completed within the planned time budgets. This is below target. 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. It should be noted that the budgeted days allocated to an audit are estimates and the actual time required may vary depending upon the complexity of the review.

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 November 84% of draft reports were responded to within the target set. This represents a significant improvement over last year, and demonstrates that prompt responses have been received to the majority of the managed audit reports issued since April 2012.

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 – Due to staff secondments there was a delay in sending out questionnaires earlier in the year. A total of 19 surveys have been sent out. 6 responses have been received to date. The responses received have been positive.

### **Conclusion and Next Steps**

31. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, both through audit assurance work and, increasingly, through advising on new controls at the design stage for new systems. Work is progressing on the delivery of the agreed plan by the year end.
32. An update on audit progress will be presented to the next Audit Committee.

**Appendices:**

Appendix A – Progress on Audit Activity

Appendix B – Summary of Investigation completed

**Background Papers:** None

**Location of papers:** N/A

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2012/13 Internal Audit  
Plan

Appendix A

Summary of Progress as at end November 2012.

<u>Audit Title</u>	2012/13	Position as at end November 2012	Opinion
	Days		* indicates draft opinion
<b>Managed Audits (Key Financial Systems)</b>			
Accounts Payable/Purchase Ledger	30	Draft P1 report issued	Adequate*
Accounts Receivable/Sales Ledger	30	Draft P1 report issued	Adequate*
Asset Management (incl. Asset Register)/Capital Accounting	30	Work in progress.	
Council Tax	40	Final P1 report issued	Full
Housing Benefits	45	Draft P1 report issued	Adequate*
Main Accounting Systems (MAS)	25	Draft P1 report issued	Adequate*
National Non Domestic Rates NNDR	40	Final P1 report issued	Full
Payroll	40	Draft P1 report issued	Limited*
SWIFT Financials	15	Scoping in progress	
Framework i (Children's Services Case Management System)	15	Deferred to 2013/14	
Treasury Management	25	Draft P1 report issued	Adequate*
Housing Rents	25	Draft P1 report issued	Adequate*
Cash And Banking (Income)	20	Draft P1 report issued	Adequate*
<b>Assurance Audits - Corporate Services</b>			
Partnership Agreements and Joint Working	20	Work in progress	
Performance Management (i.e. Data Quality Management & BVPIs)	20	Not yet started	
Major Projects	20	Ongoing support provided to a number of projects including SAP Optimisation, SWIFT Disaggregation, Welfare Reforms, and Payment Card Industry Data Security Spend Scheme (PCIDSS)	
<b>Assurance Audits - Children's' Services</b>			
Safeguarding Vulnerable Children	20	Deferred until 2013/14	
Commissioning/Out of Authority	20	Final report issued.	Adequate
Schools General - School Improvement	120	To date in 2012-13, 9 reports have been finalised and another 5 issued at draft stage.	
<b>Assurance Audits - Social Care, Health and Housing</b>			
Personalisation/individual Budgets	20	Not yet started	
Commissioning/Contracting	20	Work in progress	
Local Management of establishments (including Day Centres)	20	1 visit completed. 3 further visits planned.	
Financial Management	20	No longer required in 12/13. Substituted by ADASS And Village Care Scheme audit.	
Village Care Scheme		Work in Progress	
Association of Directors of Adult Social Services (ADASS) workbook - self assessment model for care providers		Work in Progress	
<b>Assurance Audits - Sustainable Communities</b>			
Carbon Reduction Commitment (Sustainability)	15	Deferred to 2013/14. Substituted by Leighton Buzzard Theatre Follow Up audit.	
Leighton Buzzard Theatre Follow Up		Final report issued.	Satisfactory progress.

2012/13 Internal Audit  
Plan

Appendix A

Summary of Progress as at end November 2012.

<u>Audit Title</u>	2012/13	Position as at end November 2012	Opinion
	<b>Days</b>		* indicates draft opinion
<b>Assurance Audits - Governance</b>			
Ethical Governance	5	Not yet started	
<b>Assurance Audits - Contracts and Partnerships</b>			
Service Level Agreements - Follow up	15	In progress	
Contracts Management	20	Not yet started	
<b>Assurance Audits - ICT</b>			
Information Security (hosted services)	0	IT audit programme reviewed and this audit no longer required. IT Contract management substituted.	
SAP Access & Authorisations	0	As above.	
IT Governance	15	Not started	
SAP Access and Security (incl IT DR)	15	Currently being scoped	
IT Contract Management	20	Currently being scoped	
<b>Special Investigations</b>			
National Fraud Initiative (NFI)	40	Ongoing. Required data sets provided to Audit Commission.	
Special Investigations	80	Ongoing. One investigation finalised since last committee..	
Pro Active Anti Fraud - Petty Cash Imprests	10	Final report issued	n/a
Pro Active Anti Fraud - Cash income	10	Draft report issued.	n/a
<b>Ad Hoc Consultancy etc.</b>			
Annual Governance Statement	5	Work concluded on 11/12 statement.	
Audit of Individual Grants	40	Work on 2 grant claims finalised. Work in progress on 3 further claims. The grants' management monitoring process is also being considered.	
General Advice	20	Ongoing	n/a
Contingency	92	Used to support major projects, work on Fighting Fraud Locally, and Fraud Benchmarking Work	
Professional Groups	12	Ongoing	n/a
Head of Audit Chargeable Against Plan	58	Ongoing	n/a
Risk Management Activities	18	Ongoing	n/a
Benchmarking Exercise	5	Completed	n/a

2012/13 Internal Audit  
Plan

Appendix A

Summary of Progress as at end November 2012.

<u>Audit Title</u>	2012/13	Position as at end November 2012	Opinion
	<b>Days</b>		* indicates draft opinion
<b>Completion of reviews in progress as at 31st March:</b>	130		
Accounts Payable 2011-12 Phase 2		Final report issued	Adequate
Accounts Receivable 2011-12 Phase 2		Final report issued	Adequate
Asset Management 2011-12 Phase 2		Final report issued	Adequate
Cash and Banking 2011-12 Phase 2		Final report issued	Full
Council Tax 2011-12 Phase 2		Final report issued	Adequate
Housing and Council Tax Benefits 2011-12 Phase 2		Final report issued	Adequate
Housing Rents 2011-12 Phase 2		Final report issued	Adequate
Main Accounting System 2011-12 Phase 2		Final report issued	Adequate
NNDR 2011-12 Phase 2		Final report issued	Adequate
Payroll 2011-12 Phase 2		Final report issued	Limited
SAP Access and Security 2011-12		Final report issued	Adequate
SWIFT Financials 2011-12		Final report issued	Limited
IT Disaster Recovery 2011-12		Final report issued	Limited
Budget Management		Final report issued	Adequate
Assurance on Client Charging		Final draft issued	Adequate*
Local Mgmt of Establishments: Domiciliary Care Units		Work in progress	
Contract Management		Final report issued	Limited
Proactive Fraud: Appendix E Payments		Final draft issued	N/A
Derwent Lower School		Final report issued	Limited
Downside Lower School		Final report issued	Limited
Ivel Valley School		Final report issued	Adequate
Kensworth Lower School		Final report issued	Adequate
Linslade Lower School		Final report issued	Adequate
Oakbank School		Final report issued	Limited
Linsell House		Final report issued	Adequate
Section 106 Follow Up		Final report issued	Satisfactory progress
<b>TOTAL CHARGEABLE DAYS REQUIRED</b>	<b>1300</b>		

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**Appendix B**

<b>SPECIAL INVESTIGATIONS ARISING AND COMPLETED SINCE LAST COMMITTEE</b>				
	<b>Directorate/Area</b>	<b>Potential financial value/risk</b>	<b>Brief Details of Case</b>	<b>Outcome</b>
1.	Social Care, Health and Housing	Low	Concerns were raised over the procurement processes for consultancy work.	A formal disciplinary hearing resulted in an officer receiving a written warning. The supplier had over invoiced the Council by approximately £9,500 and this is in the process of being recovered. The supplier is no longer used by the Council.

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**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** Risk Update Report  
**Report of:** Charles Warboys, Chief Finance Officer  
**Summary:** The purpose of this report is to give an overview of the Council's risk position as at November 2012.

---

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.

**Public Health:**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to consider and comment on the contents of the report.**

**Background**

10. 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 in April 2012 the Audit Committee agreed and endorsed the Council's 2012/13 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.
11. The purpose of this report is to give an overview of the Council's risk position as at November 2012.

**Strategic Risks**

12. The Strategic Risk register has been reviewed and updated in consultation with the Directorate Risk Co-ordinators.
13. The November risk report is contained at Appendix A. The report contains 16 strategic risks.
14. There are 12 strategic risks with a residual risk score of 9 or more. A score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.
15. The risks have been reconsidered. In most cases the risk scores have not changed and most of the revisions relate to either the description of the risk, or updating the mitigating actions. The key revisions are set out below.

16. The wording of the Growth Strategic risk (STR0003) has been updated to reflect the Executive sign off of the pre submission Development Strategy in November 2012, and the further planned actions have been updated to record the planned publication of the strategy and the submission to the Secretary of State. There have been no changes to the residual risk score.
17. The Waste Strategic risk (STR0005) has been updated to reflect the current position with regard to the BEaR Project procurement process and also the residual and recycling waste contracts that are now in place. The food waste contracts are out to tender. Further planned actions in relation to the BEaR project tender have also been recorded. There have been no changes to the residual risk score.
18. The target risk score for the Health and Safety Strategic risk (STR0006) has been revised from 6 to 8. This reflects a target likelihood of 2 and impact of 4.
19. The Partnership risk (STR0009) has been updated by the Head of Partnerships and Community Engagement to reflect that a comprehensive partnership mapping exercise has been undertaken.
20. The strategic risk relating to Protecting Children (STR0010) has been reviewed. The description has been revised and is now recorded as “A failure to work to access sufficient resources to respond quickly enough to rapid changes or a failure to implement new child protection procedures, and update guidance and share good practice”. The risk of legal action has been added to the potential consequences. The mitigating actions have also been amended to reflect readiness to respond to the new Ofsted inspection framework, adoption and fostering reforms, and the Special Educational Needs (SEN) green paper and legislation. The residual risk score has increased. The impact has risen from 3 to 4. The likelihood remains 3, resulting in a residual risk score of 12. The target score has been revised from 4 to 8. Further planned actions to mitigate this risk have been recorded, and include the appointment of a permanent Assistant Director for Operations.
21. The Localism Strategic risk (STR0015) has also been updated to reflect that a process for the Community Right to Bid has now been developed. The residual risk score remain unchanged.
22. The description of the Project Management Strategic risk (STR0018) has been amended to reflect that the risk relates to the application of robust project assurance and robust management arrangements, rather than the lack of the existence of such arrangements. The further action column has been updated to reflect the current activities of the task and finish group developing a consistent project management approach.
23. There are no revisions to the remaining strategic risks.
24. The risk with the highest residual exposure remains as STR0016 – ICT – SAN Replication Environment Disconnects. The residual score is 16. This risk is linked to the audit recommendation relating to SAP Access and Security (Including IT DR) which is reported within Appendix 3 of the Tracking of Internal Audit Recommendations Report elsewhere on this agenda.

25. Work is still in progress to develop a new strategic risk on Protecting Vulnerable Adults.
26. When preparing the audit plan for the current year, consideration was given to the Strategic Risk Register and, where appropriate, audit work has focused on these risks. For example, the IT Disaster Recovery (DR) audit, Managed Audits, and audits of contract management. Internal Audit is also involved in providing assurance on some major projects.
27. As reported elsewhere on the agenda, an exercise is currently underway to develop and document an assurance map in order to provide a transparent overview of the assurance framework supporting the Council's key strategic risks. This will help inform the Strategic Audit Plan.

### **Operational Risks**

28. The risk report 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.
29. The dashboard has listed the 11 operational risks with a risk score of 15 or above.
30. The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme (RES060008).
31. The top operational risks include 2 risks relating to Procurement – RES020006 and RES0005. These together with the Procurement Strategic risk (STR0007) are linked to the audit recommendation relating to the documentation of contract procedures, which is reported within Appendix 4 of the Tracking of Internal Audit Recommendations Report elsewhere on this agenda.
32. Work is planned to further develop the People and Organisation operational risk registers in the new year.

### **Conclusion and Next Steps**

33. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the next Audit Committee.

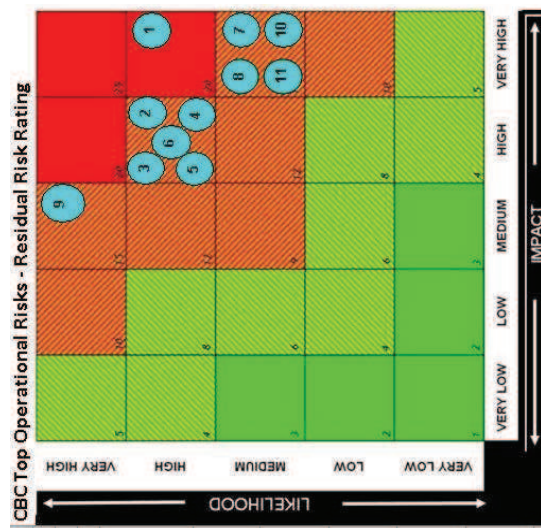
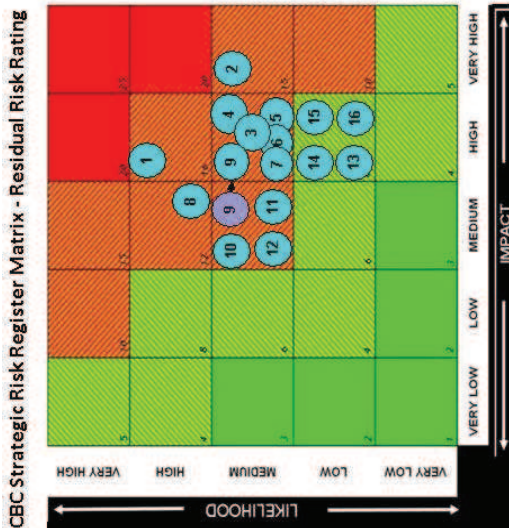
### **Appendices:**

Appendix A –November Risk Summary Dashboard

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

None

**Location of papers:** N/A



Reference	Nature of Risk	2014/12					2012/13							
		Feb	Jun	Aug	Nov	Mar	Feb	Jun	Aug	Nov	Mar			
STR0016	SAN (Storage Area Network) replication environment disconnects.													
STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.													
STR0001	Budget Control Failure: financial pressures due to cuts to Central Government and CBC identifying savings.													
STR0003	Growth: managing the delivery of planned growth targets.													
STR0006	Health & Safety: a risk that failure of Members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.													
STR0007	Failure in competition process: inappropriate contract arrangements which fail to deliver service requirements.													
STR0013	Data Management: a risk of failure to implement information governance arrangements.													
STR0018	Lack of application of robust project assurance and robust management arrangements for commissioned projects.													
STR0010	A failure to work to access sufficient resources to respond quickly enough to rapid changes or a failure to implement new child protection procedures, and update guidance and share good practice.													
STR0005	The implications of failing to act on the waste agenda.													
STR0008	Systematic failure of ICT applications.													
STR0015	Localism: responding to the challenges of the Localism Act will require innovation in service delivery and a greater exposure to risk.													
STR0002	Failure to improve Adult Social Care performance and failure to improve safeguarding practice.													
STR0009	Failure of partnerships as a result of conflicting priorities; there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.													
STR0011	Shared Services: a risk that the planned benefits of shared services do not materialise.													
STR0017	Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council.													

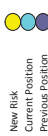
Reference	Nature of Risk	2014/12					2012/13							
		Feb	Jun	Aug	Nov	Mar	Feb	Jun	Aug	Nov	Mar			
RES060008	Loss of revenue/income generation affecting the Asset Disposal Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally.													
SC40004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.													
SC40007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.													
SC40008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.													
SC40005	Failure to develop a social care market to deliver positive outcomes and choices for people.													
RES050009	Insufficient staff resources/capacity to deliver ICT services due to poor use of automation tools.													
RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NIND, C1, public health.													
RES020006	Insufficient capacity to deliver an effective procurement service.													
RES030017	Failure to improve/management performance due to welfare reform - Revenues and Benefits.													
RES020005	Failure to obtain value for money through inadequate compliance with procurement processes and procedures or deliberate avoidance/fraudulent behaviours.													
RES020009	Failure of key supplier as the company pulls out of agreement without prior notice or becomes insolvent and ceases trading.													

**Overview of Risk Position - November 2012**  
The risk with the highest residual score is STR0016-SAN Replication Environment Disconnects.

The following risks have been rescored:  
STR0010 - Protecting Children (residual risk score)  
STR0006 - Health and Safety (target score)  
Revisions to the descriptions or mitigating actions have been made for the following risks:  
STR0003 - Growth  
STR0005 - Waste  
STR0003 - Partnerships  
STR0015 - Localism  
STR0018 - Project Management

The matrix above highlights the most noteworthy operational risks facing CBC. There has been no change to these risks since the last report. The highest operational risk relates to the potential loss of revenue/income generation within the Assets Disposal Programme (RES060008).

**Key**  
New Risk  
Current Position  
Previous Position



Impact Score	Description	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, significant adverse publicity in national media, likely or permanent disability
4	Severe	All operational areas of a location compromised, other than 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 with a location absence for more than 5 people (single event), significant adverse publicity in national media, greater than 20 days absence for more than 5 people (single event).
2	Reasonable	Some disruption manageable by altered operational routine, minimal interruption to services, financial loss up to £100k, short term absence for up to 5 people (single event).
1	Low	Minimal interruption to services, financial loss up to £10k, minor adverse publicity in local media, short term absence for up to 5 people (single event).

Score	Description	Level 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 40% chance of occurrence
3	Possible	Likely to occur every 10 years/up to a 20% chance of occurrence
2	Unlikely	Likely to occur every 10 years/up to a 10% chance of occurrence
1	Rare	Likely to occur every 10 years/up to a 1% chance of occurrence

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**Meeting:** Audit Committee  
**Date:** 7 January 2013  
**Subject:** Tracking of Audit Recommendations  
**Report of:** Chief Finance Officer  
**Summary:** This report summarises the high risk recommendations arising from Internal Audit reports and sets out the progress made in their implementation.

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**Advising Officer:** Charles Warboys, Chief Finance Officer  
**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 direct 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 arising directly from the report. However, the Audit Committee has a role in providing independent assurance on the adequacy of the risk management framework and associated control environment, in line with the Corporate Risk Management Strategy.

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

4. None directly from this report.

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

5. None directly from this report.

**Public Health:**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to consider and comment on the updates as presented.**

**Background**

10. 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.
11. 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.
12. 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**

13. This report sets out the position as at the end of November 2012. In order to distinguish between the more recent recommendations made during 2012/13 and older outstanding recommendations, the tracking has been presented as two tables – one summarising the reports issued prior to April 2012 and captured in previous monitoring reports to the Committee and the second table summarising reports containing high risk recommendations issued since the April 2012 Committee.
14. Appendix A provides detail of progress made to date in addressing high risk recommendations contained in reports issued prior to April 2012 and previously reported to the Committee.
15. Appendix C provides details of the four high risk recommendations 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 deferred implementation.

16. **Table 1 – Summary of outstanding recommendations made prior to April 2012**

Review	Number of Outstanding Recommendations
Main Accounting System 2009-10	1
Payroll 2009-10	1
Teachers Pensions'	1
SAP Access and Security (incl IT DTR) 2009/10	1
<b>Total</b>	<b>4</b>

17. Appendix B sets out the reports issued since the April 2012 Audit Committee that contain further high risk recommendations. The table below provides a summary by Directorate.

18. **Table 2 - Summary of Additional High Priority Recommendations Made Since April 2012 Audit Committee**

	Corporate Resources/ ACE People and Organisation	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of Reports containing high recs.	2	0	0	1	3	
Recs:						
Completed GREEN	4	0	0	0	4	67
Ongoing- On schedule for completion within timescales GREEN	0	0	0	0	0	0
No work started Within target GREEN	0	0	0	0	0	0
Ongoing with deadline missed AMBER	1	0	0	1	2	33
No work started Deadline missed RED	0	0	0	0	0	0
<b>Total Recs.</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>100</b>

19. Appendix D provides the details of the two recommendations contained in Table 2 where implementation of the recommendation is running behind planned completion dates.
20. Wherever possible evidence has been obtained to verify 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.
21. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

### **Future Monitoring**

22. 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 still being implemented these will continue to be monitored.

### **Conclusion**

23. In total there are only six recommendations that are now amber (underway, with deadline missed). No additional amber recommendations have been added since the last report to the Committee. The number of high priority recommendations being made has reduced, which reflects the embedding of controls within the key financial systems as the authority has developed.
24. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
25. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee ensures 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 - Reports issued prior to April 2012

Appendix B - Details of monitoring of High Priority Internal Audit recommendations - Reports issued since April 2012

Appendix C - Details on those recommendations made prior to April 2012 that remain outstanding

Appendix D - Details on those recommendations made since April 2012 Audit Committee that remain outstanding

**Background Papers:**

None

**Location of papers:**

N/A

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**Details of Monitoring of High Risk Internal Audit recommendations as at End November 2012  
Reports issued during 2011/12 and earlier**

**CORPORATE RESOURCES/ACE  
PEOPLE AND ORGANISATION**

Name	Date of Report	Original 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
Main Accounting System 2009-10	22/07/10	30/04/10	5	4	0	1	0	0	See R1
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R2
Teachers Pensions'	20/08/10	30/03/11	2	1	0	1	0	0	See R3
SAP Access and Security (incl IT DTR) 2009/10	11/10/10	31/12/10	3	2	0	1	0	0	See R4
<b>Total</b>			<b>20</b>	<b>16</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	

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## Details of Monitoring of High Risk Internal Audit recommendations as at End November 2012 Reports issued during 2012/13

### CORPORATE RESOURCES/ ACE PEOPLE AND ORGANISATION

Name	Date of Report	Original 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
Contract Management 2011-12	01/08/12	end Sept 2012	1	0	0	1	0	0	See R1
SWIFT Financials 2011-12	13/08/12	end June 2012	4	4	0	0	0	0	
<b>Total</b>			<b>5</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	

### SOCIAL CARE, HEALTH & HOUSING

Name	Date of Report	Original 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 Rents 2011-12 Phase 2	20/07/12	end April 2012	1	0	0	1	0	0	See R2
<b>Total</b>			<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	

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Appendix C

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

**Corporate Resources/ACE People and Organisations**

**Main Accounting System 2009/10**

<p><b>Recommendation R1 :</b> 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><b>Rationale for Recommendation:</b> 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><b>Target Dates:</b> End August 2010 End July 2011(revised) October 2011 (revised) March 2012 – publish omitted procedures on Intranet June 2012 (revised). September 2012 (revised) December 2012 (revised). February 2013 – only Asset Management now outstanding.</p>
<p><b>Current Position and Explanation for Slippage:</b> 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.</p> <p>The Insurance, Debt Recovery, and Leasing Financial Procedures have all been updated and are on the Intranet as is the Risk Management Strategy. The Asset Management Financial Procedure is being developed to complement the Capital Handbook which is already on the Intranet, and is expected to be revised in line with changes to the capital process for 2013, (February 2013).</p>

**Payroll 2009/10**

<p><b>Recommendation R2:</b> It should be ensured that timesheets and travel claims are appropriately approved prior to payment.</p>
<p><b>Rationale for Recommendation:</b> The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.</p>
<p><b>Target Dates:</b> August 2010 September 2011(revised) March 2012(revised) June 2012 (revised) End December 2012 (revised) End April 2013</p>
<p><b>Current Position and Explanation for Slippage:</b> 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.</p> <p>a) Finance action - Review possibilities and timescales for the electronic approval system included in the SAP optimisation programme – <i>Completed.*</i></p> <p>b) Finance actions - Based on results of this review, determine if interim signature approval list will need to be reinstated – <i>Completed.*</i></p> <p>c) HR action - When an authorised signatory list is made available, this practice will be developed and maintained – <i>No longer relevant.*</i></p> <p>*It has been formally specified that the authorised signatory control will be integrated into SAP during the current SAP Optimisation project. It is intended to use standard functionality to align jobs to authorisation levels. An updated signatory list is currently being collated by finance to support this and this work is expected to continue over the next 6 months alongside looking at the functionality and how it would be applied within CBC. Solution to be implemented in line with the SAP Optimisation project which is April 2013.</p>

**Teachers' Pensions**

**Recommendation R3:**

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.

**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.

**Target Dates:**

31 March 2011 (revised)  
1 October 2011(revised)  
30 September 2012 (revised)  
31 March 2013

**Current Position and Explanation for Slippage:**

The above recommendation is not now considered a practical way of meeting TP requirements due to the changing educational environment e.g. movement towards academies.

It is recognised that there are some mitigating controls in place however following the decision to cease providing payroll services to schools, further work is now underway with external payroll providers for our maintained schools to implement a control mechanism to provide assurance that Teachers Pensions contributions have been accurately deducted and paid over. A proforma and associated details of this mechanism are being developed and will be embedded into service provider processes by March 2013.

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

**Recommendation R4:**

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

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

**Rationale for Recommendation:**

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

**Target Dates:**

December 2010.  
December 2011 (revised).  
September 2012 (revised)  
October 2012 (revised)  
March 2013 (revised)

**Current Position and Explanation for Slippage:**

Prior to the September Audit Committee, the Chairman met with the Head of Information Assets and the September Committee was advised of the discussion that had taken place with particular reference to upgrading the Council's IT server infrastructure. Arising from this the Chairman expressed satisfaction at the progress being made. Members noted that SunGard Capita had been commissioned to put a Disaster Recovery Plan, using existing and available technology, place by 31 October 2012.

A DR Statement and Plan has been developed in order to provide a structured approach to disaster recovery using the facilities and technology services currently available. The DR Statement and Plan covers the Council's core data centre services, should there be a total failure of either of the core data centres at the Dunstable or Bedford locations, and incorporates the Council's applications where data and applications are delivered from this core ICT infrastructure.

The purpose of the DR Statement and Plan is to ensure the timely resumption of ICT services and maintain the integrity of data, focussing on critical services first. The DR Statement and Plan has been structured to reflect good practice as set out in BS ISO/IEC FDIS 27031 – 'Guideline for Information and Communications Technology Readiness for Business Continuity'. This document will be subject to regular update, with version control applied, following component (physical and desktop simulation) tests and full DR tests and any subsequent change to the core ICT infrastructure,

major systems or data configuration items and/or changes to Corporate policy and priorities that directly impact the recovery sequence of systems and services.

A strategic DR plan that utilises the SAN (Storage Area Network) technology will be developed following the SAN replacement work that is scheduled to be completed by March 2013.

(See also Risk Update report – linked to Strategic risk STR00016).

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Appendix D

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

**Corporate Services**

**Contract Management**

<p><b>Recommendation R1:</b> The suite of documents that constitute the Procurement rules and guidance should be fully reviewed, updated and reissued to incorporate the detailed findings of this report.</p>
<p><b>Rationale for Recommendation:</b> The existing guidance relating to procurement and contract management needs to be updated and clarified, and reissued for the use by relevant officers in order to promote better management of contracts across the Council.</p>
<p><b>Target Dates:</b> End September 2012 (revised) End November 2012 (revised) End February 2013 (revised)</p>
<p><b>Current Position and Explanation for Slippage:</b> Many of the guidance documents have been updated to reflect the audit findings, however the publication of these documents has been delayed due to the current processes around the restructure of the Procurement Team. (See also Risk Update report – linked to Strategic risk STR0007, and operational risks RES020006, and RES020005).</p>

**Social Care, Health & Housing**

**Housing Rents**

<p><b>Recommendation R2:</b> Regular reconciliations of the Housing Rents system to SAP should be completed by Finance staff.</p>
<p><b>Rationale for Recommendation:</b> There is a risk that SAP as a central financial record maybe inaccurate, and the use of SAP for budget monitoring purposes may be compromised.</p>
<p><b>Target Dates:</b> 30<sup>th</sup> April 2012 (revised) 31<sup>st</sup> August 2012 (revised) 30<sup>th</sup> September 2012 (revised) 31<sup>st</sup> January 2013</p>
<p><b>Current Position and Explanation for Slippage:</b> The Housing Rents system (QL) was reconciled to SAP at year end for 2011-12, however a regular reconciliation has yet to be embedded, due to competing priorities. Quarterly reconciliations are expected to be introduced from January 2013.</p>

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