

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



please ask for Leslie Manning
direct line 0300 300 5132
date 27 March 2013

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 8 April 2013 9.30 a.m.

Venue at

Room 15, Priory House, Chicksands, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Clrs 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 7 January 2013 (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	Audit Plan To provide the Audit Committee with a basis to review the proposed audit approach and scope for the 2012/13 audit by Ernest & Young LLP.	* 13 - 34
8	Audit Progress Report To receive a report from Ernst & Young LLP on the progress made in planning the 2012/13 audit.	* 35 - 42

9	<p>Development of Disaster Recovery Plan</p> <p>To receive an update on the progress made in developing the IT Disaster Recovery Plan.</p>	+ To Follow
10	<p>2013-14 Annual Audit Plan, Strategic Audit Plan and Internal Audit Strategy</p> <p>To consider the 2013-14 Annual Audit Plan and Strategic Audit Plan for review and approval together with a summary of the minor revisions made to the Internal Audit Strategy.</p>	* 43 - 50
11	<p>Internal Audit Progress Report</p> <p>To consider an update on the progress of work by Internal Audit for 2012/13.</p>	* 51 - 60
12	<p>Risk Update Report</p> <p>To consider an overview of the Council's risk position as at March 2013.</p>	+ To Follow
13	<p>Tracking of Audit Recommendations</p> <p>To consider a summary of the high risk recommendations arising from the Internal Audit reports together with the progress made in their implementation.</p>	* 61 - 76
14	<p>2013/14 Audit Committee Outline Work Programme</p> <p>To consider the proposed work programme for the Audit Committee for 2013/14.</p>	* 77 - 80

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 7 January 2013

PRESENT

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

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Zerny

Apologies for Absence: Cllr N B Costin

Substitutes: Cllr R D Berry (In place of N B Costin)

Members in Attendance: Cllr M R Jones

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

Others In Attendance: Mrs C O'Carroll Manager – Ernst & Young LLP
Mr M West Director – Ernst & Young LLP

A/12/23 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 24 September 2012 be confirmed and signed by the Chairman as a correct record.

(Note: Appendix A to the minutes was circulated at the meeting).

A/12/24 **Members' Interests**

None.

A/12/25 **Chairman's Announcements and Communications**

The Chairman wished Members and officers a happy New Year and said that he looked forward to working with everyone.

A/12/26 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/12/27 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/12/28 Annual Certification Report (2011/12)

The Chairman welcomed Mick West, a Director at Ernst & Young LLP, to his first meeting of the Committee. Mr West introduced himself to Members and provided an outline of his background in public sector audit.

The Committee received the annual certification report from Ernst & Young LLP, the Council's new external auditors. The report, which was introduced by the Ernst & Young Manager present, summarised the results of the certification work 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 the 2011/12 claims and returns.

With regard to the benefits claim element the Manager commented that whilst the number of errors found had fallen the testing carried out by both the external auditors and Central Bedfordshire benefits staff had continued to find a large number of errors in the classification of overpayments and cases where benefit had been assessed incorrectly. She reminded the meeting that the volume of errors had a significant impact in terms of both the potential 'claw back' by the DWP and the service provided to claimants.

In response to a query from the Vice-Chairman the Manager explained that the majority of local authorities had qualification letters issued against them due to errors discovered during certification work. However, the number of errors found at Central Bedfordshire was higher than was the norm. At the request of the Chairman the Manager undertook to establish the level of such errors at other newly formed unitary authorities so that a comparison could be made.

NOTED

the annual certification report 2011/12.

A/12/29 Annual Audit Fee 2012/13

The Committee received the annual audit fee letter for the 2012/13 financial year from Ernst & Young LLP. The letter, which was introduced by the Ernst

& Young Director present, confirmed the work the company proposed to undertake for the 2012/13 financial year at Central Bedfordshire Council. The letter also advised that the fee for the company's work had been set by the Audit Commission as part of the recent five year procurement exercise. Further, it was not liable to increase within that period unless a change in the scope of the audit took place.

NOTED

the annual audit fee letter for 2012/13.

A/12/30

Audit Committee Briefing

The Committee received the first audit committee briefing produced by Ernst & Young LLP. The briefing reported on issues which, it was felt, could have an impact on the company's client audit committees, the wider public sector and the audits undertaken by the company. The Ernst & Young Manager present introduced the briefing and highlighted matters for Members' consideration.

A Member used the opportunity to refer to the risk which could arise from the bankruptcy of an academy. Specific reference was made to teacher pensions and the expectation that responsibility for their payment would be transferred back to the Council. In response the Chief Finance Officer stated that the risk was recognised but difficult to quantify. Should the situation arise, however, the Council could make use of its reserves to make up for any shortfall.

NOTED

the Ernst & Young audit committee briefing.

A/12/31

2011/12 Annual Audit Letter

The Committee considered a report by the Chief Finance Officer which presented the 2011/12 Annual Audit Letter for Central Bedfordshire Council. The letter summarised the 2011/12 audit of the Council by the Audit Commission following approval of the more detailed Annual Governance Report by the Committee at its meeting on 24 September 2012 (minute A/12/17 refers).

The meeting was aware that the Annual Audit Letter had previously been circulated to all Council Members.

RESOLVED

that the 2011/12 Annual Audit Letter be published on the Council's website.

A/12/32

Final Accounts Process 2012/13

The Committee considered a report by the Chief Finance Officer which set out key changes in the account statements and processes.

The meeting noted the various updates and clarifications set out within the 2012/13 CIPFA Code of Practice, including the incorporation of changes originally made in the Accounts and Audit Regulations 2011. It was further noted that, in comparison to recent years, the overall changes in the Code were minimal and would not require any material restatements in the accounts.

The meeting was reminded that the Regulations had removed the requirement for the unaudited Statement of Accounts to be approved by the Audit Committee by 30 June each year. Instead the Chief Finance Officer was required to certify the unaudited Statement of Accounts by that date. It was noted that the need for formal Audit Committee approval had been removed to allow councils to have more time to prepare their statements and carry out scrutiny prior to the audit process. The requirement for the Chief Finance Officer to sign off the audited accounts and for the Audit Committee to approve them before 30 September each year remained.

The meeting was reminded that in 2011/12 the practice of submitting the unaudited accounts to the Audit Committee was retained at Central Bedfordshire where the accounts were noted but not formally approved. The changes to the Regulations and CIPFA Code meant that the Council could employ techniques to enhance scrutiny at this stage and engage Members in a way that would be more useful and interesting. On this basis the Chief Finance Officer suggested that a presentation, separate from the June meeting of the Committee and open to all Members, be held at the end of June. This would enhance wider scrutiny and understanding of the accounting statements by Members and enable a full explanation of the technical statements to be provided together with a focus on the most important messages within the accounts. Members would also be able to ask questions. In addition this approach would maximise the amount of time in June for officers to concentrate on quality assurance work, thus minimising the possibility of revisions being required during the external audit progress. Whilst welcoming the proposed presentation Members felt that it should be made at the June meeting of the Committee to which all Members of the Council should be invited to attend.

NOTED

the key changes in the accounts statements and processes arising from the Accounts and Audit Regulations 2011 and the 2012/13 CIPFA Code of Practice.

RESOLVED

- 1 that an interactive presentation, as an alternative method of presenting the unaudited accounts, be made at the meeting of the Audit Committee in June 2013;**

- 2 that all Members of the Council be invited to attend the presentation.**

A/12/33

Approach to the Development of 2013-2016 Strategic Audit Plan

The Committee considered a report by the Chief Finance Officer which outlined the proposed approach to the development of the 2013-16 Strategic Audit Plan.

The meeting noted that 2012-13 represented the final year of the existing Three Year Plan and so it was timely to consider the approach to be taken in the development of a new Strategic Audit Plan. In developing the Plan it was proposed to undertake 'assurance mapping' which was 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 might be possible to rely on those and to reduce or eliminate further internal audit work. The aim was to ensure that there was a comprehensive risk and assurance process with no duplicated effort or potential gaps

It was noted that the proposed methodology for the development of the Plan had been discussed with the external audit Manager who was supportive of the approach. The Council's senior management had also given their support. The intention was to produce a draft Strategic Plan for initial consideration by managers and then submit the finalised Plan to the Audit Committee for consideration in April 2013.

RESOLVED

that the proposed approach for the development of the 2013-16 Strategic Audit Plan be endorsed.

A/12/34

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 the end of November 2012.

The report set out progress on the following matters:

- a) Updated Audit Plan
- b) Progress on the 2012/13 Internal Audit Plan including:
 - Managed Audits
 - Other Audit Work
 - National Fraud Initiative (NFI)
 - Fraud and Special Investigations
 - Schools
 - Performance Management

In connection with the rolling programme of school audit visits the Head of Internal Audit and Risk commented on the residual risk generated by schools given that so many had become Academies.

NOTED

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

RESOLVED

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

A/12/35

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 November 2012.

The Head of Internal Audit and Risk drew Members' attention to changes to the strategic risks following a review and update of the Strategic Risk Register carried out in consultation with the Directorate Risk Co-ordinators. The meeting noted that in most cases the risk scores had not changed and the majority of the revisions related to either the description of the risk or the update of the mitigating actions.

Members noted that there had been no changes to the operational risks. It was also noted that work was planned in the New Year to further develop the People and Organisation operational risk registers.

A Member sought the attendance of the Council's Head of ICT at the next meeting of the Audit Committee so that he could report on the outcome of the development of the IT Disaster Recovery Plan. In response the Executive Member for Corporate Resources explained that it would be more suitable for this issue to be reviewed at the April meeting of the Corporate Resources Overview and Scrutiny Committee following the introduction of the Plan in March. Members concurred with this approach.

The Executive Member used the opportunity to advise Members that, as part of the effort to improve ICT resilience, the Council's data centre at Borough Hall in Bedford had been relocated to a new facility.

The Chairman suggested that a short report be submitted to the next Audit Committee to update Members on the progress made in developing the Disaster Recovery Plan.

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.

RESOLVED

that a short report be submitted to the next Audit Committee on the progress made in developing the Disaster Recovery Plan.

A/12/36

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 report also outlined how the recommendations would be monitored and progress made in implementing them as at the end of November 2012.

NOTED

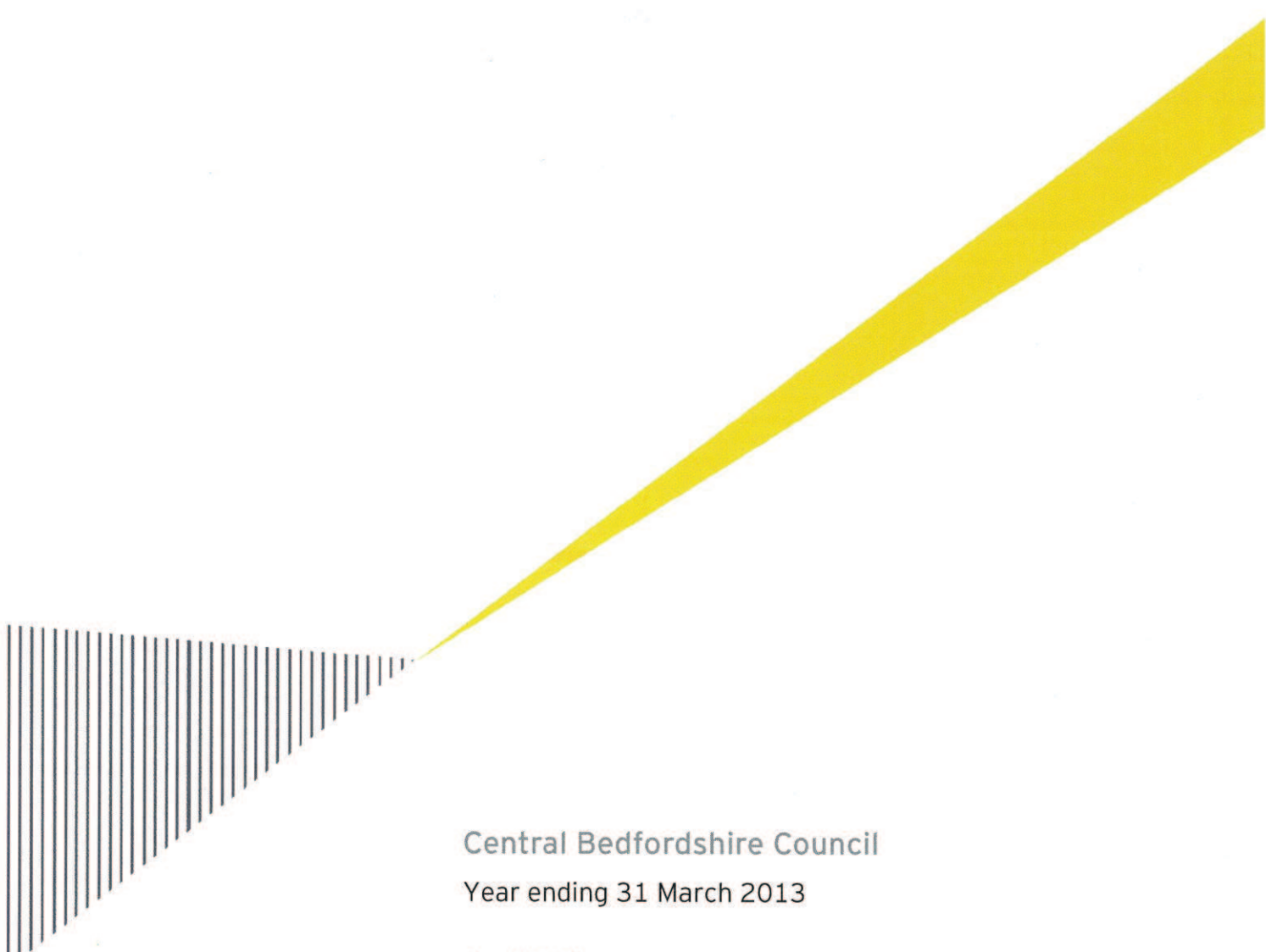
the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of November 2012.

(Note: The meeting commenced at 10.00 a.m. and concluded at 10.55 a.m.)

Chairman

Dated

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Central Bedfordshire Council
Year ending 31 March 2013

Audit Plan

25 March 2013

Audit Committee
Central Bedfordshire Council
Priory House
Monks walk
Chicksands
Shefford
Bedfordshire SG17 5TQ

25 March 2013

Dear Member

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2012-2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 8 April 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Mick West
Director
For and behalf of Ernst & Young LLP

Enc

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1. Overview

1.1 Context for the audit

This audit plan covers the work that we plan to perform in order to provide the Council with:

- ▶ Our audit opinion on whether the Council's financial statements give a true and fair view of its financial position as at 31 March 2013 and of its income and expenditure for the year then ended
- ▶ A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on the Whole of Government Accounts return.

The audit plan sets out the programme of certification work.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements
- ▶ Developments in financial reporting and auditing standards
- ▶ The quality of systems and processes
- ▶ Changes in the business and regulatory environment
- ▶ Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter, and by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on our assessment of the risk that we reach the wrong opinion or value for money conclusion. We have identified no significant risks that we have to report to the Audit Committee.

In part 4 we provide detail of the certification work.

Details of our audit process and strategy are set out in more detail in section 5, and summarised below.

1.2 Our process and strategy

1.2.1 Financial statement audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We carry out an initial assessment of materiality using the financial statements for 2011-12 but will update this when we receive the draft and final financial statements. Our audit is designed to identify errors above materiality.

We aim to rely on the Council's internal controls in key processes to the fullest extent allowed by auditing standards. We identify the controls we consider important. Where control failures are identified we look for alternative assurance which may involve additional audit work. We report significant deficiencies in internal control to the Audit Committee.

To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit wherever possible. Internal audit maintain documentation of key processes, and document and evaluate changes. We aim to rely on this work to confirm our understanding of the more significant financial systems. This year we will carry out the testing of controls we have identified as important. We will work with internal audit to determine a programme for the testing of these controls in future years.

There has been no change to the scope of our audit compared to previous audits.

1.2.2 Arrangements for securing economy, efficiency and effectiveness

We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

We have considered the risks relevant to our value for money conclusion and have not identified any significant risks requiring specific risk-based work. We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of internal audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators.

1.2.3 Certification work

Certification work is prescribed by the Audit Commission in certification instructions. We adopt a risk based approach and rely on internal controls, internal audit work and benefits staff testing to the fullest extent possible.

2. Financial statement risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing Central Bedfordshire Council, identified through our knowledge of the entity's operations and discussion with members and officers. We identified no significant risks.

Significant risks (including fraud risks)	Our audit approach
Risk description	
No significant risks have been identified	► n/a

Financial statement risks	Our audit approach
HRA accounting	
<p>In April 2012, the Localism Act 2011 replaced the current subsidy method of financing the Housing Revenue Account (HRA) with a system of self-financing.</p> <p>The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and CIPFA's Code guidance notes provide guidance on the accounting changes arising from the introduction of self-financing.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ► Arrangements for complying with the Code requirements for accounting for the HRA, in particular accounting for depreciation, impairments, debt premiums and discounts.
Risk of misstatement due to fraud and error	
<p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ► Identifying fraud risks during the planning stages ► Inquiry of management about risks of fraud and the controls put in place to address those risks ► Understanding the oversight given by the Audit Committee, as those charged with governance, of management's processes over fraud ► Consideration of the effectiveness of management's controls designed to address the risk of fraud ► Determining an appropriate strategy to address those identified risks of fraud. ► Performing mandatory procedures regardless of specifically identified fraud risks <p>We will consider the results of the National Fraud Initiative and may make reference to it in our reporting.</p>

3. Economy, efficiency and effectiveness

Our work will focus on whether there are proper arrangements in place to secure:

- ▶ Financial resilience
- ▶ Economy, efficiency and effectiveness in the use of resources

At the date of this report we have identified no significant risks that require us to undertake any additional specific risk-based work. The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Significant risks	Impacts arrangements for securing:	Our audit approach
Risk description		
No significant risks have been identified		▶ n/a
Other risks		
Financial pressures		
In the ongoing economic climate and tighter local government financial settlement, councils' resources are under growing pressure. The Council's 2013-14 budget includes identified efficiency savings of £16.1million. The Council has a good track record of financial management and the most recent budget monitoring report confirms that the 2012-13 budget is on track.	Financial resilience	Our approach will focus on reviewing: ▶ The achievement of the planned savings in 2012-13
The Medium Term Financial Plan includes a further £29.3 million of efficiencies over the next three years, £18.2 million of which have been identified.		
We will continue to monitor the 2012-13 revenue position and review the year end outturn.		

Significant risks	Impacts arrangements for securing:	Our audit approach
Delivering services		
<p>Given the pressure on the Council's finances the delivery of value for money through its expenditure becomes ever more important.</p> <p>The Audit Commission's value for money profiles, based on 2011-12 data, place Central Bedfordshire in the highest 10% of its statistical nearest neighbours for the average number of days taken to:</p> <ul style="list-style-type: none"> - process housing and council tax benefits changes of circumstance, and - process housing and council tax benefits new claims <p>The audit of the housing and council tax benefit claims in the past three year identified a number of cases where benefits had been assessed incorrectly. We are aware that the Council has provided training and put in place quality assurance processes to address these issues and that good progress has been made in reducing processing times..</p>	<p>Economy, efficiency and effectiveness</p>	<p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ▶ Current performance in processing new claims and changes in circumstances ▶ Arrangements in place to improve performance in processing benefits claims and changes of circumstances ▶ Arrangements in place to reduce the number of errors in benefit assessments.

4. Certification work

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. Certification work is not an audit.

The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body. Broadly for claims and returns:

- ▶ Below £125,000 - we carry out no work
- ▶ From £125,000 and £500,000 - we undertake limited tests to agree form entries to underlying records, but do not test the expenditure or data is eligible
- ▶ Over £500,000 - we plan and perform our work following the certification instruction. We assess the control environment for preparing the claim or return and decide how much we can rely on the controls. Based on our assessment, we tailor our approach to agree form entries to underlying records and test the expenditure or data is eligible.

We are planning to carry out certification work for the:

- ▶ Housing and council tax benefit scheme - based on previous experience we expect to carry out extended testing known as 40+ testing on up to nineteen areas of the claim
- ▶ National non domestic rates return - we will carry out full testing using our assessment of the control environment to inform our decision on the level of testing
- ▶ Teachers' pensions return - we will carry out full testing
- ▶ Pooling of housing capital receipts return - we will carry out full testing as well.

Where possible we integrate our certification work with our opinion and other work. We also aim to rely on the work of internal audit and benefits staff where possible.

We will report to the Audit Committee the results of our certification work.

The Audit Commission has set a composite indicative fee for certification work for each body. 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.

The indicative fees are 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.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources

We issue a two-part auditor's report covering both of these objectives.

5.1.1 Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on the Whole of Government Accounts return

5.1.2 Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience - whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness - whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review and re-performance of the work of internal audit
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and valuations
- ▶ Substantive tests of detail of transactions and amounts.

5.2.1 Processes

Our initial assessment across the Council has identified the following key processes where we will seek to test key controls:

- ▶ General ledger including journals
- ▶ Cash and bank
- ▶ Payroll
- ▶ Accounts payable (including Carlisle, BUPA, Amey and payments in respect of waste management)
- ▶ Accounts receivable
- ▶ Housing and council tax benefits
- ▶ Housing rents

We will carry out substantive testing on Council Tax, business rates (National Non Domestic Rates), treasury management and fixed assets as we consider this to be the most efficient testing approach for these processes.

Internal audit has issued a limited assurance opinion on the payroll system. In addition, it has found that controls in the SWIFT (social care payments) system that we would seek to place reliance on are not working. We will carry out substantive testing on both payroll and expenditure made through the SWIFT system in 2012-13.

5.2.2 Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

5.2.3 Internal audit

We will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

5.2.4 Use of experts

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements.

5.2.5 Other procedures

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error
- ▶ Significant disclosures included in the financial statements
- ▶ Entity-wide controls
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements
- ▶ Auditor independence

Procedures required by the Code on:

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements

5.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with the Council its expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". All uncorrected misstatements found above this amount will be presented in our year-end report

5.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £184,885, together with an estimated fee of £45,350 for the certification of claims and returns.

5.5 The audit team

The engagement team is led by Mick West, Director, who has significant experience on unitary authorities. Mick is supported by Cathy O'Carroll, Manager, who is responsible for the day-to-day direction of audit work and who is the key point of contact for the Chief Finance Officer.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money conclusion work and the Whole of Government Accounts; and the deliverables we have agreed to provide through the Audit Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Audit Committee in September, incorporating the outputs from our year-end procedures. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	December 2012		
Risk assessment and setting of scopes	December - January 2013	Audit Committee	Audit fee letter
Testing of routine processes and controls	February - April	Audit Committee	Audit plan Interim report (if required)
Value for money conclusion	February - April		
Year-end audit	July - September	Audit Committee	Report to those charged with governance. Auditor's report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate. Auditor's report on the Whole of Government Accounts (WGA) return.
Reporting	October		Annual audit letter
Grant claims	December	Annual certification work report	Grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

6. Independence

6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 "Communication of audit matters with those charged with governance", requires us to communicate on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which the Audit Committee has an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the Council, its affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review. ▶ The overall assessment of threats and safeguards ▶ Information about the general policies and process within EY to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and Council policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues

In addition, during the course of the audit, we are required to communicate whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that Ernst & Young and our network firms have charged to the Council and its affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

6.2.1 Self interest threats

A self interest threat arises when Ernst & Young has financial or other interests in the entity. Examples include where we have an investment in the entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to the Council, in compliance with Ethical Standard 4.

There are no self interest threats at the date of this report.

6.2.2 Self review threats

Self review threats arise when the results of a non-audit service performed by Ernst & Young or others within the Ernst & Young network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

6.2.3 Management threats

Partners and employees of Ernst & Young are prohibited from taking decisions on behalf of management of the entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

6.2.4 Other threats

There are no other threats at the date of this report.

6.2.5 Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that Ernst & Young is independent and the objectivity and independence of Mick West, the audit engagement lead and the audit engagement team have not been compromised.

6.3 Other required communications

Ernst & Young has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within Ernst & Young for maintaining objectivity and independence can be found in the annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here: [UK 2012 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012-13	Actual Fee 2011-12	Explanation of variance
Audit Fee - Code work	£184,885	£308,142	Reduction in line with Audit Commission announcement on scale fees
Certification of claims and returns	£45,350	£90,006	The 2011-12 fee includes £10,760 on follow up work on the 2010-11 housing and council tax benefit claim.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables
- ▶ We are able to place reliance, as planned, on the work of internal audit
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based
- ▶ Our financial statements opinion and use of resources conclusion being unqualified
- ▶ Appropriate quality of documentation is provided by the audited body
- ▶ An effective control environment is in place

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Chief Finance Officer and Audit Committee in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

The fee for the certification of grant claims and returns is based on the indicative scale fee set by the Audit Commission. The Audit Commission has set a composite indicative fee for certification work for each body. 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.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Circumstances that lead to an expected modification to the auditor's opinion and the proposed wording of the modification ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations 	Report to those charged with governance

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Report to those charged with governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	Report to those charged with governance
<p>Opening Balances (initial audits)</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Report to those charged with governance
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

Fee Information

- ▶ Breakdown of fee information at the agreement of the initial audit plan
- ▶ Breakdown of fee information at the completion of the audit

Audit Plan
Report to those
charged with
governance and
Annual Audit Letter if
considered necessary

Ernst & Young LLP

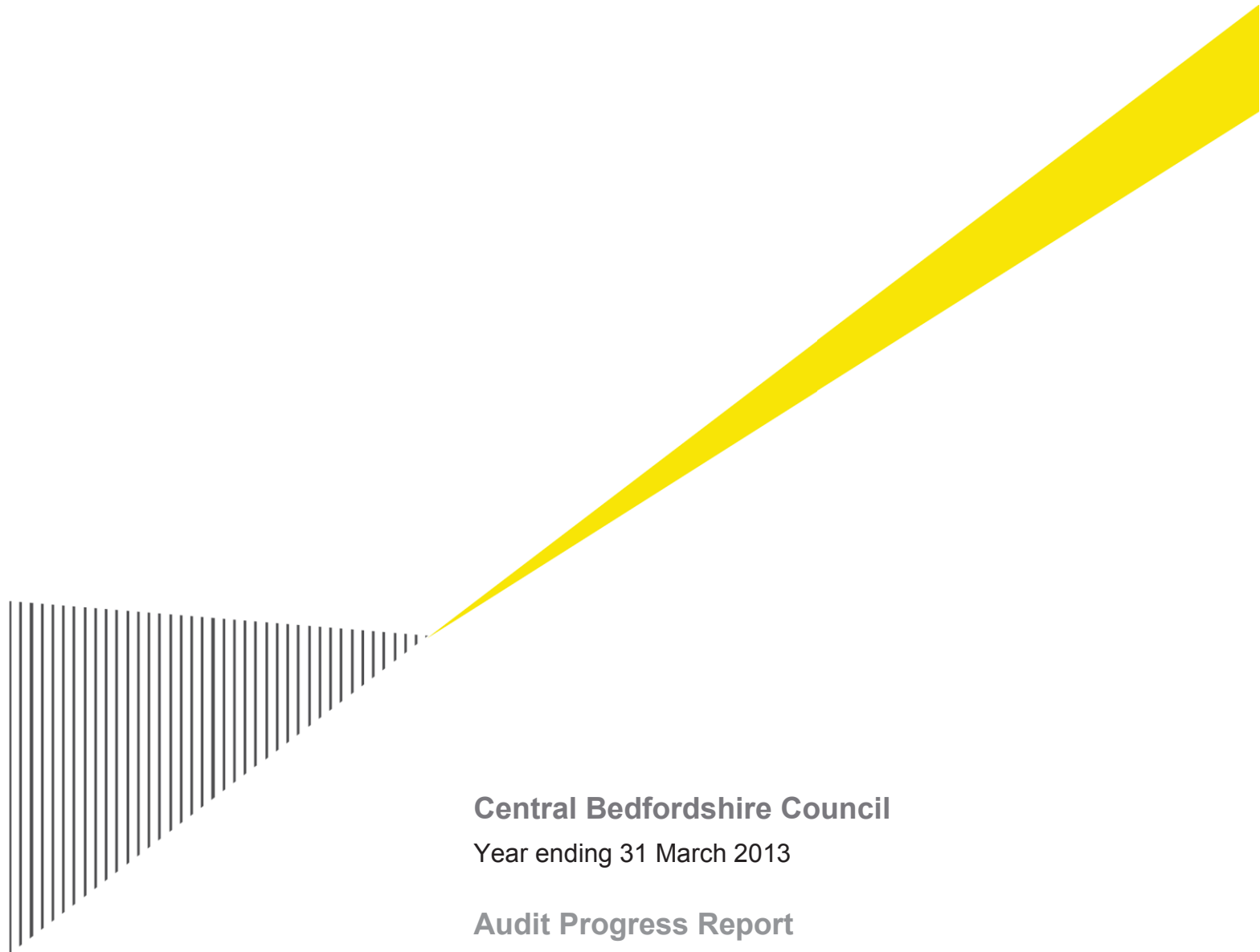
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Central Bedfordshire Council

Year ending 31 March 2013

Audit Progress Report

April 2013

David Bowater
Chairman Audit Committee
Central Bedfordshire Council
Priory House
Monks Walk
Shefford
Bedfordshire SG17 5TQ

25 March 2013

Dear David

Audit progress report - 2012-13

We are pleased to attach our audit progress report.

Our report sets out the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose is to provide the Audit Committee with an overview of the stage we have reached in planning your 2012-13 audit. This progress report is the first step in ensuring our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

This report assesses and identifies the key risks we have identified during the initial planning discussions with officers and internal auditors. These risks will drive the development of an effective audit for the Council. Our detailed audit plan will outline our planned audit strategy in response to those risks. We will agree our detailed audit plan with officers by the end of March 2013, and present it to the April Audit Committee.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mick West
Director
For and behalf of Ernst & Young LLP
Enc

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1. Work completed

Meetings

We have held a number of planning meetings with key officers and other stakeholders as part of our audit planning process:

- 20 November 2012 – Introductory meeting with the Chief Executive and Chief Finance Officer to discuss the engagement team and outline on our audit approach
- March 2013 – Meetings with senior finance staff and Internal Audit to discuss the significant risks being faced by the Council

Identification of significant and other risks

We have used these meetings together with the team's existing knowledge to identify the risks faced by the Council. The Audit Plan for 2012-13 sets out the financial statements and value for money conclusion risks that we have identified and our proposed response to those risks. At the time of preparing the audit plan and this report we have identified no significant risks.

Completion of walk throughs and tests of control

We are in the process of carrying out our walkthroughs and some controls testing, placing reliance on the work of internal audit where possible.

Our work to date has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money conclusion assessment

We have completed our initial risk assessment for our value for money conclusion work against the Audit Commission's specified criteria and areas of focus. We have not identified any significant risks that we need to undertake additional local risk based work to address.

Grant claim certification

We have not yet started certification work for 2012-13 claims and returns, apart from our early planning work which we will continue in March 2013. We plan to start the work on your housing and council tax benefits subsidy claim in June 2013 and your national non-domestic rates return in August 2013.

2. Timetable

Audit Committee timeline

The 2012-13 Audit Plan, which is also on the agenda for this Audit Committee, includes a timetable showing the key stages of our audit. The deliverables we have agreed to provide to you through the 2012-13 Audit Committee cycle are set out at Appendix1. .

Appendix 1: Audit Progress on Deliverables

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee letter	December 2012	Completed	December 2012
Audit plan	March - April 2013	Completed	April 2013
Report to those charged with governance	September 2013		
Auditor's report (including opinion and value for money conclusion)	September 2013		
Audit completion certificate	September 2013		
Auditor's report on WGA return	September 2013		
Annual audit letter	October 2013		
Annual report on certification of claims and returns	December 2013		

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Meeting: Audit Committee
Date: 8 April 2013
Subject: 2013-14 Annual Audit Plan, Strategic Audit Plan and Internal audit Strategy

Report of: Chief Finance Officer

Summary: This report presents the 2013-14 Annual Audit Plan and the Strategic Audit Plan for review and approval. The report also summarises the minor revisions made to the Internal Audit Strategy.

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.

RECOMMENDATIONS:

The Committee is asked to:

- 1. Approve the 2013-14 Annual Audit Plan, and the Strategic Audit Plan, and**
- 2. Approve the revisions to the Internal Audit Strategy.**

Background

10. The Audit Committee, at its meeting in January 2013, approved the approach to the development of the 2013/14 Annual Audit Plan, and the Strategic Audit Plan.
11. This report sets out the outcome of the work undertaken and seeks approval to both the 2013/14 Annual Audit Plan and the Strategic Audit Plan.
12. The new Public Sector Internal Auditing Standards, effective from 1st April 2013, require the Head of Internal Audit to establish risk based plans to determine the priorities of internal audit activity, consistent with the organisation's goals. This should be supported by a documented risk assessment, giving consideration to the input of senior management.

Internal Audit Strategy

13. The Internal Audit Strategy is a high level statement of how the Internal Audit Service will be delivered in order to meet the requirement of the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. A strategy was prepared in April 2010 and this has been updated regularly to reflect changes in roles and responsibilities. The strategy remains fit for purpose; however it has been updated for 2013/14. Since the revisions are minor, the detailed strategy has not been represented to the Committee. The following revisions have been made to reflect changes and developments:
 - Reference to the new Public Sector Internal Auditing Standards
 - the introduction of "assurance mapping" of key risks
 - the Fighting Fraud Locally initiative, and
 - the appointment of Ernst and Young as external auditors.

2013/14 Annual Audit Plan and Strategic Audit Plan

14. As reported to the January Audit Committee, Internal Audit has been undertaking an Audit Needs Assessment for future years. This has been informed through:
 - reference to the previous Audit Needs Assessment undertaken during 2009/10
 - consultation with senior management
 - Internal Audit's own analysis of risk areas
 - reference to the strategic and operational risk registers, and
 - the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register.

15. In developing the strategic audit plan, consideration has also been given to;
 - Providing assurance on the Council's fundamental systems
 - ICT assurance work
 - Grant claim sign off work
 - Anti Fraud activity, having regard to the National Fraud Authority's (NFA) Fighting Fraud locally initiative
 - System reviews of key service activities
 - Follow up work, where appropriate
 - Consultancy and advice
 - Engagement in key transformation programmes and projects, as appropriate.
 - New Government initiatives, such as Local Welfare Reform
 - Local initiatives, including the Medium Term Plan.

16. It is important to recognise the need for flexibility in the approach to our audit work. The approach adopted recognises that organisational and business transformation changes are still in progress within Central Bedfordshire and acknowledges that, as a result, the control environment is subject to change. A contingency has been included within the plan to ensure that Internal Audit can respond accordingly.

17. The Public Sector Internal Audit Standards only require a detailed audit plan to cover a period of one year. However, a strategic plan has also been produced to demonstrate how the Internal Audit Service plans to provide assurance over the next three years in the key areas listed above. Prior to the start of each year, the plan will be reviewed and updated and expanded to provide more detail of the reviews to be undertaken. The specific work to be carried out will be considered when scoping the audit work.

18. The approach to the delivery of the managed audits will be agreed with Ernst and Young, the Council's external auditors. The external auditors have also been consulted on the overall plan.

19. The plan has been approved by the Corporate Management Team.

Available Resources

20. It is estimated that there will be 1,260 productive audit days available for 2013/14, a reduction of 40 days over the previous year. The reduced number of days reflects the reduction in available audit resources due to the secondment of audit staff to support finance with other areas. This is consistent with an assessment of the relative risks and priorities.

Conclusion and Next Steps

21. Approval by the Audit Committee of the revision to the Internal Audit Strategy, and the 2013-16 Strategic Audit Plan will ensure that Internal Audit can progress its work in line with an agreed approach.
22. The Audit Committee can then use the final plan to monitor the work of internal audit to ensure that appropriate assurance is provided on the Council's systems.

Appendices:

Appendix A – Internal Audit Plan 2013-2016

Background Papers:

None

Location of papers:

N/A

Appendix A

Internal Audit Plan 2013 - 2016

IA Ref	Audit Title	2013/14	2014/15	2015/16
Managed Audits (Key Financial Systems)				
	Accounts Payable/Purchase Ledger (including feeder systems)	35	35	35
	Accounts Receivable/Sales Ledger	30	30	30
	Asset Management (incl. Asset Register)/Capital Accounting	30	30	30
	Council Tax	35	35	35
	Housing Benefits (including Council Tax Support Scheme)	45	40	40
	Main Accounting Systems (MAS)	30	30	30
	National Non Domestic Rates NNDR	35	35	35
	Payroll	40	35	35
	SWIFT Financials	15	15	15
	Treasury Management	25	25	25
	Housing Rents including tenant arrears	25	25	25
	Cash And Banking (Non Invoiced Income)	20	20	20
Total - Managed Audits		365	355	355
Assurance Audits - Organisation and People				
	Recruitment Controls (including vetting)	15	0	0
	Data Quality	15	15	15
Total- Organisation and People		30	15	15
Assurance Audits - Corporate Services				
	Teachers Pensions	15	0	0
	Major projects - Consultancy	20	20	20
	Impact of Welfare Reform	15	0	0
	Adherence to Procurement Procedures	15	15	15
	DSG - outturn compilation	5	0	0
Total - Corporate Services		70	35	35
Assurance Audits - Children's Services				
	Schools General - School Improvement	80	80	80
	Effective Use of Management Information - Safeguarding	0	15	0
	Corporate Financial Management	10	0	0
	Framework i	0	10	0
Total - Children's Services		90	105	80
Assurance Audits - Social Care, Health and Housing				
	Housing Repairs	25	20	20
	Domiciliary Care Framework Agreement	10	0	0
	Financial Management	15	0	0
	Direct Payments	15	0	0
	Local Welfare Provision	0	15	0
	Independent review of Care Homes Contract Model	10	0	0
	Housing Tenancy Management	0	15	0
	Care Homes - Accreditation Scheme for Dementia	0	10	0

Total - Social Care, Health and Housing	75	60	20
Assurance Audits - Sustainable Communities			
CIL	0	15	15
Section 278 Agreements	15	0	0
Total - Sustainable Communities	15	15	15
Assurance Audits - Governance			
Information Governance - application of framework	0	0	15
Corporate Governance - application of framework	0	15	15
Officers Declaration of Interests - Follow Up	5	0	0
Members Declaration of Interests	5	0	0
Officers Hospitality and Gifts - Follow Up	5	0	0
Members Hospitality and Gifts - Follow UP	5	0	0
Total - Governance	20	15	30
Assurance Audits - Contracts and Partnerships			
Contracts Management	20	20	20
Impact of Community Right To Challenge	0	0	15
Partnership Governance	0	15	0
Value for Money review of spend on legal advice	15	0	0
Total - Contracts and Partnerships	35	35	35
Assurance Audits - ICT			
Public Health data - assurance on Information Management/disaggregation			
Application Reviews	0	15	0
Customer First Information Security	15	0	0
Virtualised Data Centres	0	0	15
SAP Master Data Maintenance post ESS/MSS	0	15	0
IT Disaster Recovery	10	10	10
SAP Access and Security	10	10	10
ICT Governance Phase 2	15	0	0
Third Party Hosting	0	0	15
IT activities delivered outside IT	0	0	15
IT Network Management and Security	15	0	0
Total - ICT	65	65	65
Assurance Audits - Public Health			
Review of SLAs	15	0	0
Public Health Integration	0	15	0
Total - Public Health	15	15	0
Assurance Audits - Assets			
Corporate Asset Management Strategy	0	15	0
Asset Management System	0	15	0
Total - Assets	0	30	0
Special Investigations			
National Fraud Initiative (NFI)	20	20	20
Special Investigations	40	40	40
Pro Active Anti Fraud:			

	Timesheet claims	10	0	0
	Expense claims	10	0	0
	Internet and Email systems	0	10	0
	Voluntary funds	0	10	0
	Cash income	0	10	0
	Bank Accounts and Bank Imprests	0	0	10
	Use of purchasing Cards	0	0	10
	Total - Special investigations	80	90	80
	Ad Hoc Consultancy etc,			
	Risk Management Activities	35	35	35
	Supporting Annual Governance Statement	5	5	5
	Audit of Individual Grants	20	20	20
	General Advice	20	20	20
	Head of Audit Chargeable Against Plan	60	60	60
	Benchmarking Exercise	5	5	5
	Contingency	105	160	265
	Total - Ad Hoc Consultancy etc.	250	305	410
	Carry over Work			
	Completion of reviews in progress as at 31st March	150	120	120
	Total - Carry over Work	150	120	120
	TOTAL CHARGEABLE DAYS REQUIRED	1260	1260	1260
		1260	1260	1260

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Meeting: Audit Committee
Date: 8 April 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.

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.

RECOMMENDATIONS:

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 February 2013.

Progress on the 2012/13 Internal Audit Plan

Managed Audits

13. Work is progressing on the 2012/13 Managed audit reviews and the progress made to date is summarised in Appendix A. Final Phase 1 reports have been issued for the majority of the key systems. Work is in progress for Asset Management and SWIFT Financials.
14. 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).

15. Phase 2 substantive testing, covering the period November – March 2012 is currently ongoing and the outcome of this work will be reported to the June Committee.

Other Audit Work

16. In addition to work on managed audits, work has been finalised on the following reviews:
Pro Active Anti Fraud Review – Appendix E payments – no opinion given due to nature of review
Assurance on Client Charging – Adequate Assurance
Amphill Day Centre – Adequate Assurance
17. 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 Data Security Standards (PCIDSS).
18. 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)

19. We continue to complete work around the National Fraud Initiative (NFI). Work has commenced on the 2012/13 matches. Work on previous matches is still ongoing. In addition to outcomes already reported to the Committee relating to 2010/11 matches, an overpayment of £12,455 relating to Housing Benefit Fraud has been identified as part of this exercise. This is currently being recovered.

Fraud and Special Investigations

20. No investigations have been concluded since the last Committee.
21. A programme of pro active anti fraud reviews, informed from the review of the Fighting Fraud Locally initiative and the Audit Commission's publication Protecting the Public Purse 2012 has been included in the 2013/16 Strategic Audit Plan, which is considered elsewhere on this agenda.

Schools

22. The rolling programme of school audit visits has continued. To date this year 15 school reports have been finalised and a further 2 draft reports have been issued. The opinions given are summarised within Appendix A. Schools receiving a No Assurance opinion receive a follow up audit visit. Where schools are issued with a Limited Assurance opinion, Internal Audit seeks confirmation that agreed actions have been implemented.

Performance Management

23. 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.

24. **Activities for 1st April 2012 – 28th February 2013**

KPI	Definition	Current Year		Previous Year		Annual target
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	92%	73%	78%	73%	80%
KPI02	Percentage of the number of planned reviews completed.	67%	66%	66%	66%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	59%	80%	60%	80%	80%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	76%	80%	61%	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.	85%	80%	100%	80%	80%
KPI06	Overall customer satisfaction.	93%	80%	83%	80%	80%

25. Analysis of indicators:

KPI01 – As at the end of February Internal Audit has delivered a total of 1202 productive audit days against a total of 1,300 planned days for the year. This is above the target of 73%.

KPI02 – This KPI measures final reports issued to date. 67% 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 – 59% 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 February 76% 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. The reduction in performance compared to last year is due to sickness absence within the Internal Audit Team.

KPI06 – A total of 26 surveys have been sent out. 19 responses have been received to date. The responses received have been positive.

Internal Audit Charter

26. To help management, employees, Members and contractors understand how Internal Audit interacts with the organisation when carrying out its work an Internal Audit Charter has been produced. This was last presented to the Audit Committee in April 2012. The Charter has been reviewed and no significant changes are required. Therefore the Charter has not been represented for approval. The amendments made include reference to the new Public Sector Internal Audit Standards and the appointment of Ernst and Young as the Council's external auditors.
27. CIPFA has recently published a Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards to help local authorities apply the new standards. The Charter will be reviewed against this guidance to ensure that it covers the requirements of the standards.

Conclusion and Next Steps

28. 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 outstanding reviews, and the outcomes will be reported to the next Audit Committee.

Appendices:

Appendix A – Progress on Audit Activity

Background Papers:

None

Location of papers:

N/A

Appendix A

**2012/13 Internal Audit
Plan
Summary of Progress as at end February 2013**

<u>Audit Title</u>	2012/13	Position as at end February 2013	Opinion
	Days		* indicates draft opinion
Managed Audits (Key Financial Systems)			
Accounts Payable/Purchase Ledger	30	Final P1 report issued	Adequate
Accounts Receivable/Sales Ledger	30	Final P1 report issued	Adequate
Asset Management (incl. Asset Register)/Capital Accounting	30	Draft report prepared	
Council Tax	40	Final P1 report issued	Full
Housing Benefits	45	Final P1 report issued	Adequate
Main Accounting Systems (MAS)	25	Final P1 report issued	Adequate
National Non Domestic Rates NNDR	40	Final P1 report issued	Full
Payroll	40	Final P1 report issued	Limited
SWIFT Financials	15	P1 fieldwork completed.	
Framework i (Children's Services Case Management System)	15	Deferred	n/a
Treasury Management	25	Final P1 report issued	Adequate
Housing Rents	25	Draft P1 report issued	Adequate*
Cash and Banking (Income)	20	Final P1 report issued	Adequate
Assurance Audits - Corporate Services			
Partnership Agreements and Joint Working	20	Deferred	n/a
Performance Management (i.e. Data Quality Management BVPIs)	20	Scoping in progress	
Major Projects	20	Ongoing support provided to a number of projects including SAP Optimisation, SWIFT Disaggregation, Welfare Reforms, and Payment Card Industry Data Security Standard Scheme (PCIDSS)	n/a
Assurance Audits - Children's Services			
Safeguarding Vulnerable Children	20	Deferred	n/a
Commissioning/Out of Authority	20	Final report issued.	Adequate
Schools General - School Improvement	120	To date in 2012-13, 15 reports have been finalised and another 2 issued at draft stage.	Adequate - 7 Limited - 6 No assurance - 1 Follow Up - satisfactory progress - 1

Assurance Audits - Social Care, Health and Housing			
Personalisation/individual budgets	20	Scoping in progress	
Commissioning/Contracting	20	Work in progress	
Local Management of establishments (including Day Centres)	20	1 final report issued. 3 further reports in progress	1 x adequate
Financial Management	20	No longer required in 12/13. Substituted by ADASS And Village Care Scheme audit.	n/a
Village Care Scheme		Work in Progress	
Association of Directors of Adult Social Services (ADASS) workbook - self assessment model for care providers		Draft report issued.	
Assurance Audits - Sustainable Communities			
Carbon Reduction Commitment (Sustainability)	15	Removed from plan. Substituted by Leighton Buzzard Theatre Follow Up audit.	n/a
Leighton Buzzard Theatre Follow Up		Final report issued.	Satisfactory progress.
Assurance Audits - Governance			
Ethical Governance	5	In progress	
Assurance Audits - Contracts and Partnerships			
Service Level Agreements - Follow up	15	Draft report prepared.	
Contracts Management	20	Scoping in progress	
Assurance Audits - ICT			
Information Security (hosted services)	0	IT audit programme reviewed and this audit no longer required. IT Contract management substituted.	n/a
SAP Access & Authorisations	0	As above.	
IT Governance	15	In progress	
SAP Access and Security (incl IT DR)	15	To be undertaken in May.	
IT Contract Management	20	In progress	
Special Investigations			
National Fraud Initiative (NFI)	40	Ongoing. Required data sets provided to Audit Commission. Data matches currently being reviewed.	
Special Investigations	80	No reviews finalised since last meeting.	
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
Ad Hoc Consultancy etc.			
Annual Governance Statement	5	Work concluded on 11/12 statement. 2013/14 Draft AGS in preparation.	

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 reviewed.	n/a
General Advice	20	Ongoing	n/a
Contingency	92	Used to support major projects, work on Fighting Fraud Locally, and Fraud Benchmarking Work	n/a
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
Completion of reviews in progress as at 31st March:	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 report issued	Adequate
Local Mgmt of Establishments: Domiciliary Care Units		Site visits completed	
Contract Management		Final report issued	Limited
Proactive Fraud: Appendix E Payments		Final report 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
TOTAL CHARGEABLE DAYS REQUIRED	1300		

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Meeting: Audit Committee
Date: 8 April 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.

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 February 2013. 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 4 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
Total	4

- 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. Three reports containing high risk recommendations have been issued since the last update.

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.	3	0	0	3	6	
Recs:						
Completed GREEN	5	0	0	5	10	63
Ongoing- On schedule for completion within timescales GREEN	4	0	0	0	4	25
No work started Within target GREEN	0	0	0	0	0	0
Ongoing with deadline missed AMBER	1	0	0	1	2	12
No work started Deadline missed RED	0	0	0	0	0	0
Total Recs.	10	0	0	6	16	100

19. Appendix D provides the details of the 2 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 6 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 February 2013
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
Total			20	16	0	4	0	0	

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Details of Monitoring of High Risk Internal Audit recommendations as at End February 2013 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	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	
Payroll 2012-13 Phase 1	27/02/13	end December 2013	5	1	4	0	0	0	
Total			10	5	4	1	0	0	

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
Assurance on Client Charging 2011-12	08/02/13	end Nov 2012	2	2	0	0	0	0	
Amphill Day Centre	28/02/13	end Jan 2013	3	3	0	0	0	0	
Total			6	5	0	1	0	0	

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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

Recommendation R1 :

The financial procedures for asset management, debt recovery, leasing, insurance and risk management should be documented if not already done so, published on the Intranet, and regularly reviewed and maintained on the Intranet thereafter.

Rationale for Recommendation:

The Systems Documentation and Walkthrough Testing review 2009/10 identified that the financial procedures for asset management, debt recovery, leasing, insurance and risk management had not been documented and published on the intranet.

Target Dates:

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).
April 2013 – only Asset Management now outstanding.

Current Position and Explanation for Slippage:

The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors.

The Insurance, Debt Recovery and Leasing Financial Procedures have all been updated and are on the Intranet as is the Risk Management Strategy.

Asset Management Financial procedures have been drafted and are currently being reviewed within the organisation. It is anticipated that they will be published on the intranet before the end of April 2013.

Payroll 2009/10

<p>Recommendation R2: It should be ensured that timesheets and travel claims are appropriately approved prior to payment.</p>
<p>Rationale for Recommendation: The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.</p>
<p>Target Dates: August 2010 September 2011(revised) March 2012(revised) June 2012 (revised) End December 2012 (revised) End April 2013 (revised) End June 2013</p>
<p>Current Position and Explanation for Slippage:</p> <p>Slippage in the implementation of this recommendation has occurred as the processing of travel and expense claims became part of the ESS/MSS implementation project. This project enables claims to be completed and authorised on-line with the authorisation of claims being a line manager responsibility based on the organisation structure. Travel claims went “live” on 25th February 2013 and timesheets are expected to follow in June 2013. No audit review has been undertaken on the new system yet. The manual completion and authorisation of claim forms is expected to continue in some service areas for the next year due to restricted access to the necessary ICT.</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 (revised)
30 June 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 are being embedded with payroll service providers via schools. The process has been agreed with all parties, including Teachers' Pensions. The collection of data will be monitored via schools and pensions returns are expected from April 2013 onwards.

A further audit review of Teachers Pensions has been included within the 2013/14 Internal Audit plan.

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)

Please refer to presentation by the Head of Information Assets, elsewhere on the agenda.

Current Position and Explanation for Slippage:

Please refer to presentation by the Head of Information Assets, elsewhere on the agenda.

Appendix D

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

Corporate Services

Contract Management

<p>Recommendation R1: 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>Rationale for Recommendation: 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>Target Dates: End September 2012 (revised) End November 2012 (revised) End February 2013 (revised) End July 2013</p>
<p>Current Position and Explanation for Slippage: 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. The publication of the revised guidance documents is now on hold pending the commencement of the new Chief Procurement Officer and the review of contract management by V4 in April 2013. (See also Risk Update report – linked to Strategic risk STR0007, and operational risks RES020006, and RES020005).</p>

Social Care, Health & Housing

Housing Rents

<p>Recommendation R2: Regular reconciliations of the Housing Rents system to SAP should be completed by Finance staff.</p>
<p>Rationale for Recommendation: 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>Target Dates: 30th April 2012 (revised) 31st August 2012 (revised) 30th September 2012 (revised) 31st January 2013 30th June 2013</p>

Current Position and Explanation for Slippage:

The first reconciliation to the 2012/13 financial year was completed on 15/03/2013.
The two systems were reconciled up to the end of February 2013, but the reconciliation has yet to be completed regularly on a quarterly basis.

Meeting: Audit Committee
Date: 8 April 2013
Subject: 2013/14 Audit Committee Outline Work Programme
Report of: Chief Finance Officer
Summary: This report sets out the proposed work programme for the Audit Committee for 2013/14.

Advising Officer: 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:

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

Financial:

1. Although there are no financial risks from the issues identified in the report, the outcome of an effective Audit Committee is for the Council to better manage its risks, thereby increasing protection from adverse events.

Legal:

2. None arising directly from the report.

Risk Management:

3. None 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 agree the Work Programme as attached at Appendix A.

Background

10. In order for the Audit Committee to discharge its responsibilities, as detailed in the Constitution, a proposed work programme has been developed.
11. Appendix A contains the key agenda items that the Committee will need to consider during the year.
12. Additional items may be identified during the year.

Conclusion and Next Steps

13. The Work Programme is an outline proposal at this stage and is subject to change as the year progresses, as determined by the Audit Committee.

Appendices:

Appendix A - Proposed Audit Committee Work Programme 2013/14.

Background Papers:

None

Location of papers:

N/A

Audit Committee Work Programme 2013/14

Date	Agenda Item
24 June 2013	<p>Reports from Internal Audit</p> <ul style="list-style-type: none"> • Annual Internal Audit Opinion • Tracking of Internal Audit recommendations <p>Reports from External Auditors</p> <ul style="list-style-type: none"> • External Audit Update • External Audit Interim report (if required) • External Audit Fees Letter 2013/14 <p>Other Reports</p> <ul style="list-style-type: none"> • Draft Annual Governance Statement <p>Presentations</p> <ul style="list-style-type: none"> • Statement of Accounts certified by the Chief Finance Officer
23 September 2013	<p>Reports from Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress report • Tracking of Internal Audit recommendations • Risk Update Report <p>Reports from External Auditors</p> <ul style="list-style-type: none"> • Annual Governance Report <p>Other Reports</p> <ul style="list-style-type: none"> • Final Annual Governance Statement • Audited Statement of Accounts
13 January 2013	<p>Reports from Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress report • Tracking of Internal Audit recommendations • Risk Update report <p>Reports from External Auditors</p> <ul style="list-style-type: none"> • External Audit Update • Annual Audit Letter • Certification report 2012/13 <p>Other Reports</p> <ul style="list-style-type: none"> • Statement of Accounts 2013/14 update on changes
31 March 2013	<p>Reports from Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress report • Tracking of Internal Audit recommendations • Risk Update Report, including revisions to Risk Management Strategy • Annual Internal Audit Strategy and Annual Internal Audit Plan • Internal Audit Charter <p>Reports from External Auditors</p> <ul style="list-style-type: none"> • External Audit Opinion Plan 2013/14 • External Audit Fees Letter 2014/15

Appendix A

	<ul style="list-style-type: none">• Annual Grant Claims and Returns report 2012/13• External Audit Update <p>Other Reports</p> <ul style="list-style-type: none">• Draft Annual Governance Statement• Audit Committee Outline Work Programme
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